

ATTACHMENT W

**BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION**

ENTERGY MISSISSIPPI, INC.  
EC123-0082-00

TRANSMISSION COMPANY  
MISSISSIPPI, LLC

MID SOUTH TRANSCO LLC

ITC MIDSOUTH LLC

ITC HOLDINGS CORP.

IN RE: JOINT APPLICATION FOR THE  
TRANSFER OF OWNERSHIP AND  
CONTROL OF ENTERGY MISSISSIPPI  
INC.'S TRANSMISSION FACILITIES  
AND ASSETS TOGETHER WITH  
RELATED CERTIFICATES,  
FRANCHISES AND OTHER PROPERTY  
RIGHTS TO TRANSMISSION  
COMPANY MISSISSIPPI, LLC AND  
APPROVAL OF SUBSEQUENT  
TRANSFERS OF OWNERSHIP AND  
CONTROL

DIRECT TESTIMONY AND EXHIBITS

OF

JOSEPH L. WELCH

PRESIDENT AND CHIEF EXECUTIVE OFFICER

ITC HOLDINGS CORP.

ON BEHALF OF

ITC HOLDINGS CORP. AND ITC MIDSOUTH LLC

OCTOBER 2012

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## **EXHIBIT LIST**

Exhibit JLW-1                      ITC Holdings Corp. Policy on Independence

1 **I. INTRODUCTION**

2 **A. Qualifications**

3 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 **A.** My name is Joseph L. Welch. My business address is 27175 Energy Way, Novi,  
5 Michigan 48377.

6

7 **Q2. BY WHOM ARE YOU PRESENTLY EMPLOYED AND IN WHAT CAPACITY?**

8 **A.** I am employed by ITC Holdings Corp. ("*ITC*") as President and Chief Executive Officer  
9 ("*CEO*").

10

11 **Q3. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS PRESIDENT AND CEO OF**  
12 **ITC.**

13 **A.** As CEO of ITC, I am responsible—directly or indirectly—for the overall strategic  
14 direction, vision, and all operational aspects of ITC's holding company and its  
15 subsidiaries. ITC is the nation's first, largest and only publicly-traded independent  
16 transmission company. ITC's four transmission company subsidiaries that own  
17 transmission assets are International Transmission Company, d/b/a ITC*Transmission*  
18 ("*ITCT*"), Michigan Electric Transmission Company, LLC ("*METC*"), ITC Midwest  
19 LLC ("*ITCMW*"), and ITC Great Plains, LLC ("*ITCGP*"). I am testifying on behalf of  
20 applicants ITC Holdings Corp. and ITC Midsouth LLC.

1   **Q4.   WHAT ARE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**  
2           **CREDENTIALS?**

3   **A.**    I have a Bachelor of Science degree in Electrical Engineering from the University of  
4           Kansas. I am also a licensed Professional Engineer in the State of Michigan.

6   **Q5.   PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

7   **A.**    Prior to working for ITC, I had a thirty-two year career at Detroit Edison Company  
8           (*"Detroit Edison"*), where I held positions of increasing responsibility in the areas of  
9           electric transmission, electric distribution, rates for service, load research, marketing,  
10          pricing and regulatory affairs. Immediately prior to founding ITCT, I was serving as  
11          Director of Transmission, where I led Detroit Edison's electric transmission area, the  
12          development of a business plan for the company's transmission system, and the resulting  
13          formation of ITCT. I was also a member of the CEO's corporate strategy team and the  
14          Management Council, responsible for implementation of corporate strategy.

15               While at Detroit Edison, I was active with Regional Transmission Organization  
16               (*"RTO"*) formation and integration. For six years I led Detroit Edison's initial efforts to  
17               form the Alliance RTO,<sup>1</sup> and then the integration of its transmission assets (by that time  
18               owned by its subsidiary ITCT) into Midwest Independent Transmission System Operator  
19               (*"MISO"*). Therefore, my testimony is based on my thirty-two years of working for a  
20               vertically-integrated utility, including six years of working at the vertically-integrated

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<sup>1</sup> The Alliance RTO members were Ameren, Consumer Energy, Detroit Edison, Exelon, First Energy, American Electric Power, and Virginia Power. The original proposal for an owner/operator Transco model was filed in June 1999 but ultimately was not approved by FERC.

1 utility to establish and integrate into an RTO, and now nine years of running an  
2 independent transmission company. Based on this experience, I wrote a book in 2009  
3 called "Competitive Electricity Markets: The Power of Choice" with my co-author  
4 C. J. Bolling about the importance of wholesale competition in electricity markets to  
5 provide lower prices for retail customers and the role of the transmission grid in  
6 facilitating the greatest possible market liquidity.

7  
8 **Q6. ARE YOU OR HAVE YOU BEEN A MEMBER OF ANY ORGANIZATIONS OR**  
9 **WORKING GROUPS?**

10 **A.** Yes. I am involved in several business groups locally and nationally as a board member  
11 or advisor. For instance, I am a Director and the current Vice Chair on the Board of the  
12 Detroit Regional Chamber of Commerce and will serve as Chair of the 2013 Mackinac  
13 Policy Conference. This conference brings together more than 1,500 attendees from  
14 business, government, entrepreneurs, and regional champions from across Michigan to  
15 discuss challenges and opportunities for success and establish a list of to-do's for the  
16 coming year to make the region and the state more competitive. I am also on the Boards  
17 of Directors for the Detroit Economic Club and Lotus Bank, where I serve as Chair of the  
18 Compensation Committee.

19 In addition, I am a member of the Business Roundtable, a national organization  
20 that brings together CEOs from various industries to play a leadership role in developing  
21 policies that expand economic opportunity for all Americans and am on the Energy and  
22 Environment Committee.

1 I have also participated in government policy groups like the Great Lakes Wind  
2 Council created by former Michigan Governor Jennifer Granholm which was an advisory  
3 body to examine issues and make recommendations related to offshore wind development  
4 in Michigan.

5 Finally, because I believe it is important to train more of our nation's students to  
6 become talented engineering professionals, I serve on the Advisory Board for the College  
7 of Engineering at the University of Kansas.

8  
9 **Q7. HAVE YOU PROVIDED TESTIMONY IN PRIOR PROCEEDINGS BEFORE**  
10 **ANY STATE COMMISSIONS?**

11 **A.** I testified in numerous cases while I was an employee of Detroit Edison, which I am not  
12 listing here. More recently and relevant to this proceeding, on behalf of ITC, I testified in  
13 the following cases:

- 14 • Iowa: In Re: Interstate Power and Light Company and ITC Midwest, LLC; IUB  
15 Docket No. SPU-07-11.
- 16 • Minnesota: Docket No. In the Matter of the Joint Petition for Approval of Transfer  
17 of Transmission Assets of Interstate Power and Light Company to ITC Midwest  
18 LLC, MPUC Docket No. E-001/PA-07-540.
- 19 • Illinois: Interstate Power and Light Company and ITC Midwest LLC; ICC Docket  
20 No. 07-0246.

1   **Q8.   HAVE YOU PROVIDED TESTIMONY IN PRIOR PROCEEDINGS BEFORE**  
2           **THE FEDERAL ENERGY REGULATORY COMMISSION (“FERC”)?**

3   **A.**   Yes. Again, I testified in several FERC cases while an employee of Detroit Edison. Most  
4           recently and relevant to this proceeding, on behalf of ITC, I testified in the following  
5           cases: Docket Nos. EL02-111; ER03-343 and EC03-40; ER06-1006; ER07-95; EC07-89  
6           and ER07-887.

7

8   **Q9.   HAVE YOU TESTIFIED BEFORE CONGRESS?**

9   **A.**   Yes. In the last three years I have testified twice before the House Energy and Commerce  
10          Subcommittee on Energy and Power. I also testified once before the Senate Energy and  
11          Natural Resources Committee on energy policy and legislation and on FERC Order  
12          No. 1000.

