

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF A SHOW CAUSE ORDER)
DIRECTED TO ENTERGY ARKANSAS, INC.)
REGARDING ITS CONTINUED MEMBERSHIP)
IN THE CURRENT ENTERGY SYSTEM) CASE NO: 10-011-U
AGREEMENT, OR ANY SUCCESSOR)
AGREEMENT THERETO, AND REGARDING)
THE FUTURE OPERATION AND CONTROL)
OF ITS TRANSMISSION ASSETS)

SURREBUTTAL TESTIMONY

OF
CRAIG R. ROACH, Ph.D.
BOSTON PACIFIC COMPANY, INC.

ON BEHALF OF SOUTHWEST POWER POOL, INC.

AUGUST 18, 2011

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1 **I. PURPOSE AND SUMMARY**

2 **Q. Please state your name, position, and business address.**

3 **A.** My name is Craig R. Roach. I am the President as well as the Founder of Boston Pacific
4 Company, Inc. My business address is 1100 New York Avenue, NW, Suite 490 East,
5 Washington, DC 20005.

6

7 **Q. Are you the same Craig R. Roach who filed Supplemental Initial Testimony in this**
8 **proceeding on July 12, 2011?**

9 **A.** Yes.

10

11 **Q. What is the purpose of this, your Surrebuttal Testimony?**

12 **A.** The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of the
13 six Entergy witnesses.

14

15 **Q. Do you have an overall response to the Rebuttal Testimony of Entergy's witnesses?**

16 **A.** Yes. Nothing in Entergy's rebuttal changes my bottom line conclusion that joining SPP
17 is a better choice than joining MISO for the people of Arkansas as well as the people of
18 the other Entergy States. My two basic reasons for that bottom line conclusion still hold
19 despite Entergy's rebuttal.

20

21 **Q. What is the first of the two reasons?**

22 **A.** My first reason is that the latest CRA study – and the only CRA study comparing the
23 costs and benefits of joining the SPP RTO to those of joining MISO – concluded that the

1 net benefits of joining the SPP RTO are expected to be higher than those from joining
2 MISO. I referred to the CRA study as “analytic bedrock” in my deposition because it is
3 the only independent study and because it still reflects the stakeholder review of inputs
4 from previous CRA studies.¹

5
6 **Q. Does any suggestion in the Entergy rebuttal appropriately change the net benefits**
7 **estimates?**

8 **A.** Yes. Entergy suggests that I use the updated offers by SPP and MISO for transmission
9 cost allocation.² These updated offers were made after CRA completed its study. I agree
10 with Entergy that this update should be made and, when it is made, the argument for
11 joining SPP is even stronger in terms of quantified net benefits. Specifically, the ten-year
12 present value of net benefits to the Entergy area ranges from \$452 million to \$720
13 million; symmetrically comparing the low and high ends of Entergy’s estimates for SPP
14 and MISO shows that joining SPP generates from 36% to 124% more net benefits than
15 joining MISO.

16
17 **Q. Did Entergy make other suggestions for changes in the CRA Study?**

18 **A.** Yes. You will recall that I addressed five “adjustments” that Entergy made to the CRA
19 Study.

20
21
22

¹ Transcript of the Testimony of Craig R. Roach, Volume I, August 2, 2011, at pages 69, 71 and 100.

² Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 8, lines 1 to 11.

1 **Q. Do you agree that these adjustments should be made?**

2 **A.** No. As documented in detail in my Supplemental Initial Testimony, none of the five
3 “adjustments” that Entergy made to the CRA study are credible; and, therefore, its
4 conclusion based on those adjustments, that it is now better for Entergy to join MISO, is
5 also not credible.

6

7 **Q. Let us turn to the second reason for your bottom line conclusion.**

8 **A.** My second reason is that there are broader strategic advantages to joining SPP that the
9 Commission should consider. Chief among these strategic advantages is the fact that the
10 Commission knows from actual experience that it will have ample opportunity to voice
11 its opinion in the SPP RTO because of the well-defined and well-respected role of the
12 Regional State Committee (RSC).

13

14 **Q. Did Entergy’s rebuttal raise or intensify any concerns you have with Entergy’s**
15 **proposal to join MISO?**

16 **A.** Yes. Entergy’s rebuttal intensified three concerns I have with Entergy joining MISO.

17

18 **Q. What is the first of your three intensified concerns?**

19 **A.** First, having read Entergy’s rebuttal, I have an increasing concern that Entergy favors the
20 MISO because, while it would be a member of an RTO in name, it would never fully
21 integrate MISO’s newly formed sub region – MISO South – into MISO North. I say this
22 because Entergy says repeatedly that it does not intend to make any transmission

1 investments solely to further that integration³ and because it expects few new power
2 flows after it joins MISO.⁴

3
4 **Q. Would the isolation of MISO South raise other issues related to potential benefits?**

5 **A.** Yes. I understand that Entergy believes substantial benefits arise by joining an RTO
6 because it would end the obligation to buy from Qualifying Facilities or QFs.⁵ However,
7 those QF-related benefits will not be realized if MISO South is so isolated that the QFs
8 do not have “non-discriminatory access to markets” such that the QFs could sell to “third
9 party buyers.”⁶ In a recent case involving SPP Members, two were granted their requests
10 for ending the QF obligation, but FERC did not grant it for the third Member because
11 “transmission constraints” in that one area “limit QF’s ability to access buyers.”⁷

12
13 **Q. What is your second intensified concern?**

14 **A.** Second, I also am increasingly concerned with Entergy’s presumption that it can use the
15 SPP, TVA, and other transmission systems to conduct transactions with MISO North and
16 not pay anything – that is, not pay any compensation for these loop flows. This is one
17 question that Entergy addressed extensively in its Rebuttal Testimony.

18

³ Rebuttal Testimony of Michael M. Schnitzer, filed August 4, 2011, at page 23, lines 14 to 21 and page 31, lines 1-16, and page 33 line 22 to page 34 line 2. Also see Rebuttal Testimony of Richard C. Riley, filed August 4, 2011, at page 21, lines 1-13. Also see Response of Entergy Arkansas to the Second Set of Data Requests of SWEPCO, Question No. 2-5, filed June 27, 2011, and Response of Entergy Arkansas to the Thirtieth Set of Data Requests of Arkansas Public Service Commission General Staff Question No. STAFF 30-4, filed July 27, 2011.

⁴ Rebuttal Testimony of Michael M. Schnitzer, filed August 4, 2011, at page 9, Lines 14-17. Also see EAI Exhibit MMS-3, “Affadavit of Michael M. Schnitzer in FERC Docket No. EL11-34-000”, at page 5 and page 7.

⁵ Charles River Associates, Cost-Benefit Analysis of Entergy and Cleco Power Joining the SPP RTO, Addendum Study, December 8, 2010, at page 5. Also see Supplemental Initial Testimony Of Kevin D. Woodruff on Behalf Of The Attorney General, filed July 12, 2011, at page 17, lines 1 to 12.

⁶ *Xcel Energy Services, Inc.*, 122 FERC ¶ 61,048 (2008), at paragraph 2.

⁷ *Ibid.*, at paragraph 28.

