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UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION  
ENTERGY SERVICES, INC. DOCKET NOS. ER05-1065-000  
ER09-555-000

JOINT FERC and STATE REGULATOR CONFERENCE  
ON THE STATE OF TRANSMISSION IN THE ENTERGY REGION  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION  
ARKANSAS PUBLIC SERVICE COMMISSION  
LOUISIANA PUBLIC SERVICE COMMISSION  
MISSISSIPPI PUBLIC SERVICE COMMISSION  
PUBLIC UTILITY COMMISSION OF TEXAS  
AND  
COUNCIL OF THE CITY OF NEW ORLEANS

DATE: June 24, 2009  
TIME: 9:00 A.M.  
LOCATION: Charleston Place Hotel  
Cyprus and Dogwood Rooms  
205 Meeting Street  
Charleston, SC  
REPORTED BY: SUSAN KENNEDY CRAWFORD,

1

Registered Professional Reporter

## NOTABLE PERSONS PRESENT:

CHAIRMAN JON WELLINGHOFF, FERC  
CHAIRMAN PAUL SUSKIE, ARKANSAS  
CHAIRMAN BARRY SMITHERMAN, TEXAS  
COUNCILMEMBER SHELLEY MIDURA, NEW ORLEANS  
COMMISSIONER JAMES FIELD, LOUISIANA  
COMMISSIONER BRANDON PRESLEY, MISSISSIPPI  
COMMISSIONER SUEDEEN KELLY, FERC  
COMMISSIONER PHILIP MOELLER, FERC  
COMMISSIONER MARC SPITZER, FERC  
COMMISSIONER CLYDE HOLLOWAY, LOUISIANA  
COMMISSIONER ERIC SKRMETTA, LOUISIANA  
CHAIRMAN LAMBERT BOISSIERE, LOUISIANA  
COMMISSIONER COLETTE HONORABLE, ARKANSAS  
COMMISSIONER OLAN REEVES, ARKANSAS  
COMMISSIONER LEONARD BENTZ, MISSISSIPPI  
CHAIRMAN LYNN POSEY, MISSISSIPPI

## ALSO PRESENT:

MARK MCCULLA, ENTERGY  
RANDY HELMICK, ENTERGY  
BRUCE REW, SPP ICT  
NICK BROWN, SPP ICT  
MICHAEL SPARKS, GDF SUEZ NORTH AMERICA  
REBECCA TURNER, ENTEGRA  
TERRY HUVAL, LAFAYETTE UTILITY SYSTEM  
SETH BROWN, EAST TEXAS ELECTRIC COOPERATIVE  
KIP FOX, AMERICAN ELECTRIC POWER

1                   MR. WRIGHT: Well, good morning,  
2 everyone. My name is David Wright and I am -- I  
3 probably have the most sought-after position in  
4 the SEARUC region, and that is the position of  
5 immediate past president of SEARUC. I turned my  
6 duties over this morning.

7                   I hope you've had a chance to be here  
8 at least for a day and to see Charleston and to  
9 experience what we have here in the lowcountry of  
10 South Carolina. If not, I hope you have some  
11 opportunity today/tonight to go tour the city a  
12 little bit and eat some of the great food that we  
13 have.

14                   On behalf of the South Carolina  
15 Commission, I would like to welcome you to this  
16 FERC/State Regulator conference. I know it's a  
17 big deal and you've got a lot planned. We've got  
18 the Federal Government present, we've got southern  
19 cities and states banded together, and we're in  
20 Charleston.

21                   I think we've been down this road  
22 before. Charleston -- if you walk the streets of  
23 Charleston, I'm sure you will find someone here  
24 who still believes the war's still going on and  
25 that we're winning. Charleston, as we've talked

1       this morning, they know how to pick a fight, don't  
2       necessarily know how to finish it.

3               But, really, I'd like to welcome you  
4       here. I hope that it's productive. Paul Suskie  
5       has done a great job getting this organized, and I  
6       commend him and Barry and the states:  
7       Mississippi, Louisiana, Texas and Arkansas. I  
8       know you've had a lot to do and the FERC to get  
9       together on this.

10              This is really -- I think it's  
11       unprecedented, so I hope that you have a great  
12       dialogue and I hope you get a lot accomplished.

13              And with that, I'm going to turn this  
14       over to Chairman Wellinghoff from the FERC. It's  
15       nice to have you in Charleston. It's nice to meet  
16       you finally, sir, and to the other Commissioners  
17       here: Ms. Kelly, Mr. Spitzer and Mr. Moeller.  
18       Thank you. If there's anything we can ever do,  
19       call us.

20              And with that, take off, sir.

21              MR. WELLINGHOFF: Thank you. And  
22       thank you, President Wright, and I'd like to thank  
23       you and your SEARUC colleagues to allow us to hold  
24       this conference in connection with your annual  
25       meeting.

1           I am very pleased to be in this  
2 historic city with such an impressive gathering of  
3 retail regulators representing the Entergy region,  
4 and I'd like to thank Chairman Suskie for his  
5 leadership in bringing us all together for this  
6 unique opportunity. He's really been a leader in  
7 this effort.

8           Also, I'd like to thank Chairman  
9 Smitherman, Commissioners Field and Presley and  
10 Councilmember Midura for their leadership and  
11 dedication in this effort.

12           And finally, I wish to -- I have a  
13 little computer error here. Let me switch to the  
14 backup here. I wish to thank the panelists and  
15 the staff from my agency as well as the staff from  
16 state commissions and counsel for their efforts at  
17 making this gathering possible.

18           I'd also like to recognize my fellow  
19 FERC Commissioners for coming to this meeting:  
20 Commissioner Kelly, Commissioner Moeller and  
21 Commissioner Spitzer. I thank you all for being  
22 here.

23           This conference continues the dialogue  
24 FERC had with retail regulators in the region as  
25 called for by the order which we approved, the

1 Independent Coordinator Transmission, ICT. In  
2 that order, we committed to have regular meetings  
3 with state commissions in order to gauge the  
4 effectiveness of the ICT arrangement.

5 Over the past few years, this outreach  
6 has been conducted informally by FERC staff and  
7 all of you. Based on feedback from these informal  
8 dialogues, the idea of the joint regulators'  
9 meeting led to this meeting and finally took shape  
10 in the conference here today.

11 The ICT proposal was approved by FERC  
12 in April of 2006. The ICT was a culmination of  
13 various proposals by Entergy over the past ten  
14 years to address, among other things, transmission  
15 access on Entergy system. While these various  
16 proposals were being developed, certain hearings  
17 and audits were being conducted by FERC to examine  
18 access on Entergy system. These proceedings were  
19 terminated, as at the time, the hope was that the  
20 ICT arrangement would alleviate many of the  
21 underlying concerns in those proceedings.

22 In essence, the ICT's role is to  
23 administer Entergy's open access transmission  
24 tariff, respond to transmission service requests,  
25 analyze Entergy's investment plans and oversee a

1 weekly procurement process.

2 The ICT arrangement was approved as an  
3 experiment with a four-year term which is set to  
4 expire November of 2010. In a recent order  
5 addressing Entergy's weekly procurement process,  
6 the FERC required Entergy to file by November of  
7 2009 their plans going forward after the  
8 expiration of the experimental ICT arrangement.

9 There have been successes under the  
10 ICT arrangement, as I'm sure we'll hear about from  
11 our panelists. For instance, transmission is  
12 being developed to address a critical load pocket  
13 in the southern Louisiana area.

14 Additionally, stakeholders and  
15 regulators generally agree that the ICT effort as  
16 administrator of the Entergy OATT and reliability  
17 coordinator for Entergy system have had a positive  
18 impact in providing incremental improvements  
19 particularly by providing increased transparency;  
20 however, we continue to hear concerns that the  
21 arrangement has not lived up to expectations.

22 Efforts to develop and implement the  
23 weekly procurement process have been much slower  
24 than originally anticipated. Questions have been  
25 raised about transmission expansion identified by

1 the ICT and Entergy's willingness to construct,  
2 concerns have been raised over the authority of  
3 the ICT, and we continue to hear allegations  
4 concerning lack of transmission investment and  
5 continued high levels of congestion in the region.

6 Finally, while not part of the ICT  
7 arrangement, but related is the future of the  
8 Entergy system agreement. Given the filings of  
9 Entergy Arkansas and Entergy Mississippi to  
10 withdraw from the Entergy system agreement,  
11 there's considerable uncertainty as to how the  
12 Entergy operating companies will operate in the  
13 future.

14 So what do we hope to get out of this?  
15 Well, as I said during my first meeting as  
16 Chairman, we are at a critical juncture in the  
17 development of our nation's energy policies. Our  
18 existing infrastructure too often is inefficient  
19 and will not be capable of meeting our nation's  
20 energy futures, needs and challenges without  
21 substantial changes. Transmission access and  
22 infrastructure have been at the center of the  
23 debate within the region for a number of years.

24 Additionally, the past few years have  
25 shown that this region is susceptible to

1       devastating hurricanes. This is especially  
2       magnified given the region's critical role in the  
3       electric industry as well as in refining natural  
4       gas production, gathering and interstate  
5       transportation.

6                Added to this challenge is the  
7       possibility of a nationwide renewable portfolio  
8       standard and with it, the need to move forward  
9       aggressively with options to address issues now  
10      under consideration in Congress, including  
11      creating extra high-voltage backbone transmission  
12      systems to deliver renewables.

13              Much of the renewal resources in this  
14      region are to the Northwest and the Southwest  
15      Power Pool located in the Panhandle of Texas,  
16      Oklahoma, Kansas and Nebraska. SPP has a planning  
17      process in place to address renewables. In fact,  
18      the states and SPP have a long history of  
19      collaboration and cooperation in dealing with  
20      these issues.

21              Chairman Suskie and Chairman  
22      Smitherman have experienced first hand in this  
23      process. Our position has been and continues to  
24      be that RTO membership is voluntary. The option  
25      to extend the ITC arrangement is also voluntary,

1 as it is designated to expire by its own terms  
2 unless a filing is made to extend the term.

3           Regardless of the model going forward,  
4 though, whether it's RTO membership and extended  
5 form of the current ITC arrangement or something  
6 else, it's clear that the region -- that regional  
7 high-voltage transmission issues involve more than  
8 wind utility.

9           Seams issues, effective transmission  
10 planning and cost allocation issues easily affect  
11 neighboring utilities and must be coordinated. I  
12 believe it is critical that we use this unique  
13 opportunity to collectively gain a comprehensive  
14 understanding of the issues facing the region in  
15 the hope to address a common interest, to ensure a  
16 robust transmission system and unfettered access  
17 and to arrive at a consensus as to the best way  
18 for this region, going forward, to achieve these  
19 goals.

20           Finally, there's a few procedural  
21 matters. After the conclusion of our introductory  
22 remarks of the Commissioners here at the dais, we  
23 will move forward with our morning panel in which  
24 SPP and Entergy will present an overview of ITC's  
25 annual report and Entergy's transmission system,

1 including next steps after the expiration of the  
2 ITC arrangement.

3 After a break for lunch, we will have  
4 an afternoon panel and the stakeholders will share  
5 their perspectives regarding Entergy's  
6 transmission system and the state of the ITC  
7 arrangement.

8 In each of the two panels, the  
9 panelists will give short presentations, after  
10 which we'll have an opportunity for short dialogue  
11 and questions. Then if there's time remaining,  
12 we'll take questions from the floor. If you wish  
13 to ask a question from the floor or provide a  
14 comment, please sign up with Helen Shepherd.

15 Helen? Where is Helen? Helen?

16 Oh, she's in the back. Okay.

17 Sign up with Helen. She's a FERC  
18 staffer and she has the control of the sign-up  
19 sheet.

20 As a reminder, we will be using a  
21 timer for each speaker, including panelists and  
22 commissioners. Our schedule today is tight, so  
23 let's try to stay within the allotted times.

24 Finally, at the conclusion, at 3  
25 o'clock, we intend to go into some discussion of a

1 wrap-up and overview of what we have done during  
2 the day.

3 With that, I'll turn it over to  
4 Chairman Suskie.

5 MR. SUSKIE: Well, thank you,  
6 Chairman, and on behalf of Commissioner Honorable  
7 and Commissioner Reeves from the Arkansas  
8 Commission, I want to thank you as well as  
9 Commissioners Spitzer, Moeller and Kelly for your  
10 leadership in this historic meeting of Entergy's  
11 retail and federal regulators.

12 I would be remissed if I did not begin  
13 my comments by specifically and personally  
14 thanking Louisiana Public Service Commissioner  
15 Jimmy Field. It was during a conversation in New  
16 Orleans that the idea of this meeting was born. I  
17 appreciate your thoughts on this, your leadership  
18 and helping to set today's dialogues with Entergy,  
19 Entergy's regulators and the ICT as well as  
20 stakeholders of the Entergy's transmission system.

21 I would also like to thank Barry  
22 Smitherman of the Texas Commission who I've gotten  
23 to know as a member of the Regional State  
24 Committee within SPP.

25 I do want to note for the record that

1 we have separated Commissioner Smitherman and  
2 Commissioner Field because of a little baseball  
3 game going on between Texas and LSU. If you don't  
4 know, it's one to one, and the deciding game, I  
5 think, is tonight; so we've got to make sure that  
6 we get out in time.

7 I would like to recognize Commissioner  
8 Brandon Presley with the Mississippi Commission.  
9 We've had an opportunity to get to know each  
10 other. I appreciate your leadership with this, as  
11 well as Shelley Midura, Councilwoman from the City  
12 of New Orleans. Not only do I love your town, I  
13 think after coming to Charleston, I found the town  
14 just as hot and humid, though, as New Orleans, and  
15 I appreciate your participation. I look forward  
16 to a dialogue with you in the future.

17 My comments this morning are on behalf  
18 of the Arkansas Public Service Commission, and  
19 it's with these comments that I hope to accomplish  
20 two things.

21 First, I hope to provide a historical  
22 and a current perspective of the ICT, including  
23 the Arkansas Commission's concern regarding the  
24 historical lack of transparency in the Entergy  
25 transmission system planning and concerns

1 regarding the adequacy of Entergy's transmission  
2 system.

3 Second, I hope to offer five questions  
4 for today's participants to answer to help guide  
5 today's discussion. I offer these five questions  
6 in a way that the fifth one is a charge to my  
7 fellow regulators as to how we might use what we  
8 learned here today to continue this historic  
9 dialogue in the future.

10 The Arkansas perspective. On June  
11 7th, 2006, the Arkansas Public Service Commission  
12 filed a complaint against Entergy at FERC under  
13 Section 205, 206 and 207 of the Federal Power Act.  
14 In the Arkansas Commission's complaint, we asked  
15 FERC to investigate a number of issues.

16 Pertinent to today's conference, the  
17 Arkansas Commission asked FERC to investigate the  
18 adequacy of Entergy's transmission system and  
19 direct Entergy to make all necessary upgrades to  
20 ensure that Entergy's transmission facilities  
21 provide reliable, adequate and economic service.

22 Arkansas's complaint was followed by  
23 petitions of a number of parties to intervene in  
24 that complaint docket. For today's purpose, to  
25 cite the number of intervenors are too numerous to

1 state.

2           However, reading those pleadings, I  
3 can deduce that the Arkansas complaint had broad,  
4 simple rapport among intervenors, particularly the  
5 part of the complaint questioning the reliability  
6 and adequacy of Entergy's transmission system.

7           On June 1st, 2007, almost a year  
8 later, the FERC dismissed the Arkansas  
9 Commission's complaint, without prejudice.  
10 Principally, FERC dismissed the complaint based  
11 upon the reforms that ICT was expected to bring to  
12 the Entergy system.

13           Of interesting note is the  
14 encouragement our FERC Commissioners made in their  
15 closing paragraph of their order dismissing  
16 Arkansas's complaint, and in that paragraph, they  
17 gave encouragement to the Arkansas Commission on  
18 what we should do if the ICT arrangement does not  
19 address the problems with the Entergy transmission  
20 system.

21           And I quote the last paragraph of that  
22 order. And in the handout that you have, it  
23 should be the second page of the handouts that we  
24 have out there. And I quote the last paragraph of  
25 FERC's order.

1           It says: Because all of these actions  
2 have recently been implemented or will be  
3 implemented in the near future, it is premature to  
4 assess their impact on alleviating generation and  
5 transmission problems on the Entergy system. If  
6 the reforms described above -- referring to the  
7 ICT -- do not remedy the concerns expressed by the  
8 Arkansas Commission, we encourage it to renew its  
9 complaint.

10           Now, two years have passed since FERC  
11 dismissed Arkansas's complaint and more than two  
12 and a half years have passed since the ICT has  
13 been in operation. Today, we have an opportunity  
14 as stakeholders to follow FERC's guidelines and  
15 assess whether the ICT has had an impact on  
16 alleviating generation and transmission problems  
17 on the Entergy system.

18           On September 25th, 2008, the Arkansas  
19 Public Service Commission initiated our  
20 transmission document known as Docket 08-136-U.  
21 This docket serves as the Commission's inquiry  
22 into the transmission issues, both with the  
23 Entergy system and in the SPP RTO region. As a  
24 part of our transmission docket, we asked Entergy  
25 stakeholders for comments on the ICT in response

1 to filed ICT reports.

2 Subsequent to these filings, the  
3 Arkansas Commission conducted a hearing on April  
4 6th, 2009. Following the hearing, the Commission  
5 asked for post written hearing comments. On May  
6 29th of this year, the Arkansas Commission issued  
7 Order Number 10 in our transmission docket, and in  
8 that order, we had four critical findings that I  
9 think are pertinent for today's hearings.

10 If you turn the page of that handout  
11 to the next page, you'll see what I'm quoting from  
12 our order. These findings are Finding Number 1:  
13 that the ICT experiment as failed -- has today  
14 failed to deliver significant benefits to EAI  
15 customers;

16 Secondly, and on a positive note, that  
17 the ICT has provided increased transparency on the  
18 Entergy system, enhanced transmission access and  
19 helped to address transmission congestion;

20 Finding Number 3: that most  
21 stakeholders agree that the planning process  
22 administered by the ICT to develop both the base  
23 plan and the ISTEP are beginning to identify  
24 reliability and economic expansion projects;  
25 however, the process used by Entergy to finalize

1 the construction plan lacks both independence and  
2 transparency;

3 And, fourth, the Arkansas Commission  
4 found: that Entergy has consistently made clear  
5 that Entergy and only Entergy decides what  
6 facilities are built under the construction plan.

7 So it's with the differences between  
8 the transmission plans developed by the ICT and  
9 the actual plans to be built by Entergy with the  
10 construction plan that I direct you to the next  
11 two pages of the handout.

12 The first page of the handout on the  
13 right-hand side is titled the ICT Base Plan  
14 Upgrades. These are the upgrades that were put  
15 together by the ICT for reliability purposes.  
16 On the second page or the page following is  
17 Entergy's Construction Plan Upgrades.

18 If you -- for brevity sake, I won't go  
19 through them all, but as you flip back and forth  
20 between the two pages, what you can see is  
21 upgrades from the ICT base plan do not necessarily  
22 appear -- or do not appear in Entergy's  
23 construction plan upgrades. You can also see from  
24 the dates, if you flip back and forth, how many  
25 plans for upgrades have been delayed.

1           I'll give you a couple examples. If  
2 you take a look at Northwest Arkansas and you take  
3 a look at the Grandview to Osage, you can see it  
4 says: Summer 2009, is what the ICT recommended.  
5 Entergy's construction plan changes it to 2012.

6           You can see, just southeast of there,  
7 from St. Joe to Hilltop, the ICT calls for an  
8 upgrade. You flip the page to the Entergy  
9 construction plan upgrade and it's not on the map.

10          You can take a look to Northern  
11 Mississippi, between Getwell and Batesville, the  
12 ICT base plan proposes an upgrade. You go to the  
13 construction plan, it is removed.

14          You can go further south to the State  
15 of Louisiana and you can see a number of projects  
16 that have been removed or actually have been  
17 delayed with the construction plan. And you can  
18 go on and look forward at the differences between  
19 the two.

20          On May 14th, 2009, the ICT and Entergy  
21 jointly filed its SPP report on these differences  
22 and the differences between the 2009 ICT base plan  
23 and the 2009-2011 Entergy construction plan. Of  
24 concern to the Arkansas Commission is the fact  
25 that of the 20 base plan projects not included in

1 the construction plan, 13 of them were rejected by  
2 Entergy, only to Entergy's and only Entergy's use  
3 of Note B to satisfy NERC standards.

4 In light of the significant  
5 differences between the ICT base plan and the  
6 Entergy construction plan, I suggest we go back  
7 and look at FERC's April 24th, 2006, Entergy ICT  
8 order. In that order, FERC addressed the very  
9 issue of how to handle differences in the  
10 construction plan and the base plan when FERC said  
11 -- and you can turn your slides to the next page  
12 for the quote.

13 It says: With respect to the  
14 arguments raised by Calpine, Nucor and Lafayette  
15 concerning differences between the construction  
16 plan and the base plan, we agree with Entergy.  
17 The Planning Protocol provides the ICT and  
18 affected regulators the opportunity to weigh in on  
19 divergences and for Entergy to revise its  
20 construction plan based upon regulatory feedback.  
21 This will ensure that any upgrades needed for  
22 reliability purposes will be accounted for in the  
23 construction plan, i.e., those reliability  
24 upgrades in the base plan that are not in the  
25 construction plan.

1                   So in light of FERC's dismissal,  
2                   without prejudice, of the Arkansas complaint  
3                   against Entergy on June 1st, 2007, and FERC's  
4                   April 24th, 2006, order approving the ICT,  
5                   Entergy's regulators and Entergy transmission  
6                   system's stakeholders have an opportunity here  
7                   today to follow the advice of FERC.

8                   And Number 1, what we can do. Assess  
9                   whether the ICT has had an impact on, quote:  
10                  alleviated generation and transmission problems on  
11                  the Entergy system; two, to, quote, weigh in, in  
12                  FERC's word, quote, divergences between the ICT  
13                  base plan and the Entergy's construction plan;  
14                  and, three, to voice how Entergy should revise its  
15                  construction plan based upon regulatory feedback.

16                  Well, I can think of no better forum  
17                  for regulatory feedback than all of the regulators  
18                  in one room. So it is with this background that I  
19                  offer five questions for today's participants to  
20                  answer that will help guide today's discussions.

21                  If you turn to the last page of the  
22                  handout, I have the five questions. Number 1:  
23                  What is your assessment as to whether the ICT has,  
24                  quote, alleviated generation and transmission  
25                  problems on the Entergy system?

1                   Question Number 2: What are your  
2 concerns, if any, regarding the divergences  
3 between the ICT base plan and Entergy's  
4 construction plan?

5                   Number 3: What steps, if any, should  
6 be taken between now and the end of the ICT  
7 arrangement to improve the ICT?

8                   Number 4: What should happen with the  
9 transmission planning in the Entergy system when  
10 Entergy's ICT contract with SPP ends in November  
11 2010?

12                   And fifth is a question for all, but I  
13 think it's more directed towards Entergy's retail  
14 regulators, which is Number 5: What steps should  
15 Entergy's retail regulators take to continue this  
16 historic dialogue in working together to ensure  
17 that generation and transmission problems on the  
18 Entergy system are alleviated?

19                   Thank you again, Chairman Wellinghoff,  
20 for your leadership, and my fellow Regulatory  
21 Commissioners and FERC Commissioners. I look  
22 forward to today's dialogue.

23                   MR. WELLINGHOFF: And thank you very  
24 much, Chairman Suskie, and I now turn to Chairman  
25 Smitherman.

1                   MR. SMITHERMAN: Good morning. Let me  
2 first say thank you to Chairman Wellinghoff, thank  
3 you to Chairman Suskie for putting this together.  
4 I'd say welcome and thanks to my fellow  
5 Commissioners from the other seven states and then  
6 thanks for all the FERC Commissioners for being  
7 here as well.

8                   I have to tell you, I'm not sure I've  
9 seen such accumulated energy policy knowledge  
10 gathered in one room, at least not during my time  
11 in this space, except, of course, there was that  
12 one famous individual who was said to have dined  
13 alone. Of course, I'm referring to Pat Wood.

14                   This meeting is both coincidental and  
15 precedent when it comes to Texas and Entergy  
16 Texas. And when I say Entergy Texas, I'm just  
17 going to refer to that part of Texas down in the  
18 southeast where Entergy has its service territory.  
19 Because, you see, it was almost exactly five years  
20 ago today when the Texas Commission in Docket  
21 28-8-1 (a) denied the petition of Entergy Gulf  
22 States from certification of an independent  
23 transmission organization for the Entergy  
24 settlement area of Texas.

25                   In that denial, the Commission

1 determined that the Entergy proposal did not meet  
2 the requirement that the independent organizations  
3 shall be sufficiently independent of any producer  
4 or seller of electricity or that its decisions  
5 will not be unduly influenced by any producer or  
6 seller. The Commission went on in that particular  
7 finding to direct Entergy Gulf States to consider  
8 joining the Southwest Power Pool.

9 Now, this was one in a number of steps  
10 that Entergy Texas had been directed to take as a  
11 result of the passage of Senate Bill 7 in 1999  
12 which, of course, took Texas down the road from a  
13 retail competition, at least in the ERCOT market,  
14 and the Texas Commission had determined that the  
15 Entergy service territory in Texas was not ready  
16 for competition, but, nevertheless, had continued  
17 to direct them to work forward in that mission.

18 Admittedly, I think Entergy Texas was  
19 a bit confused after our holding, and as a result,  
20 in the 2005 session of our legislature, a  
21 modification to the plan was put in place which  
22 directed them to come forward with a selection of  
23 a qualified power region, to do that no later than  
24 the end of 2005, I believe, and then to come  
25 forward with a transition to competition plan

1 approximately a year later.

2 Both of those were done by Entergy  
3 Texas, and the Commission took them under  
4 advisement, but because of almost universal  
5 opposition to the transition to competition plan,  
6 that plan was never accepted, modified or denied  
7 by the Texas Commission. In their qualified power  
8 region filing, Entergy Texas said, well, we could  
9 either stay in service or we could go to SPP or we  
10 could go to ERCOT, and their preferred position  
11 was to migrate to ERCOT.

12 Now, Paul, your notice of this meeting  
13 back in March is nearly precedent because that was  
14 in the middle of our last legislative session.  
15 Our members concluded that session on June the  
16 2nd, and one of the bills that came out of that is  
17 very important to today's conversation, and that's  
18 Senate Bill 1492.

19 Now, let me just describe a couple of  
20 provisions of that bill. That bill directs the  
21 PUC of Texas to cease all activities related to  
22 the transition to competition for Entergy Texas.  
23 The PUC may still certify a power region, but a  
24 new transition to competition plan may not be  
25 approved until four years after the power region

1 has been certified.

2           Senate Bill 1492 also authorizes the  
3 PUC -- and, John, you guys are going to love this  
4 -- to order an ERCOT utility to sell power to  
5 Entergy Texas or vice versa in the case of a  
6 natural disaster or an emergency like a hurricane.  
7 There is a provision that says that if we  
8 determine that we shouldn't do that, we have to  
9 explain why. And I said, well, it's probably  
10 because the FERC told us no. But I was unable to  
11 get that into the legislation.

12           And lastly, Senate Bill 1492 requires  
13 Entergy Texas to demonstrate in its request for a  
14 CCN or its recovery of purchased power that it has  
15 considered environmental integrity at the lowest  
16 cost to consumers in its application. And I must  
17 tell you that that provision was put in by a  
18 merchant generator. No surprise there.

19           So, Chairman Wellinghoff and Chairman  
20 Suskie, as we discussed today, there are three  
21 considerations, several of which, John, you have  
22 already articulated, that are of particular  
23 importance to me and I would think my fellow  
24 Commissioners on the Texas Commission.

25           One is: How do we prepare and do all

1 we can to build transmission so that we can  
2 recover quickly from hurricanes and natural  
3 disasters in the Texas Gulf Coast?

4 Number 2: How do we facilitate the  
5 delivery of renewable energy to the citizens of  
6 Southeast Texas?

7 We're proud that Texas in the ERCOT  
8 region leads in renewable generation on our grid,  
9 but, of course, that generation is unable to make  
10 its way to the citizens of Southeast Texas in the  
11 Entergy Texas service territory.

12 And lastly, we have to be mindful of  
13 air quality issues. There are two regions of this  
14 territory that are nonattainment: the  
15 Beaumont/Port Arthur/Orange area and the greater  
16 Houston area.

17 So once again, let me thank everyone  
18 for being here. As we go through the remainder of  
19 today, I'll be looking for input on these three  
20 issues that are of importance to us.

21 MR. WELLINGHOFF: Thank you very much,  
22 Chairman Smitherman. If we could now turn to  
23 Mr. Field.

24 MR. FIELD: Thanks, Chairman  
25 Wellinghoff. I do want to thank Paul Suskie for

1 his leadership and my fellow Commissioners from  
2 Louisiana and from the four states.

3 I've been on the Commission 13 years.  
4 This is the first time that I can ever recall that  
5 we had all the regulators of Entergy system here  
6 along with the FERC Commissioners, and thank y'all  
7 very much for being here.

8 This is an issue, when I came on the  
9 Commission, that it was always thought that it was  
10 kind of a hybrid, that it was FERC's -- it was  
11 interstate in nature, so it was FERC's  
12 responsibility, and yet we had the obligations of  
13 retail rate-making and so forth, and I think it  
14 was always a concern of the State Commission that  
15 we were guarding our jurisdiction.

