

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) DOCKET NO. 10-011-U
AGREEMENT, OR ANY SUCCESSOR)
AGREEMENT THERETO, AND REGARDING THE)
FUTURE OPERATION AND CONTROL OF ITS)
TRANSMISSION ASSETS)

COMPLIANCE TESTIMONY

OF

TODD HILLMAN

January 2, 2015

Midcontinent Independent System Operator, Inc.
Compliance Testimony of Todd Hillman
APSC Docket No. 10-011-U
January 2, 2015

1 **Q. PLEASE STATE YOUR NAME, EMPLOYER, CURRENT POSITION AND**
2 **YOUR BUSINESS ADDRESS.**

3 A. My name is Todd Hillman. I am Vice President of External Affairs of the South Region
4 for Midcontinent Independent System Operator, Inc. (“MISO”). My business address is
5 425 West Capitol Avenue, Suite 3275, Little Rock, AR 72201.

6 **Q. ARE YOU THE SAME TODD HILLMAN THAT HAS PREVIOUSLY FILED**
7 **TESTIMONY IN THIS DOCKET?**

8 A. Yes.

9 **Q. ON WHOSE BEHALF ARE YOU FILING THIS COMPLIANCE TESTIMONY?**

10 A. I am testifying on behalf of MISO.

11 **Q. WHAT IS THE PURPOSE OF YOUR COMPLIANCE TESTIMONY?**

12 A. The purpose of my testimony is to provide the information directed by the Arkansas
13 Public Service Commission (“Commission”) in Order No. 76 regarding the progress of
14 the integration of Entergy Arkansas, Inc. (“EAI”) into MISO, critical developments in
15 Entergy Corporation and its subsidiaries, including the Entergy Operating Companies¹
16 (collectively “Entergy”) / MISO-related proceedings pending before the Federal Energy
17 Regulatory Commission (“FERC”) and before Entergy’s other retail regulators, and
18 ongoing compliance with the Commission’s Order No. 68.

¹ The Entergy Operating Companies include EAI; Entergy Gulf States Louisiana, L.L.C.; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; and Entergy Texas, Inc.

1 **REGULATORY PROCEEDINGS AND ONGOING COMPLIANCE**

2 **Q. HAVE THERE BEEN ANY CRITICAL DEVELOPMENTS BEFORE FERC OR**
3 **THE ENTERGY OPERATING COMPANIES' RETAIL REGULATORS**
4 **REGARDING EAI'S INTEGRATION INTO MISO?**

5 **A.** Yes. On December 12, 2014, FERC issued an "Order Conditionally Accepting Tariff
6 Revisions" in FERC Docket No. ER14-2445-001 ("Hurdle Rate Order"). The Hurdle
7 Rate Order conditionally accepted MISO's July 16, 2014 proposal to add a hurdle rate to
8 the Sub-Regional Power Balance Constraint Demand Curve currently being used to
9 manage flows between MISO's North and South regions ("Hurdle Rate Filing"). The
10 Hurdle Rate Filing generally proposed to allow intra-regional flows to exceed the 1,000
11 MW contract path limit, up to the 2,000 MW Operations Reliability Coordination
12 Agreement ("ORCA") limit, when the economic benefits of such transfers exceed the
13 potential charges under the Southwest Power Pool ("SPP") Service Agreement. I
14 discussed the Hurdle Rate Filing in greater detail in my August 1, 2014 testimony before
15 this Commission.

16 FERC based its conditional acceptance of the Hurdle Rate Filing on findings that
17 the proposal could provide significant economic benefits to the MISO region, that
18 MISO's proposed true-up mechanism would allow MISO to adjust the hurdle rate
19 prospectively to address any observed imprecision, and that most MISO stakeholders
20 expressed at least qualified support for the Hurdle Rate Filing as a temporary measure.
21 FERC also ordered MISO to make a compliance filing within 30 days addressing certain
22 mechanics of changes to the hurdle rate calculation and methodology. These compliance
23 directives include amending the hurdle rate calculation to resolve certain ambiguities

1 relating to inputs, clarifying other elements of the calculation on compliance, explaining
2 the circumstances under which MISO would adjust the hurdle rate, and including
3 adjustment processes in MISO Business Practices Manuals. FERC also directed MISO to
4 specify both that MISO will not consider SPP interest charges in adjusting the hurdle
5 rate, and that Schedule 28B of the MISO Tariff would apply only to the ORCA and the
6 SPP Service Agreement. FERC required MISO to file two annual reports on the hurdle
7 rate, with the first report due one year after FERC accepts MISO's compliance filing.