1 **Q. Are you convinced that there will be loop flows?**

2 **A.** Yes. If there are transactions with MISO North, there will be loop flows. I base this
3 view on SPP's evidence using NERC's widely-used IDC computer tool which shows that
4 30% of the power flows will use SPP's transmission system while 42% will use TVA's
5 system. Only 8% will flow over the 1,000 MW contract path assumed to link Entergy to
6 MISO.⁸

7
8 **Q. Are you convinced that, if there are loop flows of this magnitude, Entergy will have**
9 **to pay compensation?**

10 **A.** Yes. To see this, we can look to precedent at FERC in which, after ComEd joined PJM,
11 loop flow issues arose with Northern Indiana Public Service Company or NIPSCO. In
12 that case, compensation was made in terms of covering redispatch costs and, ultimately,
13 in payments for transmission system upgrades.⁹ The ComEd/NIPSCO case was
14 adjudicated under the PJM-MISO Joint Operating Agreement or JOA. FERC recently
15 ruled that it expected SPP and MISO to renegotiate their JOA and I think a compensation
16 scheme such as this might be the intended result of the JOA re-negotiation.

17
18 More broadly, I think the Commission would not want to approve a move to MISO if it
19 would create a tense political situation long into the future. I liken the situation created
20 with Entergy joining MISO to the situation in which highway traffic is expected to spill
21 onto local neighborhood streets when a new, distant shopping mall is planned; surely the
22 neighbors are going to push for action to limit the spillover traffic. The Commission

⁸ Supplemental Initial Testimony of Carl A. Monroe, filed July 12, 2011, at page 33, lines 18 to 22 and page 34, lines 1 to 4.

⁹ *Northern Indiana Public Service Company*, 128 FERC ¶ 61,281 (2009) (2009 NIPSCO Order).

1 should be wary of proceeding with MISO without some accounting for the substantial
2 potential for loop flow compensation to SPP, TVA and others which could cut into
3 whatever benefits have been estimated for Entergy joining MISO.
4

5 **Q. What is the third intensified concern?**

6 **A.** I have an increasing concern that MISO's proposed capacity market raises issues that the
7 Commission needs to address. Two items make my point. One, as explained in my
8 Supplemental Initial Testimony, a capacity market may put the Commission at odds with
9 the FERC over resource decisions that the Commission makes. I base this on the current,
10 high-profile case in which the FERC ruled against the New Jersey Commission.
11 Although MISO's proposal makes an honest attempt to be more accommodating to
12 resource planning by State Commissions, my concern for the Commission eventually
13 being at odds with FERC remains. Two, MISO's capacity market proposal includes an
14 effort to define Local Resource Zones. Recall that I raised concerns about the "Other
15 Benefits" Entergy defined, especially a substantial reduction in the required Planning
16 Reserve – a reduction from 16.85% to 12%.¹⁰ My primary concern was that Entergy
17 admitted it did not assess deliverability of resources from outside the Entergy area.
18 MISO capacity market rules put even greater focus on deliverability that will make it
19 even more difficult for Entergy to prove deliverability of reserves from outside MISO
20 South and, therefore, even more difficult to realize these Other Benefits.
21
22
23

¹⁰ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 47, lines 4 to 5.

1 **Q. Do you have any final broad comment on Entergy’s rebuttal?**

2 **A.** Yes. I am disappointed with Entergy’s effort. With my Supplemental Initial Testimony I
3 had hoped to define and address questions that I thought would be the most helpful to the
4 Commission as it made its important decision in this proceeding. I also tried to state all
5 of my arguments and evidence in plain English. My disappointment is that, in their
6 lengthy rebuttal testimonies, Entergy’s witnesses too often gave only partial answers to
7 those questions or did not address them at all.

8

9 **II. NONE OF THE ENTERGY REBUTTAL TESTIMONY UNDERMINES**
10 **CRA’S CONCLUSION THAT JOINING SPP WOULD GENERATE**
11 **GREATER NET BENEFITS THAN JOINING MISO.**

12

13 **Q. Let us start with your review of the CRA Study. Please briefly summarize what you**
14 **said in your Supplemental Initial Testimony.**

15 **A.** Again, recall that Entergy made five “adjustments” to the CRA analysis and, with those
16 adjustments, reversed or overturned CRA’s conclusion that joining SPP is the better
17 choice. I laid out in my Supplemental Initial Testimony the reasons I did not find any of
18 the five “adjustments” to be credible. Given that, I recommended that the Commission
19 rely on the independent CRA analysis which showed joining SPP would generate more
20 net benefits in the Entergy Region than joining MISO.

21

22

23

1 **Q. Does Entergy agree CRA was independent?**

2 **A.** Apparently not. Mr. Hurstell states that “the results presented in CRA’s reports are not
3 the ‘independent analyses’ that Dr. Roach wants *to pretend* that they are.”¹¹ (Emphasis
4 added). Mr. Hurstell’s apparent concerns are with CRA’s use of estimates provided by
5 SPP and MISO for transmission cost allocation and administrative costs. If CRA used
6 these estimates because it believed the RTOs were in the best position to make them, this
7 does not undermine CRA’s independence in my view.

8

9 **Q. Did Entergy agree at least that it had reversed the CRA conclusion?**

10 **A.** No. Surprisingly, Entergy would not even agree that it, in fact, had reversed the CRA
11 conclusion.¹²

12

13 **Q. In light of Entergy’s Rebuttal Testimony have you changed your view on the
14 credibility of the five “adjustments”?**

15 **A.** No.

16

17 **Q. Are there any changes that Entergy proposed and you agree should be made?**

18 **A.** Yes. Entergy criticized me for using out-of-date estimates of transmission cost
19 allocations that were developed prior to SPP and MISO making actual offers to
20 Entergy.¹³ There are no grounds for Entergy’s criticism since I made the point that these
21 new estimates were provided after the CRA Study was completed.¹⁴ Still, Entergy is

¹¹ Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 26, lines 19 to 21.

¹² Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 4, lines 7 to 11 and page 11, lines 6 to 8.

¹³ Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 8, lines 1 to 11.

¹⁴ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 50, lines 8 to 10.

1 right that I could have inserted the new estimates in the CRA table as I have done in
2 Table R-One below.

3
4 Table R-One

5
6 CRA's Estimates of Net Benefits to the Entergy Area with Updated Transmission Cost
7 Allocation (Present Values for 2013 to 2022 in millions)
8

	Join SPP¹⁵	Join MISO¹⁶
Trade Benefits	\$891	\$737
Administrative Costs	(\$230)	(\$209)
Net Benefits	\$661	\$529
Transmission Cost Allocation¹⁷	(\$209) to \$59	(\$327) to \$0
Net benefits After Allocation	\$452 to \$720	\$202 to \$529

9
10 **Q. What does Table R-One show?**

11 **A.** Using the updated estimates of transmission cost allocation, along with the original CRA
12 estimates of Trade Benefits and Administrative Costs, it can be seen that the ten-year
13 present value of net benefits for the Entergy region (a) ranges from \$452 million to \$720
14 million if Entergy joins SPP, as compared to (b) a range of \$202 million to \$529 million
15 if Entergy joins MISO. Notably, the net benefits are entirely positive for joining either
16 RTO, thus strengthening the argument for membership in either RTO. However, the
17 numbers still lead to the same conclusion on the right choice between the two RTOs – the
18 updated CRA estimates show that joining SPP will generate more net benefits for

¹⁵ Charles River Associates, Cost-Benefit Analysis of Entergy/Cleco Power or Entergy Arkansas Joining the Midwest ISO, Addendum Study, March 10, 2011, at page 10.

