

**[Information Provided 2/24/2010 to Arkansas Democrat-Gazette by Entergy Arkansas, Inc.]**

**Q - Are Entergy's transmission lines overly congested? If so, why is that the case?**

A – Congestion on transmission systems is a common occurrence. It is not unique to Entergy. The issue isn't congestion. The real issue is what is the most economic way to reduce or eliminate the congestion. Entergy studies this routinely and makes investments to reduce congestion when they make economic sense for its customers. Some market participants want Entergy's customers to fund transmission upgrades that would make those market participants, not Entergy's customers, better off. Entergy does not believe that's fair to our customers.

**Q - Entergy earned \$1.2 billion last year. Why don't you upgrade your transmission system?**

A – Entergy has made and is making significant investment in its transmission system. It invests to maintain reliability and for economic reasons. The amounts of investment are public record. Between 2003 and 2007 Entergy invested approximately \$1.9 billion dollars in expanding and improving its system. As Entergy has explained in filings, that kind of investment is consistent with other utilities similar to Entergy. In the past several years, Entergy has made additional major investments in transmission system upgrades and expansions. Entergy Arkansas Inc's transmission investment plans are public information. [See 2010 – 2012 ETRFinalConstrucionPlan.pdf – attached] The issue is not availability of funds. The issue is what makes economic sense for Entergy's customers.

**Q - Cruthirds said that Entergy's transmission system is inadequate and Entergy has no incentive to upgrade it? Would you agree with that?**

A – No. Entergy's transmission system is adequate. It meets applicable reliability standards. It also supports a high level of 3<sup>rd</sup> party wholesale transactions. Over the last five years third party transmission service on the Entergy transmission system has increased by 75 percent, from 18 million MWh to 31 million MWh. Entergy could not have done that if its transmission system was "inadequate".

**Q - According to Cruthirds, by keeping the system in poor shape, it has kept merchants plants from being able to move their electricity along Entergy's lines, which dramatically reduces their business and eventually has led at least four of them to sell to Entergy Corp. or subsidiaries at discounted prices. Would you agree with that?**

A. No. During the merchant building boom of the late 90s and early 2000s independent power producers went on a building spree nationwide, but particularly in the Entergy region. Merchant generators added more than 17,000 MWs of new capacity within Entergy's 25,000 MW system. Adding all that capacity depressed wholesale prices in the region, as expected. The collective "overbuild", not the transmission system, affected IPPs financial performance.

These merchant generators have had the opportunities to fund transmission investments they believed would increase the value of their plants. They have largely declined that opportunity. Entergy has bought some of this excess capacity for cents on the dollar benefiting its retail customers and made necessary transmission investments when that was good for its customers – all of these purchases were

approved by the respective state regulator. The Entergy Arkansas purchase of the Ouachita plant in 2008 and approved by the Arkansas Public Service Commission is an example.

**Q - I'm told that when other electricity firms ask to move their electricity along Entergy's transmission lines, that Entergy will require that the other company pay for upgrading Entergy's transmission system. Is that correct?**

A – No. **Entergy provides transmission service to itself and other transmission users on a non-discriminatory basis** under a tariff established by the Federal Energy Regulatory Commission. Transmission service is granted if available without any upgrade funding. A large quantity of such service has been granted to 3<sup>rd</sup> parties as explained above. When requested service cannot be granted **without the construction of new facilities**, under the terms of the tariff, the requesting customer has options. The merchant can fund the required upgrades to obtain the service. Entergy Operating Companies do not believe their customers should pay for these upgrades to increase merchant generators' profits and not receive any benefit.

When a transmission line is needed to maintain the reliability of the grid, the Entergy operating companies build those lines. The almost 100 percent alignment of the ICT's Base Plan and Entergy's 2010-2012 Construction Plan illustrate that fact. The costs of those new lines are shared by all users of the grid if the line is at 230 kV or higher.

When Entergy's Operating Companies determine that a transmission upgrade will benefit their customers, that line will be built. The costs of the upgrades are recovered in rates. Other users of the Entergy grid do not pay for those costs.

When another party wants to use Entergy's transmission system, and that requires an upgrade that would not otherwise have been built, Entergy believes that the third party should pay for the upgrade. Allocating the costs that way is fair (Entergy's customers shouldn't have to pay for upgrades that do not benefit them) and efficient (the customer causing the costs must take those costs into consideration when deciding on whether to enter into a transaction). These rules provide important protections to customers of Entergy's operating companies. The same rules apply to all user of the Entergy System transmission grid, including the Entergy operating companies.

**Q - Cruthirds said Entergy's reasoning is that its transmission lines are already so congested that it isn't plausible for other utilities to use them unless a total upgrade is done. Do you agree with that?**

A – No. The premise is flawed. As discussed, 3<sup>rd</sup> parties are getting transmission service on the Entergy System in increasing amounts.

**Q - What do you think this sentence from the PSC's order means: *"It is necessary to investigate whether [Entergy Arkansas'] actions concerning regional transmission are consistent with this state's interest?"***

**A – I can't speak for the Commission however it may relate to the Commission's interest in whether there are regional transmission investments spanning multiple transmission systems that could benefit EAI and other Arkansas customers.**

**Q - What is Entergy doing to upgrade its transmission system? How long will it take to get it completely repaired?**

**A – Entergy prepares a construction plan for its transmission system which is updated annually. Please see attached PDF of 2010-2012 ETRFinalConstructionPlan;** additionally, as explained above, the Entergy transmission system currently complies with applicable transmission planning reliability requirements.

**Q -Are there other areas about the transmission system that y'all would like to mention?**

**A – Entergy has publicly voiced its support for the Entergy Regional State Committee. Chairman Suskie is president. Entergy has noted in several public meetings and in regulatory filings that it welcomes and appreciates the guidance and input of the E-RSC on transmission issues**