13

14                           **B.     Purpose and Summary of Testimony**

15   **Q10.  WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16   **A.**   On December 4, 2011, Entergy Corporation, the Entergy Operating Companies, and ITC  
17          entered into agreements under which Entergy Mississippi, Inc. (“*EMF*”) and each of  
18          Entergy’s other operating companies<sup>2</sup> will separate and then merge their electric

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<sup>2</sup> The other Entergy operating companies are Entergy Arkansas, Inc. (“EAI”), Entergy Louisiana, LLC (“ELL”), Entergy Gulf States Louisiana, L.L.C. (“EGSL”), Entergy New Orleans, Inc. (“ENO”), and Entergy Texas, Inc. (“ETI”). All of Entergy’s operating companies are referred to collectively as the “Entergy Operating Companies”.

1 transmission businesses into ITC's corporate structure.<sup>3</sup> I will generally refer to this  
2 separation and merger, collectively, as the "*ITC Transaction*" or "*Transaction*."

3 This is a multi-state transaction, involving Entergy Corporation's electric  
4 transmission businesses operating in Louisiana, Arkansas, Mississippi, Texas, the City of  
5 New Orleans, and a small portion of Missouri. The Transaction is subject to regulatory  
6 approval requirements in each of these jurisdictions, as well as the FERC. The purpose  
7 of my testimony is to support the joint application submitted by ITC and EMI seeking  
8 approval of the Transaction.

9  
10 **Q11. CAN YOU PROVIDE A BRIEF OVERVIEW OF THE TRANSACTION?**

11 **A.** Yes. This is explained in more detail in the direct testimonies of ITC witness  
12 Mr. Cameron Bready and EMI witness Mr. Theodore Bunting. Generally, the terms of  
13 the Transaction call for each Entergy Operating Company to transfer its transmission  
14 assets into a separate wires subsidiary ("Wires Sub"), and for the Wires Subs to be owned  
15 under a separate subsidiary of Entergy Corporation, Mid South TransCo, LLC  
16 (hereinafter "Mid South TransCo"). The ownership of Mid South TransCo<sup>4</sup> then will be  
17 distributed to the shareholders of Entergy Corporation in the form of a tax-free spin-off.  
18 Mid South TransCo then will merge with a newly-created subsidiary of ITC, ITC  
19 Midsouth LLC, a Delaware limited liability company, with Mid South TransCo being the  
20 surviving entity but owned by ITC as part of its corporate family. Mid South Transco

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<sup>3</sup> Publicly available at: <http://www.sec.gov/Archives/edgar/data/1317630/000119312511332173/0001193125-11-332173-index.htm>.

<sup>4</sup> Note: In the Merger Agreement, these are referred to as "TransCo Common Units".

1 will subsequently change its name to ITC Midsouth LLC (“ITC Midsouth”). In  
2 connection with the Transaction, the ownership interests of Mid South TransCo held by  
3 shareholders of Entergy Corporation will convert into shares of ITC common stock. As  
4 witnesses Bready and Bunting explain, this entire set of corporate actions is called a  
5 Reverse Morris Trust (“*RMT*”) transaction, and is more easily understood as a “spin-  
6 merge” transaction. As part of this RMT structure, the merger phase will result in  
7 shareholders of Entergy Corporation receiving shares that amount to 50.1 percent of ITC  
8 Holdings Corp. at closing of the Transaction. The Wires Sub that will own and operate  
9 the transmission facilities being transferred by EMI is Transmission Company  
10 Mississippi LLC (“TCM”). Upon completion of the Transaction, TCM will change its  
11 name to ITC Mississippi LLC (“ITC Mississippi”). ITC Mississippi will ultimately be  
12 owned by ITC Midsouth.

13  
14 **Q12. IN SUMMARY, WHAT WILL YOUR TESTIMONY ADDRESS?**

15 **A.** My testimony explains that the Transaction serves the public interest and should be  
16 approved. With this Transaction, ownership of the transmission business of each Entergy  
17 Operating Company will move to ITC – a fully independent transmission company. As a  
18 result, wholesale and retail customers and other stakeholders in the mid-South region will  
19 benefit from ITC’s superior business model for owning and operating transmission  
20 systems. In my view, the Transaction is critical to developing a robust, highly  
21 interconnected electric grid that will efficiently and effectively meet this region’s future  
22 electrical energy needs, and to further integrating the Entergy Operating Companies’

1 transmission systems into the national energy grid that is being developed. This  
2 opportunity for customers should not be lost.

3 My testimony is organized into the following parts:

- 4 • First, I discuss the evolution of the electric industry and, given that evolution,  
5 how electric transmission must be viewed and addressed in a new way to  
6 unlock the full benefits of a robust and fully-capable grid. I believe this  
7 context is helpful in understanding the importance of this Transaction.
- 8 • Second, I describe ITC and its business model. I explain what it means to be  
9 an independent transmission company, the impact of such independence, and  
10 how we run our company as a fully-independent transmission company. In  
11 describing ITC's business model, I also will highlight the benefits ITC will  
12 bring to Mississippi and the mid-South region, which include: 1) ownership  
13 and operation of the transmission system by a company structured to ensure  
14 independent business decisions that drive value for all customers and treat all  
15 generators equally in all aspects; 2) operational excellence in transmission  
16 system performance, which results from a singular focus on transmission; 3) a  
17 regional approach to identifying the most effective transmission solutions and  
18 supporting more robust competitive wholesale power markets, which  
19 ultimately benefits customers; and 4) full dedication of capital and resources  
20 to the transmission system by a financially strong and capable company.
- 21 • Third, I discuss in more detail why the Transaction makes sense and is in the  
22 public interest. I explain further how the Transaction benefits customers and

1 stakeholders in Mississippi and the region, and discuss some practical matters  
2 related to post-Transaction operations of ITC.  
3

4 **Q13. ARE YOU SPONSORING ANY EXHIBITS AS PART OF THIS FILING?**

5 **A.** Yes. In support of my testimony, I am sponsoring the following exhibits:

6 **Exhibit JLW-1: ITC Holdings Corp. Policy on Independence**  
7

8 **II. OVERVIEW AND VISION FOR THE ELECTRIC**  
9 **TRANSMISSION INDUSTRY**

10 **Q14. ARE YOU FAMILIAR WITH THE HISTORY AND DEVELOPMENT OF THE**  
11 **ELECTRICITY INDUSTRY IN THE UNITED STATES?**

12 **A.** Yes. I have spent my entire 41 year career in the electric utility industry, and I have  
13 observed and been part of an incredible evolution that is still underway. Vertically-  
14 integrated electric utilities (that provide generation, distribution, and transmission  
15 service) became a dominant model for providing electric service in the early days of the  
16 industry. Today, there are over 220 investor-owned utilities, approximately  
17 900 cooperative utilities, and approximately 2,000 publicly-owned municipal utilities  
18 operating their own systems for providing electric service to end-use consumers.<sup>5</sup>

19 For decades, electric transmission systems were developed and used by utilities in  
20 a balkanized fashion to serve local systems and an established customer base. While this  
21 model was used in the past, it will not be sufficient (let alone optimal) to meet the energy  
22 challenges of the future. Power is now brokered across multiple states and is increasingly

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<sup>5</sup> See <http://www.nreca.coop/members/Co-opFacts/Pages/default.aspx>.

1 integral to maintaining our technology-driven lifestyles. The price and availability of  
2 generation resources are in flux and pressure from growing global markets make the  
3 future energy mix uncertain. At the same time, the drive for more sustainable resources  
4 make it important to access more diverse forms of electric generation. These other forms  
5 – like renewables – are often located far distances from where electric service is needed  
6 by many businesses and homes. Mandatory grid reliability standards are in place, with  
7 new and revised standards still under development and becoming more stringent, and  
8 financial penalties are being assessed for non-compliance. All of these challenges will  
9 require investment in the nation's energy infrastructure. In order to meet these future  
10 needs, the way we view the transmission grid must evolve.