16 But we haven't been successful in  
17 moving and having a robust transmission system on  
18 the Entergy system in Louisiana, particularly, and  
19 we know now -- and I think this is why this is  
20 historic -- that we need the cooperation of FERC  
21 as well as all the regulators to move forward from  
22 today. So thank y'all for being here.

23 I'm going to try to -- in a few  
24 moments, I have -- I'll follow Paul's lead and  
25 say, what is your assessment as to whether ICT has

1       alleviated generation transmission problems on the  
2       Entergy system?

3               My assessment is that we've had some  
4       successes. The transparency in the planning  
5       process, the participation of the intervenors has  
6       been successful. It just gets -- when you get to  
7       the third question on what happens after the  
8       planning's done, the recommendations are done and  
9       made in the ISTEP proposal, then it's turned  
10      completely over to Entergy to make the  
11      construction decisions.

12             We formed a task force on May 19th to  
13      try to at least include our staff, also two  
14      representatives from the transmission users group  
15      to get a little more transparency, but I think  
16      that is just a makeshift, temporary thing until we  
17      decide what we're going to do with the ICT or is  
18      it going to be a move to the SPP.

19             But it's a -- I'm embarrassed to say,  
20      almost for 12 years, since 2000, we have been  
21      trying to get Entergy to be efficient and a study  
22      of its projects and get them to construction, and  
23      that is not working. And we've had some  
24      improvements recently in Amite South of which  
25      we're grateful for, but the process is too slow.

1                   If you see the difference in the TLRs  
2                   on Entergy's transmission system and, say,  
3                   Southern Company or the SPP companies, it's  
4                   shocking. We're in a heat wave now. If something  
5                   goes wrong today, we could possibly have blackouts  
6                   in our region, and that is a very big concern I  
7                   have about the system and how do we go from here.

8                   We're not using the most economic  
9                   dispatch. We're fortunate in Louisiana to have a  
10                  lot of generation from merchants and so forth, but  
11                  we're not able to utilize it because we don't have  
12                  the transmission. And many times, it might be  
13                  more economic. It certainly -- and rather than  
14                  running your 30- or 40-year-old reliability units,  
15                  if you had more robust transmission, I think we  
16                  could access the more robust units which would  
17                  save natural gas, it would be better for the  
18                  environment, and it would be better for the  
19                  ratepayers.

20                  And so those are the issues that I see  
21                  that we need to work on. And what I would like to  
22                  suggest is that perhaps the four states petition  
23                  to FERC to revise the energy tariff, to give ICT  
24                  the powers that they need that SPP has, and make  
25                  sure the funding ensures that they're independent.

1                   But the ICT has done a lot of good  
2 things. They have a grasp of the system. They  
3 have made recommendations. It would only be the  
4 four states involved. And truthfully, it's easier  
5 for me to go to the ratepayers and say, we're  
6 going to help Arkansas upgrade a few things, but  
7 it's going to help the whole system, than if I  
8 have to say, well, we're going to upgrade  
9 something in Kansas or Oklahoma and you're going  
10 to help pay for it.

11                   But just as a practical matter, you've  
12 got somebody that knows the system; and if we  
13 could empower them to make the construction  
14 decisions just like SPP has, I would like to see  
15 that considered as an alternative, because we  
16 could do that right away. We could have meetings  
17 with the state regulators, petition to FERC and  
18 see if we couldn't get this done right away,  
19 because it needs to be done timely.

20                   And that's one of the problems I see  
21 and I would like everybody to consider that, along  
22 with I'm very interested in the cost-benefit study  
23 that Arkansas has ordered Entergy to come back  
24 with in July. But I would like to throw it out to  
25 the audience and to the FERC Commissioners, my

1        fellow regulators and see if -- what if we just  
2        empower the ICT to do what SPP does and move  
3        forward? We could do that in maybe 90 days, and  
4        then we wouldn't have to wait till termination of  
5        the ICT in 2010.

6                    So those are my thoughts today. But  
7        I'm very grateful for everybody's participation,  
8        and I think it is critical to the United States to  
9        have a good transmission system. And I don't feel  
10       like we're doing our part in the Entergy's  
11       footprint, and I'm committed and I've been  
12       committed for years to try to get this upgraded,  
13       and so I welcome the assistance of FERC and other  
14       regulators. Thank you.

15                   MR. WELLINGHOFF: Thank you,  
16       Commissioner Field. Commissioner Presley.

17                   MR. PRESLEY: Thank you, Chairman  
18       Wellinghoff, and thank you, Chairman Suskie, who  
19       has been such a leader on this issue. He has been  
20       able to give a Commissioner like me with 18 months  
21       of experience on the job a pretty good crash  
22       course on transmission.

23                   Commissioner, I appreciate that. To  
24       our other Commissioners here, I thank you.

25                   The Chairman of the Mississippi

1 Commission is with us today, Commissioner Lynn  
2 Posey. I know he is glad to be here.

3 Also, I saw him in the room, the  
4 Attorney General of our state. Attorney General  
5 Jim Hood is in the audience today, and I thank  
6 these officials for being here.

7 I don't plan today to give a  
8 historical recap, as Commissioner Suskie's already  
9 done a great job of that. Commissioner  
10 Wellinghoff has, also.

11 I think, though, it's important for  
12 us, as Commissioner Field said, to look at where  
13 we go from here, what are the plans as we go  
14 forward and to look at the situation currently.

15 The old saying of a picture is worth a  
16 thousand words really suffices today when you look  
17 at the ICT base plan and you flip the page and  
18 look at the construction plan. Of particular  
19 importance to me -- I represent the northern part  
20 of Mississippi. There are several projects on  
21 there that not only have been removed from the  
22 plan, but also have been delayed years after when  
23 they were proposed by the ICT.

24 Again, a picture's worth a thousand words. I  
25 think that those pictures in that slide

1 presentation give us a clear presentation today of  
2 the issues related to the ICT.

3 I hope to offer some sort of an answer  
4 to at least two of Commissioner Suskie's proposals  
5 today that he asked we, state retail regulators,  
6 to consider, and I think that maybe you can kill  
7 two birds with one stone.

8 This historic meeting and the  
9 Commissioners' dialogue among state regulators has  
10 been extremely beneficial, I think I can say, for  
11 everybody, for all involved. This type of  
12 collaboration and cooperation among state  
13 legislators should not end today, but should  
14 become a permanent, a permanent fixture in the  
15 evaluation and monitoring of Entergy's  
16 transmission system.

17 It's my sincere hope that we can leave  
18 today from this meeting with clear ideas for  
19 improving or enhancing the ICT or taking what  
20 other steps are necessary, whether that be  
21 whatever it is, to ensure that Entergy's  
22 transmission system is open, robust and accessible  
23 and that the decisions that Entergy makes related  
24 to what transmission upgrades they decide to do  
25 and which ones they don't decide to do are

1 transparent to all of those who are affected,  
2 including state regulators.

3 One way to help achieve these goals  
4 and to answer some of Commissioner Suskie's  
5 questions, especially Questions 3 and 5 in his  
6 slide presentation, would be, in my opinion, for  
7 there to be created a permanent mechanism within  
8 the ICT for state regulatory participation and  
9 evaluation akin to the Regional State Committee  
10 that exists already within the SPP's RTO function.

11 This permanent board, if created, as  
12 Commissioner Field said, could do a lot of things.  
13 We could have a lot of options. It would enable  
14 state regulators the opportunity to, Number 1,  
15 join the concept already proposed with the  
16 Arkansas Public Service Commission, that there be  
17 conducted a cost-benefit ratio across the Entergy  
18 system of what would a full RTO membership look  
19 like, what savings would there be should Entergy  
20 fully join the RTO and to look at that in hard  
21 numbers.

22 We know for a fact that there are  
23 several things that should be considered and  
24 should be looked at objectively and independently  
25 and have SPP to do that type of study.

1                   Also, we would continue this dialogue  
2                   that has been very helpful. I echo the comments  
3                   of everybody who has said already how  
4                   unprecedented it is to have the four Entergy  
5                   states together with the FERC sitting here today  
6                   in this dialogue. I think it shows great progress  
7                   and shows a unified front for protecting the  
8                   public interest.

9                   I think that this continued dialogue  
10                  could obviously continue through a mechanism  
11                  implemented within the ICT that would bring state  
12                  legislators -- excuse me -- state regulators  
13                  together in a formal setting to make sure that  
14                  this dialogue stays open, and it would bring  
15                  transparencies to the differences between the  
16                  ICT's base plan and Entergy's construction plan,  
17                  and it would bring more transparency and what is  
18                  at issue today of not only what is built, but what  
19                  is not built, what has not been built, why -- and  
20                  answer the questions of why the delays in certain  
21                  transmission upgrades.

22                  And it would help in the interim, as  
23                  Commissioner Field already alluded to, for the  
24                  state regulators to be able to monitor and  
25                  evaluate the process as we go forward heading to

1       that looming deadline of November when Entergy has  
2       to give a decision.

3               I thank all of the participants today,  
4       and I particularly want to thank Chairman  
5       Wellinghoff again for providing us with this  
6       opportunity, and I appreciate your allowing  
7       Mississippi to be a part of it.

8               MR. WELLINGHOFF: Thank you,  
9       Commissioner Presley. I appreciate it.  
10      Councilmember Midura.

11              MS. MIDURA: Good morning and thank  
12      you very much for inviting us here. I think this  
13      event is tremendously important as we grapple with  
14      this issue of transmission. For New Orleans, it's  
15      a huge problem.

16              In the end, we need to be less  
17      transmission constrained, and I'm not sure that  
18      that's happening quickly enough or in an objective  
19      enough fashion. We share many of the concerns,  
20      particularly those that echoed -- or those stated  
21      by Commissioner Field.

22              I'm going to give you a brief three  
23      points that will come out of my comments. We need  
24      an independent, objective study about Entergy  
25      joining in the RTO. We need a transparent and

1 objective transmission planning and construction  
2 process which includes objective measurements and  
3 a realistic time line. And as I said before, at  
4 the end of the day, we need to be less  
5 transmission constrained.

6           You all may know that New Orleans City  
7 Council regulates and has jurisdiction over retail  
8 energy and gas service provided by Entergy New  
9 Orleans and Entergy Louisiana to the operating  
10 companies on the Entergy system. I'm the Chair of  
11 the Utility Committee, and in that capacity, I'm  
12 here representing the Council.

13           New Orleans is unique. There are few  
14 cities that have regulatory jurisdiction over  
15 investor-owned electric utility companies. We  
16 also have several unique characteristics from an  
17 electrical perspective. New Orleans exists in the  
18 Entergy's transmission-constrained Amite South  
19 area and has little local generation, so it must  
20 rely heavily on imported power.

21           The transmission lines that serve the  
22 New Orleans area are heavily constrained.  
23 Although Entergy is making some local transmission  
24 improvements, New Orleans is still hostage to the  
25 limited ability of Entergy's transmission system

1 to import power.

2 New Orleans has been ravaged by  
3 hurricanes, including Katrina, Ike and Gustav.  
4 Although these storms have caused a reduction in  
5 load, many residents and businesses, I'm happy to  
6 say, have returned. We are also economically  
7 challenged, with over 20 percent of our residents  
8 at or below the poverty line.

9 The entire Council, including the  
10 Utility Committee, is responsible for protecting  
11 our consumers from unreasonable retail electric  
12 and gas rates while ensuring that Entergy New  
13 Orleans has sufficient revenue to invest in its  
14 system and maintain reliable service. We've been  
15 involved in many initiatives to carry out these  
16 responsibilities, recently approving a retail rate  
17 settlement that provides Entergy New Orleans with  
18 a reasonable return on its investment.

19 That settlement established an energy  
20 efficiency program, Energy Smart. Additionally,  
21 we have established a docket to assist Entergy New  
22 Orleans with integrated resource planning to  
23 provide for reliable and economic energy for years  
24 to come. These are just some of the demand-side  
25 initiatives spearheaded by the Council to keep

1 rates affordable for our citizens.

2           Unfortunately, efficiency is not  
3 enough. New Orleans needs an improved  
4 transmission system and access to lower cost  
5 generation, both existing and newly developed.  
6 Transmission lines have been damaged in the  
7 past and are susceptible to recurring damage from  
8 hurricanes and floods. Construction of new local  
9 generation capacity also is part, but not all of  
10 the answer, because generation facilities located  
11 in New Orleans are also routinely susceptible to  
12 hurricane and flood damage.

13           As damage from Hurricanes Ike and  
14 Gustav revealed in 2008, transmission upgrades are  
15 necessary. According to Entergy press releases,  
16 Gustav caused a loss of power to over 705,000 --  
17 705,000 customers in Texas, Louisiana and  
18 Arkansas, including 17,700 customers in New  
19 Orleans. Flooding was also an issue in the  
20 low-lying southeast Louisiana parishes. Gustav  
21 knocked out 241 transmission lines across  
22 Entergy's system, including 13 of the 14  
23 transmission lines serving New Orleans.

24           According to Entergy, this created a  
25 situation where the New Orleans metropolitan area

1       -- and I'm quoting -- and the corridor along the  
2       Mississippi River between New Orleans and Baton  
3       Rouge essentially became an island, no longer  
4       electrically connected to the rest of the Entergy  
5       system and the electricity grid for the Eastern  
6       United States.

7                 Today's conference, as you know, is  
8       about the ICT experiment, to identify successes,  
9       shortcomings and where to go from here. The  
10      Council views the ICT as not entirely successful,  
11      more like a mixed bag of limited results.

12                On the positive side, the ICT  
13      experiment has improved transparency regarding  
14      Entergy's transmission planning and scheduling  
15      process and an understanding of available flowgate  
16      capacity calculations. This transparency has  
17      exposed what the Council perceives to be  
18      significant limitations on the ability of the  
19      entire Entergy transmission system to accommodate  
20      transaction with -- transactions with  
21      non-Entergy-affiliated generation. The first two  
22      years of ICT operations have clearly shown that  
23      the Entergy/ICT's participant funding approach has  
24      not resulted in any significant transmission  
25      construction in Entergy's footprint.

1                   Frankly, we're no better off this year  
2                   or last year than the years before. And as we  
3                   look at hurricanes for the future, how are we  
4                   going to stop being on this island in a balancing  
5                   act, trying to get transmission generation into  
6                   our city during these kind of events like Gustav?

7                   On the negative side, the Council  
8                   simply does not perceive any real market benefits.  
9                   The ICT experiment has not really promoted  
10                  transmission development beneficial to New Orleans  
11                  customers, improved access to competitive,  
12                  non-Entergy generation resources, or eliminating  
13                  transactional barriers that limit or restrain  
14                  trade such as regional pancaked rates and other  
15                  seams between Entergy and its neighboring control  
16                  areas, including the SPP.

17                  When the ICT was first proposed, the  
18                  Council hoped that the weekly procurement process  
19                  would improve competition among generators to  
20                  provide energy and capacity at lower costs while  
21                  avoiding many of the complexities and costs  
22                  associated with Entergy's full-blown participation  
23                  in an RTO like the SPP.

24                  In fact, reflecting upon Entergy's  
25                  projections, the WPP was the only facet of the ICT

1 proposal that was projected to provide any real  
2 savings for Entergy New Orleans retail ratepayers.  
3 Unfortunately, WPP implementation was excessively  
4 delayed, which necessarily limited any benefits  
5 that might be realized.

6 Just to reiterate, we hope that at the  
7 conclusion of this meeting there will be some  
8 consensus on the need for an objective study about  
9 whether or not Entergy will join in the RTO and  
10 that there's a transparent and objective  
11 transmission planning and construction process  
12 with an objective measurement and realistic time  
13 lines. Thank you.

14 MR. WELLINGHOFF: Thank you,  
15 Councilmember Midura. I want to thank all my  
16 fellow Commissioners for their remarks.

17 At this time now, we'll turn to SPP,  
18 to Nick Brown and Bruce Rew, to give about a  
19 15-minute presentation, please. Nick?

20 MR. BROWN: Thank you, Chairman  
21 Wellinghoff, and all the Commissioners and shares  
22 of the State Commissions. We're excited to have  
23 an opportunity to address everyone at one table.  
24 We have done our best over the past several years  
25 to make the rounds and visit with each of you

1 individually, but it is nice to sit and have the  
2 dialogue with everyone sitting around the same  
3 table.

4 Our view about four years ago when the  
5 concept of the ICT was presented to us was that it  
6 was a step in the right direction, but shy of  
7 achieving the full benefits of RTO membership.  
8 And I can tell you my personal assessment and  
9 those of our staff and, obviously, many of you is  
10 that now, two and a half years after  
11 implementation, our forecast has been verified.  
12 It was a step in the right direction, but shy of  
13 achieving optimum benefits.

14 It's easy for me to say, because we  
15 have several Southwest Power Pool members who are  
16 either partially or wholly embedded within the  
17 Entergy system and are unable to take advantage of  
18 the full benefits of being SPP members.

19 With that, I'm going to turn it over  
20 to Bruce to recount the past two and a half years'  
21 experiences, steps to move forward and improving  
22 the ICT relationships, and then I'll conclude  
23 SPP's remarks at the end of his presentation.

24 MR. REW: Well, thank you and good  
25 morning. My name is Bruce Rew and I'd like to

1 cover the primary activities at the ICT forums and  
2 talk about some of their successes and challenges  
3 that we face.

4 First, the ICT acts as the reliability  
5 coordinator for the Entergy system. And in that  
6 capacity, we perform daily and real-time  
7 assessments to ensure the reliability of the  
8 system, and that activity's governed by the  
9 industry standards for reliability coordinators.

10 As mentioned, the ICT has experienced  
11 a significant number of TLRs and TLR Level 5's  
12 which is a curtailment of proper service, but I  
13 think it's important to note that we've also  
14 maintained reliability through the two times  
15 you've cited.

16 The first summer, SPP experienced a  
17 significant heat wave across the southeast, and  
18 last summer, as already mentioned, we maintained  
19 reliability through two significant hurricanes.

20 As part of that, we worked with the  
21 stakeholders to develop a reliability improvement  
22 plan, looking at different ways that we can  
23 improve and respond to those TLR events and act on  
24 the reliability of the system.

25 A couple things we've been successful

1 with is upgrading transmission constraint at the  
2 McAdams Flowgate which experienced significant  
3 amount of TLRs. We've also worked to improve the  
4 native network load calculations, working with the  
5 stakeholders in that process.

6 Some things that we have to look  
7 forward to and continue to work on is the  
8 transmission outage plan, ensuring that we have an  
9 accurate planning process there, as well as  
10 looking at additional reliability upgrades on  
11 those significant flowgates that cause a lot of  
12 TLR, and we're also looking at other reliability  
13 improvement plans that we can put in place.

14 The ICT also administers the tariff  
15 for the Entergy system. That includes all aspects  
16 of Entergy's open access tariff, including  
17 calculating the transfer capability, performing  
18 generation interconnection assessments as well.  
19 The ICT responds to all requests on the OASIS  
20 system for transmission service and independently  
21 deny or accept those requests based on the  
22 transmission capability of the system.

23 Some benefits that we've achieved is  
24 certainly the added transparency and information  
25 on the ATC/AFC process that's already been

1 mentioned, and we've also managed a significant  
2 increase in transmission service requests that  
3 have been experienced over the two and a half  
4 years that we've performed this function. We have  
5 increased the data exchange and coordination with  
6 neighboring systems and worked to reduce the AFC  
7 calculation errors that have been experienced.

8           Some things that we're currently  
9 working on and looking forward to is that we're in  
10 the process of migrating to a new OASIS system for  
11 Entergy, and that's requiring a significant amount  
12 of effort for us and testing and process  
13 development for that new system.

14           We're also continuing to work on AFC  
15 data exchange with inter-regional seams,  
16 coordination of those neighboring systems and  
17 continuing to pursue the improvement  
18 of the AFC process through stakeholder working  
19 groups and in an open process addressing what they  
20 view as the highest priorities for us.

21           The third function that we've worked  
22 on is the ICT transmission planning. We are  
23 responsible for the Entergy's transmission  
24 planning process. As been mentioned, we developed  
25 a transmission base plan, and that's what

1 identifies transmission facilities who have a need  
2 for reliability in the Entergy system, and Entergy  
3 then develops a transmission construction plan  
4 from that.

5 We also developed a cost allocation  
6 per Attachment T in which the ICT determines  
7 whether these facilities through their base plan  
8 or supplemental upgrades based on their need for  
9 reliability and economic upgrades.

10 Some accomplishments and benefits is  
11 certainly a development of a base plan process,  
12 determining what facilities are needed for  
13 reliability. We've also developed what we call an  
14 ICT strategic transmission expansion plan which is  
15 a ten-year look at transmission facilities' need  
16 for reliability and economics of the system.

17 We've worked to facilitate things such  
18 as the Acadiana load pocket upgrade which provided  
19 approximately \$200 million in transmission  
20 facilities for reliability and economic purposes.

21 We have facilitated a workshop to help  
22 stakeholders understand the implementation of  
23 Attachment T and how they can be used to develop  
24 transmission expansion through supplemental  
25 upgrades on the Entergy system.

1                   Some things that we're continuing to  
2 work on in transmission planning is further  
3 regional expansion planning. We're working, both  
4 the Southwest Power Pool and neighbors to the  
5 southeast, on regional transmission planning and  
6 continuing to develop the ISTEP and its process  
7 for looking at long-term projects that are  
8 beneficial for the Entergy system.

9                   We also have other activities such as  
10 improving reliability transmission and evaluation  
11 of a Louisiana reliability loop which would help  
12 that area of the country which the results have  
13 shown beneficial.

14                   The next activity that we have is the  
15 weekly procurement process. The ICT oversees the  
16 weekly procurement process that allows the  
17 merchant generators and other wholesale suppliers  
18 to compete to serve Entergy's native load  
19 customers. Entergy's weekly operations group is  
20 responsible for the implementation of that  
21 activity.

22                   As has already been discussed, the WPP  
23 has been delayed due to technical difficulties in  
24 getting the software implemented, but we were  
25 successful in identifying changes to that process

1       which allowed us to implement that earlier this  
2       year.

3               As reported in our recent June 15th  
4       report, the IC -- the WPP has achieved some  
5       savings to Entergy and its customers through  
6       third-party suppliers competing to serve the  
7       native load and produce some savings.

8               Some additional challenges and next  
9       steps for the WPP is to look at increasing  
10      participation in the WPP to continue to improve  
11      the savings. The ICT will continue to evaluate  
12      that process and submit comments and  
13      recommendations regarding the WPP implementation,  
14      and we'll also look at ways just to improve that  
15      process.

16              This will be the first summer that we  
17      have the WPP in place. This will provide us a lot  
18      of information and experience and how we can  
19      improve that process.

20              And the last thing I'd like to mention  
21      is the ICT stakeholder process. I think this is  
22      an important process that was implemented as part  
23      of the ICT in which we've created an ICT  
24      Stakeholder Policy Committee. This is a committee  
25      that provides oversight with all the stakeholder

1 interactions in the ICT process.

2 There's a lot of communication done  
3 through a web site and regular reports to the  
4 committee on the different activities that are  
5 being evaluated, and we have four stakeholder  
6 working groups that meet regularly to discuss the  
7 specific details of near-term issues, long-term  
8 transmission planning issues, the weekly  
9 procurement process as well as data-handling  
10 issues.

11 So that's a brief summary of the  
12 activities that we have going on in the ICT. And  
13 with that, I'd like to turn it over to Nick to do  
14 the next steps.

15 MR. BROWN: Obviously, we're committed  
16 to working with Entergy and all the Entergy  
17 stakeholders in making improvements to the ICT  
18 arrangement. Again, a step in the right  
19 direction. Obviously, there's room for  
20 improvement.

21 SPP is kind of between an interesting  
22 place in our arrangement. The contractual  
23 relationship with Entergy has been a win/win for  
24 us. We believe we've provided very valuable  
25 services to Entergy in a very cost-effective

1 manner. On our side of the equation, it has  
2 reduced SPP's operating costs and it has been a  
3 win/win situation for us in that regard.

4 Full membership, obviously, would add  
5 more value to the SPP side of the equation, and  
6 the challenge before us is to continue to work  
7 with Entergy to show the value on their side of  
8 the equation for RTO membership.

9 I know they went through their  
10 individual evaluation nearly four years ago. I  
11 will tell you, SPP is not an organization it was  
12 four years ago. We have changed in many, many  
13 significant ways. Clearly, many of the changes  
14 that we've undergone were huge, looming question  
15 marks for Entergy's evaluation: How successful  
16 was the implementation of our EIS market to be,  
17 how successful would the implementation of our  
18 planning processes to be?

19 I'm here to tell you, all of those  
20 have been home runs from my personal perspective  
21 and have been documented by a cost-benefit  
22 analysis done under the leadership of our Regional  
23 State Committee.

24 And even in the role of the states,  
25 mentioning the Regional State Committee was a huge

1 unknown four years ago. It's a big known today.  
2 Many of you have participated personally in the  
3 Regional State Committee; others have been, I  
4 guess, a little bit more on the sidelines, but  
5 still very engaged. I could not have imagined,  
6 even when it was on paper four years ago, the  
7 value that our organization would have gotten out  
8 of our Regional State Committee.

9 We have dealt with the tough issues of  
10 how to allocate costs for base plan upgrades. We  
11 have dealt with the tough issue of how to allocate  
12 costs for a balanced portfolio of economic  
13 upgrades, and now we're dealing with even the  
14 bigger picture. I have a vision that transmission  
15 ceases to be the constraining, lagging process in  
16 our delivery of electric power. It has always  
17 been behind the ball. We follow the rest of the  
18 industry.

19 I've stated a number of times in  
20 regulatory processes and I always take the  
21 advantage to hit the nail on the head again.  
22 Today, we have 10 percent of our asset base  
23 constraining 90 percent of our asset base, and  
24 until we start looking at transmission as an  
25 enabler as opposed to a lagging constraint, that

1 will continue.

2 Through optimized regional planning  
3 processes, we can achieve that goal, and I want to  
4 emphasize optimized regional planning processes.  
5 And they don't need to stop at the regional  
6 boundaries. Regardless of where Entergy chooses  
7 to be in the future, we will have regional  
8 boundaries for a long time to come.

9 The challenge is upon us, and we have  
10 as part of our strategic plan a challenge to our  
11 organization to work through seams agreements with  
12 our neighbors, to deal with the tough issue of how  
13 to allocate the costs towards these transmission  
14 upgrades that are needed by our nation.

15 Optimized regional planning is what  
16 would be needed for me to achieve our vision of  
17 transmission becoming an enabler for our industry  
18 as opposed to a lagging constraint. So again,  
19 we're committed to moving forward in those and  
20 look forward to a cost-benefit analysis, whether  
21 it's done on an individual state basis or a  
22 multi-state basis, a regional basis.

23 We've gone through these processes  
24 before under the guidance of our state regulators  
25 and at FERC. It can be done. It's a

1 time-consuming process, but with the engagement of  
2 everyone, I know we'll succeed at the end of the  
3 day of showing the benefits that our members have  
4 enjoyed for the past four years. Thank you.

5 MR. WELLINGHOFF: Thank you,  
6 Mr. Brown and Mr. Rew.

7 We now have from Entergy Randy Helmick  
8 and Mark McCulla for a presentation. Gentlemen?

9 MR. MCCULLA: Good morning. I'm Mark  
10 McCulla, the Vice President of Transmission  
11 Regulatory Compliance with Entergy, and with me is  
12 Randy Helmick, Vice President of Transmission.

13 Pursuant to FERC's instructions, we  
14 submitted a slide deck, and I won't go through all  
15 of those, but I have some extra copies here for  
16 any of you that want those.

17 It's important to provide a little bit  
18 of history on the ICT arrangement, as many of you  
19 may not have been involved and participated in the  
20 evolution and development of the ICT arrangement.  
21 And we think to accurately assess whether the ICT  
22 has fulfilled its objectives, you need to  
23 understand that evolution and that give and take  
24 that occurred in the development of the ICT  
25 arrangement.

1                   So Slide 3, we have the background of  
2                   the ICT arrangement, and this slide is fairly  
3                   self-evident. Our path to the ICT arrangement was  
4                   not a direct one. Instead, it actually started  
5                   with an Entergy/SPP partnership RTO filing in 2000  
6                   and 2001, and then at FERC's specific direction,  
7                   to a SeTrans RTO initiative.

8                   As issues and obstacles were raised,  
9                   we tried to identify ways to address them. Even  
10                  though the previous efforts didn't pan out, the  
11                  FERC retail regulators and market participants  
12                  wanted greater independence and transparency in  
13                  terms of granting and denying transmission  
14                  services, implementing congestion relief  
15                  procedures, and an independent review of the  
16                  adequacy of the transmission system and the  
17                  transmission planning process.

18                 The retail regulators and operating  
19                 companies also wanted a pricing methodology that  
20                 they believed important -- I'm sorry. The retail  
21                 regulators and the operating companies also wanted  
22                 a pricing methodology that they believed important  
23                 to protecting their constituents and customers  
24                 under the circumstances facing the Entergy system  
25                 at the time. And at that time, we saw an influx

1 of over 17,000 megawatts of merchant generation.

2 To put that number into context, the  
3 Entergy operating companies all-time total peak  
4 load, which occurred in July of last year, was a  
5 little over 21,000 megawatts. The retail  
6 regulators wanted to ensure that there would not  
7 be a jurisdictional shift from the FERC -- from  
8 them to the FERC.

