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October 29, 2013

Mr. Dallas Heltz, Acting Secretary
Arkansas Public Service Commission
P.O. Box 400
1000 Center Street
Little Rock, AR 72203

RE: APSC Docket No. 12-069-U
In the Matter of an Application of Entergy Arkansas, Inc., Mid South Transco LLC, ITC Midsouth LLC, Transmission Company Arkansas, LLC, and ITC Holdings Corp. to Enter Transactions Resulting in a Certificate of Public Convenience and Necessity for a New Arkansas Utility to Own EAI's Electric Transmission Facilities

Dear Mr. Heltz:

Attached please find an errata sheet containing revisions to both the Supplemental Testimony of Cameron Bready filed on July 9, 2013, and the Supplemental Rebuttal Testimony of Cameron Bready filed on August 23, 2013, in the captioned docket.

These revisions are being made because ITC is making public the following redacted Confidential Information:

- Pages 5, 6, 7, 8 and 9 of Mr. Bready's Supplemental Testimony; and
- Pages 4, 5, 25, 26 and 27 of Mr. Bready's Supplemental Rebuttal Testimony.

The applicable material was subject to Confidential designation at the time of filing based on the fact that this information had not been disclosed in the other Entergy jurisdictions and if disclosed publically could be improperly extrapolated by the financial community to incorrectly calculate the amount of Rate Mitigation which ITC is providing across all jurisdictions thereby potentially causing financial damage to ITC. The amount of Rate Mitigation which ITC is providing is being disclosed in other Entergy jurisdictions so the underlying rationale for Confidential designation no longer exists. Accordingly, ITC requests public designation of the information in this proceeding.

Also, please remove from storage and destroy the Confidential Supplemental and Supplemental Rebuttal Testimonies of Mr. Bready filed on July 9, 2013, and August 23, 2013.

If you have any questions, please feel free to contact me.

Sincerely,

DOVER DIXON HORNE PLLC

/s/ Randall L. Bynum
Randall L. Bynum

RLB: dw
Attachment
cc: All Parties of Record

APSC Docket No. 12-069-U
Errata Sheet filed 10/29/13

Supplemental Testimony of ITC Witness Cameron M. Bready, filed July 9, 2013

Pages 5, 6, 7, 8, 9: Remove and replace with the attached revised pages.

1 **A.** Over the five-year period covering 2014 through 2018, ITC would fund \$62.9 million of
2 wholesale rebates and EAI would fund \$64.6 million of retail bill credits. EAI would
3 also provide an additional \$6.9 million in retail bill credits to mitigate the effects of the
4 implementation of a forward test year. The wholesale rebates funded by ITC will be
5 provided to all wholesale customers, including EAI, on a load ratio share basis.

6 As discussed in EAI witness Jay Lewis' Supplemental Testimony, the retail bill credits
7 will be provided directly to all of EAI's retail customers. Based on load projections
8 provided by Entergy, EAI's load ratio share is approximately 66%. Assuming this
9 assumption remains constant over the 2014 to 2018 period, approximately \$41.4 million
10 of the wholesale rebates will be realized by EAI and passed on to its retail customers.
11 When coupled with the retail credits being funded by EAI, retail customers of EAI will
12 receive a total of \$106 million in credits. The remaining \$21.5 million of wholesale
13 rebates will be allocated on a load ratio share basis to all other wholesale customers
14 taking transmission service from ITC Arkansas over the five-year transition period.

15 **Q10. PLEASE DESCRIBE HOW THE ITC RATE MITIGATION FUND**
16 **CONTRIBUTION WOULD BE ALLOCATED AMONG TRANSMISSION**
17 **CUSTOMERS IN THE ITC ARKANSAS TPZ.**

18 **A.** Within the ITC Arkansas TPZ, ITC's contribution of \$62.9 million of Rate Mitigation
19 Funds would be distributed across all of its wholesale customers based on a load ratio
20 share basis. ITC's contribution to the rate mitigation funds in the ITC Arkansas TPZ was
21 sized to allow for ITC Arkansas' wholesale customers to realize a comparable amount of
22 rate mitigation, measured as a percentage of the Transaction-attributable WACC effects

1 that will be experienced by such wholesale customers over the Initial Period, as is
 2 expected to be realized by all other wholesale customers in the other ITC Midsouth
 3 pricing zones. ITC’s contribution to the rate mitigation funds across all of the ITC
 4 Midsouth pricing zones allows for each wholesale customer of ITC in each TPZ to
 5 receive rate mitigation over the Initial Period that offsets approximately 72 percent of the
 6 estimated wholesale WACC effects resulting from the Transaction.