11

12 **Q15. WHAT DO YOU MEAN WHEN YOU SAY “THE WAY WE VIEW THE**  
13 **TRANSMISSION GRID MUST EVOLVE”?**

14 **A.** The electric transmission grid needs to be the strong backbone of our system for  
15 delivering power to customers. It can (and in my view must) tie local electric utility  
16 systems together, make more generation sources available to load, and vice-versa, and  
17 make the whole system stronger and more reliable. Without a strong grid, however,  
18 electricity service will continue to be provided through a less effective, less efficient, and  
19 less reliable patchwork of local systems. The 2003 Northeast Blackout, for example,  
20 showed in real terms how local electricity customers are affected by the regional grid,  
21 where failure by one company to properly maintain and operate its transmission system

1 ultimately allowed an event that started with a single line tripping out of service to  
2 cascade to 50 million people throughout eight U.S. states and Ontario, Canada.

3 To drive full value and capability for each end-use customer, we must view  
4 electric transmission as part of building and maintaining a strong regional grid. In fact, I  
5 think the national highway system is a great analogy to what the future electric  
6 transmission grid should look like. The highway system connects population centers  
7 within states and across the country. It provides a network to move commerce efficiently  
8 to many destinations across the United States. Yes, state highways existed prior to the  
9 national highway system. People and commerce made it to their destinations along those  
10 roads. Yet, the multi-lane, high speed national highway system that was planned to  
11 interconnect entire regions is significantly more efficient and now an invaluable  
12 backbone for interstate commerce that continues to be built even today. It is critical to  
13 our economy and lifestyle to have this efficient and reliable way of traveling and  
14 exchanging commerce. Similarly, a well-planned, highly interconnected, high-voltage  
15 electric transmission system is needed to provide the backbone of our system for getting  
16 energy to customers. Thus, our approach to transmission must be modernized to more  
17 efficiently and reliably meet current and future energy needs.

1   **Q16. HAVE RECENT REGULATORY DEVELOPMENTS SUPPORTED A**  
2   **TRANSITION TO VIEWING TRANSMISSION IN THIS WAY?**

3   **A.**   Yes. The implementation of open-access transmission service after FERC Order  
4       Nos. 888<sup>6</sup> and 2000<sup>7</sup> were helpful steps in fostering an evolution of balkanized  
5       transmission assets into a more regional system. The growth of RTOs is just starting to  
6       tie transmission systems together and allow greater power flows between utility assets.  
7       The most recent step in this migration just last year was FERC Order No. 1000<sup>8</sup>, which  
8       promotes further optimization of regional planning and cost allocation, and continues the  
9       process of looking for interregional efficiencies.

10

11   **Q17. IN YOUR OPINION, ARE OPEN ACCESS REGULATION AND RTOS**  
12   **SUFFICIENT TO ADDRESS ELECTRIC TRANSMISSION ISSUES?**

13   **A.**   No. They are a step in the right direction, but standing alone, will not achieve the  
14       evolved model for transmission that is needed to tackle our nation's future energy  
15       challenges. Even with open access rules and RTO membership, the transmission owners  
16       (as the owners of the assets) drive the development, maintenance, and management of  
17       their transmission systems. Ownership of transmission must be structured to best support  
18       the grid as the regional backbone of our electric delivery system. Specifically,  
19       transmission must be owned by an entity that is solely focused on transmission and  
20       independent of ownership in generation. With such independence, the transmission

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<sup>6</sup> 75 FERC ¶ 61,080.

<sup>7</sup> 89 FERC ¶ 61,285.

<sup>8</sup> 136 FERC ¶ 61,051.

1 owner can be purely dedicated to the grid for the benefit of all transmission customers  
2 (without needing to weigh transmission issues against its other lines of business), while  
3 taking an appropriately regional view of the grid in addressing transmission issues.

4 While open access regulations have been implemented to provide increased  
5 transparency and separation between transmission and generation interests, they are not a  
6 substitute for independence.<sup>9</sup> While I have not studied Entergy's transmission practices,  
7 based on my experience, regulation does not assure market participants that the  
8 transmission provider has a fully unbiased view of the grid. Only full structural  
9 separation (achieved through the independent transmission company model) fully  
10 eliminates the opportunity for bias in decision making. As the Federal Trade  
11 Commission noted:

12 Although operational unbundling can make a transmission owner  
13 powerless to discriminate in the operation of the grid, such an owner still  
14 may have incentives and the ability to hold back on expanding or  
15 maintaining the grid if that would reduce the competition that its generation  
16 assets will face. Regulatory efforts to prevent such behavior through  
17 regional transmission planning and maintenance or through reliability  
18 standards are an ongoing challenge. Vertically integrated utilities' full  
19 divestiture of transmission assets to entities (whether for-profit or not-for-  
20 profit) that are not vertically integrated could neutralize transmission  
21 owners' incentives to underinvest in transmission. By contrast, an  
22 independent Transco derives revenue solely from transmission services and  
23 thus should have incentives to increase the use of transmission.<sup>10</sup>

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<sup>9</sup> See FERC Standards of Conduct, 18 CFR § 358 (2011).

<sup>10</sup> Comment of the Federal Trade Commission, Standards of Conduct for Transmission Providers, Docket No. RM07-1-00, May 7, 2008, fn. 17.

1 Full structural separation eliminates any possible real or perceived tension  
2 between generation and transmission and best aligns incentives for supplying generation  
3 and building needed transmission.  
4

5 **Q18. WHAT ROLE DO YOU SEE ITC PLAYING IN THE DEVELOPMENT OF THE**  
6 **STRONG REGIONAL GRID YOU HAVE DISCUSSED?**

7 **A.** Given the importance of independence to support our needed electric transmission grid,  
8 ITC is the industry leader. Unlike vertically-integrated utilities, ITC is totally  
9 independent of energy buyers and sellers. Unlike RTOs, we own and operate our  
10 transmission systems. Thus we can see the needs of the transmission grid in a fully  
11 independent and regional manner, which is necessary to unlock the full benefits of  
12 building a true backbone grid. We enjoy a unique perspective regarding the challenges  
13 to, and opportunities provided by, a transmission grid planned and developed by a fully  
14 independent transmission company with a regional view. ITC is uniquely positioned to  
15 lead the evolution of the electric transmission system to form the true backbone grid that  
16 I described above.

17 Because we are independent, no other line of business can affect our view of  
18 transmission system needs or our dedication to addressing those needs. For example, our  
19 transmission system operations allow us to see inefficiencies in the grid, determine where  
20 repairs or upgrades are needed, and identify available lower-cost generation in the  
21 market. We act on this information to optimize the value of the transmission system for  
22 customers.

1           In addition, with respect to taking a regional view, we look across utility and RTO  
2           boundaries to identify solutions to system needs that provide local and regional benefits.  
3           One example that I will discuss in more detail later in my testimony is the Green Power  
4           Express (“*GPE*”) project. As proposed, GPE would stretch across the Upper Midwest to  
5           serve load centers in Chicago and beyond. The existing RTO planning process was not  
6           structured to generate this idea. However, ITC developed the idea by trying to find the  
7           best way to move growing power generation development that exceeded local needs in  
8           the Upper Midwest to load centers and markets where more power is used. As it turns  
9           out, GPE became the impetus for a number of projects that are now part of MISO’s  
10          regional transmission plan across the Midwest.<sup>11</sup>

11

12   **Q19. IS THIS APPROACH CONSISTENT WITH THE TYPE OF PLANNING**  
13   **REQUIRED BY ORDER 1000?**

14   **A.**   Yes. Order No. 1000 was designed to support the construction of needed regional and  
15          interregional transmission projects and included the basic tenets ITC had been advocating  
16          for prior to the Order’s issuance, such as larger coordinated planning areas between  
17          regional and inter-regional entities. As a result, the policy environment will be more  
18          conducive to efficiently meeting customers’ needs through a regional and interregional  
19          view.