9 Working with these often varying  
10 interests, we were able to develop an arrangement  
11 designed to provide independence and transparency,  
12 a cost allocation protection to our customers, and  
13 it did not result in a jurisdictional shift  
14 between FERC and our retail regulators.

15 Moving to Slide 5. The FERC approved  
16 the ICT in April of 2006, but they also recognized  
17 that it would be a work in progress.

18 Slide 6. SPP assumed all ICT-related  
19 functions in November of 2006. Subsequently, many  
20 of the matters addressed under the ICT package  
21 were addressed by FERC in Order 890 which applied  
22 to all transmission providers. In many respects,  
23 Entergy was ahead of the curve when it came to  
24 complying with Order 890. Annual costs for the  
25 ICT are now approximately 18 million, including

1 additional resources in order to meet the 890  
2 responsibilities.

3 So has the ICT fulfilled the  
4 objectives that it was designed to fulfill? In  
5 our view, the answer is clearly yes.

6 Beyond meeting its objectives, has the  
7 ICT provided other improvements? Again, the  
8 answer is yes. And Bruce has gone through several  
9 of those for you.

10 Moving to Slide 9. Has participant  
11 funding been an improvement over the rolled-in  
12 pricing that previously existed for our system?  
13 And we think so. It has done what it was designed  
14 to do.

15 Today, you're going to hear comments  
16 about participant funding not working, that it  
17 hasn't resulted in any transmission being built,  
18 and that isn't accurate.

19 First, you need to understand that  
20 participant funding does not apply to reliability  
21 upgrades. No upgrade in the ICT determines is  
22 needed for reliability is participant funding.

23 Also, so there can be no confusion, I  
24 want to point out that the participant funding  
25 does not change the pricing for point-to-point

1 transmission service. Point-to-point service  
2 continues to be priced on FERC's higher-up pricing  
3 policy.

4 For instance, Entegra claims in its  
5 written comments that participant funding created  
6 a problem for it in obtaining point-to-point  
7 service in their Attachment 1, but our pricing for  
8 Entegra's service request was strictly higher-up  
9 pricing. The higher up the cost of the upgrades  
10 required to grant the service or the cost to the  
11 service at which the embedded cost rate.

12 Participant funding had nothing to do  
13 with it. Participant funding changed only the  
14 pricing for transmission upgrades that are done  
15 for economic reasons. For instance, upgrades  
16 allow those serving entities such as the operating  
17 companies, cooperatives or Lafayette Utilities to  
18 obtain access to more economic generation  
19 resources.

20 Some argue participant funding is a  
21 failure because it hasn't resulted in more  
22 transmission being built. Now, if your goal is  
23 simply more transmission without regard to  
24 economics or who foots the bill, then, yes,  
25 participant funding probably isn't likely to

1 accomplish that goal.

2           However, that wasn't the objective  
3 when participant funding was established. In  
4 fact, it was designed to protect against that type  
5 of behavior. Instead, it was designed to impose  
6 an economic discipline on parties to encourage the  
7 right transmission upgrades to be built. In this  
8 regard, it has worked.

9           Moving to Slide 10. As you can see  
10 from this slide, supplemental transmission  
11 upgrades have been built and funded when the  
12 requested party, including the Entergy operating  
13 companies, has determined that those upgrades  
14 provide them economic benefits either by reducing  
15 the cost of power they use to supply their  
16 customers or by allowing them to sell to  
17 additional purchasers.

18           On Slide 11, it shows the examples of  
19 pricing signals. Additionally, participant  
20 funding has protected our customers from having  
21 costs shifted to them for transactions that  
22 apparently didn't make economic sense. We have  
23 seen several cases where major transmission  
24 upgrades would have been required to make  
25 resources deliverable.

1 Under participant funding, the parties  
2 elected not to move forward with these requests  
3 and, instead, found other resources. Under a  
4 rolled-in pricing policy, no such pricing signals  
5 would have been sent.

6 On Slide 12, while it is true that not  
7 all 17,000 megawatts of IPP generation added to  
8 the system has been able to obtain transmission  
9 service without upgrades, six significant blocks  
10 of long-term transmission service have been  
11 granted to many facilities without upgrades.

12 Further, the failure to obtain  
13 long-term transmission service shouldn't be a  
14 surprise to anyone. New transmission is typically  
15 needed to integrate new generation, but many IPPs  
16 on the Entergy system elected to minimally fund  
17 such upgrades which were optional for them.

18 For instance, Entegra's predecessors,  
19 when they built a 2200 megawatt plant, elected to  
20 spend only \$5.1 million on optional upgrades.  
21 They elected to address only three out of more  
22 than 20 constraints that were identified by  
23 Entergy transmission at the time the plant was  
24 being constructed. Thus, it is hardly surprising  
25 that they cannot always get as much firm

1 transmission service as they request from that  
2 plant.

3 In contrast, the Wichita plant, a 789  
4 megawatt generating unit, approximately \$120  
5 million was spent on transmission to make it  
6 deliverable as an Entergy network resource.

7 The SWEPCo Turk plant, a 600 megawatt  
8 resource, approximately \$80 million was spent  
9 making it deliverable on their system.

10 Slide 13. A number of parties have  
11 submitted criticisms of the ICT arrangement.  
12 These criticisms are not new and we address them  
13 over the next seven slides. Given the limited  
14 time, I won't go into each, but I will speak to  
15 some of these.

16 Some claim that the Entergy system is  
17 -- that we underinvest in transmission facilities.  
18 With this claim of underinvestment, you might  
19 think that the Entergy system couldn't support  
20 transmission service, but the facts say otherwise.

21 Over the last five years, transmission  
22 usage has increased from 42 million megawatt hours  
23 to 52 million. Notably, transmission usage by  
24 nonaffiliates, non-Entergy affiliates has been a  
25 significant portion of that increase.

1 Nonaffiliate usage has increased over 75 percent,  
2 from 18 million megawatt hours to 31 million  
3 megawatt hours.

4 Additionally, over the same five-year  
5 period, Entergy has spent over one and a quarter  
6 million dollars on transmission investments with a  
7 relatively flat load increase as well.

8 Skipping to Slide 15 addressing the  
9 base plan versus the construction plan. As was  
10 mentioned, the ICT recently reported on the  
11 differences between the base plan and the  
12 construction plan and identified 20 projects in  
13 the base plan not included in the construction  
14 plan. Just to be clear, our construction plan  
15 meets the SERC and NERC reliability standards.

16 Skipping over to Slide 19. Entergy  
17 has been working with the SPP staff to agree upon  
18 seams-related items. Entergy and the SPP RTO have  
19 an agreement already that meets the regional  
20 transmission planning requirements under Order  
21 890.

22 Discussions to develop a broader seams  
23 agreement with the SPP RTO are ongoing, including  
24 discussions regarding data-sharing for ATC and AFC  
25 coordination, enhanced transmission planning and

1 enhanced coordination of evaluation of TSRs across  
2 the seam.

3 That brings us to: Where do we go  
4 from here? The initial term, as we've talked  
5 about, of the ICT concludes in November of next  
6 year, and FERC has directed Entergy to submit  
7 plans per arrangements beyond the ICT initial term  
8 by November of this year. The APSC has also  
9 ordered SPP RTO to retain an independent entity to  
10 conduct a cost-benefit analysis related to RTO  
11 membership by December of this year.

12 We're in the process of evaluating  
13 various alternatives, including the enhancement of  
14 the ICT arrangement or joining the SPP RTO. The  
15 ICT was never intended to be a static arrangement  
16 and we, therefore, consider it a work in progress.  
17 It has achieved the objectives, but that doesn't  
18 mean that it can't be improved. We're open to  
19 either option.

20 Our evaluation of continuing the ICT  
21 versus joining the SPP RTO will compare the costs  
22 and benefits in the following primary areas:  
23 administrative costs, transmission cost  
24 allocation, production costs effects of  
25 participating in the RTO energy markets, as well

1 as effects on transmission service revenues. We  
2 intend to work closely with the RTO to ensure that  
3 we understand the RTO structures, procedures and  
4 policies.

5 MR. WELLINGHOFF: I didn't hear the  
6 dead point. I'm sorry. I was thinking of my  
7 questions ahead of time here.

8 Let's take about a 15-minute break and  
9 we'll come back for questions.

10 (A recess transpired.)

11 MR. WELLINGHOFF: So, again,  
12 procedurally, we're going to go with questions at  
13 the front. Each person will have about ten  
14 minutes. Then we will move to -- I'll move to my  
15 fellow Commissioners, my fellow FERC Commissioners  
16 and other State Commissioners if we have questions  
17 there; and then at the end, before lunch,  
18 hopefully, we'll have some time for questions from  
19 the audience as well.

20 And we had a sign-up sheet. I have  
21 about five names on it, and most of the people, if  
22 I'm correct, have actually signed up to ask  
23 questions in the afternoon panel. So I think I've  
24 only got one -- maybe one or two from the audience  
25 for the morning. But if you want to sign up, you

1 can continue to do that.

2 But let me start with my questions,  
3 and I'm going to start with Mr. Brown, Mr. Rew,  
4 and I want to understand better the two planning  
5 processes: the base plan and the construction  
6 plan.

7 Is it my understanding that the base  
8 plan is developed by ICT fundamentally for the  
9 purpose of determining what transmission upgrades  
10 are necessary for the purpose of reliability?

11 MR. REW: Yes, Mr. Chairman, that's  
12 correct. The base plan is developed by the ICT to  
13 assess the transmission upgrades that are needed  
14 for reliability.

15 MR. WELLINGHOFF: So if we look at  
16 Chairman Suskie's slides, Slide 4 that has the ICT  
17 Base Plan Upgrades and the lines on that plan,  
18 those are the ones that ICT has determined are  
19 necessary to maintain the reliability of the  
20 Entergy system; is that correct?

21 MR. REW: That's correct.

22 MR. WELLINGHOFF: So -- and I'm  
23 looking at two specific lines. The Getwell to  
24 Batesville line, that's a 230 kV line?

25 MR. REW: Yes. Yes, Mr. Chairman,

1 it's a 230 line.

2 MR. WELLINGHOFF: Okay. And so do you  
3 remember why that line was necessary for  
4 reliability?

5 MR. REW: I don't specifically  
6 remember.

7 MR. WELLINGHOFF: But in any case, you  
8 determined in your planning analysis that line was  
9 necessary to maintain the reliability of the  
10 Entergy system?

11 MR. REW: Yes. It -- Mr. Chairman,  
12 I'd like to clarify. The primary difference  
13 between the base plan and the construction plan is  
14 the ICT's interpretation of Note B, and Note B  
15 allows for the loss of load with the interaction  
16 between two breakers. And our interpretation was  
17 that the limit of the load should be at 100  
18 megawatts, and Entergy allows a greater amount  
19 than 100 megawatts in their evaluation of it, and  
20 that's one of the primary differences of the  
21 facilities between the base plan and the  
22 construction plan.

23 MR. WELLINGHOFF: And what is the  
24 basis for your interpretation that the loss should  
25 be no more than 100 megawatts?

1                   MR. REW: Our interpretation is that  
2                   at amounts greater than that, that it's too  
3                   substantial of a loss for the system and that you  
4                   should have transmission upgrades to ensure that  
5                   you minimize the loss of load above that.

6                   And we had selected 100 megawatts  
7                   based on the reported quantity of 100 megawatt  
8                   loss of load or greater. So then that way, if you  
9                   have the standard, that's 100 megawatt, or greater  
10                  usage, you have reliability upgrades in place to  
11                  minimize something else at that level.

12                  MR. WELLINGHOFF: So, in other words,  
13                  it's your opinion that to minimize things like  
14                  cascading outages, if you keep this level at 100  
15                  megawatts or below, you'll help -- that's a  
16                  conservative view -- help preserve reliability?

17                  MR. REW: I would not necessarily  
18                  classify these as something that would precipitate  
19                  a cascading outage, depending on the location,  
20                  because some of these are in a more remote  
21                  location; and we're not necessarily precipitating  
22                  a cascading outage, but would have a substantial  
23                  loss of load in our opinion.

24                  MR. WELLINGHOFF: Okay. So if I could  
25                  turn to Entergy, either gentleman who would like

1 to take the question.

2 If we then look at the fifth slide of  
3 Chairman Suskie's, which is the Entergy  
4 construction plan, that you have this line removed  
5 from the Getwell to the Batesville line and there  
6 are a number of other lines as well. I'm just  
7 picking on this one because it's the biggest one  
8 on the map from a standpoint of length and voltage  
9 size as well.

10 Could you indicate for me why you  
11 removed that line from the plan?

12 MR. HELMICK: Mr. Chairman, I can't  
13 speak specifically to that one line, but I will  
14 concur with Bruce's representation that the chief  
15 difference and the reason for the differences  
16 between the base and the construction plan does  
17 tend to be the application of Note B, as he  
18 pointed out. And again, in the ICT's  
19 interpretation, it's more of a deterministic basis  
20 of not dropping 100 megawatt load, as he said.

21 We go a little further in that and try  
22 to do the probabilistic approach of what is the  
23 probability of that occurring and what are the  
24 consequences of that occurring?

25 So that as you pointed out, that is a

1 fairly rural area. If the probability is low and  
2 the consequences of that loss is relatively low  
3 and the cost of preventing the loss is extremely  
4 high, then we would choose to invoke Note B and  
5 not make that investment. And I think that really  
6 is sort of the fundamental drive of the  
7 differences between the construction plan and the  
8 base plan.

9 MR. WELLINGHOFF: And so from a -- I  
10 mean, does that apply to the lines that are in --  
11 that seem to be removed in the Southern Louisiana  
12 area as well? The Coly line, is it, C-O-L-Y?

13 MR. MCCULLA: Yeah, I think -- I think  
14 all the differences, as you would see here, would  
15 fall under those categories that we've talked  
16 about.

17 Let me also ask you --

18 MR. WELLINGHOFF: And let me just  
19 understand. So basically, it's in rural areas, so  
20 they're not as critical; is that --

21 MR. MCCULLA: I wouldn't say they're  
22 all in rural areas or just not as critical, but  
23 it's our evaluation of -- just as Randy talked  
24 about -- the probability of that contingency  
25 occurring, what will occur and what are the costs

1 of those upgrades.

2 Also stating -- you mentioned  
3 cascading outages. There are other standards that  
4 address cascading outages, and we meet those  
5 guidelines as well under the NERC standards. So  
6 none of these would involve contingencies that  
7 would be cascading outages.

8 MR. WELLINGHOFF: Well, then I would  
9 turn -- just one last question. I think I have  
10 time for one.

11 I would like to turn to Page 15 of  
12 your presentation when you talk about the base  
13 plan versus the construction plan, and in one of  
14 your bullets, you state here: Both plans satisfy  
15 NERC/SERC reliability criteria.

16 And as I understand the answers I've  
17 just gotten from both groups, from ICT and from  
18 Entergy, it's not that they both, in fact, satisfy  
19 criteria. They both satisfy different  
20 interpretations of the criteria; is that correct?

21 MR. MCCULLA: That's correct.

22 MR. WELLINGHOFF: Okay. So based upon  
23 which interpretation may or may not be correct,  
24 they may not both satisfy NERC/SERC reliability  
25 criteria?

1                   MR. HELMICK: I would say that I think  
2 the inter -- the correct interpretation may be  
3 verified by the reviews we've had. I just point  
4 out, as in our presentation, that our  
5 interpretation is that we are in means of  
6 compliance, and that's been verified by recent  
7 SERC audits in our transmission planning process.

8                   MR. WELLINGHOFF: Well, I understand  
9 that, but there's a difference in interpretation  
10 between the two of you. So at some point, one  
11 interpretation prevails over the other. Then  
12 ultimately, both plans don't meet the criteria.

13                   I'll let you think about that when we  
14 ask other questions.

15                   Chairman Suskie.

16                   MR. SUSKIE: Thank you, Chairman.

17                   I wanted to go back to the difference  
18 in the base plan and the construction plan. And I  
19 notice in your comments, your response to the  
20 criticism and the difference was, we comply with  
21 SERC and NERC and the next topic.

22                   Mark, when you answered the question  
23 from the Chairman a second ago, you said in our  
24 evaluation. Can you define what you mean by our?  
25 Who is our?

1                   MR. MCCULLA: That would be Entergy's  
2 planning process.

3                   MR. SUSKIE: Is there anybody in this  
4 room that you're aware of that uses Note B in the  
5 manner that Entergy uses Note B?

6                   MR. MCCULLA: I would have to defer to  
7 Doug Powell who's our planning director, but I'm  
8 not aware of that. I don't know if they are or  
9 not. I couldn't tell you.

10                  MR. SUSKIE: My memory is that at  
11 least some part -- were you at the Arkansas  
12 hearing in April?

13                  MR. MCCULLA: I was at part of it.

14                  MR. SUSKIE: Okay. And at one point,  
15 Ricky Biddle with the Arkansas Ledger Coops asked  
16 without question to respond to the Note B issue.  
17 He said he was on the committee that helped draft  
18 the language of Note B and that Entergy's  
19 interpretation is not what the committee's intent  
20 was. Are you aware of that?

21                  MR. MCCULLA: I'm aware of his  
22 comments.

23                  MR. SUSKIE: What is Entergy's  
24 response to that?

25                  MR. MCCULLA: Well, we -- we don't

1 agree with that, obviously, but certainly, the  
2 Standards Writing Committee is reviewing that.  
3 That's one of the ones that they are reviewing  
4 currently. And if that -- if that standard gets  
5 revised, we would certainly comply with that  
6 standard.

7 MR. SUSKIE: Again, you say we again.  
8 Could you clarify who you mean by we?

9 MR. MCCULLA: Entergy.

10 MR. SUSKIE: Okay. Now, I want to go  
11 to -- in your slides, you talk about the reason  
12 that, as we phrased it in the Arkansas order, that  
13 Entergy and only Entergy decides what is built  
14 under the construction plan.

15 In your slides at a couple of points,  
16 you talked about the reason that the ICT was  
17 established this way is because state regulators,  
18 retail regulators wanted to make sure that Entergy  
19 had the authority to decide whether it's built or  
20 it's not built. Is that your understanding?

21 MR. MCCULLA: Yeah. At the time, we  
22 felt like it certainly -- in discussing this  
23 matter with the Commissioners and the feedback  
24 that we got, that was the impression that we got  
25 from the State Commissioners. It was a clear

1 message that that was their position.

2 Whether that's the same now or not,  
3 that's what we're here to work through over this  
4 next year.

5 MR. SUSKIE: If all your retail  
6 regulators supported SPP's interpretation of Note  
7 B and not Entergy's, would Entergy use SPP's -- or  
8 the ICT's interpretation of Note B?

9 MR. MCCULLA: Well, I would think that  
10 that would certainly have a significant impact on  
11 our decision, and, yes, we would certainly  
12 consider that strongly.

13 MR. SUSKIE: But once again, you think  
14 only Entergy should decide how Note B -- even if  
15 every retail regulator says you should use Note B  
16 in the manner that ICT and SPP uses it, you still  
17 say it's up to Entergy to make that decision?

18 MR. MCCULLA: Well, Entergy is  
19 certainly responsible for planning the system, but  
20 we value the Commissioners' input, by all means.

21 MR. SUSKIE: Okay. And one question  
22 I'll ask Commissioner -- Chairman Smitherman  
23 pointed out that one of its first orders that he  
24 ever signed when he was on the Texas Commission  
25 had to do with -- and what? Was it five years ago

1 almost to the day?

2 MR. SMITHERMAN: Almost to the day,  
3 yes.

4 MR. SUSKIE: -- for Entergy to study  
5 going into the SPP RTO. What were the results of  
6 that consideration or that study by Entergy?

7 MR. MCCULLA: I'm not familiar with  
8 those results.

9 MR. SUSKIE: I have no further  
10 questions, Mr. Chairman.

11 MR. WELLINGHOFF: Thank you, Chairman  
12 Suskie. Chairman Smitherman.

13 MR. SMITHERMAN: Just a couple  
14 questions.

15 Mark, in your deck, on Page 14, you  
16 mention: Certain parties continue to oppose the  
17 participant funding method for cost allocation of  
18 transmission upgrades, and then you have a second  
19 bullet that says that: The issue is part of a  
20 continuing national debate over transmission cost  
21 allocation.

22 I guess I would -- I would ask you if  
23 you're familiar with the way we pay for a  
24 transmission in ERCOT?

25 MR. MCCULLA: No, sir, I'm not.

1                   MR. SMITHERMAN: Well, it's not  
2 participant funding. It's an uplift on a load  
3 ratio share. And I would submit to you that we've  
4 been able to build a lot of transmission. We  
5 built about \$3 billion worth of transmission in  
6 the last four, five years. We've got eight  
7 billion on the drawing board, five billion of  
8 which is specifically for renewables.

9                   In the SPP, since I've been involved,  
10 which began last October when I joined the  
11 Regional State Committee, I think it's accurate to  
12 say that we've teased this issue out a lot, and  
13 that the direction that we're heading is if not a  
14 full uplift, at least a significant uplift  
15 transmission enhancement infrastructure.

16                   So I guess I would -- I would  
17 challenge a little bit the notion that perhaps  
18 this is an issue that is not resolved, is not ripe  
19 for resolution, because I think the evidence  
20 points certainly at ERCOT, and I think continuing  
21 -- and I'd ask Nick or Bruce to pine in on this --  
22 continuing forward in the SPP, that in order to  
23 get significant transmission built at higher  
24 capacity, ostensibly for renewables, but for more  
25 than just renewables, that it seems as if we're

1 migrating to an uplift rather than a participant  
2 funding mechanism.

3 MR. WELLINGHOFF: Thank you.  
4 Commissioner Field.

5 MR. FIELD: Thank you, Mr. Chairman.  
6 I just have -- maybe you could help me here.

7 Is your level of TLRs, of three, four  
8 and five TLRs satisfactory to NERC and SERC?

9 It seems like it -- it seems to be out  
10 of line with the ratio of TLRs, particularly  
11 three, four and five. And my question is, does  
12 that meet their criteria?

13 MR. MCCULLA: Well, I don't think  
14 NERC has a specific criteria for the number of  
15 TLRs that are culled. And when you look at TLRs  
16 and what they're used for, it's really a way to  
17 handle congestion when you have a physical right  
18 system that Entergy has versus, say, a  
19 market-based system in a lot of areas that don't  
20 cull TLRs have in place.

21 Entergy is not the leader in TLRs.  
22 There are others that cull more TLRs than Entergy.  
23 When you -- when you look at a TLR and what it  
24 does, it's a way to handle congestion. With the  
25 amount of merchant capacity that was added to the

1 system and the amount of usage on our system, the  
2 amount that is actually scheduled across the  
3 transmission system has gone up significantly.

4 When you have that type of market  
5 interaction on our system that you have, you're  
6 going to have congestion. You're going to have  
7 congestion on any system. It's just the way of  
8 how do you handle that congestion.

9 One way is through TLRs. Another way  
10 is through market-based systems, a Day 2 market or  
11 Helen Bs (sic). So that's what we're dealing with  
12 when we deal with congestion, and we're no  
13 different from any other system that's available.

14 MR. FIELD: If you compare yourself to  
15 Southern Company, for instance, they have hardly  
16 any TLRs. That doesn't mean when you have  
17 congestion, you got to stop load somewhere; you  
18 got to shed load.

19 MR. MCCULLA: No, I wouldn't say  
20 you're shedding load. I would doubt very  
21 seriously that they would be shedding load, but  
22 they're handling the congestion in some other  
23 means, whether that be redispatch or some other  
24 means.

25 I think if you look at the Southern

1 system, they certainly haven't had the amount of  
2 capacity that was added relative to what was added  
3 to the Entergy system.

4 MR. FIELD: I know, but it seems to me  
5 we should take advantage of that. Now, I agree  
6 maybe somebody should pay for it other than the  
7 ratepayers. If it looks like if we've got excess  
8 capacity at 17,000 megawatts, we ought to take  
9 advantage of that.

10 Because I know -- I do know personally  
11 what happens in Acadiana load pocket, is y'all  
12 have to call up Lafayette Utility Service, ask  
13 them to start up their gas generation within the  
14 city to balance the system, and --

15 MR. MCCULLA: And to respond to that,  
16 we do redispatch on our system. It's just that  
17 that is part of the TLR process. When you go to  
18 the TLR-4, that's redispatching your system before  
19 going to a TLR-5, which is curtailing firm load.

20 So there is redispatch involved in our  
21 system, much like Southern and any other system,  
22 and that's how you deal with congestion. It's  
23 just the TLR signals are sent so that it's fairly  
24 distributed, that redispatch in power.

25 MR. FIELD: Well, let me ask you this.

1 In the Acadiana situation, you redispach your own  
2 system and then you have to ask somebody else. Do  
3 y'all -- the ICT doesn't do any economic studies;  
4 is that right?

5 MR. REW: We do economic studies.

6 MR. FIELD: And do y'all put those in  
7 the base plan?

8 MR. REW: No, we do not put  
9 transmission expansion for economic upgrades in  
10 the base plan. It's strictly reliability.

11 MR. FIELD: Well, let me ask  
12 Mr. Brown. When SPP does its analysis, do you  
13 make reliability upgrade recommendations as well  
14 as economic or do they generally both have both  
15 factors in them, economic and reliability?

16 MR. BROWN: You're talking about in  
17 the SPP planning process?

18 MR. FIELD: Yes. Yes.

19 MR. BROWN: Yeah, we consider both:  
20 reliability and economic upgrades.

21 MR. BROWN: So that is a difference  
22 then, Bruce, between one -- another difference  
23 between the ICT operation as it stands today and  
24 the SPP?

25 MR. REW: Yes. SPP has a process such

1 as the balanced portfolio which focuses on  
2 economic transmission upgrades.

3 MR. FIELD: You see, we're very  
4 interested as regulators that the least cost  
5 alternative is being utilized, and so that that's  
6 -- that would be an advantage to move to an SPP  
7 type authority, so that we could get economic  
8 upgrades into the mix, because I tend to believe  
9 with all the additional generation we have, there  
10 ought to be some more economic dispatches that  
11 could be made if transmissions were available.

12 So I guess my final question would be  
13 -- and I appreciate y'all's willingness to --  
14 Entergy's willingness to realize ICT is a work in  
15 progress, and I make a suggestion that maybe the  
16 ICT could be revised to give it the same type  
17 powers SPP has over its nine states.

18 Would Entergy consider doing that  
19 voluntarily or would it take the states  
20 petitioning FERC and asking them to order it?

21 MR. MCCULLA: No; we'll definitely consider  
22 that in our evaluation. I think that's a very  
23 good suggestion and it's certainly one that we'll  
24 work through with the SPP in evaluating enhanced  
25 ICT and what enhancements we can bring to the ICT.

1                   So, yes, no doubt about it, that would  
2 be a consideration of ours.

3                   MR. FIELD: Thank you.

4                   MR. WELLINGHOFF: Thank you,  
5 Commissioner Field. Commissioner Presley.

6                   MR. PRESLEY: Thank you, Mr. Chairman.

7                   Returning back to the much heralded  
8 map of Commissioner Suskie's -- just a minute. I  
9 had it.

10                  I just want to ask you a few  
11 questions. I understand the base plan from  
12 Getwell to Batesville, which is in the -- is --  
13 you're correct, Mr. McCulla. That's in a rural  
14 area of Mississippi, so not that well-populated.

15                  I would just like to ask you -- and I  
16 understand that -- and I understand from SPP's  
17 testimony just a minute ago or their statement a  
18 minute ago that all of their base plans, as  
19 Chairman Wellinghoff asked, are for reliability  
20 purposes; so these upgrades as identified are for  
21 reliability purposes, and then, of course, we are  
22 cognizant of the disagreement related to Note B.

23                  My question is, is there any  
24 correlation between the fact that there's a  
25 merchant plant located in Batesville, Mississippi,

1 that would not have been identified in this  
2 reliability study, but, obviously, there would be  
3 some economic benefit?

4 I mean, it is a -- it's a glaring  
5 deletion from the base plan to the construction  
6 plan. Does that -- is that ever taken into  
7 consideration?

8 MR. MCCULLA: To be honest, I'm really  
9 not familiar with any of the details of the  
10 specific plans. I mean, Doug Powell is our --

11 MR. PRESLEY: Is there somebody here  
12 that is?

13 MR. MCCULLA: Doug Powell is our  
14 director of planning. He may be more familiar  
15 with some of the details and you can direct those  
16 questions to him.

17 MR. PRESLEY: Okay. We'll -- let me  
18 move on just a minute to the weekly procurement  
19 process. And as I understand it, that got up and  
20 running back in March, correct?

21 MR. MCCULLA: That's correct.

22 MR. PRESLEY: And that's 28 months  
23 into a 48-month experiment, right?

24 MR. MCCULLA: That's correct.

25 MR. PRESLEY: Now, the reason that WPP

1       didn't come on line earlier, as I understand it --  
2       and I'm going to give all the panelists, including  
3       the ICT representatives, a chance to answer this  
4       -- was related to technical issues just in getting  
5       it going; is that correct?

6                 MR. MCCULLA:   That's correct.

7                 MR. REW:     That's correct.

8                 MR. PRESLEY:   Who came up with the --  
9       and I assume that would be related to software and  
10      just different logistical problems that don't just  
11      seem to mesh; is that right?

12                MR. MCCULLA:   Well, the kind of  
13      software that's used for this is very complicated  
14      and the type of algorithms that are used to be  
15      able to do this type of analysis.