7 Table 1 below shows details provided by EAI of 2012 load ratios for each of ITC
 8 Arkansas's expected wholesale customers. The same load ratios are then applied to ITC's
 9 contribution to the rate mitigation funds in the ITC Arkansas TPZ to provide an
 10 illustrative estimate of each wholesale customer's allocation of the funds over the five-
 11 year Initial Period. Of course, actual allocations would be dependent upon future load
 12 ratios, which change annually.

13

Table 1

Distribution of ITC's Contribution to Rate Mitigation Funds in AR, 2014 – 18

Expected ITC Customer	Estimated Load (2012 OATT Demand) (kW-months, millions)	Load Ratio	Share of ITC Contributions	Percentage Share of ITC Contributions
EAI (passed to EAI retail customers)	45.1	65.86%	41.4	65.86%
City of North Little Rock	2.1	3.01%	1.9	3.01%
AEP	0.05	0.07%	0.05	0.07%
City of Conway	2.0	2.89%	1.8	2.89%
West Memphis Utilities Commission	0.8	1.14%	0.7	1.14%
City of Prescott	0.1	0.21%	0.1	0.21%

City of Benton	0.6	0.89%	0.6	0.89%
AEP (MINDEN)	0.3	0.41%	0.3	0.41%
AMEREN	0.6	0.86%	0.5	0.86%
MJMEUC	0.04	0.06%	0.04	0.06%
City of Osceola	0.3	0.46%	0.3	0.46%
AECC	16.5	24.14%	15.2	24.14%
Total	68.4	100.00%	62.9	100.00%

1 As shown in Table 1 above, as a wholesale customer of ITC, EAI would realize an
 2 estimated \$41.4 million in wholesale rebates, which would be passed through to EAI's
 3 retail customers.

4 **Q11. HAVE YOU ESTIMATED THE ANNUAL AMOUNTS TO BE PROVIDED TO**
 5 **EXPECTED CUSTOMERS OF ITC ARKANSAS IN THE ITC ARKANSAS TPZ?**

6 **A.** Yes. ITC plans to allocate the wholesale rebates over the five-year Initial Period to align
 7 them with the annual estimated wholesale rate effects in each of the five years resulting
 8 from the difference in ITC Arkansas' WACC as compared to what EAI's WACC would
 9 have been as a member of MISO for purposes of calculating wholesale transmission
 10 rates. The annual distributions of the total amount provided to ITC Arkansas customers
 11 are estimated in Table 2 below.

12

1

Table 2

2

Annual Distribution of Rate Mitigation Funds Across Wholesale Customers

	2014	2015	2016	2017	2018	2014 – 2018
Rate Mitigation Funds from ITC (\$M)	10.7	11.4	12.6	13.7	14.6	62.9
Expected ITC Customer (Annual distribution in \$M)						
EAI (passed to EAI retail customers)	7.0	7.5	8.3	9.0	9.6	41.4
City of North Little Rock	0.3	0.3	0.4	0.4	0.4	1.9
AEP	0.0	0.0	0.0	0.0	0.0	0.05
City of Conway	0.3	0.3	0.4	0.4	0.4	1.8
West Memphis Utilities Commission	0.1	0.1	0.1	0.2	0.2	0.7
City of Prescott	0.0	0.0	0.0	0.0	0.0	0.1
City of Benton	0.1	0.1	0.1	0.1	0.1	0.6
AEP (MINDEN)	0.0	0.0	0.1	0.1	0.1	0.3
AMEREN	0.1	0.1	0.1	0.1	0.1	0.5
MJMEUC	0.0	0.0	0.0	0.0	0.0	0.04
City of Osceola	0.0	0.1	0.1	0.1	0.1	0.3

AECC	2.6	2.7	3.0	3.3	3.5	15.2
Total	10.7	11.4	12.6	13.7	14.6	62.9

1 **Q12. HOW WILL THE WHOLESALE REBATES BE APPLIED BY ITC ARKANSAS?**

2 **A.** ITC Arkansas’ portion of the rate mitigation is expected to be implemented as a discount
 3 to net revenue requirements. This same method has been used for several years by ITC
 4 Midwest to implement a rate discount. An example of this can be found on page 1, line
 5 3 of the ITC Midwest Attachment O 2013 projected rate computation showing an annual
 6 \$4,125,000 discount. This can be found at the following link:

7 <http://oasis.midwestiso.org/documents/itcm/ITCMW%202013%20Proj%20Attmts%20O%20GG%20MM.pdf>
 8

9
 10 **Q13. COULD YOU GIVE AN EXAMPLE OF THE ITC OWNERSHIP BENEFIT
 11 CALCULATION AND HOW IT WILL BE UTILIZED TO DETERMINE THE
 12 OFFSET TO THE ACTUAL WACC EFFECTS UNDER THE RATE MITIGATION
 13 PLAN?**