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<sup>11</sup> “ITC’s Green Power Express, though Unlikely to be Built, is Agent of Change”, Transmission Hub dated 7/2/12 by RoseyLum.

1   **Q20. HOW IS THIS VIEW OF THE ELECTRIC INDUSTRY'S EVOLUTION**  
2       **RELATED TO THIS TRANSACTION?**

3   **A.**   As I have described, most effectively, efficiently, and reliably serving customers' electric  
4       needs in Mississippi, now and into the future, requires transformational, not incremental,  
5       solutions. This Transaction is such a transformational step, which will benefit customers  
6       in Mississippi by bringing ITC's independent transmission company approach to the  
7       region. At the same time, separating out the transmission system will also strengthen  
8       EMI's focus on generation and distribution. In that way, the Transaction will improve the  
9       provision of electricity to end-use customers going forward.

10

11       **III.   BENEFITS OF THE ITC BUSINESS MODEL AND THE TRANSACTION**

12   **Q21. CAN YOU SUMMARIZE HOW THIS PARTICULAR TRANSACTION SERVES**  
13       **AND IS CONSISTENT WITH THE PUBLIC INTEREST?**

14   **A.**   I sum up the various benefits of the Transaction this way: it is better for ITC to own and  
15       operate the transmission system. I am proud of our company and the role we play as a  
16       good steward of the electric transmission grid. I believe our independent transmission  
17       company model is a superior way for electric transmission assets to be owned and  
18       operated. By extension, I believe the public interest will be served by bringing our  
19       independent transmission company model to customers in the EMI footprint.

20               Specifically, through the transaction, customers of EMI will benefit from:  
21       1) ITC's independence from all buyers and sellers of electric energy, which means our  
22       pure and total dedication is to being a good steward of the electric transmission grid;

1           2) ITC's singular focus on electric transmission, which drives a dedication to  
2           transmission service, operational excellence, and expertise in transmission;  
3           3) enhancement of the benefits of the wholesale energy market, through ITC's regional  
4           view, improvement of the transmission grid, and its structural separation from users of  
5           the transmission grid; and 4) ownership of the transmission business by a financially  
6           strong and capable entity, whose resources are fully dedicated to the capability and  
7           performance of the transmission system.

8  
9           **Q22. CAN YOU EXPLAIN EACH OF THESE BENEFITS IN MORE DETAIL?**

10          **A.**     Yes. A good way to explain these benefits is to describe who ITC is and how we operate  
11           our business. I will first describe the company's overall structure and history. Then I will  
12           further explain the four beneficial attributes of our independent transmission company  
13           business model that drive benefits for customers.

14  
15                                   **A.     Independent Business Model**

16          **Q23. PLEASE PROVIDE AN OVERVIEW OF ITC.**

17          **A.**     ITC is an independent transmission company. Our business is owning, planning,  
18           constructing, operating, maintaining, and investing in electric transmission infrastructure.  
19           We have a singular focus on being an excellent owner and operator of electric  
20           transmission systems.

21                   I have a passion for electric transmission and the value it provides. I find that our  
22           employees are proud of the role they play in the energy industry. They are dedicated to

1 making the grid strong, improving and maintaining electric reliability, economically  
2 reducing congestion, and lowering the overall cost of delivered energy for customers.

3 At ITC, we talk about being a solid team that stays dedicated to consistently  
4 achieving operational excellence and “doing the right thing” for the grid and its  
5 customers. A lot of companies may speak in those terms about their goals, but the  
6 difference at ITC is that all of our aspirations, goals, and efforts are focused solely on  
7 electric transmission.

8

9 **Q24. HOW WAS THE COMPANY FORMED?**

10 **A.** In 2001, Detroit Edison organized its transmission business as a separate corporate  
11 subsidiary named International Transmission Company. I was Director of Transmission  
12 at Detroit Edison at that time, and I led the development of a business plan for creating an  
13 independent transmission company. On February 20, 2003, FERC approved an order  
14 authorizing the sale of International Transmission Company to ITC Holdings Corp.<sup>12</sup>  
15 Upon the close of that transaction, International Transmission Company (now doing  
16 business as *ITCTransmission*) became a fully independent transmission company,  
17 operating a transmission system in Southeast Michigan.

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<sup>12</sup> 102 FERC ¶ 61,182 (“This order benefits customers because the transfer of transmission facilities to an independent entity is one of the most effective means of separating transmission interests from generation interests and achieving independence through a for-profit transmission company.”); *Order Denying Rehearing and Accepting Compliance Filing*, 104 FERC ¶ 61,033 (2003).

1   **Q25. HOW HAS THE COMPANY GROWN SINCE THEN?**

2   **A.**    ITC is an excellent model for owning and operating transmission systems and meeting  
3           the important needs of the grid so the company has grown rapidly. Also, the company  
4           has looked for and implemented opportunities to grow its business model into new  
5           geographic areas, where possible.

6           ITC Holdings Corp. completed an initial public offering (“*IPO*”) in July 2005,  
7           and became a publicly traded company listed on the New York Stock Exchange. At that  
8           time, the company implemented additional measures approved by FERC to assure its  
9           continuing independence.<sup>13</sup>

10          In October 2006, ITC completed the acquisition of METC.<sup>14</sup> METC owns the  
11          former transmission assets of Consumers Energy, which cover the western part of  
12          Michigan’s Lower Peninsula.

13          Also in 2006, ITC formed ITC Grid Development, LLC to pursue the  
14          development of regional transmission projects in new areas. As part of this effort, ITCGP  
15          was established that year to partner with local utilities in the construction of needed  
16          transmission in the Southwest Power Pool (“*SPP*”) region. Since then, ITCGP has  
17          become authorized to conduct business in Kansas and Oklahoma, owns and operates  
18          transmission facilities in those states, and is a transmission owning member of SPP.

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<sup>13</sup> 111 FERC ¶ 61,149 (2005).

<sup>14</sup> 116 FERC ¶ 61,271 (2006).

1           In December 2007, a new ITC subsidiary named ITC Midwest acquired the  
2           transmission assets of Interstate Power and Light.<sup>15</sup> ITCMW's assets are located in parts  
3           of Iowa, Minnesota, and Illinois (with a short part of a transmission line that passes  
4           through Missouri).

5           In 2009, ITC formed Green Power Express, LLC to build, own, and operate high-  
6           voltage regional transmission in the Upper Midwest to allow emerging renewable energy  
7           to be transported to load centers further east.

8  
9       **Q26. PLEASE DESCRIBE ITC'S CURRENT OPERATIONS.**

10    **A.**   Today, ITC's subsidiaries own and maintain approximately 15,000 transmission line  
11           miles in seven states operating in two RTO's. Those assets serve a combined system  
12           peak load of over 26,000 megawatts. ITC is a Michigan corporation whose corporate  
13           headquarters are located in Novi, Michigan, with regional headquarters for ITCMW in  
14           Cedar Rapids, Iowa and ITCGP in Topeka, Kansas. We also maintain a number of  
15           warehouses, office space, and a backup control center across ITC's geographic footprint  
16           to support local operations.

17           ITC's two Michigan transmission companies, ITCT and METC, operate  
18           contiguous, transmission systems in Michigan's lower peninsula that transmit electricity  
19           to local electricity distribution facilities from generating stations throughout Michigan  
20           and the surrounding region. In total, ITCT and METC serve a combined peak load of  
21           roughly 22,400 megawatts and have more than 8,300 miles of transmission lines.

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<sup>15</sup> 121 FERC ¶ 61,229 (2007).

1 ITCMW operates a contiguous system in parts of Iowa, Minnesota, Illinois and  
2 Missouri that serves a peak load of roughly 3,700 megawatts. ITCMW has more than  
3 6,600 miles of transmission lines. The transmission facilities owned by ITCT, METC  
4 and ITCMW are under the functional control of MISO.