16                MR. PRESLEY:   So the delay is related  
17      to the software?

18                THE WITNESS:   That's correct.

19                MR. PRESLEY:   Okay.  Mr. Rew, did SPP  
20      or ICT come up with the idea of this software?  
21      Who -- did y'all make the recommendation on which  
22      software to use or to what system to use?

23                MR. REW:     Well, the ICT was involved  
24      in the selection of the software provider for this  
25      particular effort early on.  I mean, it's

1 ultimately Entergy's decision. We provide  
2 oversight to the WPP process, but we were  
3 certainly engaged in that.

4 MR. PRESLEY: Would it be a fair  
5 statement to say, though, the driver behind the  
6 delay in getting WPP up and going was the  
7 technology and the software, all those related  
8 systems which caused a problem in getting it  
9 going, caused it to be 28 months into a 48-month  
10 experiment to get it up and running? That's a  
11 fair statement, isn't it?

12 MR. MCCULLA: That's correct.

13 MR. PRESLEY: And Entergy was the  
14 decider of these type of software programs and  
15 this technology; is that a fair statement?

16 MR. MCCULLA: That's correct.

17 MR. PRESLEY: Okay. So 28 months into  
18 a 48-month experiment of which the -- I'm going to  
19 make sure I understand this correct -- of which  
20 the company was the decider -- that's a prevalent  
21 word in the Arkansas order -- the company was the  
22 decider of who picked the technology, who picked  
23 the software and it doesn't work for 28 months, so  
24 28 months into this 48 months, we just now get a  
25 WPP running; is that a fair analysis?

1                   MR. MCCULLA: Well, I think that's a  
2 fair analysis, but you have to recognize that the  
3 type of software that's used for this I don't  
4 think even is available today; that the vendor let  
5 us believe that they could develop this type of  
6 software, and when we got into the details of what  
7 was necessary to solve this type of algorithm, it  
8 couldn't be done. It still can't be done today.

9                   MR. PRESLEY: Let me ask you a  
10 question going back to Mississippi, and that would  
11 be to a plant that was operating in our state  
12 several years ago, which happens to be in the  
13 district that I represent, and that was the Attala  
14 Generating Facility. And I just -- just for  
15 general knowledge purposes, I was just wondering,  
16 that company obviously went bankrupt and was  
17 bought by Entergy Mississippi. They were an  
18 independent power producer there in Attala County,  
19 Mississippi, near the City of Kosciusko.

20                   Were there economic requests for  
21 transmission upgrades during the period prior to  
22 that company going bankrupt?

23                   MR. MCCULLA: I don't know.

24                   MR. PRESLEY: Okay. With that,  
25 Mr. Chairman, that concludes my questions. Thank

1       you.

2                   MR. WELLINGHOFF: Thank you,  
3       Commissioner Presley. Councilmember Midura.

4                   MS. MIDURA: Thank you. I'd like to  
5       follow up on Chairman Wellinghoff's questions of  
6       Entergy and when there's a difference in the maps.

7                   I refer back to your comments when you  
8       said we do a cost-benefit -- I'm summarizing, but  
9       you do a cost-benefit analysis to determine  
10      whether or not if there's going to be some kind of  
11      an interruption, it's cheaper to deal with the  
12      interruption than go build what is in the base  
13      plan for reliability.

14                  You follow me so far with that  
15      summarization of that discussion?

16                  MR. HELMICK: Yeah, I don't know if  
17      I'd put it exactly that way. It's the  
18      cost-benefit of making the investment versus the  
19      probability impact of the outage and our  
20      interpretation of it.

21                  MS. MIDURA: Thank you for clarifying  
22      that.

23                  What I'm interested in learning a  
24      little bit about is, what are some of the things  
25      that you do when you determine there's a

1 probability, whatever the percentage is? What do  
2 you actually do to solve this problem or prepare  
3 for whatever it might be predicted?

4 And I'm going back to the one we've  
5 been using as an example, this Getwell to  
6 Batesville. What are some of the things that you  
7 do, so that in the absence of the construction of  
8 that project, there won't be an outage or the  
9 probability will be decreased?

10 And I'm looking at this from the  
11 perspective of, well, how are improvements being  
12 made to the system if we're not doing these  
13 projects to keep interruption from happening?

14 MR. HELMICK: Well, I guess, first of  
15 all, I'll make a point that a tremendous amount of  
16 investment is being made for reliability projects  
17 that do provide tremendous benefit. The  
18 differences between the base plan and the  
19 construction plan are a very small subset of the  
20 overall investments we're making in reliability,  
21 in some cases, principally due to our  
22 interpretation of Note B that allows us to not  
23 make very large investments and a very small  
24 benefit, that we elect to not perform those --  
25 make those investments.

1                   And typically, that would be where you  
2 would have to make an investment of 50 to \$100  
3 million for an event that is a very, very low  
4 probability, affecting a very low number of  
5 customers. That would be an example. And in  
6 those cases, it wouldn't just be prudent to do  
7 that project.

8                   MS. MIDURA: I'm trying to get a  
9 little more insight into what the alternatives are  
10 then for those low probability events but that  
11 could happen and which are not -- you know, if you  
12 didn't invoke Note B, you wouldn't have to account  
13 for it; you'd have to do something for it.

14                   MR. MCCULLA: Well, one thing you  
15 might -- and I'll put an example to it. For  
16 example, in this -- and I'm not familiar with this  
17 particular upgrade, but you may have load levels  
18 throughout the year; we're seeing varying load  
19 levels when the load levels get to extreme levels,  
20 summer peak, which may be very few hours out of  
21 the year.

22                   So when you're looking at, say, a  
23 handful of hours out of the year, load levels  
24 being high enough to exceed levels that you can  
25 handle on the system, then you're at risk of

1 possibly shedding some load during those periods  
2 of time.

3 The probability of that outage  
4 contingency happening at that moment within those  
5 five hours, say, is so low, that we choose not to  
6 make that upgrade. That's what we're talking  
7 about.

8 So it's taking that risk during a very  
9 few hours of the year for a relatively small  
10 amount of load compared to the cost to upgrade  
11 those facilities.

12 MS. MIDURA: Okay. On a different  
13 line of questioning, can you tell me if -- this  
14 is, once again, back to Entergy. Is there any  
15 room for reducing the transmission constraints or  
16 is it your position that the system, as is, is  
17 adequate?

18 MR. HELMICK: Obviously, we are -- we  
19 are using transmission constraints. Again, we  
20 talked about the amount of reliability projects  
21 that we are invested in and remembering that both  
22 the base plan and the construction plan are a very  
23 long list of projects, most of which do get built  
24 in the New Orleans area.

25 I know you're familiar with the Amite

1 South project of splitting service on Amite South,  
2 a project that was put into service earlier this  
3 year, is one of the projects that shows up in both  
4 plans, was implemented and does, in fact, reduce  
5 transmission constraints, in your case, into the  
6 New Orleans area.

7 And so again, the fact that there are  
8 some differences between the base plan and the  
9 construction plan shouldn't override the fact that  
10 there's a tremendous amount of projects that are  
11 listed in both plans intended to reduce  
12 constraints and improve the reliability that are  
13 being built.

14 MS. MIDURA: And finally, can you  
15 elaborate or did -- what is your perception of  
16 joining SPP? What is the downside of joining SPP  
17 for Entergy?

18 MR. MCCULLA: I don't know that there  
19 is a particular downside that I could cite right  
20 now. I think, you know, we certainly thought we'd  
21 have more time to evaluate our options earlier.  
22 We got the order through -- the WPP order in March  
23 of this year from FERC that ordered us to give  
24 them an answer by November of this year, so that  
25 kind of changed our time frame.

1                   We're certainly involved internally in  
2 reviewing those options as well as working with  
3 SPP to review those options, so we need to  
4 understand their market, understand the costs that  
5 would be involved, understand the benefits, and  
6 we're just not there yet.

7                   MR. HELMICK: And obviously, in forums  
8 like this, we also want to understand the position  
9 of the regulators in all the states in which we  
10 serve.

11                   I think Commissioner Field made a  
12 point earlier today that is a good point; that it  
13 will be important for all of our retail regulators  
14 to support one position or the other in a forum  
15 like this, where we can go forward and evaluate  
16 all of the pros and cons of both approaches in  
17 cooperation with the state regulators as in your  
18 report.

19                   MR. WELLINGHOFF: Thank you,  
20 Councilmember Midura.

21                   We're running ahead of schedule here  
22 which is good. I've got one question and I think  
23 Chairman Suskie has one as well.

24                   My question is to Entergy. Do you  
25 currently have Phase 1, 3 units, PMUs, single

1 phasers on your system installed?

2 MR. HELMICK: Yes, we do.

3 MR. WELLINGHOFF: Would you be willing  
4 to make the data available to FERC for reliability  
5 purposes?

6 MR. HELMICK: I don't know. I'd have  
7 to check on that. We may be making that  
8 information available already.

9 THE WITNESS: Okay. But if you're  
10 not, would you be willing to make it available?

11 MR. HELMICK: We'd have to evaluate  
12 it.

13 MR. WELLINGHOFF: Okay. What would be  
14 the basis of the evaluation? What would be your  
15 determination as to why you wouldn't want to make  
16 it available to FERC?

17 MR. HELMICK: Well, there may be  
18 confidential --

19 MR. WELLINGHOFF: Well, we have  
20 provisions to keep it confidential. That's not a  
21 problem. If we agree to keep it confidential,  
22 would you agree to provide that data for FERC?

23 MR. HELMICK: Yes.

24 MR. WELLINGHOFF: Thank you.

25 MR. SUSKIE: I'll be brief. Several

1 times in answering questions from Councilwoman  
2 Midura, y'all used the word we. For clarity sake,  
3 you were referring to Entergy when you said we  
4 elect to or not to; is that correct?

5 MR. HELMICK: Yes.

6 MR. SUSKIE: Okay. How can you  
7 articulate for your regulators how the  
8 construction plan is independent when it is so  
9 obvious that Entergy decides what is in the  
10 construction plan? How can you articulate how the  
11 construction plan is independent?

12 MR. MCCULLA: I'm not so sure that  
13 the construction plan was ever designed to be  
14 independent. Entergy is certainly responsible for  
15 developing the current construction plan and  
16 planning for the Entergy system.

17 The ICT certainly expanded on the  
18 planning interfaces and interactions through the  
19 state voter process, feedback through the state  
20 voter process and an independent review of that.  
21 The base plan is established to establish a cost  
22 allocation for those projects that are necessary  
23 and use the base plan for that.

24 So our construction plan was never  
25 established to be independent as is discussed.

1                   MR. SUSKIE: All right. In my  
2 presentation, going back to the construction plan,  
3 I cited quotes from the FERC order in April 2006  
4 where FERC was responding to arguments raised by  
5 Calpine, Nucor and Lafayette, and then in the  
6 slide handout, I've underlined a key sentence in  
7 the FERC order that says: The planning protocol  
8 provides the ICT and affected regulators the  
9 opportunity to weigh in on divergences and for  
10 Entergy to revise its construction plan based upon  
11 regulatory feedback.

12                   How do you propose that regulators  
13 have an opportunity for Entergy to revise its  
14 construction plan with regulatory feedback?

15                   MR. MCCULLA: I thought that  
16 Commissioner Presley's is an idea that we'd  
17 certainly consider. I think that's an idea that  
18 has a lot of merit to it. A mechanism for us to  
19 get the feedback from the Commissioners on what  
20 our plans are, I think, would be valuable to us.

21                   MR. HELMICK: There's also been an  
22 existing forum that's basically a planning forum  
23 to provide a bond by ICT for all stakeholders that  
24 reduce load capacity, base planning and  
25 construction management, and we inputted and

1 solicited that process.

2 MR. SUSKIE: Thank you.

3 MR. WELLINGHOFF: Thank you. Yes,  
4 Commissioner Presley.

5 MR. PRESLEY: Just a couple of  
6 follow-ups on that.

7 As the order that Chairman Suskie just  
8 alluded to says that Entergy is to revise its  
9 construction plan based on regulatory feedback,  
10 can you cite for us as an example today where  
11 regulatory feedback changed Entergy's already  
12 internal decisions related to construction?

13 MR. MCCULLA: Okay. Clearly, the  
14 Acadiana project is probably one of the best  
15 examples I can use, and that was where we had --  
16 and any time you had multiple parties, multiple  
17 utilities involved -- in this case, we've had the  
18 City of Lafayette, Cleco and Entergy all having --  
19 sharing in an area where there's mixed loads in  
20 there, there's generation by Lafayette and Cleco  
21 and transmission grids by Cleco and Entergy and  
22 then somewhat by Lafayette, and you had  
23 differences of opinion on what needed to be built  
24 and who needed to be responsible for building  
25 those and constructing those, the ICT did a great

1 job as well as the Louisiana Commission in  
2 bringing those three parties together and working  
3 through those differences, and so we're moving  
4 forward with some projects to get constructed now.

5 MR. PRESLEY: Okay. Thank you. And  
6 the whole idea of an ICT -- and the first word in  
7 there is independent -- that's what I stands for,  
8 and the next one is C for coordinate.

9 What does coordinate -- what does  
10 Entergy's view of coordinate mean? I mean, did  
11 Bruce and the other gentleman and the other staff  
12 there at the ICT come up with this and then it  
13 gets sent to Entergy?

14 I've heard you say, we decide, we  
15 elect to do this, we consider, we make the  
16 decision. If at the end of the day, whatever the  
17 SPP ICT function comes up with is punted into  
18 Entergy's court to make whatever decision Entergy  
19 wants to, does that not bear destruction on the  
20 idea of having an independent coordinator of  
21 transmission?

22 And if you say that -- now, hang onto  
23 this point just a minute. You say that your  
24 retail regulators years ago said we wanted Entergy  
25 to continue to do that. Can you cite examples

1 where a commission wrote a letter or issued an  
2 order about that?

3 MR. MCCULLA: I'm sure there are  
4 orders. I'm not familiar with them. But, you  
5 know, the ICT administers the Entergy OATT and  
6 OASIS, including the transmission service request  
7 process and congestion management, as we say on  
8 Slide 7 of our presentation. They also  
9 independently review the adequacy of the  
10 transmission system and perform transmission  
11 planning functions.

12 So we certainly consider the input  
13 from the ICT as well as the stakeholders. And  
14 they also have a decision-making authority through  
15 the base plan, and as projects get defined as to  
16 whether they're going to get built or not, the  
17 base plan helps us to decide cost allocation for  
18 that.

19 MR. PRESLEY: So you do the deciding?  
20 Entergy makes that decision?

21 MR. MCCULLA: Well, back when the ICT  
22 arrangement was established, this was --

23 MR. PRESLEY: I understand that. But  
24 I'm saying, at the end of the day, you're the one  
25 that makes the decision?

1 MR. MCCULLA: That's correct.

2 MR. PRESLEY: That invokes with an  
3 RTO?

4 MR. REW: That's correct.

5 MR. PRESLEY: Okay. Thank you,  
6 Chairman.

7 MR. WELLINGHOFF: Chairman Smitherman.

8 MR. SMITHERMAN: One follow-up, Mark.  
9 I want to make sure.

10 Councilmember Midura was asking you a  
11 question about why certain projects might not go  
12 forward, and I think your response was that you do  
13 a probability calculation as to whether or not on  
14 the hottest day of the year and the highest load  
15 day, there may be an outage for a couple hours for  
16 a relatively small number of people; is that  
17 accurate? Did I hear you say that correctly?

18 MR. MCCULLA: Generally accurate.

19 MR. SMITHERMAN: And I guess the  
20 question that it begs is, it's unclear to me, at  
21 least from my experience in ERCOT, that that is  
22 entirely your decision to make.

23 I think there are others in this room  
24 that might have a different perspective on whether  
25 or not one entity has the ability to make that

1 kind of a calculation, which essentially says that  
2 it's okay for certain citizens living in a rural  
3 area of Mississippi to consistently run the risk  
4 on the hottest day of the year that they might not  
5 have power.

6 MR. HELMICK: I don't know if it's an  
7 accurate characterization of the planning  
8 criteria, but again, I think all systems try to  
9 build into their planning criteria for  
10 transmission and distribution level the  
11 probability of the level of service they're  
12 providing versus the cost it takes to do that.

13 So, for example, you may have on a  
14 transmission or distribution service a design, a  
15 radial lead to a customer or a group of customers,  
16 where in other areas you've had a robust  
17 underground network system. That doesn't mean  
18 that you're evaluating the one customer's level of  
19 service different than another; it's that you're  
20 making an interpretation of what the relative cost  
21 to provide that level of service is from one to  
22 another.

23 So again, to spend \$100 million for a  
24 project that has benefit only in a couple of hours  
25 a year for a very low number of customers and

1 probably would not materially impact the actual  
2 reliability would seem to be imprudent and it  
3 might even be challenged as being imprudent going  
4 forward in our interpretation.

5 Again, this is -- this is certainly an  
6 interpretation of Note B that is before the  
7 reliability committees today.

8 MR. WELLINGHOFF: Thank you. I want  
9 to turn to my fellow FERC Commissioners and see if  
10 they have any questions.

11 Commissioner Kelly? Commissioner  
12 Moeller?

13 MS. KELLY: I'd like to take this  
14 opportunity to thank Chairman Suskie and Chairman  
15 Smitherman, Commissioner Field, Commissioner  
16 Presley and Councilwoman Midura for taking the  
17 lead in organizing this meeting. It's been very  
18 helpful to me and it's very significant to me that  
19 you all are united in your concerns about the  
20 transmission system in the southwest.

21 From -- I don't have any questions,  
22 but I thought I'd share three conclusions that I  
23 draw from the presentations and the Q and A that  
24 I've heard to date on this point.

25 First, it appears that SPP, as the

1 independent coordinator of transmission for  
2 Entergy, has done a very good job in improving  
3 access and moving towards better long-term  
4 planning, but it also appears that it lacks  
5 sufficient authority at this point to finish the  
6 job.

7           It also appears from the evidence  
8 presented that Entergy has allowed its  
9 transmission system to deteriorate in ways that  
10 just jeopardize both reliability as well as  
11 competition -- I know that we'll hear more about  
12 competition from the next panel -- but both of  
13 which are bad for customers.

14           And it also appears that all five  
15 regulatory jurisdictions of Entergy are agreed  
16 that they would like to see a cost-benefit study,  
17 to have Entergy become a full-fledged member of  
18 SPP, and, indeed, that makes sense to me because  
19 the benefits of that would be multiple.

20           Certainly, it would improve regional  
21 access in the southwest, foster regional planning  
22 of transmission in the southwest, enable more  
23 efficient system dispatch in the southwest,  
24 provide a platform for building needed and  
25 co-dependent, I would believe, upgrades on both

1 the Entergy system and on the SPP side of the  
2 footprint, provide a platform to deal better with  
3 the cost allocation issues that have arisen  
4 between Entergy and SPP associated with needed  
5 upgrades.

6 And also, as we look down the road and  
7 we see changes likely to the system agreement that  
8 currently exists with Entergy, that tells us that  
9 there will be more planning and cost allocation  
10 issues that are going to arise for the entire  
11 region, and it seems that certainly it would be a  
12 benefit to have Entergy as part of SPP to deal  
13 with those issues.

14 So I hope that this study does happen,  
15 and I further hope that we can or you can conclude  
16 the study by the end of October so that it can  
17 inform the report that's due to FERC in November.  
18 Thank you.

19 MR. WELLINGHOFF: Thank you,  
20 Commissioner Kelly. Commissioner Moeller.

21 MR. MOELLER: I'll defer to  
22 Commissioner Spitzer's comments.

23 MR. WELLINGHOFF: Commissioner  
24 Spitzer.

25 MR. SPITZER: Thank you, Mr. Chairman.

1       And I want to thank Paul Bonellis (phonetic) and  
2       particularly Chairman Suskie whose service in the  
3       Armed Forces protecting the people of this country  
4       is duly noted and recognized, and your  
5       performance, along with all your colleagues, has  
6       been of great benefit.

7                   And it seems to me that this is a  
8       historic occasion and that the history of these  
9       circumstances which lead us today is in alignment  
10      of the stars with the states, the retail  
11      regulators and the federal regulators involved in  
12      a discussion, that it gives us the potential to  
13      deal with nettles of problems.

14                   My review of the multiple dockets  
15      going back a large number of years suggests that  
16      the status quo is not acceptable, and I've come to  
17      the conclusion that the forward-looking questions  
18      posed by Mr. Suskie deserve our full attention,  
19      and the presence of all of us today is testament  
20      to that commitment.

21                   You know, there's an old Arizona  
22      politician named Morris Udall, who's known for his  
23      wit, who said everything's been said, but not by  
24      everybody.

25                   So given the fact that I truly

1       associate my views with those who have been  
2       discussed before, reluctant to weigh in, were then  
3       to suggest that the history of SPP, as elucidated  
4       by Nick Brown, suggests that steel to the ground  
5       to the benefit of our customers in a way that  
6       satisfies the utilities, the federal regulators,  
7       the retail regulators within the SPP footprint  
8       and, most importantly, most importantly, our  
9       mutual customers, is an appropriate model.

10               And I'm very attentive and will be  
11       very attentive in the afternoon discussion to  
12       views on membership in SPP, and I would, given the  
13       history, almost entertain a presumption as to the  
14       solution and be attentive to any issues as to why  
15       that would be the solution given. And I suspect  
16       we share the views that the nature of the status  
17       quo needs to be remedied, why SPP membership is  
18       not the answer to that question. Thank you.

19               MR. WELLINGHOFF: Thank you,  
20       Commissioner Spitzer. Commissioner Moeller.

21               MR. MOELLER: Thank you, Mr. Chairman.

22               It is an extraordinary day that we're  
23       all together here with our colleagues from the  
24       states. We've never done this before, so that in  
25       itself speaks volumes. And yet despite the

1 significant effort of this Commission, our  
2 Commission and our staff to be here, we wouldn't  
3 be here without the leadership of our state  
4 colleagues; so we appreciate that effort as well.

5 If you know me, you know my Number 1  
6 policy obsession is getting more transmission  
7 built in this country, because it's almost always  
8 a quick payback in terms of the cost-benefit  
9 analysis to the benefit of the consumers.

10 So today, this is not work, this is  
11 pleasure for me. But again, I will not repeat all  
12 the points made, but I appreciate the effort of  
13 everyone being here.

14 I may get credit for this question,  
15 but it really came from Commissioner Spitzer and  
16 it's to Nick.

17 On Page 21 of the Entergy  
18 presentation, there is a nice description of the  
19 costs and benefits of joining SPP, and one of the  
20 items listed is administrative costs, including  
21 FERC fees. And I wonder, Nick, if you could  
22 perhaps elaborate from your perspective on what  
23 those FERC fees would entail.

24 MR. BROWN: Sure. When the Southwest  
25 Power Pool became a FERC jurisdictional public

1 utility, a regional transmission organization, at  
2 the same time, we were transitioning all load,  
3 bundled retail load under the SPP regional tariff.  
4 As such, the way the FERC fee allocation takes  
5 place is that the pro rata portion of those fees  
6 applied to the Southwest Power Pool and other RTOs  
7 applies it to all bundled load within the RTO  
8 footprint.

9 For example -- and pardon me, because  
10 I don't have our paper and our notes right in  
11 front of me. We did publish a paper a year ago  
12 and visited with the Commission -- actually, it's  
13 probably been two years ago now that we published  
14 that paper, that clearly delineated the impact of  
15 that reall -- well, it's not reallocation. It's  
16 just when we became an RTO, the fees for our  
17 footprint, if you summed up the fees that all our  
18 members paid individually prior to RTO status and  
19 then after RTO status was about a five-to-one  
20 ratio, five times more because of the way the  
21 allocation is made.

22 We had proposed the Commission  
23 consider changing that fee structure and in the  
24 paper also detailed a few suggested ways that the  
25 Commission might consider that. The Commission

1 did issue a notice of inquiry and that is still  
2 pending.

3 But, yes, it is a significant  
4 increase. But I will tell you, all of the  
5 cost-benefit assessments and studies and other  
6 things, while that cost did increase, the  
7 benefits, the EIS market participation, the  
8 planning process, the cost allocation, the  
9 increased transmission service revenues, on and on  
10 and on, our members by far are better served where  
11 we're at today.

12 There's still room for improvement.  
13 We would still love for the Commission to consider  
14 modifications in that, that we believe would make  
15 it more equitable, but at the same time, the  
16 benefits are clearly outweighing that from the  
17 cost.

18 MR. MOELLER: Thank you, Nick. I  
19 remember that well a couple years ago to a  
20 broad-based coalition brought in. We haven't  
21 forgotten that.

22 Mr. Chairman?

23 MR. WELLINGHOFF: Thank you,  
24 Commissioner Moeller. I now turn to my fellow  
25 State Commissioners, if any State Commissioners

1 around the horseshoe have questions.

2 Ms. Honorable.

3 MS. HONORABLE: Thank you,  
4 Mr. Chairman.

5 My first question will be for Mark. I  
6 believe that in conclusion of your introductory  
7 remarks, you stated that Entergy is open to either  
8 option, and I presume that you were referencing  
9 whether to propose or to decide to continue with  
10 the ICT arrangement or to decide to join the SPP  
11 RTO; is that correct?

12 MR. MCCULLA: That's correct.

13 MS. HONORABLE: And you also  
14 referenced, in response to some of the questions  
15 of the Commissioners, that you all were internally  
16 undertaking that process after the FERC order in  
17 March, that you make a decision by November?

18 MR. MCCULLA: That's correct.

19 MS. HONORABLE: Would you shed some  
20 light on that process for us? And you mentioned  
21 some of the factors that you're evaluating. I'd  
22 like to learn more about that. What are you  
23 taking a look at? And also, if you have a time  
24 line.

25 MR. MCCULLA: Well, I don't know that

1 we have a specific time line to have a specific  
2 answer.

3 But what we plan to do is evaluate,  
4 certainly, the options of the RTO, the benefits  
5 and costs as we discussed, and then what options  
6 do we have with enhancing the ICT arrangement, as  
7 Commissioner Field talked about, and how do those  
8 options play against each other, how do they work  
9 and how would they work once the ICT arrangement  
10 that we currently have is expired.

11 Then we would plan to go and meet with  
12 our State Commissioners and review that with them  
13 and get feedback on what you think, frankly, our  
14 options are and which would you prefer, get your  
15 input/understanding on both of those options with  
16 our review and our analysis and going through you  
17 with those.

18 MS. HONORABLE: Thank you.

19 And let me state for the record that  
20 we want what is best for the ratepayers within our  
21 jurisdiction and all of the stakeholders involved.  
22 And so having said that, I wanted to reference  
23 your Slide 13.

24 In your remarks, you mentioned that  
25 there had been some criticisms, and I imagine that

1       you all have heard those as you've gone through  
2       the different Commission processes and hearings  
3       throughout Entergy's footprint. But I think that  
4       this is really what we're here to talk about, what  
5       is the best process for us moving forward, and I  
6       think that you didn't spend a lot of time on this  
7       slide, and I really think this is your  
8       opportunity, Entergy, to respond to some of these.

9                I think the Commissioners here are  
10       open to hear your responses to those, and I  
11       understand that you may think that some of the  
12       criticisms are attacks on the ICT arrangement, but  
13       I come here with an open mind to hear what your  
14       response is to these.

15               I just want to ask you to take some  
16       time to go through each of these. I think this is  
17       a fairly complete list, if you would. This is  
18       your opportunity to do that.

19               MR. MCCULLA: Okay. So you'd like to  
20       go through the slides we have?

21               MS. HONORABLE: I want -- I'm asking  
22       you, on Slide 13, to respond to these six  
23       criticisms so that you can provide Entergy's  
24       perspectives.

25               MR. MCCULLA: Well, we have detailed

1 slides on some of these. So if you go to slide  
2 14, you'll see a slide on cost allocation for  
3 upgrades.

4 And we talked quite a bit about  
5 participant funding, so I don't know if you want  
6 to go into that again. But at that time,  
7 participant funding was one of the key issues and  
8 one of the drivers for the ICT arrangement and  
9 some of the things that we've established in the  
10 ICT arrangement.

11 MS. HONORABLE: Could you speak up,  
12 please?

13 MR. MCCULLA: Sure.

14 So I don't think I need to go through  
15 cost allocation any more other than what I've  
16 already said. Let me just -- unless you have a  
17 specific question about cost allocation?

18 MS. HONORABLE: No. I just want you  
19 to have your time here to -- if you think you've  
20 said all you need to say, that's fine with me.

21 MR. MCCULLA: Sure.

22 I think we have talked about base plan  
23 versus construction plan quite a bit through a  
24 number of the questions that were brought up, and  
25 I think we've clarified our position on that, so

1 unless there are questions about that.

2 The time horizon relates to our  
3 planning process. There have been a lot of  
4 questions about we use a -- the projects that go  
5 into the construction plan that are committed to  
6 are committed to on a three-year basis and some  
7 believe that that should be a ten-year. And  
8 they've -- they've confused the facts somewhat, so  
9 we were trying to clarify that and let you know  
10 that SPP and Entergy both plan to industry  
11 standards which is a ten-year analysis, a ten-year  
12 review. We plan ten years out. SPP plans ten  
13 years out.

14 MS. HONORABLE: And I'm glad that you  
15 -- pardon me. I'm glad that you clarified that,  
16 because during our Commission hearing, that point  
17 was lost on me. I don't recall hearing about a  
18 ten-year time frame, so I am pleased to hear that  
19 today.