¹⁶ Ibid., at page 11.

¹⁷ The Transmission Cost Allocation values come from Entergy's Evaluation of the Alternative Transmission Arrangements Available to the Entergy Operating Companies And Support for Proposal to Join MISO ("Entergy Evaluation Report"), May 12, 2011, at page 15.

1 ratepayers than joining MISO. Symmetrically comparing the low and high ends, joining
2 SPP generates 36% to 124% more benefits than joining MISO.

3
4 **Q. Let us run through each of the five “adjustments” to hear your response to what**
5 **Entergy said in its rebuttal.**

6 **A.** Sure.

7
8 **Q. What is the first of the five “adjustments” that you addressed?**

9 **A.** First, I argued that Entergy’s adjustment to the CRA analysis which allocated benefits to
10 just the Operating Companies was unnecessary, and, in addition, not credible because it
11 was insufficiently explained. Entergy’s rebuttal was to say that the allocation was not
12 their idea, but an effort “developed at the direction” of FERC.¹⁸ In truth, FERC’s
13 mention of such an allocation in the RFP for a consultant said only that FERC would not
14 pay for such an allocation – and it presumed Entergy would pay a third party or do the
15 allocation itself.¹⁹ The importance of this distinction is that Entergy in no way can say
16 that it was ordered by FERC to rely on such an allocation when choosing between joining
17 SPP or MISO.

18
19 **Q. Okay, but should the Commission rely on only benefits to the Entergy Operating**
20 **Companies when making its decision in this proceeding?**

21 **A.** No. As I stated in my Supplemental Initial Testimony, I do not see why the Commission
22 would choose to ignore benefits to others in the Entergy footprint in Arkansas and the

¹⁸ Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 5, lines 7 to 11 and page 12, lines 7 to 18.

¹⁹ Federal Energy Regulatory Commission Request for Proposal, issued January 20, 2010, at page 4, footnote 2.
[Can be found as Exhibit JPH-8 to Rebuttal Testimony of John P. Hurstell, filed August 4, 2011].

1 other Entergy States. I presume those benefits are of equal value since the recipients are
2 either taxpaying or job-sustaining businesses in the State or they are ratepayers.²⁰ I do
3 not see any justification for saying a dollar of net benefits to one Arkansas entity is of
4 more value than a dollar to another Arkansas entity.

5
6 **Q. Does Entergy suggest there are higher and lower valued benefits?**

7 **A.** Yes. In sharp contrast, Entergy states bluntly that a dollar of benefits to one of the
8 Entergy Operating Companies is worth more than a dollar of benefits to any other
9 business or person. Mr. McDonald states:²¹

10 The Commission's primary consideration here should be the impacts of EAI's
11 decision on its 698,000 retail customers. Next, the Commission should take into
12 account the effects on Arkansas electricity consumers within EAI's footprint, that
13 is, those load-serving entities that are embedded within EAI's transmission
14 facilities. I respectfully suggest that other interests, although not entirely
15 irrelevant, are a distant third in priority.
16

17 I simply cannot see the Commission agreeing with Mr. McDonald that one ratepayer is
18 better or worse than another.

19
20 **Q. Did Entergy explain how it made this allocation of CRA's benefit estimates to just**
21 **the Operating Companies?**

22 **A.** Yes, Entergy tried to explain. As background, note that CRA estimated benefits for all
23 the entities within the Entergy footprint – the Entergy Operating Companies, other
24 Balancing Authorities, other Load Serving Entities, QFs and Independent Power

²⁰ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at pages 35 to 37; in particular, page 37, lines 13 to 18.

²¹ Rebuttal Testimony of Hugh T. McDonald, filed August 4, 2011, at page 8, lines 5 to 11.

1 Producers or IPPs.²² Entergy attempted to explain its method for the allocation of costs
2 and benefits to the Operating Companies, but it admitted that it did not have the data
3 needed to explain its results. Specifically, it could not explain why the allocation showed
4 benefits were reduced to a much greater extent when joining SPP than when joining
5 MISO.²³
6

7 **Q. Put aside your view that the allocation is not appropriate in the first place. Do you**
8 **have concerns with the allocation method itself?**

9 **A.** Yes. If Entergy cannot explain the results – even if that is because they were not given
10 all the information they needed – the credibility of their allocation cannot be proven.²⁴
11 Moreover, even putting aside what we do not know, I have concerns about what I do
12 know about Entergy’s allocation.
13

14 Specifically, I worry that the results of the allocation could be anomalous because the
15 transactional rules presumed in the allocation are so different from the transactional rules
16 CRA presumed when estimating the benefits. It is a standard principle in Boston
17 Pacific’s work on monitoring competitive procurements that, if you change the rules, you
18 change the results. One cannot presume that you would get the same results in any
19 competitive process if the rules are changed.
20

²² Response of Entergy Arkansas to Eighteenth Set of Data Requests of Arkansas Public Service Commission Staff, Question No. STAFF 18-24, filed June 6, 2011, and Question No. STAFF 18-60, filed June 7, 2011.

²³ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 36, lines 21 to 22.

²⁴ Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 17, lines 12 to 17.

1 Note, too, that Entergy likens its allocation of benefits to the allocation of costs under the
2 old Entergy System Agreement; that should give the Commission concern with the
3 allocation since problems with that allocation are the primary reason Entergy Arkansas is
4 terminating its participation in the System Agreement. As stated in the Supplemental
5 Technical Report to the APSC, “The Commission reiterated that ‘the thrust of this
6 Docket-- and by extension, EAI’s actions-- remain focused on the Commission’s primary
7 objective in this proceeding, which is ensuring that EAI’s ratepayers are not subject to
8 continued unfair and unnecessary production cost shifts resulting from EAI’s affiliation
9 with the other Entergy Operating Companies [EOCs] after December 18, 2013.’”²⁵

10
11 **Q. Please explain a bit about what you mean by implicitly changing the rules.**

12 **A.** A good example of what I mean is seen when Entergy says that CRA did not account for
13 “transactions between entities within the Entergy Region,” but that the allocation
14 exercise “did need to account for these internal transactions.”²⁶ If these internal
15 transaction were not modeled – and there was no reason for them to be in CRA’s analysis
16 of central dispatch – then CRA’s results cannot be presumed to reflect such transactions.
17 For example, Entergy notes that “CRA assumed a zero cost for all QF energy.”²⁷ But
18 Entergy priced QFs differently in its allocation – Entergy “priced the QF purchases
19 based on a weighted average of LMPs for imports and IPP purchases [whose price was
20 assumed to equal LMP plus uplift].”²⁸ Obviously, if the prices for QFs changed from

²⁵ La Capra Associates, Supplemental Technical Report To The Arkansas Public Service Commission, July 2011, at page 6. [Can be found as Exhibit DEP-3 To Supplemental Initial Testimony Of Daniel E. Peaco On Behalf Of The General Staff Of The Arkansas Public Service Commission, filed July 12, 2011.]

²⁶ Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 19, footnote 31.

²⁷ Ibid.

²⁸ Ibid.