5 ITCGP owns and operates two stations in Kansas and two new transmission lines  
6 in Kansas and Oklahoma (known as Kansas Electric Transmission Authority ("**KETA**"),  
7 Phase I and Hugo-Valliant, respectively) that are under the functional control of SPP. In  
8 addition to completing KETA Phase II later this year or early next year, ITCGP is  
9 engaged in constructing a portion of the Kansas V-Plan project, which is due to be in  
10 service in 2014. Together, ITCGP's three new high-voltage transmission projects in the  
11 SPP region will result in 314 miles of new 345 kV transmission lines.

12  
13 **B. First Beneficial Attribute: Independence**

14 **Q27. WHAT DO YOU MEAN WHEN YOU SAY THAT ITC IS AN INDEPENDENT**  
15 **TRANSMISSION COMPANY?**

16 **A.** ITC's only line of business is electric transmission, and the company is structured to be  
17 free from influence by entities that buy or sell energy as a commodity. ITC does not own  
18 generation or distribution assets, or fuel suppliers, and it makes no retail or wholesale  
19 electricity sales. In addition, unlike other companies that have set up stand-alone  
20 transmission companies, ITC is not owned by utility companies, the holding companies  
21 of utilities, or entities that buy or sell energy as a commodity. The company also  
22 maintains corporate governance rules that protect its independence.

1   **Q28. WHAT GOVERNANCE RULES DOES ITC MAINTAIN TO PROTECT ITS**  
2       **INDEPENDENCE?**

3   **A.**   First, in order to safeguard its independence and abide strictly by all conditions that have  
4       been imposed by FERC in connection with its independence designation, ITC has  
5       developed a Policy on Independence that is posted on the Open Access website of each of  
6       its operating subsidiaries. A copy of that Policy is attached to my testimony as  
7       **Exhibit JLW-1.**

8               Under the Policy on Independence, all members of the company's Board of  
9       Directors and management, as well as all employees, are prohibited from having any  
10      "direct financial interest in, or a financial conflict of interest with, any Market  
11      Participant<sup>16</sup>, or an Affiliate of any Market Participant." In addition, contractors or  
12      consultants employed by ITC must disclose any direct financial interest in any market  
13      participant, or any affiliate of a market participant. ITC retains the right to disqualify a  
14      contractor should it deem such an affiliation to create a conflict of interest.

15             Second, ITC's Articles of Incorporation restrict potential ownership of stock in the  
16      company by market participants to avoid any influence on the company that could hinder  
17      its independence. Under the Articles of Incorporation, a market participant (or a group  
18      containing a market participant) is generally restricted from owning more than five  
19      percent of any class of ITC stock, and in any event may not vote shares of the company  
20      in excess of 5% of ITC's stock.

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<sup>16</sup> Market Participant is defined at 18 C.F.R. § 35.34(b)(2).

1           If a holder owns more than 5% of ITC's stock, it is required by SEC rules to make  
2           an annual disclosure to the company. The Board of Directors then starts an investigation  
3           into whether each such shareholder is a market participant, and the Board has the right to  
4           redeem shares in excess of 5% ownership held by any such market participant. ITC also  
5           is required to inform FERC when it receives notification that a market participant has  
6           acquired 5% or more of ITC's stock so that FERC may conduct its own, independent  
7           investigation of the market participant status of such a shareholder.

8  
9   **Q29. CAN YOU DESCRIBE THE IMPACT OF INDEPENDENCE ON HOW ITC**  
10 **BEHAVES AS A COMPANY?**

11 **A.** Yes. Because our corporate family has absolutely no interest in any other line of  
12 business, our pure and total dedication is to being a good steward of the electric  
13 transmission system. That pure perspective starts at the top of our company and flows  
14 through to employees at all levels of the company.

15           Market participants are restricted from exercising influence over the company as  
16 shareholders. Each member of our Board of Directors and management is individually  
17 free from market participant influence. Our management team and employees are people  
18 who have chosen to dedicate themselves to supporting the electric transmission grid, with  
19 no influence from market participants. We are totally dedicated to being a non-  
20 discriminatory provider of transmission service, and view all interests related to the  
21 transmission grid in a non-discriminatory manner. This is not only a function of the

1 regulations or directives applicable to ITC; it is who we are as a company and how we  
2 are structured.

3 Having worked at a traditional vertically-integrated utility, I am familiar with the  
4 challenges of being a generation, distribution and transmission provider under one roof.  
5 A vertically-integrated utility has multiple business lines to oversee, with transmission  
6 typically being the smallest. Across the electric industry, transmission is typically about  
7 10% of the asset base of a utility compared to 60% for generation and 30% for  
8 distribution.<sup>17</sup> Having spent most of my career in a traditional, integrated utility model,  
9 and now leading a truly independent transmission company for almost a decade, based on  
10 my personal experience I believe that independence drives a stronger dedication to being  
11 an open-access transmission provider for the benefit of all customers of the grid. With an  
12 independent transmission company, the fact is that transmission is always in the spotlight,  
13 and there is no potential for other lines of business to diminish our total dedication to  
14 being a good steward of the electric transmission system.

15

16 **Q30. PLEASE PROVIDE A PRACTICAL EXAMPLE OF THE IMPACT OF**  
17 **INDEPENDENCE ON ITC'S APPROACH TO TRANSMISSION.**

18 **A.** One area where independence is particularly important is transmission planning. We pro-  
19 actively identify and pursue transmission projects purely based on the needs of the  
20 transmission system, have more opportunity for customer and stakeholder engagement,

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<sup>17</sup> While the transmission component of a customer's bill may vary by customer class and by region, the Department of Energy estimates that transmission comprises eight percent of a customer's bill. *See e.g.*, Energy Information Administration, "Major Components of U.S. Average Electric Price, 2010," available at: [http://www.eia.gov/energyexplained/index.cfm?page=electricity\\_factors\\_affecting\\_prices](http://www.eia.gov/energyexplained/index.cfm?page=electricity_factors_affecting_prices).

1 and (due to our regional focus) can take a broader view of the transmission system's  
2 needs. Our planning approach is explained in ITC witness Thomas Vitez's testimony, but  
3 I will discuss some aspects of it here.

4 In its transmission planning process, ITC identifies, proposes, and pursues needed  
5 projects by reviewing the needs of the transmission system. Our independence provides  
6 the highest assurance that these decisions cannot be influenced by market impacts to a  
7 particular generating facility or owner unless it has benefits for the consumer.

8 Importantly, while RTOs have regional planning processes, the results of those  
9 processes depends on projects being proposed. As Mr. Vitez explains, the RTO planning  
10 process is mainly "bottom-up," meaning that the RTO evaluates projects submitted by  
11 local transmission owners and stakeholders. For this reason, the consideration of projects  
12 is to a large degree a function of the objectives of the transmission planner.

13 Overall, as a result of our independent model, ITC looks at the transmission  
14 system broadly to evaluate the most efficient, long-term solutions for regional system  
15 needs. ITC looks within and outside of its own footprint for solutions that will benefit  
16 customers now and in the future, and this view plays an important role in defining the  
17 projects that ITC proposes in RTO planning processes. In contrast, a transmission owner  
18 who views planning narrowly, looking only within its footprint, may propose a project  
19 that is not regionally optimized because it does not have the broader view of regional  
20 possibilities in mind. Again, while RTOs have their regional planning processes,  
21 individual transmission owners have a significant role in identifying and determining  
22 what projects to propose in that process.