20 MR. MCCULLA: Sure.

21 The differences in the details are the  
22 commitment of projects to get construction  
23 funding. And then three years on the Entergy  
24 system and -- it's three years on the Entergy  
25 system and it's four years on the SPP system, just

1 to clarify that.

2 Slide 17 talks about ICT lacks  
3 sufficient authority. We believe that the ICT  
4 through the current arrangement now, recognizing  
5 that we may enhance that arrangement and consider  
6 some of the feedback that we're getting through  
7 this experiment that we've had over the last three  
8 years and going on into next year, but the ICT  
9 has the ability to report any disagreements on the  
10 matters to FERC and retail regulators. This is a  
11 prime example of the forum that we can do that in.

12 This arrangement provides significant  
13 benefits both in independence and transparency.  
14 So prior to the ICT arrangement, we never had an  
15 independent authority like the ICT involved in our  
16 process and able to give that feedback to the  
17 regulators. Now, we have that. We believe that's  
18 been a real advantage for us, for the stakeholders  
19 and for the regulators, frankly.

20 MS. HONORABLE: I need to ask you a  
21 question before we move on. You've stated that  
22 this could be a forum to resolve differences. It  
23 seems apparent to us that throughout your work  
24 during the ICT, that there may have been  
25 recommendations made by the ICT that Entergy, for

1       whatever reason, ultimately did not take up. You  
2       wouldn't necessarily characterize that as a  
3       disagreement, would you?

4               MR. MCCULLA: Could you go into more  
5       detail?

6               MS. HONORABLE: Sure. For instance,  
7       the differences between the base plan and the  
8       construction plan. This really goes to the heart  
9       of the issue, and I think Commissioner Kelly  
10      referenced this as well; that the ICT may lack the  
11      authority to move forward its recommended vision,  
12      its agenda, and you have the authority at this  
13      time to not pursue the recommended course of  
14      action that the ICT recommends.

15              And my point is, you wouldn't  
16      necessarily characterize that as a disagreement,  
17      would you? It's a business decision that Entergy  
18      makes?

19              MR. MCCULLA: Well, it's a business  
20      decision, but we also value the feedback. I mean,  
21      we consistently make decisions based on  
22      cost-benefit based on the particular projects that  
23      we're reviewing.

24              If we -- if we take a position that  
25      differs from the ICT and that feedback is given to

1 the regulators and, certainly, through this forum,  
2 we see what type of feedback we're getting, we'll  
3 certainly consider that in our evaluation going  
4 forward; so we think that's a good process to be  
5 able to go through.

6 MS. HONORABLE: Please continue.

7 MR. MCCULLA: Okay.

8 MS. HONORABLE: I think we're on the  
9 WPP implementation.

10 MR. MCCULLA: Right. WPP we've talked  
11 about somewhat. It certainly was implemented this  
12 past March. The ICT just released just a week or  
13 two or so ago their first quarterly report as  
14 directed by FERC. It is still, I believe, a  
15 little early to tell how successful the WPP will  
16 be, but so far, it seems to be pretty significant.

17 Seams arrangement I did touch on.  
18 Unless there are any specific questions about  
19 that, I suspect we'll talk some more about that.

20 MS. HONORABLE: I imagine that we  
21 will, but I think now's a good time while you have  
22 the floor to address this. I think that the seams  
23 problem is a significant one, and I think the  
24 State Commissioners, in particular -- and I  
25 couldn't speak for the FERC Commissioners, but the

1 State Commissioners are pretty concerned about  
2 this issue, as you might be aware, all of the  
3 states in this -- in Entergy's footprint.

4 MR. MCCULLA: Well, we certainly do  
5 coordinate closely with SPP on several areas.  
6 We've disbanded the regional planning aspects of  
7 the seams agreement with SPP. We've already had a  
8 meeting on that not too long ago, about a month or  
9 so ago in Dallas. So reviewing projects that may  
10 cross the seam, that's already taken place.

11 So the question may come up, well,  
12 what remains? What's the issue? And I think,  
13 certainly, you'll hear from people this afternoon.  
14 I've talked about it somewhat.

15 If you see expansion taking place, I  
16 know SPP is evaluating the wind proposals on the  
17 western side of the SPP system, and with that,  
18 there could be some significant transmission  
19 investments to move that wind power.

20 When you evaluate those types of  
21 upgrades, if you're trying to get them into  
22 certain areas, it can certainly have an impact on  
23 the Entergy transmission system. So if there are  
24 upgrades on the Entergy transmission system, if  
25 necessary, how do those costs get allocated? And

1 that's one of the -- probably the biggest seams  
2 issue that remains.

3 MS. HONORABLE: Absolutely.

4 MR. MCCULLA: We actually have a cost  
5 allocation system on the Entergy system and SPP  
6 has one, but does it satisfy the needs for those  
7 types of projects going forward?

8 Likewise, if we expand our system  
9 going forward, we would have similar type of  
10 impacts on SPP's system.

11 MS. HONORABLE: But wouldn't you agree  
12 that the seams agreement would further promote  
13 that effort to deal with the cost allocation  
14 issues and move transmission planning and upgrades  
15 forward?

16 MR. MCCULLA: Yeah. Sure. And that's  
17 -- that's certainly why we're working with SPP to  
18 work on those issues.

19 MS. HONORABLE: I understand that.  
20 But do you have a time line or do you have any  
21 plan for when you would come to any decision about  
22 how you -- let me back up and ask you this.

23 What is the -- what has been the  
24 hinderance in developing a seams agreement in your  
25 opinion?

1                   MR. MCCULLA: Well, certainly, we need  
2 to decide what we're going to do at the end of  
3 tonight's hearing. Should we join the RTO, a  
4 seams agreement would be a different issue.

5                   With going forward without the RTO, we  
6 would need to have some type of seams agreement if  
7 our current cost allocation doesn't work on each  
8 of the individual systems. So that's -- that's  
9 probably the piece that we need to sit down and  
10 just work through, and that's going to be one of  
11 the most difficult ones to work through.

12                  MS. HONORABLE: And in your opinion,  
13 why haven't you been able to work toward that  
14 since the ICT has been in place?

15                  MR. MCCULLA: I guess we've just had  
16 other things that we've been focused on and  
17 continue to work through, understand what the RTO  
18 involvement is and what our involvement in the RTO  
19 would be.

20                  I can't say that there's necessarily  
21 any particular reason why we haven't come up with  
22 an agreement. We just felt like what we've had in  
23 place with participant funding has been the right  
24 mechanism for us at the time.

25                  MS. HONORABLE: Thank you. Thank you,

1 Mr. Chairman.

2 MR. WELLINGHOFF: Thank you.

3 At this time, if there's no other  
4 questions from our Commissioners, I've got one  
5 audience --

6 MR. REEVES: I have one.

7 MR. WELLINGHOFF: Oh, I'm sorry.  
8 Commissioner Reeves.

9 MR. REEVES: I just have one question  
10 and it came up in our April hearing and it's  
11 really Commissioner Presley's question.

12 When the base plan is proposed by ICT  
13 and Entergy decides on the construction plan, I  
14 think it's too late for input once that  
15 construction plan is decided. I would prefer that  
16 y'all would come to the Commissions -- and I don't  
17 know how that works. Maybe Commissioner Field's  
18 question -- before the construction plan is  
19 decided. It's too late afterwards. The  
20 decision's been made by you and the input is after  
21 the fact, not before.

22 Is there a way to do that before you  
23 decide what's built?

24 MR. MCCULLA: I'm not familiar with  
25 the full time line, and Doug Powell could



1 understanding, there's very little transmission  
2 built under your participant funding methodology.

3 MR. MCCULLA: And I don't know how  
4 much has been.

5 MR. FIELD: Well, maybe y'all could  
6 get that answer for us this afternoon.

7 Thank you.

8 MR. MOELLER: Mr. Chairman?

9 MR. WELLINGHOFF: Yes.

10 MR. MOELLER: I've got a quick  
11 question from the Entergy folks.

12 MR. WELLINGHOFF: Commissioner  
13 Moeller.

14 MR. MOELLER: There's a lot of  
15 discussion about the length of delay in developing  
16 the software for the WPP, and I'm not a software  
17 engineer. Perhaps in layman's terms you could  
18 explain why it was so difficult.

19 Does constraints mean that what  
20 happens on a daily basis in MISO or PJM or even  
21 California is 100 times more complicated than the  
22 WPP? But I could be missing something.

23 MR. MCCULLA: Well, I can't say that  
24 I'm an expert either on it. We probably have  
25 people here that could better explain it than me.

1           But what we were dealing with is many,  
2 many more hours. We're dealing with a weekly  
3 process. A lot of the markets that have already  
4 been set up are set at Day 2 process. And this  
5 was weekly, 24 hours. And so you're dealing with  
6 just the sheer number of hours of the algorithm,  
7 having to solve all the different generation and  
8 load patterns related to that was a difficult  
9 process to do.

10           And so that's what we were faced with  
11 and that's why, when we got so far into it,  
12 sitting down with the ICT, you know, they  
13 recognized this just isn't working. We're not  
14 going to get to where we need to be and we need to  
15 get this process in play, so they made some  
16 recommendations on making some changes to our  
17 original filing. And we were at first reluctant,  
18 but we agreed to it. You know, we felt like  
19 that's probably the process that -- the  
20 adjustments to make to move forward.

21           I know we made our filings explain  
22 those, and it's probably better described in that  
23 filing, but -- and Bruce could maybe add to that.

24           MR. REW: Yes. Commissioner, I think  
25 I'd like to add that once we compared what we were

1       trying to do in the WPP versus existing markets,  
2       we realized that what we were trying to do was  
3       actually much more complex than what is occurring  
4       in the existing market. That's why we moved to  
5       the 168 hours and some other things and that's why  
6       the ICT is working. We said we need to scale this  
7       back so we would be able to successfully get the  
8       software to perform what we're supposed to do and  
9       that's why we recommended the changes.

10               MR. MOELLER: Thank you.

11               MR. WELLINGHOFF: Thank you,  
12       Commissioner.

13               I think I do have -- I've got one  
14       sign-up for questions in the a.m., and I think  
15       I've got time for that one question.

16               Gary Newell, do you still have a  
17       question after all the questions that we've asked?

18               This will be the last question and  
19       we'll break for lunch.

20               MR. NEWELL: My name is Gary Newell,  
21       N-E-W-E-L-L, and I represent a number of the  
22       municipal transmission customers located in  
23       Louisiana and Mississippi. A quick question and  
24       this is for the SPP representatives.

25               At least some of the concern that has

1 arisen over the past couple of years with regard  
2 to the ICT's independence has come from the fact  
3 that the contract for ICT services is a contract  
4 between Entergy and SPP, and the concern has been  
5 how truly independent and aggressive in the  
6 pursuit of its duties can SPP truly be where their  
7 contractual counter-party is the party they're  
8 supposed to be keeping an eye on.

9 The question I have is, if the  
10 decision were made to go forward with a modified  
11 or enhanced ICT structure, would there be any  
12 reason in the minds of the SPP folks why the  
13 contractual relationship couldn't be shifted to  
14 be, one, rather than between SPP and Entergy, to  
15 have the contract be between SPP and the states  
16 collectively for the provision of ICT services?

17 I think that would address and resolve  
18 the concerns that had existed about independence  
19 where your contractual counter-party is the party  
20 that you are supposed to be monitoring.

21 Do you see any reason, Nick or Bruce,  
22 why a structure like that could not be made to  
23 work?

24 MR. WELLINGHOFF: Thank you.

25 Mr. Brown.

1                   MR. BROWN: Now, you're asking me to  
2 play attorney and I can't do that. But I will  
3 respond, though, to the statement that the  
4 contractual relationship somehow jeopardizes our  
5 independence.

6                   That came up many years back and we  
7 responded this way. It does not. I can assure  
8 you that we have a contractual relationship with  
9 every one of our SPP members. It's called a  
10 membership agreement.

11                   I will tell you that the voluntary  
12 nature of our membership is no different than the  
13 voluntary nature of this ICT agreement with  
14 Entergy. They could have chosen another vendor,  
15 but they didn't. They can still choose another  
16 vendor going forward. My hope is that they won't.

17                   I don't see the contractual  
18 relationship as causing a problem with our  
19 independence given the type of oversight that SPP  
20 has. I can also tell you that if our members ever  
21 believed that somehow SPP staff's provision of its  
22 services was anything less than independent, we'd  
23 be terminating that agreement quickly.

24                   I visit with our Strategic Planning  
25 Committee and our Board and our Members Committee

1 on the nature of this agreement on a very regular  
2 basis, and I can assure you that they individually  
3 or collectively have multiple opportunities to  
4 express any concerns whatsoever about our nature  
5 of administering this particular contract and it's  
6 not come up.

7 Now, I won't tell you that there  
8 aren't members of SPP that are also customers of  
9 Entergy that would prefer that we come down on the  
10 different side of a particular issue, and then we  
11 do, but that's no different than what occurs  
12 within the SPP RTO. I've got members on multiple  
13 sides of issues all the time. We have staff  
14 members on multiple sides of issues, and that all  
15 gets worked out through the governance process and  
16 the management processes that we have in place.

17 So I know I'm probably not answering  
18 your specific question about whether the contract  
19 could be between the states versus Entergy. I --  
20 but I will tell you, there -- I don't think you're  
21 going to get a higher level of independence  
22 regardless of the parties to the agreement.

23 MR. WELLINGHOFF: Thank you,  
24 Mr. Brown.

25 We will break for lunch. We'll come

1 back at 1 o'clock. At 1 o'clock, we'll actually  
2 start with a five-minute statement from the  
3 Mississippi Attorney General, Mr. Hood, and then  
4 we will go to our second panel. Thank you.

5 (A luncheon recess transpired.)

6 MR. WELLINGHOFF: As I indicated  
7 before the break, before lunch, this afternoon we  
8 will hear from our second panelists' group, but  
9 before we do that, we're going to make time for  
10 Attorney General Jim Hood from Mississippi. I'll  
11 be happy to give Mr. Hood five minutes to offer  
12 some comments.

13 MR. HOOD: Thank you. I appreciate  
14 the opportunity to attend today.

15 I am the Attorney General of  
16 Mississippi and I'm here in two capacities. In  
17 the State of Mississippi, the Attorney General, by  
18 statute, has authority to enforce our Public  
19 Service Commission laws, and so in that capacity,  
20 I'm somewhat of a regulator, but I'm very much  
21 unfamiliar with the terminology and the acronyms  
22 that have been used here today.

23 I'm a courtroom prosecutor. I was a  
24 DA for eight years and Assistant DA for five  
25 before that, so my -- my words will be pretty

1 direct as to what our experience has been in  
2 Mississippi.

3 I came to be concerned about energy  
4 when there was a hearing in Mississippi, and one  
5 of the Public Service Commissioners made a comment  
6 in the newspapers that the answers that they were  
7 receiving from Entergy were somewhat -- made it  
8 seem like a money laundering trial.

9 As a prosecutor, I -- that made my  
10 ears perk up, because that particular member was  
11 formerly in law enforcement. And so Commissioner  
12 Posey and Commissioner Presley did a fantastic job  
13 of looking into the fuel adjustment cost increases  
14 in Mississippi.

15 So what I did is I had sent Entergy a  
16 civil investigative demand, which is a -- it's  
17 just a subpoena, but I did it quietly, no fanfare.  
18 It was not a court subpoena, so it was not public.

19 I sent them a records request, in  
20 essence, is what it was, and I had hoped that we  
21 were wrong as to what we found out had occurred in  
22 Louisiana, where they were required to pay back  
23 \$72 million in the Entergy of Louisiana case by  
24 agreed order. That raised some concerns.

25 But instead of providing us with the

1 records, they filed suit in Federal Court against  
2 the State. Of course, the Federal Court quickly  
3 threw it out, and now we're in litigation in  
4 Mississippi for violations of our Anti-Trust Act,  
5 our Unfair Trade Practices Act and our regulatory  
6 authority which has been going on now since -- I  
7 sent them the civil investigative demand in  
8 August. We filed the litigation in December after  
9 they had sued us, and that case was thrown out in  
10 Federal Court. They tried to remove us to Federal  
11 Court, and the Federal Judge should have a  
12 decision either remanding or keeping the case in a  
13 couple of weeks, hopefully.

14 Our goal is to find the truth.  
15 Transparency is one of the trades that you get  
16 when you give a company a monopoly. The State  
17 entered into a compact with that monopoly that  
18 they will be transparent, they will show what  
19 their actual costs are and what their profit is.  
20 And in the particular circumstance of a power  
21 company, they have to provide energy at the  
22 lowest, most reliable rate.

23 And what we found is that Entergy has  
24 met -- at every turn tried to thwart our statutory  
25 -- now, this is the AG, with statutory authority

1 to enforce our Public Service Commission laws.

2 So they said, well, we'll give it to  
3 the Public Service Commission, but we won't give  
4 it to the Attorney General. Our Public Service  
5 Commissioners in a unanimous resolution entered a  
6 resolution telling Entergy, well, give it to our  
7 lawyer, our Attorney General. They refused to do  
8 that.

9 So we've been delayed at every turn,  
10 and I came here today in hopes that rather than  
11 hearing the lawyers in court, I would hear from  
12 the Entergy -- the transmission people and that I  
13 would have more clarity as to what their positions  
14 were.

15 Unfortunately, I haven't heard that  
16 today, and in the questions of you Commissioners,  
17 they're not able to answer questions that they  
18 should be able or at least have someone here.

19 Well, in a court of law, somebody's  
20 going to have to raise their right hand and  
21 testify that they know what we're talking about  
22 until we get to that person.

23 So what I'm here today is, in  
24 conclusion, to tell you that I appreciate FERC  
25 taking a close look at that, and these

1       Commissioners, of transmission issues. We're  
2       looking at intrastate transmission issues.  
3       Interstate transmission issues very much concerns  
4       us as well on behalf of our ratepayers.

5               So from time to time, we may be  
6       providing you with testimony from depositions that  
7       maybe perhaps may clarify some of the questions  
8       that I don't feel like were answered here today.

9               I appreciate the opportunity,  
10       Mr. Chairman, for being here and seeing your  
11       concerns, and we'll certainly look forward to  
12       working with the Federal Energy Regulatory  
13       Commission as well as any of you other  
14       Commissioners. Thank you for the opportunity.

15               MR. WELLINGHOFF: Attorney General  
16       Hood, thank you very much. From a former Deputy  
17       DA and a former Deputy Attorney General, I  
18       appreciate very much your coming here. Thank you.

19               MR. HOOD: Thank you.

20               MR. WELLINGHOFF: I will now turn to  
21       the panel, Mr. Sparks, if you could proceed,  
22       please.

23               MR. STERNFELD: I'm Rob Sternfeld  
24       (phonetic) with Entergy Mississippi. We had no  
25       notice that Mr. Hood was going to make a

1 statement. I would like an opportunity to make a  
2 very brief response, if possible.

3 MR. WELLINGHOFF: I'm not going to  
4 allow that.

5 MR. STERNFELD: Okay. Thank you. May  
6 I read it into the record then?

7 MR. WELLINGHOFF: You can sit down.

8 MR. STERNFELD: Can I make a  
9 statement?

10 MR. WELLINGHOFF: No; you can sit  
11 down. We're going to move ahead with Mr. Sparks.

12 MR. STERNFELD: Okay. Thank you.

13 MR. WELLINGHOFF: Mr. Sparks, if you  
14 could please give us a ten-minute presentation.

15 MR. SPARKS: Thank you,  
16 Commissioner/Attorney Wellinghoff. I appreciate  
17 the opportunity (unintelligible) ...

18 MR. SMITHERMAN: Michael, pull that  
19 mike up.

20 MR. SPARKS: I appreciate the efforts  
21 of everyone coming together and taking the time  
22 out to sit in one room and work through all these  
23 issues together.

24 The last time I had this much  
25 attention and focus of this many state and federal

1 officials was about 25 years ago after an  
2 Aggie/Longhorn football game, and I hope that  
3 nothing I say or do today stays on my record as  
4 long as that did.

5 But I'd like to just start briefly --  
6 and I know we've gone over a little bit of history  
7 -- just from an IPP perspective of what we've  
8 gotten involved here in the southeast.

9 You know, ten years ago, we targeted  
10 the southeast markets, and I'm talking  
11 generically, not specifically for my company, but  
12 I was involved in the wholesale market ten years  
13 ago. And there was a specific reason why  
14 close-out generators marketed the southeast  
15 market, and it was because of high heat rate units  
16 that were still being relied on for our large  
17 percentages of dispatch in the Entergy system. It  
18 was that simple.

19 If we wanted to build in New York or  
20 PJM or ERCOT or other regions, we built there. We  
21 did not build here specifically to ship power to  
22 other markets. It doesn't make sense. It doesn't  
23 make sense economically. We specifically targeted  
24 high heat rate units to compete against those  
25 units in the wholesale market.

1           You know, things didn't work out quite  
2 as we planned. SeTrans RTO did not develop to  
3 what the expectations were. Some of the  
4 regulatory initiatives at the state level did not  
5 work out as they were intended to work out as  
6 well. And obviously, as mentioned before, there  
7 was quite a bit of interest in this region and  
8 there was an oversupply in the wholesale market.

9           Now, from a commodity perspective as a  
10 producer, that's tough on you, but from a  
11 ratepayer perspective, that's great. It's an  
12 opportunity for people to take advantage of those  
13 cost-savings that are out there.

14           You kind of go to the next page, maybe  
15 we can talk a little bit about where we see today  
16 the Entergy market. In our opinion, it's been  
17 slow to integrate what we consider to be more  
18 effective resources into the wholesale market to  
19 the limit what they can in the most optimal way  
20 they can.

21           Sure, we all sell power in limited  
22 terms and limited volumes in the wholesale market,  
23 but our complaint -- and again, I'm kind of  
24 speaking generically for the industry here without  
25 their permission.

1                   But is that, you know -- I have no  
2                   complaint at all if Entergy's running bolder or  
3                   higher heat rate units and it's doing it 2 to 3 to  
4                   5 or 10 percent of time in a year. That makes  
5                   perfect sense. It keeps alternatives in their  
6                   back pocket. Those are extra resources for them  
7                   to lean on. Our complaint is when those are  
8                   leaned on 20, 30, 40 percent capacity factors, and  
9                   that's where the revenue comes in.

10                   You know, these complaints have been  
11                   going on for quite a while. We start off at AFC  
12                   trial. That was actually put under abeyance under  
13                   the ICT order. The ICT has brought some  
14                   significant advantages and some positive  
15                   experiences in the market. It increased  
16                   transparency in the market. They've definitely  
17                   got a stakeholder involvement in a much more  
18                   detailed level through the SPP and then the other  
19                   working groups.

20                   And I think their big crowning jewel  
21                   in their efforts have been, though, the ISTEP  
22                   plan, to take a look at the transmission system  
23                   and see what the improvements are and what can be  
24                   done to improve the overall efficiency of the  
25                   market.

1                   Unfortunately, as people have talked  
2                   about earlier, the ICT is strictly a tariff  
3                   administrator of the RTO, and so they have  
4                   unlimited authority about how they can move  
5                   forward on this construction plan that they've  
6                   come up with.

7                   I think that a lot of people look to  
8                   the Attachment T as to how those upgrades can be  
9                   funded whenever those economic upgrades are  
10                  identified in some of these processes. But I can  
11                  tell you that the Attachment T from an investment  
12                  perspective does not work.

13                  Our company actually has a plan in the  
14                  TVA footprint. We have a contract with TVA.  
15                  Under that power sales agreement, we actually  
16                  influence substations in the Entergy system, and  
17                  we've been asked to put some money into an upgrade  
18                  on the Entergy system, which is fine, because we  
19                  had a transaction that supported that.

20                  However, I can tell you from personal  
21                  experience that when I went to my board and asked  
22                  for several million dollars to go upgrade the  
23                  system and the subject of Attachment T came up, I  
24                  put zero value on it, because nobody can tell me  
25                  when that's going to be used, they can never tell

1 me the volume that is going to be used and for how  
2 long it's going to be used for the incremental  
3 capacity that's created under Attachment T.

4 So there's no way from an investment  
5 perspective that I can predict with any  
6 reliability how those funds are going to come back  
7 to me as an investor. And so not only is it the  
8 scale in certain of the instances for the volume  
9 of investments people are asking for, but it's  
10 also the intermittent recovery of those dollars  
11 under Attachment T in the process.

12 So, you know, again, I've talked a  
13 little bit about why we think the ISTEP is so  
14 important. I think there's several thousand  
15 megawatts of RMR units that have the potential to  
16 be removed from the Entergy system. Again, I'm  
17 not pointing to units that are being used 2 and 3  
18 percent of the time. I'm talking about units that  
19 have a high capacity factor or are less economical  
20 to deliver services compared to some of the  
21 wholesale alternatives out there.

22 There's been discussion about TLRs in  
23 comparison with other systems. I don't need to go  
24 into that. But it's as simple as this. It's a  
25 7,000 E rate unit versus 11 to 12,000 E rate

1 units. So you can look at whatever forecast  
2 curves you want to look at. You're always going  
3 to be using lots of gas, so that's just an  
4 efficiency-handling system that has to be brought  
5 out of the system somehow.

6 With all the energy plans that are  
7 being discussed at the state level, the Federal  
8 level right now, I don't see any other plans on  
9 the drawing boards that have the immediate results  
10 and the immediate potential on ratepayer benefits  
11 that transmission investment in the southeast has.

12 There are many other benefits of the  
13 ISTEP plan. We've talked about the critical  
14 nature of the infrastructure in Louisiana, how  
15 important the petrochemical and refinery  
16 infrastructure --

17 MS. MIDURA: Speak up. We're having a  
18 hard time hearing you.

19 MR. SPARKS: It's also important to  
20 look at the import capability for renewable  
21 resources and where that's going to fold in with  
22 the RPS programs. And it's also, I think, a big  
23 advantage for ratepayers in Entergy to tie into  
24 more fluid transmission agreements with other  
25 markets. It gives them other markets to use and

1 export/import capabilities with other markets in  
2 surrounding regions.

3           You know, no one can tell you exactly  
4 where costs are going to go, whether they're  
5 capital costs or commodity costs are going to  
6 drive energy prices, but transmission is going to  
7 preserve the optionality for Entergy and  
8 ratepayers irregardless of what comes down the  
9 pike as far as regulations and changes in costs  
10 that they have to deal with.

11           They do have the obligation to serve,  
12 I agree with that. But if they build  
13 transmission, it preserves their options the best  
14 way to provide the retail services.

15           As I look at it, you've got four  
16 choices. Status quo, hoping gas prices stay below  
17 \$3 and some of the material impact from a dollar  
18 perspective if this goes away.

19           As we've talked about, there's  
20 possible enhancements in the ICT authority.

21           We still haven't gotten too much into  
22 the funding mechanism for this. We actually had  
23 proposed something earlier, last summer, that the  
24 ICT could actually identify some of these projects  
25 or actually hold like an auction, an RFP, for

1 people to bid in for the opportunities to  
2 construct that, deed the property over to Entergy,  
3 just like when you build a substation, like a  
4 surcharge on the retail rates for that.

5 The only way it's going to work  
6 economically is that the benefits of a large  
7 capital investment are borne by the people that  
8 receive that benefit. You can't ask one party to  
9 bear a disproportionate share of the economic  
10 costs and the capital costs that doesn't receive a  
11 proportion of the benefit.

12 And the other choice, obviously, is to  
13 move into an organized market. Now, I guess the  
14 question that comes up there is the pay scale, and  
15 we need transmission in this region here. And  
16 whatever we can do to fill that gap between now  
17 and when Entergy would formally move into an  
18 organized market, those alternatives should be  
19 considered so that we can put the steel in the  
20 ground as quickly as possible.

21 Thank you.

22 MR. WELLINGHOFF: Thank you,  
23 Mr. Sparks.

24 If we can all try to stay within our  
25 ten minutes, please, so we can try to wrap this up

1 by 3:00.

2 Next, we have Rebecca Turner from  
3 Entegra. Rebecca, please.

4 MS. TURNER: Thank you. I want to  
5 thank you, Chairman Suskie and Chairman  
6 Wellinghoff, for setting up this workshop. I  
7 think it's very helpful.

8 My name is Rebecca Turner. I work for  
9 Entegra Power, and I've handed out a presentation  
10 which isn't going to be -- it represents a portion  
11 of what I've submitted.

12 THE COURT REPORTER: Could you move  
13 your mike closer, please?

14 MR. TURNER: Yes.

15 This presentation represents a portion  
16 of what I've submitted earlier regarding our  
17 comments in this docket. I'm going to try to go  
18 quickly through a lot of this information because  
19 it's been covered.

20 Just as a little background, the Union  
21 Power Station is a 2200 megawatt facility located  
22 in El Dorado, Arkansas. It intersects to Entergy  
23 transmission system. The original cost for the  
24 plant was about \$1.3 billion. Union actually  
25 funded \$34 million worth of transmission upgrades

1 on the Entergy system provided to commercial  
2 operation. 6 million were operational and the  
3 remaining were for interconnection and required  
4 upgrades.

5 The power plant was actually, believe  
6 it or not, sited for 2750 megawatts, so we still  
7 have the ability to add a power block at this  
8 particular plant.

9 Moving on to Slide 4, Entergy's  
10 transmission planning criteria. We've talked  
11 about this quite a bit today. Entergy's planning  
12 criteria used to develop the construction plan  
13 differs from that used by the ICT to develop the  
14 base plan. This difference results in 20 projects  
15 in the base plan and 16 projects with earlier  
16 in-service dates than that in the construction  
17 plan.