14 **A.** Near the end of the Initial Period, the Third Party Evaluator will perform the benefits test
 15 and will determine the ITC Ownership Benefit Calculation. The ITC Ownership Benefit
 16 Calculation, as set forth in Appendix B of ITC Exhibit CMB-12, is the sum of the
 17 following factors:

- 18 a) Not Readily Quantifiable Benefits (assumed to be 10% of Actual WACC
 19 Effects)
- 20 b) **plus** benefits demonstrated through Improved System Performance multiplied
 21 by Actual WACC Effects (product capped at 45% of Actual WACC Effects)
- 22 c) **plus** benefits demonstrated through Improved System Economics
- 23 d) **less** Annualized Cost of ITC Economic Projects
- 24 e) **less** Actual Annual WACC Effects

APSC Docket No. 12-069-U
Errata Sheet filed 10/29/13

Supplemental Rebuttal Testimony of ITC Witness Cameron M. Bready, filed August 23, 2013

Pages 4, 5, 25, 26 and 27: Remove and replace with the attached revised pages.

1 **Q8. IS AECC WITNESS MR. FALKENBERG CORRECT THAT MITIGATION WILL**
2 **BE PROVIDED ONLY FOR FIVE YEARS?**

3 **A.** Not necessarily. The rate mitigation plan will continue until ITC demonstrates that the
4 annual ITC Ownership Benefit Calculation exceeds the annual Actual WACC Effects for
5 a given calendar year. If such a demonstration cannot be made at the end of the five year
6 Initial Period, then the rate mitigation plan will continue until such time as it can. In
7 theory, it could go on in perpetuity, although we do not expect this to be the case.

8 **Q9. PLEASE RESPOND TO AECC WITNESS MR. DANIEL'S ASSERTION THAT**
9 **THE DIVISION OF THE RATE MITIGATION FUNDS BETWEEN EAI AND**
10 **ITC'S OTHER WHOLESALE TRANSMISSION CUSTOMERS IS**
11 **DISCRIMINATORY.**

12 **A.** Mr. Daniel is incorrect. His real complaint appears to be not with the division of the
13 wholesale mitigation, but with the fact that there is mitigation directed toward retail
14 customers as well.

15 As Mr. Daniel recognizes, the **\$62.9** million in mitigation provided by ITC to wholesale
16 customers will be allocated on a load ratio share basis. Based on its load ratio share,
17 Entergy Arkansas, Inc. ("EAI") will receive approximately **66%** of this amount, with
18 other wholesale customers, including AECC, receiving the remaining **34%**, which
19 amounts to **\$21.5** million (assuming current load ratio share assumptions remain
20 constant) over the five year Initial Period.¹ To reach his conclusion that other wholesale

¹ Based on new information received from EAI since Mr. Bready filed his Supplemental Testimony on July 9, 2013, EAI's load share will be approximately **63%**. Accordingly, wholesale customers other than EAI will receive approximately **\$23.2** million in rate mitigation funds during the Initial Period. This new information is reflected in the Errata section of this testimony at questions 30 and 31.

1 customers are receiving **16.9%** of Rate Mitigation Funds, Mr. Daniel (p. 8) compares the
2 wholesale rate mitigation provided by ITC to other wholesale customers (**\$21.5**) million
3 to the total rate mitigation previously stated to be provided by both EAI and ITC in my
4 Supplemental Testimony (\$127.5 million).² This is an inappropriate comparison and by
5 no means suggests that there is any discriminatory application of the wholesale
6 mitigation. To the contrary, the load ratio share approach assures that there is no
7 discrimination among wholesale customers with respect to the allocation of the wholesale
8 rate mitigation provided by ITC. Fundamentally, the rate mitigation plan provides funds
9 to offset retail and wholesale effects. ITC's share of the Rate Mitigation Funds is limited
10 to wholesale customers and is properly allocated among all wholesale customers in
11 Arkansas based on their load ratio share. This is an appropriate mechanism and ensures
12 non-discriminatory treatment of all wholesale customers.

13 **Q10. DO YOU AGREE WITH MR. PAINTER'S ASSERTION (p. 12) THAT "THE**
14 **CREDITS TO THE WHOLESALE CUSTOMERS WOULD EQUATE TO**
15 **APPROXIMATELY 37% OF THE CREDITS TO THE RETAIL CUSTOMERS"?**

16 **A.** No I do not. Mr. Painter appears to normalize rate mitigation credits based on load and
17 conclude that the wholesale customers are receiving a small portion (**37%**) in comparison
18 to the credits received by retail customers in Arkansas. Mr. Painter offers an "apples-and-
19 oranges" comparison since he misses the point that wholesale customers do not have the
20 same WACC effects attributable to the transaction as do retail customers. WACC effects
21 for wholesale customers of ITC Arkansas (excluding EAI) are projected to be \$32.3

² As reflected in the Supplemental Rebuttal Testimony of EAI witness Jay A. Lewis this amount has been increased to \$134.0 million.