1   **Q31. DOES INDEPENDENCE IMPACT ITC'S APPROACH TO CUSTOMER AND**  
2   **REGULATOR INTERACTIONS IN TRANSMISSION PLANNING?**

3   **A.**   Yes. We supplement our own studies by engaging in regular communication with  
4   customers, stakeholders, and regulators to seek input on various issues, including planned  
5   projects and the needs of the transmission system. An example is our Partners in  
6   Business ("*PIB*") meetings, where we meet with stakeholders and, among other topics,  
7   gather information about the needs of customers and stakeholders, seek opportunities to  
8   improve the reliability and quality of electric transmission services and operations, and  
9   solicit economic development intelligence to guide our planning process. In fact, we  
10   have established goals for meetings with our customers, which are: 1) listen to customers  
11   and respond to their needs; 2) lead teams of subject matter experts to identify challenges,  
12   foster creative alternatives and drive solutions through implementation; 3) seek  
13   opportunities to improve the reliability and quality of stakeholders' electric transmission  
14   services and operations; 4) solicit economic development intelligence to share in  
15   planning; and 5) facilitate construction meetings and the monitoring of key activities and  
16   deliverables. The testimony of ITC witness Mr. Thomas Wrenbeck provides greater  
17   detail about ITC's stakeholder relations. This is above and beyond MISO's planning  
18   process, where we also meet with stakeholders, federal and state regulators, utility  
19   generation owners, non-utility generators, and consumer representatives to review and  
20   debate the results of the planning models and proposed projects. This MISO stakeholder  
21   group also evaluates generation and demand response alternatives to proposed  
22   transmission projects.

1 **Q32. WILL THE TRANSACTION NEGATIVELY IMPACT ITC'S INDEPENDENCE?**

2 **A.** No, not at all. Importantly, the ITC common stock being issued in connection with the  
3 Transaction will be issued directly to shareholders of Entergy Corporation – not to  
4 Entergy Corporation itself. In addition, all the corporate governance requirements that  
5 protect our independence will remain in place. The restrictions on market participant  
6 stock ownership will continue to apply to all ITC shareholders (including the Entergy  
7 Corporation shareholders that receive ITC stock at closing of the Transaction). Our  
8 Board of Directors and management will remain independent of market participants  
9 (including the two new Board members our existing Board will add, in accordance with  
10 the Merger Agreement). Also, our Policy on Independence will continue to apply to all  
11 our employees, including the personnel from the Entergy Operating Companies and  
12 Entergy Services, Inc. (“*ESF*”) who join ITC as part of the Transaction. As a result, these  
13 employees will be required to divest any direct financial interest in a market participant,  
14 including ownership of Entergy Corporation stock, within the FERC-approved  
15 timeframe.

16 As part of the Merger Agreement, Entergy Corporation has an option to transfer  
17 some of its ownership interests in Mid South TransCo to a trust. Upon closing of the  
18 Transaction, those interests would convert into shares of ITC common stock. For a  
19 period up to six months following the closing of the Transaction, Entergy would be able  
20 to direct the trustee to offer Entergy shareholders to exchange their shares of Entergy  
21 Corporation common stock for shares of ITC common stock out of the trust. At the end  
22 of the six month period, any shares remaining in the trust would be distributed to the

1           Entergy Corporation shareholders on a pro rata basis. The number of shares that could be  
2           held in this trust is capped at less than 5% of ITC's outstanding shares, and the trustee  
3           would be required to vote in accordance with the votes of the other holders of ITC stock,  
4           not at the direction of Entergy Corporation. EMI witness Mr. Theodore Bunting also  
5           addresses this provision in his testimony. ITC agreed to this trust exchange arrangement  
6           as part of the Transaction because it carries with it sufficient restrictions to protect ITC's  
7           independence and, under the Merger Agreement, it must be approved by FERC for it to  
8           be utilized.

9  
10                           **C.       Second Beneficial Attribute: Singular Focus**

11   **Q33.   WHAT DO YOU MEAN WHEN YOU SAY THAT ITC'S SINGULAR FOCUS ON**  
12   **TRANSMISSION IS A POSITIVE ATTRIBUTE OF ITS BUSINESS MODEL?**

13   **A.**    I mean simply that ITC's only business is being an owner and operator of electric  
14           transmission systems, so we strive to be the very best transmission company. Our  
15           management team focuses only on transmission and our employees are specialists in  
16           transmission. I doubt the CEO of a vertically-integrated utility often gets significant  
17           questions from his or her Board regarding transmission performance because it is such a  
18           small component of the business. However, as the CEO of ITC, I wake up every morning  
19           thinking about transmission and am accountable to the ITC Board of Directors for the  
20           performance of our systems. This singular focus drives specialization throughout the  
21           organization and stronger performance.

1    **Q34. CAN YOU DESCRIBE THE BENEFITS DERIVED FROM THIS SINGULAR**  
2           **FOCUS?**

3    **A.**    Yes. Each year the company sets goals for itself, which shows where we put our focus.  
4           In summary, those focus areas are: 1) operational excellence, particularly in the areas of  
5           transmission system reliability, maintenance, compliance, safety, and efficient operations;  
6           and 2) capital investments and improvements to the transmission system. In addition, as  
7           part of our singular focus on transmission, we also work hard at actively engaging with  
8           transmission stakeholders and the communities where we operate, as well as being a good  
9           corporate citizen as a transmission company.

10

11   **Q35. CAN YOU FURTHER DESCRIBE HOW ITC'S SINGULAR FOCUS ON**  
12           **TRANSMISSION IMPACTS SYSTEM RELIABILITY?**

13   **A.**    With a singular focus on electric transmission, ITC pursues operational excellence which  
14           is measured by strong transmission system performance. ITC witness Mr. Jon Jipping  
15           provides detailed testimony about ITC's approach to improving transmission system  
16           reliability, which illustrates the value of our singular focus. As Mr. Jipping explains,  
17           important elements of ITC's approach to transmission system reliability include  
18           preventive maintenance, proactive investment plans to improve system performance and  
19           reduce customer outages, and a strong dedication to compliance with all North American  
20           Electric Reliability Corporation ("**NERC**") reliability standards. This approach pays off  
21           in measurable ways.

1 ITC has a strong track record of improving the performance of every transmission  
2 system it owns. Our goal is for the transmission system of each ITC operating company  
3 to achieve top decile reliability performance. We have achieved that for our longest-  
4 standing operating companies, ITCT and METC, and we see continued improvement  
5 toward that goal for ITCMW. As ITC witness Collins explains, ITCMW performance has  
6 improved significantly and continues to trend in a positive direction. Overall, for 2011,  
7 ITCMW was in the third quartile for sustained outage performance and the second  
8 quartile for average duration of circuit outages. In the 100 kV and above category,  
9 ITCMW is top decile for average circuit momentary outages and top quartile for average  
10 circuit outages and duration in 2011. In 2010, ITCMW's overall performance was in the  
11 fourth quartile for sustained outages and the third quartile for outage duration so we are  
12 making great progress.

13  
14 **Q36. HOW DOES ITC PRIORITIZE SAFETY?**

15 **A.** Safety must be – and is – our top priority. Given all the maintenance and capital  
16 investment work we have done on our existing transmission systems, we have a lot of  
17 work going on in the field. Safety comes before everything else to make sure everyone  
18 makes it home safely at night.

19 Our strong commitment to safety is evident in our safety statistics. ITC witness  
20 Jon Jipping explains in detail how we approach safety at ITC, but I would like to  
21 highlight that here again we are a top performer in the industry. All employees receive  
22 regular safety training in addition to job-specific training. Protective equipment is never

1 optional and we do regular safety audits to ensure compliance with safety standards. We  
2 also have safety briefings twice a day for field work to make sure all safety issues are  
3 being addressed in a timely manner. Even minor safety incidents are thoroughly  
4 reviewed to identify lessons learned and make changes as appropriate. We like to say that  
5 everyone's first job is to go home safely to their families at the end of the day. We would  
6 continue this approach in our operations and work in the EMI footprint.