1 zero, the results would change in terms of which QFs sold power and how much QF
2 power was sold. The point is that Entergy's allocation appears to presume a whole new
3 set of transactional rules that simply are not reflected in the CRA results – the anomalies
4 this creates could be significant.

5
6 **Q. Let us turn to your discussion of Entergy's second "adjustment" to the CRA Study.**

7 **A.** Second, I argued that Entergy's "adjustment" – that is, its increase – in the
8 Administrative Costs for SPP was not credible because the increase was based on an
9 oversimplified analysis; including the assertion that start-up costs for SPP's Day-2
10 Market would be the same as that for the troubled California Market.²⁹

11
12 **Q. What did Entergy say in rebuttal?**

13 **A.** Entergy's rebuttal was simply that I should not deny Entergy the right to conduct due
14 diligence on the Administrative Cost estimates provided by SPP and MISO. Entergy said
15 "it would have been unreasonable for EAI not to apply some due diligence review of the
16 estimates provided by SPP and MISO."³⁰ I have no problem with Entergy conducting
17 due diligence, or with Entergy being constructively skeptical about the estimates from
18 SPP and MISO. My concern is that the adjustment resulting from their skepticism simply
19 is not credible because the analytic method is oversimplified. Entergy's adjustment
20 presumes that Administrative Costs are driven solely by the scale of the RTO operation.
21 You can see this in Entergy's rebuttal when it says "the SPP estimate suggests that SPP

²⁹ Supplemental Testimony of Craig R. Roach (Redacted) , filed July 12, 2011, at page 29, lines 16 to 19 and page 30, lines 1 to 2.

³⁰ Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 6, lines 14 to 16.

1 would achieve economies of scale much greater than any of the other RTOs reviewed.”³¹

2 Entergy also took issue with my claim that SPP might benefit from what I termed “late
3 bloomer benefits,” but Entergy did not address the specific features that I listed as
4 possibly producing such benefits.³²

5
6 **Q. What is the third “adjustment” you addressed?**

7 **A.** The third adjustment dealt with transmission cost allocation. As indicated at the
8 beginning of this section, I am not taking issue with the updated range of transmission
9 cost allocation to SPP or to MISO: (a) for SPP the range is from a negative \$209 million
10 to a positive \$59 million and (b) for MISO the range is from a negative \$327 million to
11 zero.³³ Instead, my criticism was with Entergy’s assertion that the most likely estimate
12 for SPP was at the worst end of the range (\$209 million) and for MISO the most likely
13 allocation was at the best end of the range (zero).³⁴

14
15 **Q. What is Entergy’s rebuttal to your criticism?**

16 **A.** Entergy’s rebuttal appears to be primarily to defend the belief that the actual transmission
17 cost allocation by MISO to Entergy will be zero. I made the point that MISO itself
18 worried about its lack of experience with Entergy and said that MISO South should pay
19 entirely for “any infrastructure build-up in the Southern Planning Region [MISO South]
20 aimed at achieving comparability.”³⁵ And, yet, despite this and other such statements of
21 concern by MISO, Entergy says that there will be no investment to achieve

³¹ Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 31, lines 9 to 11.

³² Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at pages 30 to 31.

³³ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 50, lines 12 to 16.

³⁴ Entergy Evaluation Report, at pages 13 to 14.

³⁵ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 54, lines 8 to 9.

1 comparability. Entergy states “Dr. Roach is incorrect. There is no requirement to make
2 investments to meet a comparability standard, as he suggests.”³⁶

3
4 Entergy adds, however, that, if there were investments made by Entergy in MISO South,
5 there would be added benefits not accounted for in the CRA Study. In other words, any
6 investment for comparability would be offset with benefits. Entergy stated “So, while it
7 is true that MISO may identify additional projects that reduce congestion in the Entergy
8 Region, those projects will only be built if the benefits exceed the costs.”³⁷

9
10 **Q. What does that mean for your review?**

11 **A.** It means that, ultimately, Entergy is not saying that there will be no comparability
12 investments, but, rather, that extra benefits will offset those extra costs so the net
13 allocation should be zero dollars. However, if Entergy wants to use that logic for MISO,
14 it must use that logic for SPP, too. Indeed, I used it with SPP when I said that, when
15 Entergy asserted that costs will be allocated to it for yet-to-be-identified Highway/Byway
16 projects, or under the Unintended Consequences process, these, too, would be offset by
17 benefits.³⁸

18
19 **Q. What is the fourth “adjustment” you addressed?**

20 **A.** Fourth, I argued that the Entergy “adjustment” that changed the definition of the base
21 case simply made no sense. That is, I said “Logically, this simple change in starting

³⁶ Rebuttal Testimony of Michael M. Schnitzer, filed August 4, 2011, at page 23, lines 3 to 4.

³⁷ Rebuttal Testimony of Michael M. Schnitzer, filed August 4, 2011, at page 23, lines 23 to 25.

³⁸ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 52, lines 1 to 6 and page 54, line 24 to page 55, line 5.

1 point should add equally to the benefits of joining either RTO, but it does not, and
2 Entergy provided no credible explanation.”³⁹ Entergy did not rebut this argument.

3
4 **Q. What is the fifth “adjustment” you addressed?**

5 **A.** Fifth, I argued that the “Other Benefits” Entergy calculated were conceptually valid, but
6 the actual estimates were not credible. These “Other Benefits” related to cost savings due
7 to alleged reductions in planning reserves, contingency reserves, and regulation services.
8 Entergy did not rebut my arguments.

9
10 In addition, I have already explained above that my concerns in this regard have been
11 intensified with the MISO capacity market proposal that was filed after I submitted my
12 first Testimony in this proceeding. MISO’s proposal intensifies the attention paid to
13 proving the deliverability of reserves outside Entergy’s area, and, thus, would further
14 undermine Entergy’s estimates of benefits from Planning Reserves and the like.

15
16 **III. NOTHING IN ENTERGY’S REBUTTAL UNDERMINES MY VIEW THAT**
17 **JOINING THE SPP RTO OFFERS RATEPAYERS FIVE STRATEGIC**
18 **ADVANTAGES.**

19
20 **Q. Please summarize the second part of your Testimony concerning strategic**
21 **advantages.**

22 **A.** Put simply, I presented evidence that joining SPP would offer five strategic advantages to
23 Arkansas and other Entergy area ratepayers as compared to joining MISO.

³⁹ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 9, lines 8 to 9.

1 **Q. Let us go through all five with the intent of revealing Entergy's rebuttal, if any, to**
2 **your points. What is the first strategic advantage?**

3 **A.** First, I argued that MISO's proposal for a capacity market might put Arkansas and other
4 Entergy States at odds with FERC over resource decisions as it did in New Jersey.
5 Moreover, I argued that it could lead to ratepayers having to pay twice for capacity in
6 some circumstances.⁴⁰

7
8 **Q. Does Entergy address your Testimony?**

9 **A.** No. Entergy does not address my arguments. Rather, Entergy's witness, Mr. Schnitzer,
10 addresses comments made by Mr. Monroe. The MISO proposal for a capacity market
11 was made public after Mr. Monroe and I submitted our Testimony, so we could not
12 address the MISO proposal explicitly.

13
14 **Q. Have you now read the MISO capacity market proposal?**

15 **A.** Yes.