18 The primary differences are two things  
19 -- actually, three things. Entergy includes  
20 nonconsequential firm load shedding in their  
21 planning criteria and they also use undocumented  
22 operating guides in their planning criteria.

23 In addition, Entergy does not set a  
24 megawatt limit on consequential load shedding. As  
25 Entergy stated earlier, it's their position that

1 both its and the ICT's planning criteria meet NERC  
2 compliance.

3           FERC Order 693 issued on March 17th,  
4 2007. In Order 693, the Commission -- and this is  
5 the FERC Commission -- was clear that  
6 nonconsequential load shedding is not an  
7 acceptable transmission planning tool and  
8 expressed concern regarding firm consequential  
9 load shedding.

10           The Commission directed NERC to revise  
11 its TPL standards to eliminate firm  
12 nonconsequential load shedding and to establish a  
13 megawatt threshold to support looping radial  
14 transmission lines to avoid firm consequential  
15 load shedding.

16           These revisions to the NERC TPL  
17 standards are currently incomplete. Entergy  
18 should not be allowed to wait out NERC's TPL  
19 revision process and should be directed to  
20 immediately revise its planning criteria to be  
21 compliant with the Commission's directive in Order  
22 693.

23           Transmission access on the Entergy  
24 system. Short-term transmission access issues.  
25 Entergy continues to plan its transmission system

1 based on the contract rights of its legacy units  
2 firm load shedding and reconfiguration redispatch  
3 practices. The impact of this results in  
4 unrealistic transmission service models with  
5 preexisting overloads that limit incremental  
6 transmission service.

7 In addition, because Entergy is not  
8 required to schedule its generation as dispatched  
9 in the TSR models, the transmission availability  
10 is further distorted.

11 Entergy's operating practices do not  
12 include planning assumptions, resulting in an  
13 increase in firm transmission curtailments.  
14 Specifically, the RC, which in this case is SPP,  
15 does not have access to Entergy's undocumented  
16 transmission planning operating guides, such as  
17 reconfiguration and redispatch.

18 Prior to the ICT or prior to the SPP  
19 taking over the RC role, Entergy mitigated this  
20 impact by voluntarily redispatching prior to firm  
21 curtailments. They no longer do that.

22 If I'm talking too fast, just let me  
23 know. I'm just trying to get my ten minutes in  
24 here.

25 Long-term transmission access issues.

1 Again, the three-year base plan and the  
2 construction plan horizon. The load growth is  
3 assumed in the long-term TSR models with no  
4 upgrades to address reliability needs of the  
5 system.

6           Entergy has stated today that they  
7 have a ten-year plan. That ten-year plan is not  
8 the plan that is used when you're looking at  
9 transmission service. The long-term models are  
10 fraught with preexisting overloads.

11           The cost allocation of transmission  
12 system upgrades. Entergy assigns the cost to  
13 address preexisting overloads to transmission  
14 customers seeking in rural service on their  
15 system. Both the scope of the upgrades and the  
16 cost of the upgrades and the lead time are viewed  
17 risky to potential off-system buyers and/or  
18 prohibitively expensive for on-system load-serving  
19 entities. Existing, non-utility, uncommitted  
20 efficient generation becomes trapped on the  
21 Entergy system.

22           Moving on to Entergy's legacy fleet.  
23 This is Page 10 of Slide 10. What this graph  
24 shows is the information on Entergy's legacy units  
25 and how they have run over the last six years.

1                   If you compare 2003, which is the  
2 bottom graph, to 2008, which is the top one, the  
3 blue bar there represents the RMR generation  
4 that's been used on the Entergy system. And as  
5 you can see, between 2003 and 2008, this RMR  
6 generation has not decreased appreciably.

7                   The next set of bars are the white  
8 bars and this is the generation which is non-RMR,  
9 but used for load following the generation  
10 service. And again, if you compare 2003 to 2008,  
11 you'll see that the use of these units are  
12 actually increasing.

13                   The third set is what I call capacity  
14 generation, and this is basically capacity on the  
15 Entergy system that doesn't dispatch, and this is  
16 primarily -- this is primarily displaced b  
17 generation, merchant, and that has decreased over  
18 the years.

19                   Entergy's reliance on its inefficient  
20 legacy fleet has not appreciably changed over the  
21 last five years, with the price tag to ratepayers  
22 likely exceeding \$2 million in incremental fuel  
23 cost. Despite over 5,000 megawatts of uncommitted  
24 natural gas carbon merchant generation on  
25 Entergy's system, the cost of Entergy's RMR needs

1 continue to burden ratepayers.

2 The cost of Entergy's legacy  
3 generation will increase with expected greenhouse  
4 gas legislation, as inefficiencies include an  
5 increased environmental emissions profile,  
6 including CO2. Neither the ICT nor Entergy has  
7 identified the projects and cost to eliminate the  
8 need for RMR generation and allow displacement by  
9 efficient generators in the market.

10 The ICT experiment. As has been said  
11 by many parties, there are a lot of benefits,  
12 transparency being one of the biggest ones. I'm  
13 not going to cover the others. I've agreed with  
14 every benefit that's been spoken about today.  
15 Our company certainly agrees with that, but the  
16 problem are the deficiencies.

17 The ICT does not plan Entergy's  
18 system, but rather develops the base plan for cost  
19 allocation purposes. The ICT is not authorized to  
20 develop a long-term transmission plan for the  
21 Entergy region nor development of RPM exit  
22 strategy.

23 The ICT cannot access economic  
24 benefits of transmission upgrades because Entergy  
25 will not provide the ICT with certain generator

1 unit specific information. The ICT is not  
2 authorized to change Entergy's planning criteria,  
3 and the ICT oversees Entergy's OASIS, not  
4 authorized to direct software vendors, change AFC  
5 modeling assumptions or address preexisting  
6 transmission overloads.

7 Moving on. And this is -- I'll start  
8 talking a little slower. Transmission system  
9 conditions today. Currently -- when I say  
10 currently, I mean today -- over 4,200 megawatts of  
11 merchant generation cannot obtain any transmission  
12 service to deliver off the Entergy system.  
13 Bilateral sales to Entergy or submission of  
14 stranded generation into Entergy's WPP is the only  
15 alternative.

16 In addition, short-term transmission  
17 service previously purchased is at risk to be  
18 preempted for higher priority service. This  
19 results from AFC process flaws that allow modeling  
20 changes that result in negative flowgate capacity.  
21 Once a flowgate goes negative, point-to-point  
22 customers holding short-term transmission or AFCE  
23 on the flowgate are sitting ducks and routinely  
24 lose transmission service for network customers  
25 purchasing or speculating in the market.

1                   Now, these next set of tables, I just  
2 explained real quickly what they are. Since all  
3 the numbers are zero, it won't take long to digest  
4 them. This is basically the Union Power Station,  
5 and what this is, is this is our ATC to these  
6 different interfaces for these states.  
7 Starting on 6/25/2009, we can't move a single  
8 megawatt anywhere. We currently have about 1600  
9 megawatts of firm transmission that's on a  
10 short-term basis locked in which is right now at  
11 risk to be bumped, and the only alternative we  
12 have for the remaining 5 to 600 megawatts of  
13 generation is to throw it into the WPP.

14                   Moving on to the next slide -- and  
15 these next tables are for SUEZ plants and Acadiana  
16 plants. Although this information is public, it's  
17 on the OASIS system. I did obtain their  
18 permission to use that in my presentation.

19                   As you can see with Magnet Cove, which  
20 is an 800 megawatt facility that SUEZ owns,  
21 starting at 6/25, they have one buyer, Entergy.  
22 Their ability to move to any other interface to  
23 any other buyer is zero. And as they move through  
24 the month, it varies. But basically, this is  
25 United generation that they don't have firm

1 transmission for, and they have, again, one buyer,  
2 Entergy, either through bilateral arrangements or  
3 the WPP.

4 Moving on to the Hinds plant located  
5 in Jackson, Mississippi, it's a 550 megawatt unit.  
6 Again, same thing. They have one buyer, Entergy.  
7 And as you can see, starting at 7/13/2009, their  
8 entire plant is unsold, and they have one buyer,  
9 Entergy.

10 Going onto Hot Springs, 650 megawatts.  
11 Again, they have one buyer, Entergy. Starting on  
12 the 6th of July, their entire plant is  
13 uncommitted, and they have one buyer, Entergy.

14 And I could have ran this out to the  
15 end of August and it would have looked the same.

16 Moving on, transmission system  
17 conditions. AFC-related errors continue with  
18 little post-mortem analysis on market impacts. In  
19 the last three years -- in the last three years,  
20 Entergy has submitted 45 AFC-related error  
21 reports, five in '09, 22 in '08, and 18 in '07.  
22 Most recently, on 6/11/2009, Entergy reported  
23 problems with its preempting software. This is  
24 the software that determines which short-term  
25 service gets bumped from network.

1                   This was reported after Entegra  
2                   alerted the ICT that Union had been improperly  
3                   bumped. Despite its dismal score card, Entergy  
4                   continues to maintain complete control of all  
5                   aspects of AFC software maintenance, setting  
6                   priorities and schedules for software  
7                   modifications.

8                   Moving on, firm transmission  
9                   curtailments continue. On 6/11/2009, Union  
10                  Power's firm transmission was curtailed by up to  
11                  750 megawatts in some hours. FERC has become  
12                  semi-firm on the Entergy system with curtailments  
13                  expected.

14                 Entergy's limited transmission  
15                 investment is starting to take its toll on the  
16                 system. With congestion, a lot can get worse  
17                 before upgrades can be constructed. Left  
18                 unchecked, Entergy will continue with the status  
19                 quo, limit transmission investment, continue to  
20                 rely on RMR generation.

21                 AFC errors will continue. A  
22                 participant funding cost allocation policy that  
23                 has failed to promote transmission investment will  
24                 continue to unfairly burden transmission customers  
25                 seeking incremental service. Efficient natural

1 gas combined cycle generation will remain trapped  
2 on Entergy's system, and ultimately, it will  
3 result in the demise of an already crippled  
4 wholesale market.

5 Immediate regulatory intervention is  
6 needed. Market confidence must be restored and  
7 firm transmission service with little, if any,  
8 curtailments must be a priority. A short-term  
9 transmission solution needs to be developed  
10 independent of Entergy that can serve as a bridge  
11 until needed system operations can be completed.

12 A long-term transmission plan needs to  
13 be developed. A fair, equitable cost allocation  
14 methodology for funding system upgrades also needs  
15 to be developed. Those that must rely on  
16 Entergy's transmission system are out of time and  
17 should not fall victim to Entergy's delay tactics.  
18 A change in operational and planning control of  
19 the Entergy system is needed, and the best, most  
20 readily available remedy is for Entergy to be  
21 required to join the SPP RTO.

22 Thank you very much.

23 MR. WELLINGHOFF: Thank you,  
24 Ms. Turner.

25 Next, we have Terry Huval from

1       Lafayette Utilities System. Terry.

2                   MR. HUVAL: Thank you, Mr. Chair, and  
3 thanks to all of your attention.

4                   This is, I guess -- I have prepared  
5 remarks. They're changed. You already have a  
6 copy of my presentation, so you can always take a  
7 look at that if you want to see what it says.

8                   It's changed for several reasons. One  
9 is that I've looked at the panel here, and I will  
10 tell you that in Lafayette, Louisiana, I represent  
11 the voices and the faces of 125,000 people who  
12 depend on me and depend on this utility system and  
13 on the grid and on the generation and --

14                   MR. SMITHERMAN: Terry, get that mike  
15 up closer.

16                   MR. HUVAL: -- and all the decisions  
17 that each of us make --

18                   MR. SMITHERMAN: We've got an air  
19 conditioner vent right behind us. We're having a  
20 hard time hearing you.

21                   MR. HUVAL: Okay. Well, I'll make  
22 sure I stay close to it. Thanks for pointing that  
23 out.

24                   -- and all the decisions that each of  
25 us make that impact their lives.

1                   I've heard the terms used as historic,  
2                   unprecedented, extraordinary. It seems very  
3                   unusual, in other words, to have a session that  
4                   has to rise to this level to get all of these  
5                   policymakers together to deal with this particular  
6                   issue.

7                   I received a phone call at noon today  
8                   asking me to talk to my staff about what we would  
9                   do in the event of a possible blackout in part of  
10                  our service territory. The transmission grid in  
11                  Acadiana load pocket has been talked about since  
12                  2002. Since 2002. We have a plan that's been  
13                  worked through with ICT and Cleco, and Entergy  
14                  made some investments there that just was agreed  
15                  upon late last year, early this year.

16                 That Acadiana load pocket is still  
17                 fighting to have TLRs declared every day, every  
18                 day. And right now, we're being told that if the  
19                 right set of circumstances takes place, that we  
20                 have to have a plan in place to build if we have a  
21                 rolling blackout of about 20 percent of our  
22                 customers. And it won't only be us, it will be  
23                 all the other utilities that -- and I'm not sure  
24                 to what degree, but, you know, that affects  
25                 Entergy, it affects the coops, it affects Cleco;

1       it affects all of us in that particular area.

2                   And if that happens, that's a  
3       difficult issue to respond to. And it's not that  
4       we haven't brought it up, it's not that we haven't  
5       dealt with it in the best way that we can; it's  
6       just that we're dealing with an enterprise with  
7       Entergy which is doing what it thinks is the right  
8       thing to do, but I will tell you is not the right  
9       thing to do to the customers.

10                   They're not ratepayers, they're  
11       customers. They are people in business and  
12       businesses that rely on this hot summer day to be  
13       able to receive electricity, to go to a spa; and  
14       if they don't have that, there's consequences.

15                   Decisions I have to make at noon today  
16       involve running our own generation units where  
17       there's other issues involved, where we have a  
18       water system that we're having problems totally  
19       unrelated to this, but a decision is that we make  
20       sure we have adequate water pressure to handle the  
21       generation units that we have to run, even though  
22       it means that our water pressures drops below the  
23       standards or it could even mean that we can't  
24       provide the quality of water needs to our  
25       customers.

1           There's a lot of tough things to  
2 balance. And it's not that we have a system  
3 that's running badly, it's just a set of  
4 circumstances. The main circumstance is dealing  
5 with the electrical transmission grid and the  
6 inability for us to built a trust that's going to  
7 be there when we need it.

8           The two gentlemen representing Entergy  
9 today are fine individuals and they're doing the  
10 best job they can to represent their company.  
11 These decisions come higher up as to why -- how  
12 Entergy runs their system.

13           Full disclosure. I've worked for Gulf  
14 States for more years than I've worked for the  
15 City of Lafayette in sum total, and when I worked  
16 for the Gulf States Utilities, I don't ever  
17 remember having transmission issues rise to the  
18 level that required even close to this level of  
19 attention, because the transmission system had  
20 been built based on cost recovery methods that  
21 ensured there was adequate transmission available  
22 to provide service to the citizens.

23           When the whole idea of deregulation on  
24 the wholesale business and being able to set up --  
25 you know, separate marketing arms took place, all

1 of a sudden, investment did not take place in the  
2 transmission system, and that's what's led us to  
3 here. In 1992 and 1994, we didn't have anything  
4 close to these problems, and now we're having  
5 these problems here today.

6 And so I -- you know, I've heard all  
7 the suggestions. My report contains the  
8 suggestions I'm making to how we deal with this,  
9 with the ICT. I think ICT has done the best job  
10 they could under the circumstances, also, but it's  
11 still not enough to face the issues that I'm  
12 facing in my community today.

13 And so what I ask is that as you  
14 deliberate on the things that need to be done to  
15 address this, that you remember the 125,000 voices  
16 behind my own and you recognize the concern that I  
17 have in trying to be sure that we do the right  
18 thing by our people and to get this problem fixed.

19 Excuses are easy. Excuses are always  
20 easy. We've heard that all through our lives, you  
21 know. And I've seen how we get to these meetings  
22 and we get to these deliberations and we get to  
23 all the technical needs and all of the things out  
24 there as to why it can't be done, but I'm here to  
25 share it with you that all of us share the blame.

1                   But we've run into a situation where  
2                   the public is not properly served by this, and we  
3                   certainly stand willing to do the best we can on  
4                   our side to assist.

5                   And I thank you for calling this  
6                   meeting today. It's the right thing and the right  
7                   time, and I appreciate your calling this  
8                   conference here.

9                   MR. WELLINGHOFF: Thank you,  
10                  Mr. Huval.

11                  Next, we have Mr. Seth Brown from East  
12                  Texas Electric Cooperatives. Mr. Brown.

13                  MR. BROWN: Thank you, Mr. Chairman.

14                  The East Texas Coops, I think they're  
15                  uniquely situated in that they own transmission  
16                  facilities generation and serve load in both the  
17                  RTO and the Entergy areas and they transact across  
18                  the scene. We use resources from Entergy to serve  
19                  our load and SPP and vice versa. So I think we're  
20                  intimately familiar with both the ICT operation as  
21                  well as the RTO operation.

22                  I want to tell you, I think the ICT  
23                  has done a very good job. Before they came along  
24                  in 2006, we did not have the transparency that we  
25                  do today. The information that's available is

1 very good. They produce very good studies/plans,  
2 but at the end of the day, as it's been stated  
3 over and over today, they do not have the  
4 authority to order Entergy to construct these  
5 upgrades.

6 I want to touch on three issues that  
7 are very critical by themselves, they're serious,  
8 but when you couple these three issues together,  
9 it really stands in the way -- these three issues  
10 stand in the way of open access and development of  
11 a robust regional transmission system.

12 Those three issues are: Base case  
13 contingency overloads, issues with studies and  
14 obtaining new transmission service, and Attachment  
15 T and participant funding.

16 Base case overloads have been touched  
17 on a little bit this morning. Base case  
18 overloads, you know, do happen in planning models,  
19 but where things go different between the RTO and  
20 Entergy is how these are mitigated.

21 In the SPP, they can be mitigated  
22 through operating guides, operating procedures,  
23 new constructions. But if the transmission owner  
24 elects to offer up an operating procedure, the RTO  
25 has to approve it; and then once it's approved, it

1 is included in the models for granting new  
2 service.

3           Entergy does not do that. Entergy  
4 uses the operating guides for themselves only. So  
5 unless Entergy elects to construct upgrades to  
6 solve those base case overloads, it falls on the  
7 shoulders of transmission customers requesting new  
8 service.

9           So when we start talking about, well,  
10 you know, participant funding, it sends the proper  
11 economic signal to customers wanting to purchase  
12 output of generation resources. Well, that would  
13 be true if we started with a level playing field,  
14 but we're not. We're starting off in a deep hole.

15           I can tell you that the East Texas  
16 Cooperatives as well as other municipals and  
17 cooperatives in the Entergy region have requested  
18 new service from resources on the Entergy system,  
19 not some generator off in TVA -- I'm talking about  
20 resources that are being built on the Entergy  
21 system -- and have been told that not only is  
22 there no transmission capability available, it's  
23 negative; and for you to go forward with your  
24 transmission service request, you have to  
25 participate, fund the upgrades needed to get that

1 base case contingency overload cured just to get  
2 you back to zero, and then we'll talk about you  
3 funding upgrades necessary to grant your service,  
4 and therein lies the problem. Base case overloads  
5 and the SPP RTO, again, they don't exist.

6 Moving on to studies for new service  
7 and the SPP RTO. They have the aggregate study  
8 process under Attachment Z. It's a semi-annual  
9 aggregate called transmission service requests,  
10 long-term requests, point-to-point, new service  
11 all get studied together, and the most efficient,  
12 economical set of upgrades is identified to serve  
13 that aggregate set of requests, and then each  
14 customer requesting service funds their pro rata  
15 share -- I'm just speaking in general terms here  
16 -- their pro rata share of those upgrades.

17 Entergy, it's a one-all process. A  
18 customer comes, requests service. They get that  
19 answer: fund these base case overloads. Fix  
20 this, fund the upgrades needed for your trust to  
21 grant your service. If that customer goes away,  
22 the next customer in line potentially gets the  
23 same answer.

24 And this has happened again and again  
25 and again and it's in the record. You can look at

1       these studies; they're posted on the ICT OASIS.

2                 We as stakeholders at the ICT  
3       attempted to get this addressed. We offered up  
4       language to Entergy saying that, okay, Entergy, if  
5       a new customer comes along requesting service, we  
6       agree that we'll pay our incremental impact that  
7       exacerbates that base case overload, but you,  
8       Entergy, need to take care of the base case  
9       overload portion, the preexisting overload, if you  
10      will.

11                Entergy rebuffed us -- and this is in  
12      the record, and they said the stakeholder process  
13      was not the appropriate -- I'm going to paraphrase  
14      here-- the appropriate forum for addressing  
15      Attachment T issues.

16                Well, I hope we are in the appropriate  
17      forum now, because I'm telling you, we definitely  
18      need to do something with participant funding.  
19      Maybe in economic theory it works okay if you  
20      start out with a good transmission system, no  
21      overloads, everybody's treated the same, but that  
22      is not the case we have today.

23                And another thing I'll mention real  
24      quickly is -- we've talked a lot about the base  
25      and construction plan today. Just because a

1 project is placed by Entergy in their construction  
2 plan does not necessarily mean it's going to get  
3 constructed. East Texas Coops have been waiting  
4 for significant upgrades to be made in the western  
5 region. One of those upgrades, it's on Chairman  
6 Suskie's slides, the Jacinto to Lewis Creek, 230  
7 kV.

8 Yes, I understand there's various  
9 factors involved and why that's -- why those  
10 haven't gone forward, but we've been waiting quite  
11 a long time for those to occur in Texas.

12 Lastly, I want to share with you  
13 finally our experience with getting those new  
14 resources that are so important to serving our  
15 members' load integrated. In SPP, we have been  
16 successful in using the Attachment Z process I  
17 mentioned as well as the Attachment J process  
18 which is a form of rolled-in pricing for new  
19 resources.

20 What it does is it puts some  
21 limitations. It requires a transmission customer  
22 to be willing to commit to the resource for a  
23 minimum term of five years and it places a dollar  
24 limit on the upgrades that are rolled into  
25 \$180,000 per megawatt.

1                   Well, we have used Attachment Z and  
2                   Attachment J successfully twice now; once to  
3                   purchase additional transmission capacity out at  
4                   the Harrison County Power Plant in Texas and then  
5                   also to purchase capacity out of the New Turk  
6                   Power Plant in Arkansas, and both those worked.  
7                   We were able to go in the aggregate with other  
8                   off-takers.

9                   You had an economical set of upgrades  
10                  identified and funded. We were able to go to our  
11                  regulator, which is RUS, and get the appropriate  
12                  lien accommodations, et cetera, to get those  
13                  things taken care of; so it's been successful.

14                  And Entergy, not so successful. We  
15                  attempted to purchase 55 megawatts from the Plum  
16                  Point Plant along with many other municipals and  
17                  coops, and we've hit the same South Louisiana ball  
18                  and constraint, the Weber-Wells constraint in our  
19                  studies, and we were unable to justify participant  
20                  funding; \$30 million in upgrades for something  
21                  that was already overloaded in the base case.

22                  So we elected to move some peaking  
23                  generation from Mississippi at the Baxter Wilson  
24                  Plant near Vicksburg. We picked those four units  
25                  up, abandoned the 500 kV interconnection there

1       that we had in Mississippi and moved those four  
2       peaking units into East Texas.

3               Yes, I will recognize we also had  
4       capacity needs in that western region, but it was  
5       -- we were able to kill two birds with one stone;  
6       one being avoiding paying participant funded  
7       upgrades and, two, bringing some additional  
8       peaking capacity into the western area load pocket  
9       in Texas and Entergy Texas.

10              In conclusion, you know, ETEC would  
11       greatly prefer Entergy be -- join the RTO. You  
12       know, it's pretty easy to see that ETEC would  
13       benefit by having all their load resources  
14       facilities within one transmission footprint.

15              But lacking that, you know, a seams  
16       agreement, coupled with some major tariff  
17       revisions, the elimination of Attachment T style  
18       participant funding, elimination of base case  
19       overloads, institution of an aggregate study  
20       process and development of a region-wide cost  
21       allocation methodology would do the trick.

22              Thank you for your time.

23              MR. WELLINGHOFF: Thank you,  
24       Mr. Brown.

25              Next, we have Mr. Kip Fox of American

1 Electric Power. Kip.

2 MR. FOX: Thank you. Thank you for  
3 your time today, gentlemen.

4 On behalf of AEP, SWEPCo, Empire  
5 District and OG&E, I'm speaking on behalf of those  
6 members that serve in Texas, Louisiana and  
7 Arkansas right now, and what I've -- my prepared  
8 remarks are totally gone since we've heard a lot  
9 of the same issues, so I'm going to try to focus  
10 on the things that we haven't talked about today.

11 One of the issues that you see, as you  
12 go through the presentation that's been provided  
13 for you, on Page 2, is we've talked a lot about  
14 the inefficiency in the actual versus the needed  
15 construction. The only thing that I'll add that  
16 Seth has pointed out nicely is that there's a  
17 proprietary operating guide that Entergy uses  
18 while in the SPP RTO.

19 We have an operating guide that is  
20 very much embedded throughout the membership and  
21 it's fairly open for us to use and it applies to  
22 new transmission services. We don't know how it  
23 works on the Entergy side.

24 The other issue we have is -- we agree  
25 with Councilwoman Midura -- that -- and the

1       Arkansas Commission in Order 10, that there needs  
2       to be an independent assessment for Entergy to  
3       join the RTO.

4                   I can't come to you today in all  
5       honesty and tell you whether it's a great thing  
6       for Entergy to be in the RTO or not to be in the  
7       RTO. We haven't done an economic analysis. We  
8       don't know how it's going to affect our  
9       ratepayers, so we don't have that answer for you  
10      today.

11                   But an independent assessment seems to  
12      be the logical thing to do. However, I will warn  
13      you that an independent assessment is probably  
14      going to be time-consuming, and if the answer is  
15      that Entergy join the RTO, it's going to be  
16      another time-consuming; so we're years probably  
17      away from getting some immediate solutions to the  
18      issues that we're talking about today.

19                   The third thing that I want to spend  
20      the bulk of my time on is the clarification on  
21      transmission responsibilities between SPP and  
22      Entergy, and we see that the best way to do this  
23      and the most immediate impact can be through a  
24      seams agreement. We'd like to see stakeholder  
25      involvement with the seams agreement, and we

1 really do appreciate the effort that Entergy and  
2 SPP have been through in getting -- trying to work  
3 on a seams agreement.

4           Unfortunately, I mean, we're just not  
5 carrying the ball over the line yet. We still got  
6 a ways to go and we need almost a stake in the  
7 sand to say we're going to have an agreement by  
8 this point in time and this is the things that  
9 it's going to consist of.

10           Again, we want to see some consistent  
11 application of the planning standards, and we've  
12 gone light years -- I mean, in the six months that  
13 I've been watching and the planning forum summit  
14 that we'll have in New Orleans are tremendous  
15 opportunities and we are definitely heading in the  
16 right direction with those things, and we applaud  
17 to Entergy and SPP for setting those up.

18           But we're still going to have to work  
19 on coordinated long-term planning. Those issues,  
20 you know -- we still have a lot of growth in those  
21 areas that we have to work on.

22           And I'd like to spend some time on the  
23 next page which kind of shows you a map of what is  
24 the problem that we see as SPP members across the  
25 board.

1                    Obviously, you have the wind on the  
2 western edge of the SPP footprint, and you'll see  
3 that this is our vision of the EHV system in the  
4 long term. And maybe we'll call that a ten-,  
5 20-year plan, but this is kind of a picture we see  
6 for the future.

7                    And we go for flexibility, so wind  
8 might be the predominant provider right now, but  
9 -- I don't know -- maybe chicken litter next year.  
10 It may be something else, fusion power, in years.  
11 So we need a transmission system that is flexible,  
12 and we have got to build it so that it doesn't  
13 matter what the generation de jour is; it's  
14 something that can be transmitted to every load  
15 pocket within the SPP footprint.

16                   The area that you see to the eastern  
17 side in Arkansas and El Dorado are fundamentally  
18 the seams. That's -- when we talk about the seams  
19 agreement, these are the areas that we're looking  
20 at. And you don't see a lot of high-voltage  
21 transmission right there in the seams. I mean,  
22 the only two places are Fort Smith and the  
23 Longwood/El Dorado line. I mean, those are really  
24 big impact areas.

25                   The rest of it is very small lines.

1       It's like taking a four-inch water line and then,  
2       you know, you got this garden hose at the end.  
3       What's going to happen eventually is we build our  
4       four-inch water line, it's going to blow out on  
5       Entergy's side; so we've got to have some kind of  
6       agreement on how we're going to deal with those  
7       transitions.

8                   Slip into the next page, one of the  
9       things we thought was an important question is,  
10      what's going to eliminate most of this  
11      inefficiency?

12                   Coordinated planning, we've talked  
13      quite a bit today.

14                   One of the things that we don't have,  
15      and we're having problems with our seams  
16      agreement, is congestion planning. We have not  
17      come to a congestion management plan agreement  
18      between SPP and Entergy, and that's going to be a  
19      critical factor as we move forward with the seams  
20      agreement. If you had that in place, some of  
21      these issues would be immediately resolved, I  
22      think. They would have some impact on the short  
23      term and the very near term.