7  
8 **Q37. DOES YOUR SINGULAR FOCUS AS A COMPANY TRANSLATE TO**  
9 **EMPLOYEES?**

10 **A.** Yes. As a company, we have an acute focus on achieving solid transmission system  
11 performance because that is our only business. As a result, we have an added ability to  
12 attract and retain personnel with high levels of interest and expertise in electric  
13 transmission.

14 Our focus on transmission also puts us in a better position to help address the  
15 near-term shortage of skilled workers, particularly power engineers. In a 2009 report, the  
16 U.S. Power and Energy Engineering Workforce Collaborative noted that approximately  
17 45% of U.S. electrical engineers would be eligible for retirement or could leave  
18 engineering for other reasons in the subsequent five years. This translates to over 7,000  
19 highly-skilled engineering roles which must be filled if the grid is to remain functioning  
20 at its current level.<sup>18</sup> We are driven to maintain a skilled workforce to meet our

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<sup>18</sup> "Preparing the U.S. Foundation for Future Electric Energy Systems: A Strong Power and Energy Engineering Workforce", U.S. Power and Energy Engineering Workforce Collaborative, available at: [http://www.ieee-pes.org/images/pdf/US\\_Power\\_&\\_Energy\\_Collaborative\\_Action\\_Plan\\_April\\_2009\\_Adobe72.pdf](http://www.ieee-pes.org/images/pdf/US_Power_&_Energy_Collaborative_Action_Plan_April_2009_Adobe72.pdf).

1 performance objectives and therefore focus heavily on training our force in the field and  
2 the control room.

3 Through the Transaction, ITC will add the expertise of Entergy transmission  
4 employees and leverage any transmission-related and storm response best practices  
5 utilized by EMI in its footprint. Entergy transmission employees' knowledge of the  
6 history and conditions of the Entergy transmission system will be extremely valuable,  
7 especially when coupled with ITC's independent business model. These experienced  
8 transmission professionals will get to work in a company where transmission is the only  
9 focus. For its part, EMI will be able to focus all of its attention and effort specifically on  
10 generation and distribution – which I believe will similarly enhance its focus and  
11 expertise in those areas. I see this as part of the benefits of the Transaction.

12

13 **Q38. DOES A SINGULAR FOCUS ON TRANSMISSION HELP ITC OPERATE**  
14 **EFFICIENTLY?**

15 **A.** Yes. First, we believe that a critical part of operational excellence is being a cost-  
16 efficient transmission provider. We take care with the costs of our business, knowing that  
17 our expenses translate to charges recovered from users of the transmission system, and  
18 ultimately from end-use consumers. Thus, in conducting our business and maintaining  
19 our transmission systems, we look to drive the most value over time and be cost efficient.  
20 ITC witness Mr. Jon Jipping describes in more detail how the singular focus drives  
21 operational efficiencies.

1           In addition, because we are dedicated to applying operational excellence solely in  
2           the area of electric transmission, we are able to achieve operational efficiencies in the  
3           process. This is achieved through specialization and standardization. Just like Southwest  
4           Airlines flies only one type of airplane across its fleet so that everyone knows the  
5           equipment well, ITC attempts to utilize standard equipment when possible to drive  
6           greater efficiencies. For example, in the area of maintenance, ITC has reduced the  
7           average amount of time it takes to complete a breaker replacement from six weeks to two  
8           weeks. This is because we have developed a consistent process with standard materials  
9           and are doing more of them so we are more efficient.

10           We also have worked to develop strategic alliance relationships with our vendors  
11           as ITC witness Jon Jipping discusses, which has helped us ensure that needed equipment  
12           is available to meet our project timelines. We purchase a large volume of transmission  
13           equipment each year to support our capital plans and have leveraged that purchasing  
14           power into better pricing for equipment. With the Transaction, we would bring these  
15           practices that result from our business model to EMI's footprint and with the increased  
16           size resulting from the Transaction I am hopeful we could successfully pursue further  
17           efficiencies.

1   **Q39. CAN YOU FURTHER DESCRIBE HOW ITC'S SINGULAR FOCUS ON**  
2       **TRANSMISSION IMPACTS ITS APPROACH TO INVESTING IN AND**  
3       **IMPROVING THE TRANSMISSION SYSTEM?**

4   **A.**   As stated above, ITC studies the transmission system and engages with customers and  
5       stakeholders to identify and pursue needed capital investment projects and other  
6       improvements. For instance, when we first purchased ITCT, we quickly began to work  
7       with the RTO to change the Available Flowgate Capacity ("*AFC*") calculations to  
8       eliminate some artificial barriers in the form of excessive or overlapping reliability  
9       margins. This change allowed more economic power to flow on the system more often.

10           Where system investment is needed, we move aggressively to complete those  
11       projects. Due to our singular focus, we champion the needs of the transmission system  
12       and turning transmission project plans into reality. In systems it has previously acquired,  
13       ITC has completed capital projects targeted at remediating the industry-wide effects of  
14       decades of underinvestment, improving reliability, providing non-discriminatory access  
15       to transmission, promoting competition in electric energy markets and facilitating  
16       interconnection of new generation and load. These investments have been fully vetted as  
17       part of the applicable RTO planning process.

18           As documented in ITC witness Cameron Bready's testimony, from ITCT's first  
19       year of operation as an independent transmission company in 2003 through June 2012,  
20       the total capital investments for ITC's operating companies were approximately  
21       \$3.0 billion, an amount that averaged two times cash flow from operations. ITC  
22       witnesses Jon Jipping and Thomas Vitez also discuss in further detail ITC's efforts to

1 improve the transmission systems it owns and our independent planning approach to  
2 identify and pursue those capital investment projects.

3

4 **Q40. DID THE ITC OPERATING COMPANIES MAKE PARTICULAR**  
5 **INVESTMENTS YOU WOULD LIKE TO HIGHLIGHT? IF SO, PLEASE**  
6 **EXPLAIN.**

7 **A.** Yes. As ITC witness Thomas Vitez explains in detail, ITCT completed the Jewell-  
8 Spokane project in 2004. That project in southeast Michigan was a one-time  
9 \$10.2 million investment that is estimated to provide *annual* net benefits of over  
10 \$60 million, with a benefit to the ITCT footprint alone of over \$64 million.<sup>19</sup> And these  
11 figures include only some of the other significant sources of project benefits discussed by  
12 ITC witness Mr. Johannes P. Pfeifenberger. This project was originally identified in 1988  
13 by the previous owner who decided to operate around the constrained facility instead of  
14 relieving it.

15 Similarly, ITC witness Douglas Collins speaks to additional key investments  
16 currently taking place at ITCMW. ITCMW is in the process of constructing the Salem-  
17 Hazelton project, a new 80 mile 345 kV line to improve reliability in eastern Iowa and  
18 improve market efficiency by reducing transmission congestion. In 2006, MISO found  
19 that the construction of the Salem-Hazelton line would reduce annual load and production  
20 costs by over \$108 million compared to an estimated total cost of the line of  
21 \$123 million. Again, this figure does not consider the full range of transmission benefits

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<sup>19</sup> Richard D. Tabor testimony, FERC Case No. X, Exhibit IT-200, pg. 12.

1 described by Mr. Pfeifenberger. Although the need for the line was recognized for  
2 several years prior to 2006 by the prior owner, it was not built due to competing needs of  
3 available capital.

4 I am also proud to talk about what ITC has done in Kansas. After the state  
5 government became frustrated with the pace of transmission development in Kansas, it  
6 established the KETA to define, and if necessary, finance needed transmission. KETA  
7 worked with stakeholders to identify and study a project from Spearville, Kansas to a  
8 new substation north of Hays, Kansas and continuing north to Axtell, Nebraska. KETA  
9 sought companies to make the Kansas portion of this project a reality. ITC stepped up  
10 through ITCGP and was selected to build, own and operate this 345 kV project. In June  
11 2012, the 89-mile Phase I of the KETA project went into service under budget. We  
12 anticipate that Phase II of the KETA project will be in service by the end of 2012, also  
13 under budget and delivering benefits to the region approximately 6 months ahead of the  
14 SPP planned in-service date.