16
17 **Q. Did MISO's proposal allay your concerns?**

18 **A.** No. However, I will say at the outset MISO has made an honest attempt to be more
19 accommodating to resource planning by State Commissions.

20
21
22
23

⁴⁰ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 68, lines 12 to 21.

1 **Q. How so?**

2 **A.** Recall that the problem in New Jersey is that the State Commission ordered a competitive
3 procurement and combined-cycle facilities were chosen as winners. The New Jersey
4 Commission's contract with these winners envisioned the winners bidding at zero dollars
5 into the PJM Capacity Auction to assure their capacity was used to meet the local
6 capacity need. As explained in my Supplemental Initial Testimony, PJM stepped in to
7 block this zero price offer with what is termed a Minimum Offer Price Rule or MOPR.⁴¹

8
9 MISO has an MOPR provision, too. As I read it, however, MISO proposes to exempt
10 from MOPR any resources (including new combined-cycles) "that are needed to meet an
11 LSE's Planning Reserve Margin Requirement."⁴² In essence, MISO would exempt a new
12 resource needed for reliability. That is potentially a good thing, and there is no such
13 exemption in PJM. Still, since parties can differ on a reliability need, the Commission
14 could still find itself at odds with FERC. Also, the FERC would have to approve the
15 exemption in the first place, and, thereby, break with its PJM Order.

16

17 **Q. Did the actual MISO capacity market proposal highlight or intensify any other**
18 **concern for you?**

19 **A.** Yes. Entergy points out another feature of the MISO capacity market proposal that could
20 cause even bigger problems for Entergy's conclusion that MISO is the better choice.

21 That other feature is the establishment of Local Resource Zones for which capacity and

⁴¹ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 68, lines 6 to 10.

⁴² RAR Compliance Filing of Midwest Independent Transmission System Operator, Inc. on 7/20/2011 in FERC Docket No. ER11-4081, at page 16.

1 reserve requirements are to be set.⁴³ The question incited by this is whether MISO South
2 – the separate area created to cover just Entergy – would be one of these Local Resource
3 Zones? And, if so, would this mean that Entergy could turn only or primarily to MISO
4 South for most of its reserves?

5
6 MISO made it very clear that, when implementing the Local Resource Zones proposal,
7 MISO will take account of deliverability. In my initial Testimony, I noted that Entergy’s
8 failure to assess deliverability to Entergy from elsewhere in MISO undermined its claims
9 of hundreds of millions of dollars of “Other Benefits” when joining MISO.⁴⁴ The MISO
10 capacity market proposal intensifies my concern over Entergy’s failure to prove
11 deliverability.

12
13 **Q. What is the second strategic advantage you address?**

14 **A.** Second, I said that transmission cost allocation in both SPP and MISO was driven by
15 benefits – and that FERC saw it this way, too.⁴⁵ However, I added that, after the initial
16 allocation, SPP had a process to revisit the issue if it could be shown that, in reality, the
17 parties incurring the costs were not the ones benefitting from the transmission
18 investment. This process is colloquially called the Unintended Consequences process
19 and I see that process as a strategic advantage for joining SPP.

20
21
22

⁴³ Rebuttal Testimony of Michael M. Schnitzer, filed August 4, 2011, at page 42, lines 21 to 22.

⁴⁴ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 40, line 1 to page 42, line 1.

⁴⁵ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 82, lines 12 to 25.

1 **Q. How did Entergy respond?**

2 **A.** Mr. Riley, and other Entergy witnesses, argue in rebuttal that MISO’s transmission cost
3 allocation will more precisely follow benefits because the allocation is done on a case-by-
4 case basis; in contrast, SPP’s cost allocation under its Highway/Byway method would
5 allocate the cost of all lines over 300 kV on a regional basis. Mr. Riley states:⁴⁶

6 MISO’s approach, which looks at each project individually and assigns the costs
7 to those parties expected to benefit, is preferable to an approach that in effect
8 simply assumes that high voltage facilities benefit all parts of the SPP region.
9

10 More generally, Mr. Riley concludes that “the MISO allocation methodology provides
11 significantly greater certainty than does SPP’s regarding the potential allocation of
12 transmission upgrade costs.”⁴⁷ Mr. Riley also claims that Omaha Public Power District
13 was apparently considering withdrawing from SPP over objection to the Highway/Byway
14 cost allocation methodology.⁴⁸
15

16 **Q. How do you respond to Mr. Riley?**

17 **A.** At the broadest level, I cannot see how Mr. Riley could conclude MISO’s allocation
18 “provides significantly greater certainty.” As quoted in my Supplemental Initial
19 Testimony, MISO has said quite clearly that it does not have sufficient experience with
20 Entergy to fully integrate it into MISO for at least five years.⁴⁹ Indeed, until it knows
21 Entergy better, MISO has in effect quarantined Entergy by putting it in its own separate
22 place – MISO South. MISO honestly states the fact that there is “an absence of historical

⁴⁶ Rebuttal Testimony of Richard C. Riley, filed August 4, 2011, at page 18, lines 19 to 22.

⁴⁷ Rebuttal Testimony of Richard C. Riley, filed August 4, 2011, at page 3, lines 15 to 19.

⁴⁸ Rebuttal Testimony of Richard C. Riley, filed August 4, 2011, at page 19, lines 13 to 15.

⁴⁹ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 52, lines 16 to 17; page 53, lines 11 to 28; and page 54, lines 1 to 2.

1 seams agreements” between MISO and Entergy.⁵⁰ MISO also says that the “potential
2 integration of Entergy into the MISO presents unique concerns.”⁵¹ And MISO worries
3 that “the Northern Planning Region may end up subsidizing Network Upgrade costs in
4 the Southern Planning Region.”⁵² With all these doubts expressed honestly by MISO, I
5 do not see how Mr. Riley can conclude that there is more certainty.

6
7 And add to this the fact everyone – including the U.S. Supreme Court⁵³ – understands
8 that, while the principle of ‘cost should follow benefits’ is easy to support, the allocation
9 of costs and benefits is not so easy to do in practice. For any RTO, SPP included, fairly
10 allocating transmission costs is an ongoing challenge. MISO’s lack of experience with
11 Entergy will not make it any less challenging or any more certain.

12
13 Finally, regarding Mr. Riley’s claim that Omaha Public Power District is considering
14 exiting SPP over the Highway/Byway methodology, I note that Omaha Public Power
15 District has stated that it will not leave SPP. In a recent press release, Omaha Public
16 Power District explained that it would continue its current status as a transmission-
17 owning member of SPP. The Omaha Public Power District President and CEO noted that
18 “being a transmission owning member of SPP will provide our customers with many
19 benefits. Having a stronger transmission system will increase reliability and will provide
20 a broader access to energy markets.”⁵⁴

⁵⁰ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 53, line 20.

⁵¹ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 53, lines 14 to 15.

⁵² Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 53, lines 24 to 25.

⁵³ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 83, lines 3 to 5.

⁵⁴ See “OPPD Reaffirms Status as SPP Member,” Press Release dated August 10, 2011, accessed at:
http://www.oppd.com/AboutUs/NewsEvents/22_000812#spp_081011.

