

**PUBLIC UTILITY LAW SECTION  
THE ENTERGY SYSTEM AND THE  
PROCESS FOR JOINING AN RTO**

Commissioner Kenneth W. Anderson, Jr.  
August 12, 2011

# Overview

- Current Situation
- Options for the Entergy Operating Companies
- Change of Control Filing
- Amended System Agreement



# Operating Companies

- There are also six regulated operating companies - Entergy Arkansas, Inc., Entergy Louisiana LLC, Entergy Gulf States Louisiana, L.L.C., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.
- There is an operating committee that carries out generation planning decisions for all of Entergy

# Entergy Regional State Committee

- The E-RSC was formed following an unprecedented joint meeting of the Federal Energy Regulatory Commission (FERC) and Entergy's retail regulators held in Charleston, SC in June of 2009
- The E-RSC is comprised of the Arkansas Public Service Commission (APSC), the Louisiana Public Service Commission (LPSC), the Mississippi Public Service Commission (MPSC), the Public Utility Commission of Texas (PUCT), and the New Orleans City Council (NOCC)

# Current Situation

- Each of the six Entergy operating companies (OpCos) operates pursuant to the Entergy System Agreement (ESA)
- The Southwest Power Pool (SPP) by contract serves as the Independent Coordinator of Transmission (ICT) for Entergy pursuant to FERC order, but this arrangement, set to expire at the end of last year, was extended for two years to give the ERSC and Entergy time to make decisions concerning Entergy's transmission system
- FERC commissioned a cost-benefit analysis (CBA) of Entergy's transmission system joining the SPP Regional Transmission Organization (RTO)
- Results of the FERC CBA showed a net present value of \$739 million savings by joining SPP over ten years

# Current Situation – Why the Status Quo is Not an Option

- ⦿ Entergy Arkansas, Inc. (EAI) and Entergy Mississippi, Inc. (EMI) have each given the required 96-month notice of their respective intent to withdraw from the ESA (EAI exits in Dec. 2013 and EMI exits in Nov. 2015)
- ⦿ Entergy is being investigated by the antitrust division of the U.S. Department of Justice (DOJ) regarding its operation of its transmission system
- ⦿ In December, a FERC ALJ found that Entergy had violated its system agreement by selling low cost power off-system before offering it to the operating companies, which Entergy is appealing
- ⦿ The Nuclear Regulatory Commission (NRC) found deficiencies in how Entergy manages its nuclear decommissioning trust and is asking for additional funding, which will be borne by Entergy's retail customers

# Impacts to Texas – Changes to System Agreement

- Any successor arrangement to the system agreement is very likely to have a material effect on Entergy Texas, Inc. (ETI) ratepayers
- A new system agreement or successor agreement/arrangement with only three or four of the Entergy operating companies is likely not good for Texas
- Early analysis indicates that ETI would experience an increase in production costs under the CODA of \$53 million in 2013 and \$39 million in 2014

# Issues Facing Texas Regarding Entergy Texas & Its Transmission System

- ISO/RTO membership is likely to provide more comprehensive transmission planning and construction and better access to competitive generation, but would require transmission upgrades and other system improvements, and also involves additional administrative costs, all the costs of which would be borne by ETI's customers

# Options for the Entergy System

- One or all of the operating companies could join SPP
- One or all could join MISO
- If Arkansas decides to join SPP, joint operating agreement for transmission path to MISO becomes an issue

# Entergy's Proposal to Join MISO

- In its May 12 filing at the Commission, Entergy provided its evaluation of SPP and MISO
  - Found additional benefits going beyond CRA studies
  - Benefits to joining either RTO, but more benefits to joining MISO due to its larger size and operating Day 2 market

# Comparison of CRA Results to Entergy Evaluation Report

	CRA 3/10/11		Entergy 5/12/11	
	Entergy Region		Entergy OpCos	
	SPP	MISO	SPP	MISO
Trade Benefits	891	737	747	817
Production Costs/Benefits	na	na	646	770
Administrative Costs	(230)	(209)	(340)	(195)
Subtotal Net Benefits	661	529	1,054	1,392
Transmission Cost Allocation				
High	(937)	(782)	(209)	(327)
Low	23	(782)	59	0
Total Net Benefits (High Trans. Cost)	(276)	(254)	845	1,065
Total Net Benefits (Low Trans. Cost)	684	(254)	1,113	1,392

(in millions of 2010 present value dollars; positive numbers are benefits)

# Unanswered Questions

- ◎ MISO proposal with regard to tariff waiver leaves many questions unanswered
  - Unknown timing – 5 to 10 year phase in of transmission cost allocation, or possibly longer
  - Unknown criteria – comparable congestion between regions
  - Status of system agreement
  - Participant funding for non-reliability projects

# Does MISO's Cost Allocation Proposal Address Participant Funding Completely?

Allocation Category	Driver(s)	Allocation to Beneficiaries
Participant Funded ("Other")	Transmission Owner identified project that does not qualify for other cost allocation mechanisms.	Paid by requestor (local zone)
Generator Interconnection Project	Interconnection Request	Paid for by requestor; 345 kV and above 10% pro rata to all load
Market Efficiency Project <sup>1</sup>	Reduce market congestion when benefits are 1.2 to 3 times in excess of cost	Distribute to planning regions commensurate with expected benefit; 345 kV and above 20% pro rata to all load
Baseline Reliability Project	NERC Reliability Criteria	Primarily shared locally through Line Outage Distribution Factor Methodology; 345 kV and above 20% pro rata to all load
Multi Value Project	Provide widespread benefits across footprint (public policy, economic and/or reliability drivers)	100% pro rata to all load

1. Market Efficiency Project cost allocation methodology currently under review by stakeholders

# Unanswered Questions

- ⦿ FERC ruling with regard to SPP-MISO JOA also leaves questions unanswered
  - Ruling applies only to EAI – what if all Entergy Operating Companies join MISO?
  - FERC agreed with SPP that the JOA needs to be renegotiated. When will that occur and what impact could it have on the cost of moving power between Entergy and MISO?
- ⦿ What happens if Arkansas directs EAI to join SPP?

# Change of Control

- Entergy has said it will seek approval to join MISO from each retail jurisdiction (Arkansas, City of New Orleans, Louisiana, Mississippi, and Texas) in change-of-control filings to be made in the 3<sup>rd</sup> or 4<sup>th</sup> quarter 2011
- When these proceedings are complete, Entergy will make a filing with FERC to join MISO
- The APSC is scheduled to make a decision in its current proceeding (10-011-U) in mid-October

# ETI Change of Control

- ETI must make a change of control filing that meets the requirements of PURA §39.915
  - The Commission must make a public interest finding within 180 days
  - MISO and SPP will likely intervene and file testimony in the proceeding

# Entergy System Agreement

- ⦿ There are six major components in Entergy's system agreement
  - Centralized commitment and dispatch
  - Access to other operating company's transmission assets to serve combined load
  - Sharing reserves
  - Joint resource planning
  - Exchange economic energy at cost (hourly imbalance)
  - Allocate production costs and certain transmission costs

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