24                   Redispatch/operating guides again.  
25      Redispatch is great as long as we can share the

1 costs somehow and get additional transmission  
2 capacity. There -- you know, we're all very  
3 creative thinkers and there's ways that we can  
4 probably come back with the redispatch to deliver  
5 energy as transmission customers request.

6 And then the other thing is on  
7 operating guides. We need some shared operating  
8 guides so that we know how they're both going to  
9 operate within the way that we do business and as  
10 hot weather comes across or as we have outages  
11 across the system. So sharing operating guides  
12 are a very big opportunity for us.

13 Focus a little bit on that cost  
14 recovery -- I mean, cost allocation. And, you  
15 know, as AEP and Entergy, we've all agreed that we  
16 haven't fixed the cost allocation issue.

17 Attachment T, as you've heard today,  
18 is very ineffective. We need to work on that.  
19 But the important point is there's got to be a  
20 cost recovery mechanism. And when we think about  
21 third-party impacts, how do you recover that cost?

22 If I build a \$10 million line in  
23 Arkansas and Entergy has to build some upgrades on  
24 their side, yet it gives them additional capacity  
25 that they can sell, how do my ratepayers get

1 reimbursed for that? I can't tell you how that  
2 happens today. That's a question that we -- that  
3 alludes us as we go through our planning exercises  
4 and alludes us as we go through how we're going to  
5 recover rates and we put our rate cases together.

6 Allocation of revenue. How will  
7 transmission costs basically resulting from these  
8 upgrades get shared between Entergy and SPP?  
9 Again, Attachment J and Attachment T are very  
10 specific for the regions that we're in, but  
11 there's nothing that really pulls the two of them  
12 together if you have a line going out across the  
13 seams, and it makes sense to build something that  
14 would benefit both systems.

15 These are all, you know, key points  
16 that should be addressed in the seams agreement, I  
17 believe.

18 And then the next line on 7, I want to  
19 quickly go over what we think should be in a seams  
20 agreement. One of the things I'd like to focus on  
21 is, again, Bullet Point Number 3: Simplified  
22 terms on customer requests. We like to call it  
23 one-stop shopping.

24 It would be nice if you could go shop  
25 at one place, if you got a transaction, especially

1 -- Seth has the same kind of issues. If you could  
2 get transmission between Entergy and SPP at one  
3 stop instead of going through the OASIS at SPP and  
4 then the Entergy OASIS. Those are opportunities  
5 that make things more efficient and makes  
6 opportunities for doing transmission much more  
7 effective.

8           The other thing I'd like to point out  
9 are reciprocal operational seams data. SPP and  
10 Entergy are basically the controllers of the  
11 transmission service providers that have all this  
12 technical data. And if they could provide each  
13 other enough data on each other's system to help  
14 fill out mods or model operating updates so that  
15 we can better predict how systems are going to  
16 react, that's one thing that a seams agreement  
17 should address, so that as that information is  
18 shared, they come up with more creative ideas on  
19 how we can get transmission across and address  
20 more service requirements.

21           And then finally, we have a lot of  
22 projects and we have a lot of regions in SPP with  
23 our balanced portfolio. We're now working on  
24 priority projects. We're working on an integrated  
25 transmission process, and these are all things

1 that will have to be addressed through a seams  
2 agreement.

3 As we move toward, you know, the next  
4 ten years on how we want to do business in SPP, a  
5 a seams agreement's going to be critically  
6 important on how we deal with Entergy and how we  
7 get things built. We want excuses to build  
8 things. We don't want excuses not to build  
9 things. And a seams agreement, in our mind, is a  
10 -- and without a seams agreement, there's a lot of  
11 excuses not to build stuff.

12 Thank you very much for your time. I  
13 appreciate it.

14 MR. WELLINGHOFF: Thank you, Mr. Fox.

15 We are actually going to have one more  
16 panelist. Mr. Fox, if you can give up your seat  
17 for five minutes, I'm going to ask Katherine King  
18 from the Louisiana Energy Users Group,  
19 representing that group from the Office of Kean  
20 and Miller, to give me five minutes, please.

21 MS. KING: Thank you.

22 Good afternoon. I'm Katherine King  
23 representing the Louisiana Energy Users Group.  
24 LEUG is an association of industrial concerns  
25 located in Louisiana and purchasing electricity

1 from either Entergy Louisiana or Entergy Gulf  
2 States in Louisiana. Our members employ over  
3 20,000 workers within the State of Louisiana and  
4 consume over eight billion kilowatt hours annually  
5 for electricity.

6 LEUG has been a long-time proponent  
7 for cost-effective transmission investment. We  
8 see it as a means to lower electrical rates  
9 through the displacement of Entergy's high  
10 cost/high heat rate gas units.

11 Many of you in this room were at the  
12 New Orleans Technical Conference in 2004. It was  
13 a FERC-sponsored technical conference when we were  
14 first considering moving forward with the ITT, and  
15 at that time, Entergy advised us that 20 percent  
16 of its system resources were being served by these  
17 old high heat rate gas units. It was a percentage  
18 number that Entergy seemed interested in reducing,  
19 and certainly, a number of the stakeholders in  
20 that room were interested in seeing that number  
21 reduced.

22 At that time, Entergy quantified the  
23 benefits associated with reducing that number,  
24 saying that every percentage point reduction in  
25 that 20 percent would render \$30 million in

1 savings a year for ratepayers.

2 We had hoped that we would see  
3 significant reductions in that number over the  
4 ensuing years. Unfortunately, from LEUG's  
5 standpoint, that has been a very slow process, and  
6 the results that we had hoped to see have not  
7 developed.

8 In 2008, the old oil and gas units  
9 provided 22 percent of Entergy Louisiana's  
10 resources and 18 percent of Entergy's Gulf States  
11 Louisiana resources. With additional  
12 transmissions, we believe those numbers can be  
13 significantly reduced, providing access to  
14 cleaner, cheaper and more efficient generation for  
15 retail load.

16 Additionally, those transmission  
17 upgrades could provide improved reliability in  
18 Louisiana, particularly during hurricane season,  
19 which is important for the nation's supply and  
20 fuel and petrochemical products which are produced  
21 by my clients in Louisiana and supplied to the  
22 nation.

23 Now, there have been various attempts  
24 to estimate, well, what types of savings are we  
25 talking about? Are there enough savings there to

1 actually pay for transmission upgrades since  
2 Entergy provided the \$30 million percentage point  
3 estimate back in 2004? And to simplify and to try  
4 and use numbers that Entergy has, so we would try  
5 to eliminate the questions about the numbers, we  
6 were trying to find a way to come up with a bench  
7 mark. And again, it is an estimate, but it is  
8 something to look at about what the potential  
9 savings are.

10 So what we did, we compared the  
11 average cost of Entergy's old oil and gas  
12 generation in a particular year with Entergy  
13 Louisiana and Entergy Gulf State QFPUTs which is  
14 priced at their avoiding cost, their economy  
15 energy purchases and their exchange energy  
16 purchases in that same year. And what I've  
17 circulated is the backup information on the  
18 calculations that we have prepared.

19 In 2008, the differential between  
20 those two numbers, which I'm going to call  
21 potential savings, was \$298 million for  
22 Entergy Louisiana. For Entergy Gulf States  
23 Louisiana, the potential savings totaled \$183  
24 million.

25 If we look at the same calculations

1 over the period that has occurred since the 2004  
2 technical conference, we look at the period from  
3 2005 to 2008, the potential savings for Entergy  
4 Louisiana was \$1.1 million, and for Entergy Gulf  
5 States, \$517 million.

6 Now, again, this is a bench mark, and  
7 I would readily agree that it is unlikely that we  
8 would be able to, from a practical standpoint, get  
9 rid of all of Entergy's old oil and gas units.  
10 They may need some there for reliability reasons,  
11 but a much smaller percentage.

12 But the point is, I think that the  
13 numbers show the size of these cost differentials  
14 indicate that there are adequate savings to offset  
15 the cost of transmission upgrades that are  
16 necessary to deliver this displacement power and  
17 still provide a savings to ratepayers.

18 We believe that the addition of a  
19 cost-effective transmission upgrade selected and  
20 studied and implemented by a truly independent  
21 third party would result in significant savings.  
22 We agree, as others have said today, that the ICT  
23 has brought significant improvements through  
24 information availability and through transparency  
25 in the functions that it performs.

1                   However, there have been few  
2                   commitments to build new transmission and there  
3                   have been no transmission upgrades that are  
4                   solving these problems that I'm presenting to you  
5                   today which is the reduction in the old oil and  
6                   gas units.

7                   We have also seen when the ICT has  
8                   performed its ISTEP process, bringing us upgrades  
9                   that they believe would provide economic benefits  
10                  which is a requirement that the Louisiana Public  
11                  Service Commission actually required of the ICT,  
12                  to bring in economic upgrade studies and to try to  
13                  reduce the RMR units in Louisiana. What we found  
14                  out recently is that the ICT really doesn't have  
15                  the data to do a complete cost-benefit analysis.  
16                  They can do some high-level studies.

17                  We have looked at the results of their  
18                  first ISTEP recommendations that came out, the  
19                  year-long process, in 2008, and now we are in an  
20                  additional study period with Entergy where now  
21                  they are redoing their own studies to determine  
22                  whether there's a truly cost-benefit analysis; so  
23                  we are facing, again, eight more months of study  
24                  on that issue.

25                  From LUEG's standpoint, I think we

1       need a truly independent entity that can make key  
2       transmission decisions with stakeholder input and  
3       in a transparent manner. And that entity must --  
4       that would include the ability to timely perform  
5       complete and full studies necessary to determine  
6       identified transmission upgrades as being  
7       cost-effective, to oversee and implement the  
8       construction of those upgrades and see that they  
9       are done in a timely manner.

10               Thank you.

11               MR. WELLINGHOFF: Thank you,  
12       Miss King.

13               At this time, I will reserve my  
14       questions, I think, and just go ahead to Chairman  
15       Suskie. Questions?

16               MR. SUSKIE: I will do the same. I  
17       have no questions.

18               MR. WELLINGHOFF: Okay. Well, then  
19       let's continue on. Mr. Smitherman?

20               MR. SMITHERMAN: Not at this time.  
21       Thank you.

22               MR. FIELD: I have one.

23               MR. WELLINGHOFF: Sure. Go ahead.

24               MR. FIELD: It seems to me, as  
25       Mr. Huval pointed out, there must be a reason that

1       Entergy wants to run their old gas-fired units.  
2       We might need a report from time management on why  
3       -- I'll bet you, no regulator here has ever denied  
4       a transmission expense or upgrade. That's part of  
5       what we do if it's prudent.

6                   And I don't understand what the  
7       culture is that it must benefit the shareholders,  
8       because it's not benefiting the ratepayers not to  
9       make these investments, and it reflects -- we've  
10      had a retirement study going on in Louisiana for  
11      -- is Mr. Zimmering here? -- three or four or five  
12      years.

13                   MR. ZIMMERING: Four to five years.

14                   MR. FIELD: -- four to five years and  
15      some things have been retired. But there's  
16      something -- you know, we're all here today  
17      because we got to force a corporation to do what's  
18      right for its customers, whether they're wholesale  
19      or retail.

20                   And it just seems to me -- I'm glad  
21      we're here and I'm glad we're going to do  
22      something, but it really has been difficult and  
23      frustrating to have to deal with a corporation  
24      that doesn't seem to pay attention to what's in  
25      the best interest of their ratepayers and my

1 constituents and all of y'all's.

2 MR. MCCULLA: Commissioner, I'm  
3 probably not the best one to respond to that, but  
4 we do have an individual here that would be better  
5 able to respond to that, if you'd like, if you  
6 don't mind.

7 MR. WELLINGHOFF: Not at all. Go  
8 ahead.

9 MR. HURSTELL: My name is John  
10 Hurstell, H-U-R-S-T-E-L-L. I'm Vice President of  
11 Entergy Management for Entergy Services. I'm  
12 responsible for the operation dispatch of  
13 Entergy's fleet of generators, and I'm here to  
14 tell you, Mr. Commissioner, that we are very  
15 concerned about our ratepayers.

16 And I can tell you that our dispatch  
17 of our -- with our legacy fleet of generators is  
18 done consistent with the objective of minimizing  
19 our production costs.

20 And I would like to make a couple of  
21 comments about what I've heard today. We strongly  
22 disagree with the assertion that we have not taken  
23 advantage of merchant generation in our region.  
24 In 2008, we purchased 50 percent more from  
25 merchant generators than we generated from our

1 legacy fleet. 30 percent of our -- excuse me. 30  
2 million megawatt hours of our usage last year came  
3 from the wholesale market, whereas we generated 20  
4 million megawatt hours from our legacy fleet of  
5 generators.

6 With regard to some of the specific  
7 analysis that particularly Entegra filed in this  
8 proceeding, I would like the opportunity to submit  
9 written comments, because we have serious  
10 disagreements with the way they have characterized  
11 our system and particularly with what they've  
12 offered.

13 They -- and I -- they've offered --  
14 well, they've stated that they offered 8500 heat  
15 rates.

16 MR. WELLINGHOFF: And, Mr. Hurstell,  
17 let me make it clear that, yes, this proceeding is  
18 an open proceeding. You should certainly submit  
19 those comments in writing.

20 And the gentleman from Entergy  
21 Mississippi that wanted to submit a rebuttal to  
22 Attorney General Hood, please, you can do that in  
23 writing as well.

24 MR. HURSTELL: Thank you.

25 But in particular, the idea that

1 merchant generators routinely offer us 8500 heat  
2 rates -- and I think Mr. Sparks referred to a  
3 7,000 heat rate. And I'm here to tell you that we  
4 do not receive offers of 7,000 or even 8500 heat  
5 rates routinely from merchant generators.

6 The main reason why we operate our  
7 fleet of legacy generation is because of our need  
8 for flexible capacity, and what I mean by that is  
9 capacity that can respond to moment-by-moment  
10 changes in load, and what that means is you have  
11 to have a fuel supply to go along with that  
12 gas-fired generation.

13 So, in other words, when a customer  
14 flips the light switch on and off, a generator has  
15 to respond. And generally speaking, until just  
16 the last few weeks -- last few months, I should  
17 say, merchant generators have not offered that  
18 capacity to us. They just have not done that.

19 Recently, they've started offering it  
20 to us via WPP, and that's one of the real  
21 advantages of the WPP that we've seen, that those  
22 types of offers. And now, when we receive those  
23 offers and they're economic, we've taken them.  
24 And that is the main reason why we brought up our  
25 legacy generation.

1                   Let me make you aware of one other  
2                   thing that I believe is unique to the Entergy  
3                   system, and that is the large amount of QFPUT.  
4                   QFPUTs are qualified facilities that have the  
5                   right but not the obligation to put energy to us.  
6                   And that QFPUT can vary on our system from 200  
7                   megawatts to 3,000 megawatts.

8                   So when we go in to plan for the next  
9                   day, when our peak load on our system may be  
10                  14,000, we don't know whether the QFs are going to  
11                  put 200 or 3,000. But we have to be prepared for  
12                  either occurrence, so we have to have generation  
13                  that can respond, if we need it, either up or  
14                  down. And the only resources that we have to do  
15                  that with is our fleet of legacy generation.  
16                  Merchant generators simply have not offered us  
17                  that type of flexibility, again, until recently  
18                  via the WPP when they've offered that.

19                  Now, we have taken steps -- and  
20                  Mr. Zimmering's in the room. I believe he still  
21                  is. We worked with Mr. Zimmering and the LPSC  
22                  staff to try to come up with a way to firm up that  
23                  QFPUT, to come up with a way for them to commit on  
24                  a day ahead so that we wouldn't have to run this  
25                  flexible capability, and I think Mr. Zimmering is

1 the one who came up with the idea that we  
2 supported, but the QF rejected that action. They  
3 wanted to maintain the flexibility to either put  
4 to us or not put to us.

5 So when they do that, when they have  
6 that flexibility, we have no choice but to have  
7 the generation that we can respond to.

8 Now, one other point the gentleman,  
9 Mr. Brown, from East Texas talked about is them  
10 moving generation into the Texas region. And I  
11 was involved in that, not from a transmission  
12 side, but because we work very closely together.  
13 We have a very good relationship with them. And  
14 to me, that was a great example of participant  
15 funding working.

16 Now, as I said, I operate the  
17 generation on our system, and I'm really  
18 indifferent as to whether I have more generation  
19 or more transmission. I just want to serve the  
20 load at the lowest cost that I can.

21 But we have a case in Texas where ETEC  
22 has about 400 megawatts of load in East Texas, and  
23 prior to them moving this generation over, they  
24 had about 40 megawatts of generation in Texas; so  
25 one-tenth of their load was served by local

1 generation.

2           Then they tried to import power from  
3 Arkansas, Louisiana, Mississippi, and they came up  
4 -- they received a cost for that. And then they  
5 looked at the alternative of bringing generation  
6 into the region and they received a cost for that.

7           We at the same time were making the  
8 same decision. We could either bring power in  
9 from outside Texas or we could build generation in  
10 Texas. And this was a classic case of where we  
11 worked with ETEC.

12           He mentioned that ETEC brought 300  
13 megawatts into the region, and I don't think he  
14 was trying to be deceptive in any way, but we  
15 ended up buying 150 megawatts because we made the  
16 decision. It was better for us to buy generation  
17 from ETEC which in our mind was the same as a  
18 merchant generator.

19           They responded to our RFP and said,  
20 we'll sell you 100 megawatts of CT capacity at --  
21 and I forget the price. It was -- they put it in  
22 an RFP, and it was cheaper for us to buy their  
23 capacity as opposed to building transmission  
24 lines. I think it was really just to delay  
25 transmission lines.

1                   So we made the economic decision that  
2                   it was in the best interest of our ratepayers.  
3                   That's what participant funding does. It doesn't  
4                   promote transmission. It promotes a better  
5                   system. And that's what I'm looking for when I  
6                   operate a system in a way that reduces our cost.

7                   And I'd like to make further comments  
8                   in writing and I will do that.

9                   MR. WELLINGHOFF: Please do so.

10                  Commissioner Field.

11                  MR. FIELD: Thanks, Mr. Hurstell. I  
12                  do remember you explaining to me about how you had  
13                  to be flexible.

14                  My question would be, could you get  
15                  that percentage of the time that you're running  
16                  your legacies down from 20 and 17 and 22 percent  
17                  to something below 10 percent?

18                  MR. HURSTELL: I'm not really sure how  
19                  low we can go, but it's going to be based upon  
20                  what type of heat rates we get offered from the  
21                  merchant generators and the type of flexibility.

22                  And it's interesting -- and again, I'm  
23                  not assigning any devious action here, but by  
24                  picking 2003, that was an important year in terms  
25                  of our purchases from merchants. Because prior to

1       2003, say, in 2000, our gas-fired generation  
2       accounted for about 35 to 40 percent of our  
3       generation. And then as merchant generators came  
4       on line in early 2000, we took advantage as much  
5       as we could, and that percent went from 35 down to  
6       20.

7                   And what happened is, is that we  
8       reached a plateau in 2003, and that was the point  
9       at which we needed that flexible capability. So  
10      it looks like it stayed stagnant and it had,  
11      because we haven't gotten the flexible offers.  
12      But prior to 2003, we significantly reduced the  
13      amount of generation from our legacy fleet of  
14      generators.

15                   And one other point I'd like to make,  
16      you know, as Mr. Sparks referred to, he saw our  
17      region as a prime candidate for merchant  
18      generation because we had all of this older  
19      gas-fired generation. And I'm sure that's the way  
20      every one of the merchants that built in our  
21      regions thought. And if there would have only  
22      been one generator, one 500 megawatt generator  
23      that built in the region, that generator would  
24      have made plenty of money.

25                   But the problem is, you had 17,000

1 megawatts of new generation trying to displace  
2 probably 5 to 7,000 megawatts of generation that  
3 fit that category. And we're never going to make  
4 every merchant happy.

5 Now, we have merchant generators --  
6 for example, Frontier in Texas. We buy a lot of  
7 energy from them. They've been a great supplier  
8 to us. I remember during Hurricane Rita when we  
9 were completely cut off in Texas from the rest of  
10 the system, Frontier stepped up and basically  
11 turned over the keys to their plant to us, and  
12 they did an excellent job of providing reliable  
13 service.

14 You don't see Frontier come up here  
15 and complain about how we operate, because they're  
16 a good supplier. We buy plenty of energy from  
17 them.

18 MR. FIELD: Mr. Hurstell, if through  
19 this weekly procurement process or more merchant  
20 people offer complete dispatch capability, can --  
21 will you commit that you will work to lower the  
22 percentage of the time that the legacy units are  
23 operated?

24 MR. HURSTELL Commissioner Field, I  
25 can't do that, and the reason why is because my

1 objective is not just to lower the amount of our  
2 legacy fleet generation. It's to reduce our cost.

3 So if merchants offer flexibility,  
4 they have to offer two things. They have to offer  
5 a lower cost and they have to offer the same type  
6 of flexibility.

7 Let me give you an example. I think  
8 some of the bids that we've received in the WPP  
9 offer flexibility in the range of, say, 350  
10 megawatts to 450 megawatts, which means we have to  
11 run them at 350, but we can turn them up or down  
12 between that 350 to 450 range. So that's 100  
13 megawatts of flexibility.

14 Well, I have legacy generation that I  
15 control that has a minimum of 40 and a maximum of  
16 400, so that gives me 360 megawatts of flexible  
17 capability.

18 So contrary to everything you heard,  
19 it's not simply a case of comparing heat rates.  
20 There are many other factors that play in, the  
21 range of flexibility being one of them.

22 Remember, if it was just about heat  
23 rates, then that's the same as saying it's just  
24 about miles per gallon and every car in America  
25 would be a Prius.

1                   But you have different needs for  
2 generators. You have different needs that we  
3 cannot -- I don't want to commit to you that my  
4 objective is just to reduce the amount of legacy  
5 generation. I'll commit to you that I'm going to  
6 do whatever I can to reduce costs for our  
7 customers, but it's not simply just to reduce the  
8 amount of generation.

9                   MR. FIELD: Well, now, I had been led  
10 to believe that that would reduce the cost. I  
11 understand that you wouldn't just reduce it just  
12 to say you did it, but it would be done because  
13 there was a lower cost to your ratepayers.

14                  MR. HURSTELL: And when we can -- the  
15 stockholders -- from our perspective, the  
16 stockholder has no incentive to run their own  
17 generation versus buying from a merchant. To be  
18 perfectly candid with you, if I cannot run my  
19 generator and buy a cheaper energy from somebody  
20 else, I'll let them incur the O&M expense. I'll  
21 let them occur the wear and tear on their  
22 equipment. I'll let my equipment rest and not  
23 suffer that wear and tear and I'll get a lower  
24 cost for our customers. That's fine with me.

25                  And I've heard this idea that there's

1       some kind of play-in by Entergy to run its own  
2       generation and not buy from merchants. And I can  
3       tell you if that were the case, I would have been  
4       fired a long time ago, because since 2000, we have  
5       purchased significantly more energy from merchants  
6       than we do -- from the wholesale market than we do  
7       from our own generators.

8                It's just we -- it's impossible for us  
9       to buy enough energy from all of the merchants to  
10      make everybody happy. It just can't be done. And  
11      that's why you would hear the same arguments over  
12      and over.

13               You know, I heard someone mention the  
14      2004 Technical Conference in New Orleans with  
15      Commissioner Wood. He held a similar meeting to  
16      this and we had the same arguments. And what  
17      Commissioner Wood asked me to do was host a series  
18      of workshops in D.C. to explain all this flexible  
19      capability stuff, all the issues related to QFs  
20      and we did. We had a series of workshops and no  
21      one went back to the FERC and was dissatisfied  
22      with what we said.

23               But this issue just crops up in  
24      different forums every year or so, and that's why  
25      we have faced the issue of QFs -- I mean, of

1 merchants claiming we don't buy from them for some  
2 devious reasons.

3           You referred to the retirement study  
4 that the LPSC staff did or whatever it was. It  
5 was an LPSC staff, so I think Entergy worked on  
6 it, but they concluded that we shouldn't retire  
7 many of our units in order to buy from merchants.  
8 It's just not there. The economics aren't there.

9           Remember, when you talk about the heat  
10 rate, a lower heat rate, you have to talk about  
11 what the heat rate advantage is there versus the  
12 cost to acquire it. They're not going to give --  
13 they're not going to give us a 7,000 heat rate  
14 unless we pay them something for that. And if  
15 there's a transmission cost on top of that, you  
16 have to factor all of that into it.

17           And as someone said, we don't run any  
18 of these units very much on an individual basis.  
19 You might have a unit with 20 percent capacity  
20 factor. So now you got to take the full cost of  
21 that generation and divide it over 20 percent of  
22 the hours, and it -- excuse me -- it raises the  
23 cost significantly.

24           So I guess the bottom line is, what we  
25 are focused on is producing the lowest cost for

1       our customers.  Whether if that means buying from  
2       merchants, we're going to buy from merchants.  And  
3       if we run our generation, we're going to run our  
4       generation.

5                   MR. FIELD:  If it means building  
6       transmission, you'll do that, too?

7                   MR. HURSTELL:  Yes, sir.

8                   MR. FIELD:  Thank you.

9                   MR. WELLINGHOFF:  Thank you,  
10      Commissioner Field.  Commissioner Presley.

11                  MR. PRESLEY:  Thank you, Mr. Chairman.

12                  Mr. Hurstell, I guess you're going to  
13      stay at the table for a minute or I assume you  
14      are.

15                  MR. HURSTELL:  I'll be happy to answer  
16      your question.

17                  MR. PRESLEY:  My question is for you.

18                  Now, it seemed in your comments in the  
19      last few minutes that you alluded to making  
20      somebody happy.  I can state succinctly that's not  
21      my purpose for being here today, make anybody  
22      happy.  I think the purpose of everybody here,  
23      speaking again for myself, is that we find the  
24      areas in which to lower cost for ratepayers and  
25      make good, sound decisions in all of our

1 commissions.

2 Now, you've talked about the technical  
3 conference in 2004. That was mentioned by some of  
4 the stakeholders on their panel. And so you said  
5 that, you know, that y'all had looked at your  
6 legacy fleet and what could be done with that.

7 I'd just like for you to tell us  
8 today, Number 1, did you make the statement in  
9 2004 or did Entergy make that statement that for  
10 every percentage that it would be reduced, it  
11 would be a \$30 million savings?

12 MR. HURSTELL: Yes. That was, yes, in  
13 2004 when we were talking about the WPP, because  
14 we were hoping that we would get the flexible  
15 capability. That wasn't -- that's what we need.

16 MR. PRESLEY: Well, from 2004 to today  
17 in 2009, how many -- what are the percentages that  
18 have come down on that legacy fleet?

19 MR. HURSTELL: I don't know off the  
20 top of my head. We can get it for you.

21 But one of the things you have to  
22 remember, too, is that between that time, between  
23 those two periods, we purchased Perryville,  
24 Attala, and the Commissioner referred to Wichita.  
25 Those were all the efficient -- the new, efficient

1 generations.

2 So in my mind, that's the same as  
3 purchases -- well, probably better than purchases,  
4 because we're getting better -- we're actually  
5 getting better low heat rate at cost without  
6 paying a premium for it.

7 But I don't know off the top of my  
8 head. I know that probably -- I don't know --  
9 maybe 6 to 10 percent of our energy comes from  
10 those units, so that -- I would claim 6 to 10  
11 percent right there.

12 MR. PRESLEY: 6 to 10 percent  
13 reduction in the legacy fleet?

14 MR. HURSTELL: No; what I'm saying is  
15 that it comes from purchases. It's hard,  
16 Commissioner, to really compare one year to the  
17 other because you have to factor in load growth,  
18 you have to factor in --

19 MR. PRESLEY: Well, I understand that.  
20 But if you make a statement that if you reduce it  
21 by 1 percent, that you're going to save these  
22 savings, you have to base that on something. So,  
23 I mean, to say now that whether it's hard to  
24 figure that out, I'm not following you.

25 MR. HURSTELL: Well, I think the time

1 -- what we were saying is it's very difficult to  
2 take from one year to another because you don't  
3 know what gas costs are going to be. We're just  
4 trying to provide some sort of idea to the  
5 Commission as to what benefit we might achieve  
6 should we be able to achieve these savings.

7 MR. PRESLEY: But what I'd rather see  
8 is some idea of what -- since you made that  
9 statement in 2004, in the five years that have  
10 been, what has actually -- what steps has Entergy  
11 taken to displace that and to see these savings?

12 I'm not going to hold you to a dollar  
13 mark. Just a general idea.

14 MR. HURSTELL: I'm sorry. I didn't  
15 catch the steps.

16 I think the things we've done is we've  
17 gone out and purchased some of the capacity. We  
18 have instituted the WPP.

19 MR. PRESLEY: When you say purchase  
20 some of the capacity, you're talking about  
21 purchasing bankrupt merchant plants, right?

22 MR. HURSTELL: I -- I -- I don't know  
23 whether they're bankrupt or not.

24 MR. PRESLEY: Well, you did in the  
25 case of Attala.

1                   MR. HURSTELL:  Once again, I'm not  
2                   saying it's not.  I just -- I wasn't involved.  I  
3                   don't know what their financial condition was when  
4                   we bought it.  But we bought that capacity.

5                   We have taken steps, like what I  
6                   referred to earlier, with ETEC, where we found a  
7                   way to reduce our cost by buying capacity from  
8                   them.  And we've instituted WPP, not as quickly as  
9                   any of us would have liked, but we're starting to  
10                  see the benefits of that.