1 **Q. Does Mr. Riley respond to other elements of your Testimony?**

2 **A.** Yes. He disputes my claim that the Unintended Consequences process is a strategic
3 advantage for joining SPP.⁵⁵

4
5 **Q. How do you respond?**

6 **A.** As to the Unintended Consequences process, it is surely misunderstood or
7 mischaracterized by Entergy. For example, Mr. Schnitzer bluntly states that SPP
8 stakeholders would conspire to unfairly allocate costs to Entergy under the Unintended
9 Consequences process.⁵⁶ So, too, Mr. Schnitzer believes State Commissioners on the
10 SPP RSC would conspire to do the same things; in my deposition, Entergy Counsel
11 suggested that it would be the Louisiana Commission on its own that would use the
12 process to repeatedly try to impose costs on Arkansas.⁵⁷

13
14 I am more than a little skeptical of Mr. Schnitzer's conspiracy theories since it implies
15 that stakeholders and State Commissioners lack integrity – that is not my experience in
16 the past seven years as an advisor to the SPP Board. Beyond that, it needs to be pointed
17 out that the SPP Board of Directors would have to approve any re-allocation under the
18 Unintended Consequences process and, even with that, the re-allocation would have to
19 then be approved by FERC.⁵⁸ Mr. Schnitzer's conspiracy theory would, therefore, have
20 to entangle both the SPP Board and the FERC.

⁵⁵ Rebuttal Testimony of Richard C. Riley, filed August 4, 2011, at page 17, lines 4 to 10.

⁵⁶ Rebuttal Testimony of Michael M. Schnitzer, filed August 4, 2011, at page 30, lines 2 to 6.

⁵⁷ Rebuttal Testimony of Michael M. Schnitzer, filed August 4, 2011, at page 30, lines 11 to 15; Transcript of the Testimony of Craig R. Roach, Volume II, August 2, 2011, at page 218, lines 3 to 5 and 15 to 18 and page 221, lines 15 to 19.

⁵⁸ Southwest Power Pool Open Access Transmission Tariff, Sixth Revised Volume No. 1, Document Generated On 8/9/2011, Attachment J - Recovery Of Costs Associated With New Facilities III.D.1, at page 1658.

1 Finally, I will note that APSC Commissioner Olan Reeves is one of just eight total
2 members of the Regional Allocation Review Task Force,⁵⁹ the SPP group that is tasked
3 with determining the metrics to be used for the Unintended Consequences provision.
4

5 **Q. What is the third strategic advantage you addressed?**

6 **A.** Third, I argued that another strategic advantage for joining SPP is that the physical
7 transmission links between Entergy and SPP were “stronger” than those between MISO
8 and Entergy. By stronger I meant to draw out the fact that the interconnections were
9 much greater in number and size and, therefore, offered more diverse transmission
10 paths.⁶⁰
11

12 **Q. How did Entergy respond?**

13 **A.** Entergy has a discussion saying transfer capability is the right metric rather than the
14 number and nominal capacity of transmission lines.⁶¹ I agree with Entergy that physical
15 or nominal capacity does not dictate the level of power flows that could reliably be
16 allowed. The right measure is transfer capability. However, I do not find Mr. Riley’s
17 single forecast of transfer capability that he presented to FERC to be credible.⁶² Mr.
18 Monroe responded to specific concerns about the narrowly defined parameters that Mr.
19 Riley chose for his analysis.⁶³
20

⁵⁹ The eight-person roster of the Regional Allocation Task Force is available at:
http://www.spp.org/committee_detail.asp?commID=109.

⁶⁰ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 60, lines 19 to 20.

⁶¹ Affidavit of Richard C. Riley, Limited Answer of Entergy Services, Inc. in Docket No. EL11-34-000, filed May 25, 2011, at page 3.

⁶² Ibid., at page 4.

⁶³ Supplemental Initial Testimony of Carl A. Monroe, filed July 12, 2011, at pages 31 to 32.

1 Moreover, Entergy’s primary rebuttal on my point appears to be that Entergy has the
2 right to use SPP transmission links to MISO that would carry power from Entergy,
3 through SPP, to MISO. Most importantly, Entergy argued that the recent FERC ruling on
4 the SPP-MISO JOA would allow use of all the SPP facilities without compensation in
5 most cases.⁶⁴

6
7 **Q. Do you agree that Entergy could use SPP transmission facilities free of charge?**

8 **A.** No. I think the rules for compensation are yet to be set and that setting such rules is what
9 will be addressed, at least in part, in the re-negotiation of the JOA that FERC anticipates
10 in its Order.⁶⁵

11
12 **Q. Is there relevant precedent for such compensation?**

13 **A.** Yes. One especially relevant precedent involves a complaint against PJM and MISO.⁶⁶

14 The Complaint was brought by the Northern Indiana Public Service Company or
15 NIPSCO and it resulted in compensation for loop flows after ComEd joined the PJM
16 RTO; here I define compensation to include both payments to cover the cost of
17 redispatch under a JOA as well as the allocation of the cost of transmission system
18 upgrades. Note that NIPSCO is in MISO.

19
20

⁶⁴ Rebuttal Testimony of Michael M. Schnitzer, filed August 4, 2011, at page 19, lines 8 to 20 and page 20, lines 1 to 19.

⁶⁵ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 65, line 16 to page 66, line 14.

⁶⁶ *NIPSCO v. Midwest Independent System Operator, Inc. and PJM Interconnection, LLC*, 111 FERC ¶ 61,474 (June 27, 2005) (“2005 NIPSCO Order”).

1 **Q. Please give some brief background on the case.**

2 **A.** In 2004, Commonwealth Edison Company and Commonwealth Edison Company of
3 Indiana (collectively “ComEd”) and American Electric Power Corporation (AEP) joined
4 PJM.⁶⁷ Shortly thereafter, in 2005, NIPSCO filed a complaint against PJM and MISO
5 alleging that the integration of ComEd and AEP into PJM had harmful effects on its
6 ratepayers.⁶⁸ Specifically, NIPSCO claimed that the reconfigured RTOs had resulted in
7 increased loop flows on its system.⁶⁹ NIPSCO explained that, for a period beginning the
8 very day of integration of ComEd into PJM, NIPSCO had experienced increases in
9 unscheduled west-to-east power flows, i.e., loop flows, from ComEd into eastern PJM.⁷⁰
10 As a result of these flows, Midwest ISO had to occasionally invoke Transmission
11 Loading Relief or TLR procedures that required NIPSCO to reduce its generation,
12 purchase more expensive power from other sources, reconfigure its transmission system,
13 and make last minute cancellations of scheduled maintenance.⁷¹

14
15 **Q. What was the outcome of the NIPSCO Complaint proceeding?**

16 **A.** FERC granted NIPSCO’s complaint⁷² and later required that PJM and MISO conduct a
17 Transmission Study to determine the merits of NIPSCO’s claims and determine if
18 “remedies” or changes to the PJM-MISO JOA would be warranted.⁷³

19
20

⁶⁷ Ibid., at paragraph 3.

⁶⁸ Ibid., at paragraph 1.

⁶⁹ Ibid., at paragraph 5.

⁷⁰ Ibid., at paragraph 6.

⁷¹ Ibid.

⁷² Ibid., at ordering paragraph (a).

⁷³ Ibid., at paragraph 28.