8 FERC made the hurdle rate effective upon such date as it accepts MISO's
9 compliance filing. FERC also exercised its discretion to accept the Hurdle Rate Filing
10 not subject to refund, based on the impracticality of rerunning market outcomes. A copy
11 of the Hurdle Rate Order is available on FERC's website at:

12 http://elibrary.ferc.gov/idmws/file_list.asp?document_id=14280144.

13 **Q. HAVE THERE BEEN ANY OTHER CRITICAL DEVELOPMENTS BEFORE**
14 **FERC OR THE ENERGENCY OPERATING COMPANIES' RETAIL**
15 **REGULATORS REGARDING EAI'S INTEGRATION INTO MISO?**

16 **A.** Yes. On December 19, 2014, MISO filed a "Request for Waiver" of MISO's Energy
17 Offer Price Cap in FERC Docket No. ER15-691 ("Offer Cap Waiver"). The Offer Cap
18 Waiver sought waiver of certain provisions of MISO's Tariff establishing a \$1,000/MWh
19 Energy Offer Price Cap in MISO's Day-Ahead and Real- Time Energy Markets and
20 providing a process for MISO's Independent Market Monitor ("IMM") to establish cost-
21 based reference levels for generation resources in MISO. MISO filed the Offer Cap
22 Waiver to proactively address generation constraints that could arise if an unusually-cold

1 winter increased fuel costs to the point that generators could not economically produce
2 energy for less than the \$1,000/MWh cap amount for short periods.

3 MISO's Offer Cap Waiver was prompted by its own experience and the
4 experiences of other RTOs during the winter of 2013-2014. On four days during January
5 and March, 2014, natural gas prices spiked at two MISO hubs, making generation
6 uneconomic below the 1,000/MWh cap level for about 900 MW of generation in the
7 MISO region. Fortunately, these generators were not committed in the MISO markets.
8 However, MISO's forecast calls for another potentially cold winter during 2014-2015,
9 and MISO is taking proactive steps to ensure reliability should natural gas prices again
10 spike due to extreme weather.

11 MISO's Offer Cap Waiver seeks a limited waiver to allow verifiable cost-based
12 offers to exceed the \$1,000/MWH Energy Offer Price Cap with respect to offers in both
13 the Day-Ahead and Real-Time markets. To receive reimbursement for actual costs in
14 excess of the Energy Offer Price Cap, MISO will require Market Participants to submit
15 incremental energy costs as part of the No Load component of their Day-Ahead and Real-
16 Time Energy Offer. These offers will continue to be subject to review and mitigation by
17 MISO's IMM and will require submission of information to validate costs exceeding the
18 Energy Offer Price Cap.

19 MISO's Offer Cap Waiver informed FERC that MISO has consulted with
20 stakeholders and is in the process of developing a longer-term solution to the extreme
21 weather problem for stakeholders and FERC consideration in late 2015. MISO sought an
22 effective date of December 20, 2014 through March of 2015 for the waiver. As of the
23 date of this testimony, four entities have filed notices of intervention. No protests or

1 comments have yet been filed, and FERC has not yet issued an order on the Offer Cap
2 Waiver. A copy of the Offer Cap Waiver is available on FERC's website at
3 http://elibrary.ferc.gov/idmws/file_list.asp?document_id=14283991

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes.

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CERTIFICATE OF SERVICE

I, Randall L. Bynum, do hereby certify that I have on this day served, by electronic mail, the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

Dated this 2nd day of January, 2015.

/s/ Randall L. Bynum
Randall L. Bynum

Counsel for MISO
Midcontinent Independent System Operator, Inc.