1 materially affect the percentages of mitigation effects for wholesale customers, which
 2 remains at **72%**.

3 **Table 1 (Revised)**

Distribution of ITC's Contribution to Rate Mitigation Funds in AR, 2014 – 18				
Expected ITC Customer	Estimated Load (2012 OATT Demand) (kW-months, millions)	Load Ratio	Share of ITC Contributions	Percentage Share of ITC Contributions
EAI (passed to EAI retail customers)	45.1	63.08%	39.7	63.08%
City of North Little Rock	2.1	2.88%	1.8	2.88%
AEP	0.05	0.07%	0.04	0.07%
City of Conway	2.0	2.76%	1.7	2.76%
West Memphis Utilities Commission	0.8	1.09%	0.7	1.09%
City of Prescott	0.1	0.20%	0.1	0.20%
City of Benton	0.6	0.86%	0.5	0.86%
AEP (MINDEN)	0.3	0.39%	0.2	0.39%
AMEREN	0.6	0.82%	0.5	0.82%
MJMEUC	0.04	0.06%	0.03	0.06%
City of Osceola	0.3	0.44%	0.3	0.44%
AECC	16.5	23.12%	14.5	23.12%
Jonesboro (assumes load consumption equivalent to capacity reserved under current point to point agreement)	3.0	4.22%	2.7	4.22%
Total	71.4	100.00%	62.9	100.00%

4

1 **Q31. DO YOU HAVE A SUPPLEMENT TO THE RESPONSE TO QUESTION 11 OF**
 2 **YOUR SUPPLEMENTAL TESTIMONY, WHICH ESTIMATED THE ANNUAL**
 3 **AMOUNTS TO BE PROVIDED TO EXPECTED CUSTOMERS OF ITC**
 4 **ARKANSAS IN THE ITC ARKANSAS TPZ?**

5 **A.** Yes. Table 2 presented in the response estimated the annual distributions of the total
 6 amount provided to ITC Arkansas wholesale customers. A table including the City of
 7 Jonesboro is presented below.

8 **Table 2 (Revised)**

Annual Distribution of Rate Mitigation Funds Across Wholesale Customers
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	2014	2015	2016	2017	2018	2014 – 2018
Rate Mitigation Funds from ITC (\$M)	10.7	11.4	12.6	13.7	14.6	62.9
Expected ITC Customer (Annual distribution in \$M)						
EAI (passed to EAI retail customers)	6.8	7.2	7.9	8.6	9.2	39.7
City of North Little Rock	0.3	0.3	0.4	0.4	0.4	1.8
AEP	0.01	.01	0.01	0.01	0.01	0.04
City of Conway	0.3	0.3	0.3	0.4	0.4	1.7
West Memphis Utilities Commission	0.1	0.1	0.1	0.1	0.2	0.7
City of Prescott	0.0	0.0	0.0	0.0	0.0	0.1

City of Benton	0.1	0.1	0.1	0.1	0.1	0.5
AEP (MINDEN)	0.0	0.0	0.0	0.1	0.1	0.2
AMEREN	0.1	0.1	0.1	0.1	0.1	0.5
MJMEUC	0.01	0.01	0.01	0.01	0.01	0.03
City of Osceola	0.0	0.0	0.1	0.1	0.1	0.3
AECC	2.5	2.6	2.9	3.2	3.4	14.5
Jonesboro (assumes load consumption equivalent to capacity reserved under current point to point agreement)	0.5	0.5	0.5	0.6	0.6	2.7
Total	10.7	11.4	12.6	13.7	14.6	62.9

1 **Q32. DO YOU HAVE A CORRECTION TO THE RESPONSE TO QUESTION 12 OF**
 2 **YOUR SUPPLEMENTAL TESTIMONY, WHICH OFFERED AN EXAMPLE OF**
 3 **HOW WHOLESALE REBATES WILL BE APPLIED BY ITC ARKANSAS?**

4 **A.** Yes. The response to Question 12 contained a link to the ITC Midwest Attachment O
 5 2013 projected rate computation showing the application of an annual \$4,125,000
 6 discount. The correct link is:

7 [https://www.oasis.oati.com/woa/docs/ITCM/ITCMdocs/ITCMW_2013_Proj_Attmnts_O](https://www.oasis.oati.com/woa/docs/ITCM/ITCMdocs/ITCMW_2013_Proj_Attmnts_O_GG_MM.pdf)
 8 [_GG_MM.pdf.](https://www.oasis.oati.com/woa/docs/ITCM/ITCMdocs/ITCMW_2013_Proj_Attmnts_O_GG_MM.pdf)

10 **Q33. DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?**

11 **A.** Yes.