1 **Q. What happened with the Transmission Study?**

2 **A.** MISO and PJM filed the final Transmission Study on January 30, 2006.⁷⁴ The
3 Transmission Study found that, indeed, there was an increase in west-to-east power flows
4 from the ComEd zone to the PJM East zone, and that even though this problem existed
5 before ComEd joined PJM, the flows increased after ComEd and AEP integrated into
6 PJM.⁷⁵ The PJM-MISO JOA contained provisions for operating during these periods of
7 increased flows, including use of market-to-market redispatch and TLR procedures. And,
8 indeed, the Transmission Study notes several cases in which PJM compensated MISO for
9 market-to-market redispatch. For example, the Transmission Study describes these three
10 incidents:

11 For the time periods of July 1 – July 4, there are 14 hours that were active under
12 the M2M [market-to-market] process and were subject to M2M settlement. Of
13 these 14 hours, PJM net market flows were above their FFE [Firm Flow
14 Entitlement] in 12 hours and PJM paid Midwest ISO its redispatch costs (as
15 reflected in the Midwest ISO shadow prices) for these time periods. In the 2
16 hours when the PJM market flows were below their FFE, Midwest ISO paid PJM
17 its redispatch costs (as reflected in the PJM shadow prices).⁷⁶

18
19 During the three intervals when PJM market flows decreased under M2M
20 coordination, the flows remained above the PJM FFE and as a result, PJM
21 compensated Midwest ISO for the cost of its redispatch in 25 out of the 26 hours
22 when M2M was active on these three days.⁷⁷

23
24 . . . the effectiveness of the M2M process is dependent on other flowgate loadings,
25 the binding of constraints to manage other flowgate loadings and, where
26 necessary, manual actions taken by the RTOs to manage other constraints. As is
27 required by the M2M process, PJM compensated Midwest ISO for the time
28 periods when its net market flow exceeded its FFE.⁷⁸

74 See “Public Version of Final Report and Recommendations of Transmission Study – *Northern Indiana Public Service Co. v. Midwest Independent Transmission System Operator, Inc.*”, filed January 30, 2006, in Docket No. EL05-103-000 (Transmission Study).

75 *Ibid.*, transmittal letter at page 3.

76 *Ibid.*, at page 5

77 *Ibid.*, at page 6.

78 *Ibid.*, at page 7.

1 **Q. How did PJM and MISO respond to the Transmission Study?**

2 **A.** PJM and MISO agreed that, in response to the results of the Transmission Study, they
3 would develop transmission upgrades to present a long-term solution to the loop flow
4 problem.⁷⁹ The Transmission Study noted that when the loop flows required the RTOs to
5 invoke TLR procedures on NIPSCO transmission facilities, NIPSCO’s transmission
6 system’s reliability would be degraded, putting NIPSCO’s native load at risk.⁸⁰

7
8 **Q. How much did the upgrades cost and who paid the cost?**

9 **A.** The cost of the transmission upgrades to alleviate the loop flow problem on
10 NIPSCO’s system caused by AEP and ComEd joining PJM was estimated at
11 \$1,178,000.⁸¹ The upgrades would be built if certain triggering events occurred,
12 i.e., if loop flow continued to cause a need for Transmission Loading Relief on
13 NIPSCO transmission facilities.⁸² In its Order addressing the Transmission
14 Study, FERC stated that “compensation for loop flows can be ordered if an entity
15 demonstrates that they are a burden on its system.”⁸³ FERC then noted that
16 examples of loop flows requiring compensation would include “such a burden
17 that the loop flow jeopardizes the reliability of the entity’s system or diminishes
18 the entity’s ability to utilize its system in the most economical manner.”⁸⁴ Based
19 on its precedent and the evidence in the Transmission Study, FERC “expected”

⁷⁹ Ibid., at page 3.

⁸⁰ Ibid., at pages 3 and 8 to 9.

⁸¹ See FERC’s “Order Denying Rehearing” issued July 5, 2006 in Docket No. EL05-103-001 (“NIPSCO Rehearing Order”), at paragraph 5.

⁸² Transmission Study, at pages 20 to 21.

⁸³ NIPSCO Rehearing Order, at paragraph 11.

⁸⁴ Ibid., at paragraph 11.

1 resolution of the loop flows.⁸⁵ FERC stated “Thus, we expect the RTOs and the
2 transmission owners on both systems to resolve the congestion problems on
3 [NIPSCO’s] system caused by the west-to-east flows.”⁸⁶
4

5 **Q. What was the final outcome of the upgrade?**

6 **A.** In July of 2009, NIPSCO filed an agreement between NIPSCO, PJM, Midwest
7 ISO, and Edison Mission Marketing & Trading (Edison) at FERC providing for
8 the construction of transmission upgrades to resolve the congestion problems on
9 NIPSCO’s system caused by the ComEd and AEP integration into PJM.⁸⁷ The
10 Transmission Upgrade Agreement explained that since August 2008, there had
11 been an increase in congestion on the NIPSCO system and the “triggering events”
12 contemplated in the Transmission Study had occurred.⁸⁸ As a result, the parties
13 negotiated the construction and payment of certain upgrades that would partially
14 resolve⁸⁹ the loop flow problems identified in the Transmission Study.⁹⁰ The
15 Transmission Upgrade Agreement provided that Edison – a PJM generation
16 owner– would reimburse NIPSCO for the identified upgrades up to a cap of

⁸⁵ Ibid., at paragraph 12.

⁸⁶ Ibid., at paragraph 12.

⁸⁷ See “Transmission Upgrade Agreement, Request for Waiver of the Prior Notice Requirement, and Request for Expedited Treatment”, filed by NIPSCO on July 31, 2009 in Docket No. ER09-1539-000 (Transmission Upgrade Agreement).

⁸⁸ Transmission Upgrade Agreement, transmittal letter at page 3.

⁸⁹ Because the upgrades would only partially resolve the loop flow issues, the Transmission Upgrade Agreement contained language that allowed NIPSCO to file a further complaint against PJM and Midwest ISO for any continuing loop flow problems identified in the Transmission Study, or any new loop flow issues identified later. Ibid.

⁹⁰ Ibid.

1 \$1,690,700.⁹¹ FERC accepted the Transmission Upgrade Agreement in
2 September 2009.⁹²

3
4 **Q. Again, please tie the NIPSCO case to the broader point you are making.**

5 **A.** The NIPSCO case shows that there will be compensation for loop flows through a
6 JOA. The broader point is that, unless and until we know the compensation rules,
7 we cannot know the net benefits that might be realized if Entergy were to join
8 MISO.

9
10 **Q. Please explain how redispatch costs are accounted for through the**
11 **MISO/PJM JOA.**

12 **A.** The MISO/PJM JOA identifies certain flowgates, called Coordinated Flowgates,
13 which are defined as flowgates that are significantly impacted by the flows of the
14 Operating Entity's Control Zones.⁹³ For certain Coordinated Flowgates, PJM and
15 MISO have entered agreements to allocate portions of capacity on the flowgate
16 and coordinate congestion management on that flowgate. The MISO/PJM JOA
17 lays out procedures for calculating the Available Transfer Capability
18 (ATC)/Available Flowgate Capability (AFC) and the amount of capacity
19 available to each RTO.⁹⁴ The MISO/PJM JOA stipulates that, in the event that
20 redispatch occurs to coordinate congestion management on these types of

⁹¹ Ibid., at page 4.