11                  MR. PRESLEY:  But I guess, you know,  
12                  the thing that I'm just coming back to is -- it  
13                  seems like a redundant theme throughout all of  
14                  this is, in 2004, the company says, well, if we do  
15                  X, Y and Z, we reduce it by 1 percent, it's \$30  
16                  million, and then, well, we've got to wait for the  
17                  WPP and that doesn't come on line until 2009.  
18                  These are things that are of concern.

19                  Let me ask you this question.  Do you  
20                  agree, though, that transmission upgrades,  
21                  well-planned transmission upgrades could lead to  
22                  cost-savings for ratepayers in Entergy's  
23                  territory?

24                  MR. HURSTELL:  I think you always have  
25                  to look at the alternative.  I'm not saying no to

1       that, but -- okay. I think I've said that whether  
2       I get my power via transmission or through  
3       generation, it doesn't make any difference to me.  
4       I want the lowest cost and most reliable power  
5       that I can get.

6                   And I think you have to make a  
7       decision every time as to, does it make more sense  
8       to build transmission or does it make more sense  
9       to build generation? And I don't particularly  
10      have a bias one way or the other.

11                   MR. PRESLEY: Thank you, Mr. Hurstell.

12                   MR. WELLINGHOFF: Thank you,  
13      Commissioner Presley. Councilwoman Midura, any  
14      questions?

15                   MS. MIDURA: No.

16                   MR. WELLINGHOFF: Okay. I'll go to my  
17      fellow Commissioners. Any questions?

18                   Yes.

19                   MR. SKRMETTA: This is an issue  
20      brought up by Miss Turner from Entegra, and it  
21      begins at Page 11. And actually, I want to refer  
22      to Entergy when we talk about the Entergy's  
23      actions costing potentially billions of dollars  
24      because of the actions with the merchant power  
25      providers. And I just want to catch, do you feel

1       like the comments you made sort of cover the  
2       issues that we've talked about or do you have any  
3       other issues about that?

4                    Because as a Commissioner, you know,  
5       my primary concern is to the ratepayers and the  
6       primary concern to the ratepayers is making sure  
7       that they pay as little as possible for a product.  
8       And that comes to me as, if there are giant  
9       differences, I want to know, you know, what your  
10      position is on that particular aspect, and then I  
11      have another question on follow-up.

12                   MR. HURSTELL: First of all, I  
13      disagree with the assertion that she made  
14      regarding the \$2 billion in costs. If there's one  
15      thing that I know is that there is nothing I do in  
16      secret. And I have plenty of regulators that  
17      tweak every decision we make, and I know that  
18      everything we do, we're going to have to defend  
19      it.

20                   And I can tell you that we try to take  
21      advantage of merchant generators of utilities, any  
22      source of power that we can to reduce costs to our  
23      customers. And this idea that we are just  
24      intentionally running our gas-driving generators  
25      at the expense of our customers is, in my mind,

1 just ridiculous.

2 MR. SKRMETTA: Second question. You  
3 know, you made mention of the capacity of merchant  
4 power providers versus demand, and, I mean, are we  
5 effectively at a surplus of power potential and  
6 that we're just -- you don't need the requirement  
7 of it to fit your demands?

8 MR. HURSTELL: That's right. We have  
9 all the generation. And, of course, as our load  
10 requirement grows, we're going to need more.

11 Now, whether or not we have a surplus  
12 in the region, that would all depend on how much  
13 generation they've sold off to third parties. I  
14 don't have -- I'm not privy to that information.

15 But I do know that there are plenty of  
16 merchants that have transmission rights -- I can  
17 go on our OASIS system to look to places outside  
18 of our boundary other than Entergy. But I don't  
19 know for sure whether or not they have more excess  
20 generation other than what they offer in the WPP.

21 So my gut feel is that there is excess  
22 generation in the region, and it's just going to  
23 be a matter of, is that the most economic option  
24 for us in the future?

25 MR. SKRMETTA: All right. Thank you.

1 Thank you, Mr. Chairman.

2 MR. WELLINGHOFF: You're welcome.

3 Let me -- I got a couple questions  
4 after these questions, and then we'll go to our  
5 audience.

6 It is Mr. Hurstell; is that correct?

7 MR. HURSTELL: Yes, sir.

8 MR. WELLINGHOFF: I'm trying to  
9 understand. Is there something unusual about  
10 Entergy system that requires this flexibility that  
11 you talked about? Is that flexibility above and  
12 beyond the flexibility of other utility systems?

13 MR. HURSTELL: Yes, sir. While I  
14 consider myself an expert on the Entergy system, I  
15 may not be on other peoples' systems, but let me  
16 just relate one conversation that I had with  
17 someone from Southern, Southern Company.

18 When I asked their operator if they  
19 knew how much QFPUT they had -- and I'm sorry.  
20 You know, I'm not -- maybe I'm not clear about the  
21 QFPUT. That's how much energy is qualified to put  
22 to us.

23 MR. WELLINGHOFF: Yes.

24 MR. HURSTELL: And I asked him how  
25 much they had, and after a few minutes, he had to

1 think, and he came back and said he thinks they  
2 have one or maybe two.

3 Now, the Southern system is 40,000,  
4 30, 40,000 megawatts, and their operator didn't  
5 even know whether they have QFPUTs.

6 On our system, there are some hours of  
7 the year where the QFPUT accounts for 20 percent  
8 of our load at the time. So we might have a  
9 10,000 megawatt load and they're putting 2,000  
10 megawatts to us. And I can assure you, it is much  
11 more difficult to operate a system when 20 percent  
12 of your energy comes from resources that you have  
13 no idea whether they're going to be there in the  
14 next hour.

15 So what we have to do is we've got to  
16 be prepared for that 2,000 megawatts to go away,  
17 and then we have to be prepared for it to show up  
18 again in the next hour. So we've had swings of  
19 1500 megawatts from one hour to the next on what  
20 the QFPUTs are.

21 So, in other words, because of that,  
22 we have to have generators, plenty of generators  
23 sitting there waiting for QFs to make up their  
24 mind as to whether they're going to put to us or  
25 not, and that is a big leap for us.

1                   A second need that may have -- I  
2           haven't looked at it lately, but I know it was  
3           substantial a year ago, is a generator imbalance.  
4           What that is, is when merchant generators sell  
5           power to someone else, they submit a schedule to  
6           transmission. They'll put in a schedule that says  
7           I'm going to deliver 500 megawatts, say, to the  
8           Southern Company.

9                   Well, if an IPP has a problem with  
10          their generator and they have to reduce from 500  
11          megawatts, say, to 400 megawatts, they have a  
12          choice. Either they can cut the schedule or they  
13          can just lean on our system and we have to provide  
14          the other 100 megawatts. That's not something I  
15          control. That's something the merchants control.

16                  So if the merchants decide -- have a  
17          problem where they lose a generator or they --  
18          they might have a major problem on their unit  
19          where they have to take it down to half load, but  
20          they don't want to cut the schedule, because if  
21          they start to cut the schedule, they'll have to  
22          cut their sale and they're confident they can get  
23          the plant back up to full load in an hour, well,  
24          they might make the choice then to just lean on  
25          our system.

1                   Well, that's 500 megawatts that could  
2 show up at any time that I'm not aware of, that we  
3 have to be able to provide that service. So there  
4 are -- I don't know of any other system that has  
5 the size of QFPUT that we have nor the size of the  
6 generator imbalance that we have.

7                   Now, let me be clear. When the  
8 merchant generators, when they lean on us, they  
9 pay a price for that and they make that economic  
10 decision. And I'm not here complaining that they  
11 do that, because if they lean on us, they pay for  
12 that service and our ratepayers get the benefit of  
13 that. But that imposes an obligation on us.

14                   So those are the two things that I  
15 think do make our system if not unique, then in a  
16 small group of utilities that have that problem.

17                   MR. WELLINGHOFF: But the generator  
18 imbalance -- let's just talk about that subject  
19 first. You can control that to some extent, to  
20 the extent, as you say, you can change your tariff  
21 as to what it costs them to lean on?

22                   MR. HURSTELL: Right, we did. We --  
23 originally, there was very little cost. Then, you  
24 know, we filed a case at FERC -- we ended up  
25 settling, I believe -- with generators where we

1       imposed an energy charge, and then we filed  
2       another case that we eventually settled with the  
3       merchants where there is actually a capacity  
4       charge as well that they have to pay, depending  
5       upon how frequently they lean on us and the  
6       magnitude.

7                   So again, I'm not here complaining  
8       about that. We've -- we've -- FERC made it clear  
9       that they wanted us to provide that service, and I  
10      think we've priced it in a way that's fair, that  
11      our customers are compensated for that. But we  
12      have to provide the service.

13                   MR. WELLINGHOFF: On the QFPUT, is  
14      there any fix to that?

15                   MR. HURSTELL: Well, like I said, we  
16      worked with Mr. Zimmering with the LPSC staff, and  
17      we came up with a process where they would commit  
18      to delivering the power a day in advance, and that  
19      way, we could rely on them and we wouldn't have to  
20      have the flexible capability, and then they would  
21      essentially turn into one of our units. But if  
22      they tripped off-line, then we have reserves to  
23      cover it, but they wouldn't be free to decide  
24      they're going to go sell to Southern for a few  
25      hours and then come back to us.

1                   So we gave them an opportunity to put  
2                   in a bid to serve us firm power and they chose not  
3                   to. They would prefer to have that flexibility.  
4                   They believed that FERC had gave them the right to  
5                   have that flexibility and they didn't want to give  
6                   it away.

7                   MR. WELLINGHOFF: Wouldn't one fix be  
8                   to have a more liquid market where you could buy  
9                   from other sources?

10                  MR. HURSTELL: I'm sorry.

11                  MR. WELLINGHOFF: Wouldn't one fix be  
12                  for you to have a more liquid market where you  
13                  could buy from other sources, and if you lost  
14                  2,000, go get 2,000 from someplace else?

15                  MR. HURSTELL: Well, we have that  
16                  right now, but we just don't have firm -- we  
17                  wouldn't have firm transmission and we wouldn't --  
18                  we couldn't rely on that, but that's our problem.  
19                  And as well, in the intradebt, you're never going  
20                  to get that.

21                  So in a case where a QF could put to  
22                  us from 8:00 to 10:00 in the morning, and then  
23                  decides at 10:00 they're going to sell to somebody  
24                  else, so we go buy from somebody else for two  
25                  hours, and then the QF decides to come back --

1                   MR. FIELD: But if you had a real-time  
2 market here with an RTO, you could do that, right?

3                   MR. HURSTELL: I don't know what it  
4 does. If that's the case, I'm not the right  
5 person to answer it.

6                   MR. WELLINGHOFF: All right. Let's go  
7 to Chairman Smitherman.

8                   MR. SMITHERMAN: Yes, one follow-up  
9 question. I've been trying to get some  
10 information for my staff real quickly.

11                   And one of the comments, John, that  
12 surprised me is when you said that you do not  
13 receive offers or bids from merchants with 7500 E  
14 rate, 8,000, 8500. That's contrary to all the  
15 information that comes to my office.

16                   And I think Michael would tell you,  
17 I've never been, you know, particularly  
18 sympathetic to the merchant generation financial  
19 situation, but I'm really surprised to hear that  
20 statement. And my staff is researching it right  
21 now, though, they think that most of the more  
22 modern combined cycle is 7,000.

23                   So could you amplify on that a little  
24 bit?

25                   MR. HURSTELL: Sure. Sure. Let me be

1 clear.

2 MR. SMITHERMAN: Because that caught  
3 me by surprise.

4 MR. HURSTELL: Okay. But let me be  
5 clear with you. I'm not saying we've never  
6 received offers of 85 to 100. It may be sometimes  
7 when we've gotten offers of 8500, but it's fairly  
8 rare.

9 But remember, though, when the  
10 merchants sell power to us, they -- they have to  
11 earn something above the cost. So if their cost  
12 is -- if their heat rate is 7,000, I wouldn't  
13 expect them to offer us a 7,000 heat rate.  
14 They're going to offer what they think the market  
15 will bear.

16 So if the ICE, which is  
17 Intercontinental Exchange, Vista price tomorrow of  
18 \$60 of megawatt an hour and gas prices are \$6,  
19 they're going to offer about a 10,000 heat rate.  
20 They're not going to offer us an 8,000 heat rate  
21 when -- why would they offer us power at 48 when  
22 the market is 60?

23 I'm not faulting them for what they  
24 offer us. What I'm faulting them for is giving  
25 you guys the impression that because they have

1 more efficient units, that that automatically  
2 means that they offer us lower prices.

3 Now, I have to be careful because we  
4 are under confidentiality agreements. I just  
5 can't release the bidding information that they  
6 give us in an open forum like this. But I feel  
7 pretty comfortable in saying that I'm not aware of  
8 us receiving a 7,000 heat rate from a merchant  
9 generator.

10 MR. SMITHERMAN: Well, Mr. Chairman,  
11 if I might, I think this is an issue that needs to  
12 be teased out more, because I can tell you that  
13 your information seems to be diametrically opposed  
14 with the information that I get from the merchant  
15 community and to some degree different from  
16 information that I get from my staff.

17 And, you know, I'll give you an  
18 example of the Cottonwood Plant in Texas. You  
19 know, they're so desperate to try to get out of  
20 your territory, that they came to us with an  
21 application to build a line, a 90-mile line to  
22 ERCOT so they could try to sell their power into  
23 the ERCOT market. When that didn't work, then  
24 they went to the Legislature and got some language  
25 embedded in Senate 01492.

1                   And I don't feel qualified here today  
2                   to say whether you're right or they're right or  
3                   any of the other people that have been coming to  
4                   me for the last five years are right.

5                   So perhaps this is an item, Chairman,  
6                   that we could tease out further with whatever our  
7                   next steps are. This seems to me to be an  
8                   important issue.

9                   MR. HURSTELL: Oh, I agree.

10                  MR. WELLINGHOFF: And maybe we could  
11                  tease it out right now, because Number 1 on my  
12                  list of people from the audience who wants to talk  
13                  is Mr. Woody Saylor from Cottonwood Energy.

14                  MR. SMITHERMAN: I promise, I didn't  
15                  know. It wasn't a setup. I promise.

16                  MR. WELLINGHOFF: So, Mr. Saylor, if  
17                  you could have the microphone, please.

18                  MS. TURNER: Commissioner Wellinghoff,  
19                  this is Becky Turner. When Mr. Saylor is done or  
20                  when the list is done, I really would like the  
21                  opportunity to respond to a couple of the  
22                  statements that have been made.

23                  MR. WELLINGHOFF: Yes. Yes.

24                  MS. TURNER: If that will be okay?

25                  MR. WELLINGHOFF: Yeah. If we have

1 time, we'll do that. We're starting to run out of  
2 time.

3 Go ahead, Mr. Saylor, please.

4 MR. SAYLOR: I'm Woody Saylor. I'm  
5 the President of Cottonwood Energy.

6 MR. SMITHERMAN: Woody, speak up real  
7 loud and get that closer.

8 MR. SAYLOR: Yeah. I'm Woody Saylor.  
9 I'm the President of Cottonwood Energy. It's a  
10 1200 megawatt power plant/combined cycle merchant  
11 power plant near Dewey Field, Texas.

12 A lot of things that I wanted to say  
13 have already been said. I will say that  
14 Cottonwood is a very flexible unit. And we have  
15 ultimate flexibility, that we can actually stop  
16 and start every day, and we do that. And usually,  
17 we're a daily on-peak dispatcher. They call on us  
18 -- they call on us at Cottonwood to come on line  
19 in peak hours and then shut us off in the off-peak  
20 hours.

21 Now, we do supply H&C, and we also  
22 have, like I said, the ultimate flexibility. As  
23 we get the plant off line every evening, we shut  
24 the plant down and start it back up again in the  
25 morning.

1           I guess, you know, the one thing that  
2 I do want to say is that we do have all this  
3 flexibility, and one of the problems that we had  
4 was why Entergy doesn't get the flexibility in the  
5 bid is because the way the bid process is  
6 constructed. It doesn't exactly allow you to  
7 offer a flexible bid. If you're truly flexible,  
8 you offer capacity in a heat wave.

9           But until recently, and even now today  
10 with this new process, you don't have -- you don't  
11 really have that ability. You have to load in all  
12 of your fixed costs into an energy payment in  
13 order to cover your costs at a minimum markup, so  
14 it doesn't really give you the ability to bid a  
15 very flexible product.

16           MR. WELLINGHOFF: Thank you,  
17 Mr. Saylor.

18           Ms. Turner, you had a quick comment?

19           MS. TURNER: Well, yeah. And again, to  
20 Woody's comment on the structure of WPP, it makes  
21 it very difficult to give flexibility that John  
22 Hurstell has said that he claims that he has been  
23 asking for.

24           Our units, just like Woody's, are  
25 about the same technology. We have a tremendous

1 amount of flexibility going up and down. We can  
2 turn off at night. We can come on much faster.

3 These older units that are running  
4 these legacy fleets, keep in mind, these units are  
5 running overnight. They're running through the  
6 night when coal is on the margin. They're backing  
7 off coal to run these old units.

8 So my cost -- my \$2 billion is simply  
9 based on gas. I think if you truly looked at the  
10 cost of those older units, with the maintenance,  
11 with the capital, it far exceeds the \$2 billion.

12 MR. WELLINGHOFF: The next person I  
13 have on my list from the audience is Jennifer  
14 Vosburg, NRG Louisiana Generating.

15 MS. VOSBURG: I have a few brief  
16 comments to make. My name is Jennifer Vosburg.  
17 I'm the Director of Regulatory at NRG Energy,  
18 south central region, which operates a Louisiana  
19 generating facility.

20 We are one of, if not, the largest  
21 users of the Entergy transmission system after  
22 Entergy itself. We operate 48 generating  
23 facilities in Louisiana with 24,000 megawatts. We  
24 are the exclusive wholesale provider to ten  
25 Louisiana roll-in electric cooperatives and their

1       sole transmission agent. Through the cooperative  
2       contracts that we have, we serve approximately one  
3       million Louisiana citizens.

4               We are pleased that we have had  
5       representatives at the Louisiana Cooperatives here  
6       today at this historic event.

7               Entergy Louisiana Generating is a  
8       transmission-dependent facility and we operate a  
9       balance of authority within the Entergy system.  
10       We are both a network and a point-to-point  
11       customer. And because of our structure, what's  
12       ultimately decided regarding Entergy directly  
13       impacts NRG, and through NRG, our coop customers,  
14       and through our coop customers, a large portion of  
15       the Louisiana population.

16               NRG agrees that the current ITT  
17       structure is unacceptable, but to be fair, that is  
18       the structure that has been regulatorily approved.

19               We agree with Gary Newell that there  
20       have been questions regarding the independent part  
21       of the ICT name. And while there have been some  
22       discussions there, we agree that the contractual  
23       arrangement both with the counter-parties and with  
24       the contractual terms that cause SPP to have a  
25       certain amount of liability and exposure, if they

1 go outside the realm of an Entergy OATT tariff  
2 business or approved business practice has  
3 impacted how the ICT has operated.

4 We agree with Commissioner Field that  
5 there are immediate actions that could be taken to  
6 improve the ICT process now that would resolve  
7 immediate issues. He mentioned a large number of  
8 TLRs. The increase in the number of TLRs was  
9 directly related to an accident that occurred in  
10 2007 where Entergy stopped voluntarily  
11 redispatching its system to avoid the TLRs. That  
12 process needs to change.

13 With the number of TLRs -- we also had  
14 the same problem yesterday. With the large number  
15 of TLRs, we need to take immediate action to stop  
16 that and to protect the system, and going back to  
17 a redispatching system would resolve that.

18 We believe that the ICT should be  
19 provided with 205 buying authority, and we believe  
20 that Entergy should be mandated to adopt and  
21 construct the base plan.

22 There's been a discussion today  
23 regarding the interpretation of Note B. Now, this  
24 might be a simplistic approach, but as I  
25 understand, Note B is part of a FERC-approved

1 reliability standard. Surely there is a way that  
2 the FERC can come out with an interpretation of  
3 the standard to be able to resolve this issue now,  
4 without having to wait for the ongoing process  
5 that they're looking at that right now that  
6 doesn't have a time deadline. We don't know when  
7 that process will conclude.

8 Now, NRG echoes the comments of AEP  
9 and some of the others today that there does need  
10 to be an assessment of the impact of Entergy  
11 joining the SPP RTO, and we believe that  
12 assessment should be a truly independent  
13 assessment that is performed by a party that does  
14 not have a vested interest in the outcome.

15 We believe that's just as important.  
16 We don't want to have a predetermined outcome on  
17 any type of study.

18 And that assessment needs to take into  
19 consideration that the impact will not just be on  
20 SPP and on Entergy and their respective  
21 ratepayers, but also on the  
22 transmission-dependent, load-serving entities.

23 What will this mean to other dependent  
24 lessees such as our coop customers? How long  
25 would an integration take, how much would this

1 cost, and how long would it be before these  
2 promised benefits are returned to the ratepayers  
3 and the stakeholders? Will other network  
4 customers ultimately share in the cost benefit  
5 from what they're paying, and if so, when? Are  
6 there other alternatives and options other than  
7 what we've discussed here today?

8 We believe that these are questions  
9 that need to be a part of this process. They need  
10 answers because it's more than just Entergy system  
11 that's at stake here.

12 The issues surrounding market  
13 structure and how best to encourage investment  
14 transmission system are long-standing problems.  
15 What is traditionally not tied to the discussions  
16 is how incumbent utilities are financially  
17 consented with those structures.

18 And Commissioner Field teed up the  
19 question: Why is it that Entergy chooses to  
20 maintain an aging generation fleet rather than  
21 invest in transmission? I think it would be  
22 prudent to look at the regulatory structure to see  
23 what incentives or, more importantly,  
24 disincentives are there out there that impacts the  
25 decision of the utilities whether or not to invest

1 in transmissions.

2 We all have the common goal; we want a  
3 robust, healthy transmission system. NRG looks  
4 forward to and wants to participate. And again,  
5 as one of the largest users of the Entergy  
6 transmission, we believe we provide a unique  
7 perspective on the issues.

8 Again, thank you for this opportunity.

9 MR. WELLINGHOFF: Thank you,  
10 Ms. Vosburg.

11 And the last comment that we have from  
12 the audience before we wrap up for today will be  
13 Zachary Wilson from Arkansas Cities.

14 MR. WILSON: Thank you very much.

15 My name is Zachary David Wilson. I'm  
16 an attorney for the Arkansas Cities of Conway,  
17 Osceola, Benton, Prescott and Hope, Arkansas.

18 All of my clients are small  
19 municipalities that are gold-serving entities and  
20 receive generation load power and transmission and  
21 generation service from full requirement type  
22 suppliers.

23 We're not just as adamant about  
24 changing and putting Entergy into the SPP as  
25 making the ICT work correctly. And a lot of the

1 things that have been said here today we really  
2 appreciate and think need to be done in one form  
3 or another.

4 I would say specifically on any study  
5 that's associated with putting Entergy into the  
6 SPP is that there are difficulties on both sides.  
7 I echo what my friend at ETEC says on both sides  
8 of the aisle as far as trying to secure  
9 transmission services. We really are. That needs  
10 to be -- we don't want to end up with one entity  
11 that has two very bad plans in the process of  
12 securing service. So that needs to be a primary  
13 focus of any study that happens.

14 Thank you very much.

15 MR. WELLINGHOFF: Thank you,  
16 Mr. Wilson.

17 With that, we're going to do a little  
18 quick wrap-up here and let me make a few comments.

19 One, I have to again thank the  
20 facility and all the State Commissioners for  
21 having FERC here and allowing us to do this  
22 meeting. We appreciate it very much.

23 It's personally been extremely  
24 eye-opening to me to get the information from all  
25 the parties, including Entergy and the other

1 parties interested in the Entergy system. I think  
2 we've seen a lot here that we can take back and  
3 perhaps look at some reforms to move forward.

4 One thing I wanted to explore, though,  
5 quickly -- a quick question. It's my  
6 understanding -- and Chairman Suskie, correct me  
7 if I'm wrong, but that the Arkansas Commission has  
8 ordered that a study go forward and that they've  
9 asked SPP to do a study on the cost and benefits  
10 of the Arkansas Entergy group joining SPP; is that  
11 correct?

12 MR. SUSKIE: And Entergy as a whole.

13 MR. WELLINGHOFF: Oh, and Entergy as a  
14 whole. So they are going to do not only just  
15 Arkansas Entergy, but also all of the Entergy  
16 system. All right.

17 Well -- and I understand that there's  
18 a proceeding before you currently as to how to pay  
19 for that study; is that correct?

20 MR. SUSKIE: Yeah, always a good  
21 question.

22 MR. WELLINGHOFF: Well, what I want to  
23 offer to do is FERC would be willing to pay for a  
24 substantial portion of that study. We're so  
25 interested in that issue, we would be very, very

1 interested in helping out, and we'll get with  
2 Chairman Suskie and see if we can work out some  
3 reasonable portion for FERC to contribute to that  
4 study.

5 So with that, Chairman Suskie, I'll  
6 turn it over to you.

7 MR. SUSKIE: Well, thank you,  
8 Chairman. And again, I appreciate the  
9 opportunity to be part of this historic day as we  
10 are able to, all of the regulators of the Entergy  
11 region as well as the stakeholders, have an  
12 opportunity to come about and talk about some of  
13 these challenges.

14 Remember, these challenges rose to the  
15 point where the Arkansas Commission filed a  
16 complaint at FERC to help address this, and FERC  
17 dismissed these on the basis that the ICT would  
18 get an opportunity to resolve its problems.

19 So as we move forward, these are some  
20 of my perceptions where I think we can move from  
21 here.

22 Number 1, I think it's a dialogue that  
23 we can have among State Commissioners that's  
24 invaluable. This has absolutely been enlightening  
25 to me and will be invaluable, and I share this as

1 I'm sure Commissioner Smitherman will.

2 We have this same type of dialogue as  
3 members of the RSC, so I think as we move forward,  
4 we ought to take a look at creating an RSC type  
5 entity to be a part of the ICT, so that the  
6 Commissioners from each of the states can take a  
7 look at the construction plan/base plan  
8 differences, take a look at the Note B issue, take  
9 a look at Attachment T. Even going back to the  
10 history as Entergy said was the concern of the  
11 regulators, well, let's just say state regulators  
12 can talk about the cost-benefits issue. And I  
13 think that's a real opportunity we have here.

14 So what I offer out is that we leave  
15 here with the charge among the state regulators to  
16 go back home and find a way to have an entity  
17 that's RSC like, to meet on a set time frame to  
18 discuss these very issues with the ICT.  
19 And in that, there's a number of issues we can  
20 discuss, and I propose, one, the cost-benefit  
21 analysis that we've referred to that Chairman  
22 Wellinghoff has committed to support with some  
23 funding; Number 2, we could have the Note B issue;  
24 Number 3, Attachment T and the participant  
25 funding; 4, we could talk about the difference

1       between the construction plan and the base plan  
2       differences; and as a result, we can begin this  
3       process to move forward.

4               And in closing, I appreciate Entergy's  
5       honesty and some of the challenges with the QFs in  
6       their market, and I was most fascinated getting  
7       familiar with the SPP's imbalance market and the  
8       Chairman's question about Entergy being a part of  
9       a liquidity market.

10              Could those challenges be resolved  
11       with a robust market where you can buy and sell  
12       from a number of parties and in a way to where  
13       it's not just limited to a WPP process that only  
14       occurs during certain days of the week, during  
15       certain times, have a market similar to what SPP  
16       has?

17              And, also, one thing that I think's  
18       gotten lost is -- obviously, we have a lot of  
19       representation from the merchant plans, but one  
20       thing that gets lost -- I'll go back to the office  
21       and we always bring our biases from our  
22       background.

23              I was in a municipality with the City  
24       of Northern Rock in the middle of Entergy's  
25       transmission system. We twice went out into the

1 market and it wasn't good results, and constantly,  
2 a concern we had was a lack of transmission.

3 And then when I take a look at our  
4 coops in Texas and Lafayette as well, and I think  
5 one thing that's been lost a lot today is the  
6 impact on their ratepayers. If there is a weak  
7 and lack of a robust transmission system, what  
8 impact does that have on them when they need to go  
9 to the market?

10 And I always go back. A predecessor  
11 of mine at the Commission when appointed by the  
12 Governor of the State of Arkansas said that in  
13 every decision you make, think about the little  
14 old lady at the end of the road and what impact  
15 does that have on them. And I think we have to  
16 always leave here and go back and remember that.

17 So with that, again, I thank you for  
18 having this historic day. And for my fellow state  
19 regulators, I hope we can continue this dialogue  
20 again.

21 MR. WELLINGHOFF: Thank you, all.

22 (The proceedings were concluded at  
23 3:10 p.m.)

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CERTIFICATE OF REPORTER

I, Susan Kennedy Crawford, Registered Professional Reporter and Notary Public for the State of South Carolina at Large, do hereby certify that the foregoing transcript, Pages 1 through 229, is a true, accurate, and complete record.

I further certify that I am neither related to nor counsel for any party to the cause pending or interested in the events thereof.

Witness my hand, I have hereunto affixed my official seal this 29th day of June, 2009, at Charleston, Charleston County, South Carolina.

\_\_\_\_\_  
Susan Kennedy Crawford  
Registered Professional  
Reporter  
My Commission expires  
May 29, 2013