⁹² See 2009 NIPSCO Order.

⁹³ Joint Operating Agreement Between the Midwest Independent Transmission System Operator, Inc. And PJM Interconnection, L.L.C. ("MISO/PJM JOA"), Effective Date: 6/16/2011, Attachment 2, Section 3.2, at page 145.

⁹⁴ Ibid., Attachment 2, Sections 6.3 to 6.9.

1 Coordinated Flowgates, the RTO responsible for the flow that required the
2 redispatch shall bear the costs of the redispatch.⁹⁵

3
4 **Q. How are transmission upgrade costs accounted for through the MISO/PJM**
5 **JOA?**

6 **A.** Under the MISO/PJM JOA, parties agree to develop what they call a Coordinated
7 System Plan to ensure that transmission enhancements needed to maintain
8 reliability, improve operational performance, or enhance the competitiveness of
9 electricity markets are identified.⁹⁶ The Coordinated System Plan will classify
10 cross-border projects as either Cross-Border Baseline Reliability Projects
11 (Reliability Projects) or Cross-Border Market Efficiency Projects (Market
12 Efficiency Projects). Consistent with the applicable OATT provisions, the
13 Coordinated System Plan will designate the portion of the Project Cost for each
14 such project that is to be allocated to each RTO on behalf of its Market
15 Participants.⁹⁷ For certain Reliability Projects, costs shall be allocated to each
16 RTO based on the relative contribution of the combined Load of each RTO to
17 loading on the constrained facility requiring the need for the Reliability Project.⁹⁸
18 For Market Efficiency Projects, costs shall be allocated to the respective RTOs in
19 proportion to the net present value of the total benefits for each RTO as calculated
20 in procedures outlined in the MISO/PJM JOA.⁹⁹

21

⁹⁵ Ibid., Section 6.2.

⁹⁶ Ibid., Section 9.3.

⁹⁷ Ibid., at Section 9.4.3.

⁹⁸ Ibid., Section 9.4.3.2.1.a

⁹⁹ Ibid., Section 9.4.3.2.2

1 **Q. How do these provisions in the MISO/PJM JOA relate to your concern about**
2 **compensation for loop flows in Entergy's case?**

3 **A.** The MISO/PJM JOA illustrates that it is standard practice for RTOs whose
4 markets are connected and whose power flows significantly impact one another's
5 systems to enter into agreements to hold the responsible parties financially
6 accountable for such flows. Such financial accountability also includes the fair
7 allocation of the costs of transmission upgrades based on contribution to
8 congestion requiring such an upgrade or market benefits received from an
9 upgrade.

10
11 The MISO/PJM JOA raises an important and relevant point. I have already
12 explained above that Entergy's decision to join MISO is likely to result in
13 significant loop flows on SPP's system. So, given the MISO/PJM JOA precedent
14 for negotiating agreements to hold neighboring RTOs financially responsible for
15 the consequences of loop flows, it is reasonable to expect that a similar agreement
16 will be required for SPP and MISO.

17
18 **Q. Let us turn to the fourth strategic advantage you presented in your**
19 **Supplemental Initial Testimony.**

20 **A.** Fourth, I argued against Entergy's claim that there was a strategic advantage in
21 MISO being "predominantly coal."¹⁰⁰ Indeed, I argued for the possibility of the
22 reverse – that is, that SPP's greater reliance on natural gas could be a strategic
23 advantage. The basis for my argument was twofold: (a) right or wrong, coal-fired

¹⁰⁰ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 71, lines 24 to 25.

1 power plants are under attack by the U.S. EPA and there is a risk of shut downs
2 because retrofit is too expensive; and (b) the Shale Gas Revolution could mean
3 that natural gas will be plentiful and relatively inexpensive.¹⁰¹ This is surely a
4 major strategic issue, but Entergy said no more than that it disagreed with me,
5 without saying why.¹⁰²

6
7 **Q. What is the fifth and final strategic advantage you presented?**

8 **A.** Fifth, I argued the Commission should see strategic advantage in the governance
9 of SPP as compared to that in MISO. Specifically, I said that the well-defined
10 and well-respected role of the RSC in SPP meant that the Commission was
11 assured a voice in all matters, especially transmission cost allocation and resource
12 adequacy.¹⁰³ Entergy did not rebut this point.

13
14 **IV. CONCLUSION**

15 **Q. What is your conclusion based on your Surrebuttal Testimony?**

16 **A.** My conclusion is the same as in my Supplemental Initial Testimony. I conclude that the
17 best “strategic reorganization option” is for EAI and the other Entergy Operating
18 Companies to join the SPP RTO. I base my conclusion on the fact that (a) the latest
19 analysis by the independent consultant, CRA, found that joining SPP would be likely to
20 provide greater net benefits to the Entergy region and (b) five strategic advantages also
21 clearly make joining SPP the better choice.

¹⁰¹ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 71, line 25 to page 78, line 11.

¹⁰² Rebuttal Testimony of John P. Hurstell, filed August 4, 2011, at page 48, lines 6 to 13.

¹⁰³ Supplemental Testimony of Craig R. Roach (Redacted), filed July 12, 2011, at page 56, line 5 to page 59, line 13.

1 **Q. Does this end your Testimony?**

2 **A. Yes.**

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

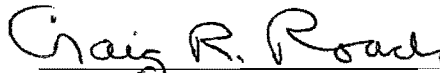
IN THE MATTER OF A SHOW CAUSE ORDER)
DIRECTED TO ENTERGY ARKANSAS, INC.)
REGARDING ITS CONTINUED MEMBERSHIP)
IN THE CURRENT ENTERGY SYSTEM) CASE NO: 10-011-U
AGREEMENT, OR ANY SUCCESSOR)
AGREEMENT THERETO, AND REGARDING)
THE FUTURE OPERATION AND CONTROL)
OF ITS TRANSMISSION ASSETS)

AFFIDAVIT OF CRAIG R. ROACH

WASHINGTON)
DISTRICT OF COLUMBIA) SS.


I, Craig R. Roach, President of Boston Pacific Company, Inc., being first duly sworn, state that I have reviewed the above and foregoing Testimony, and state that the matters contained herein are true and accurate to the best of my knowledge, information, and belief.

Dated this the 18th day of August, 2011.



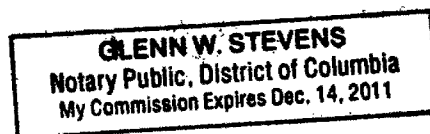
Craig R. Roach

Sworn to and subscribed before me this the 18th day of August, 2011.



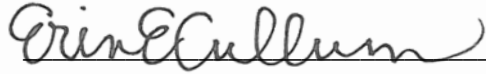
Notary Public

My Commission Expires:



CERTIFICATE OF SERVICE

I, Erin E. Cullum, attorney of record for Southwest Power Pool, Inc., do hereby certify that I have, on this 18th day of August, 2011, duly served a true and correct copy of the above and foregoing Surrebuttal Testimony of Craig R. Roach, Ph.D. upon all parties of record by electronic mail.

A handwritten signature in cursive script that reads "Erin E. Cullum". The signature is written in black ink and is positioned above a horizontal line.

Erin E. Cullum