15 ITCGP is now working to acquire land and begin construction on its next big  
16 Kansas project, the Kansas V-plan, a double-circuit 345 kV line from Spearville  
17 substation south to the new Clark County substation, and east to the new Thistle  
18 substation near Medicine Lodge, Kansas in Barber County. This project will connect  
19 eastern and western Kansas to improve electric reliability and enable energy developers  
20 to tap into the transmission grid, further establishing a competitive energy market in the  
21 state. ITC witness Mr. Jon Jipping has more information on these projects in his  
22 testimony.

1   **Q41. WITH SUCH A FOCUS ON TRANSMISSION INVESTMENT, IS THERE A RISK**  
2       **OF OVERBUILDING?**

3   **A.**   No. Our proposals for capital investment projects are generated by the needs of the  
4       transmission system (resulting from our studies on the system and feedback from  
5       customers and stakeholders). Then, through the open and transparent RTO planning  
6       processes, project proposals are vetted to assure they solve an identified need. As  
7       described in the direct testimony of ITC witness Mr. Thomas Vitez, the MISO  
8       Transmission Expansion Plan (“*MTEP*”) process provides a forum for interested parties  
9       to review MISO studies of proposed projects and propose transmission and non-  
10      transmission alternatives. If conflicting solutions cannot be resolved by the sponsoring  
11      parties, MISO makes the final determination as to what project should be submitted for  
12      approval. Also, as discussed earlier, ITC also maintains regular communications with  
13      regulators, customers and stakeholders above and beyond the RTO processes to make  
14      sure we are addressing their needs and concerns. Thus, capital project plans are  
15      generated based on need and thoroughly vetted in various review processes before any  
16      project is initiated.

17           Importantly, the avenues to stop a transmission owner from making unneeded  
18      investments are much stronger than the avenues available to require an owner to make  
19      needed investments. For regulators in particular, the model of ITC within an RTO is  
20      significantly more effective at achieving a desired transmission system than the status  
21      quo. In the RTO process, retail regulators have access to existing RTO resources for  
22      planning data and inquiries and discussions with independent RTO experts that are more

1 comprehensive and cost effective than each jurisdiction retaining its own experts and  
2 attempting to evaluate needs individually.

3 Also, as a practical matter, the need for transmission investment remains  
4 significant.<sup>20</sup> Failing to make necessary transmission investments prevents  
5 improvements to grid reliability and misses opportunities to economically relieve  
6 congestion. The real risk for end-use consumers is failing to complete justified  
7 transmission investment that would provide access to those opportunities, particularly  
8 considering that transmission is such a small part of end use consumers' bills.

9 Finally, as Mr. Vitez explains, we are extremely protective of our reputation and  
10 understand that it is shaped by our performance as a transmission company. We know  
11 our stakeholders and regulators monitor our business, and the future success of our  
12 business model to a large extent depends on our reputation. We want to make sure we  
13 maintain a reputation as a prudent investor in the transmission grid and review each  
14 project alternative to identify the best long-term value.

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<sup>20</sup> See American Society of Civil Engineers, *Failure to Act: The Economic Impact of Current Investment Trends in Electricity Infrastructure* (April 2012) available at: [http://www.asce.org/uploadedFiles/Infrastructure/Failure\\_to\\_Act/energy\\_report\\_FINAL2.pdf](http://www.asce.org/uploadedFiles/Infrastructure/Failure_to_Act/energy_report_FINAL2.pdf). Concludes that increased investment trends of recent years will still result in a transmission investment gap of approximately \$112 billion by 2040.

1   **Q42. ASSUMING THE TRANSACTION CLOSES, WILL ITC ALSO BE FOCUSED**  
2           **ON INVESTING IN THE TRANSMISSION SYSTEM IN THE EMI**  
3           **FOOTPRINT?**

4   **A.**   Yes. ITC witnesses Jon Jipping and Thomas Vitez discuss our approach to future  
5           investment, but generally ITC would expect to complete any in-progress transmission  
6           projects and follow through on near-term planned projects. The Entergy Operating  
7           Companies' current investment plans, as described by EMI witness Bunting, indicate that  
8           we will be making significant capital investments of approximately \$500 million  
9           annually in the transmission systems across the Entergy Operating Companies.

10               In the longer term, after starting with the existing Entergy Operating Company  
11           capital plans as a base, ITC will apply its own independent planning judgments and  
12           processes to determine the amount and timing of proposed transmission investments,  
13           given our regional view and stakeholder process. Consistent with our track record of  
14           improving the transmission systems we currently own, we would be pro-active and  
15           focused on improving the transmission system in the EMI footprint.

16

17   **Q43. WILL ITC WORK WITH RETAIL REGULATORS IN THE ENTERGY REGION**  
18           **ON PLANNING AND INVESTMENT ISSUES?**

19   **A.**   Yes. Retail utility regulators are key participants in the transmission development  
20           process for ITC. To maintain an open line of communication, ITC designates a single  
21           point of contact for regulators in each of its operating company jurisdictions. It is a  
22           primary responsibility for that point of contact to provide information on upcoming

1 activities, answer questions, and discuss concerns so that they can be addressed  
2 effectively and efficiently.

3 In addition, retail regulators play a vital role in the MISO planning process by  
4 providing important input on needs and concerns in their jurisdictions related to the  
5 development of projects. Regardless of how the role of the Organization of MISO States  
6 (“*OMS*”) is addressed in relation to the Entergy Operating Companies’ MISO  
7 membership, ITC will regularly consult with and advise each retail regulator in the  
8 Entergy Region<sup>21</sup> regarding future transmission upgrade plans.

9 Furthermore, ITC has committed to support retention of the Entergy Regional  
10 State Committee’s (“*ERSC*”) existing authority over cost allocation and construction of  
11 transmission upgrades for the five-year transition period after the Entergy Operating  
12 Companies join MISO and the transitional framework conditionally approved by FERC  
13 in Order No. ER12-480-000.

14

15 **Q44. HOW DOES ITC’S SINGULAR FOCUS ON TRANSMISSION TRANSLATE TO**  
16 **ITS APPROACH TO CUSTOMER SERVICE AND ENGAGEMENT WITH**  
17 **STAKEHOLDERS?**

18 **A.** ITC is dedicated to providing high quality customer service. This is another area where  
19 our singular focus on transmission drives excellence in our performance. Because  
20 transmission is our only business, we work hard at communicating with customers and

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<sup>21</sup> The Entergy Region generally covers the footprint of the EOCs, which ranges from the Gulf of Mexico to the northern border of Arkansas, and from the western half of Mississippi to southeastern Texas. The Entergy Region includes not only the Operating Companies, but also a number of rural electric cooperatives, municipal power agencies, independent power producers, and other market participants.

1 other stakeholders, being responsive, and providing good customer service on electric  
2 transmission issues. Again, we would bring this same philosophy to our operations in the  
3 EMI footprint.

4 ITC witnesses Jon Jipping and Thomas Wrenbeck discuss in further detail how we  
5 handle stakeholder relations, so I will just highlight that ITC has several groups that focus  
6 solely on stakeholder outreach. It is important to us to make sure we understand the  
7 needs and concerns of our stakeholders. In addition to the retail regulatory contacts  
8 mentioned above, we have a Stakeholder Relations group that schedules regular meetings  
9 throughout the year to maintain communications with industrial customers, cooperatives,  
10 and municipal utilities to discuss any items of concern. We coordinate with these  
11 customers on planned outages to minimize impact on customer operations. We also have  
12 state and local government relations groups to provide a point of contact for government  
13 officials to learn about activities that will affect their jurisdictions and share concerns.  
14 Maintaining good stakeholder relations requires us to maintain open communication so  
15 we make it a priority to do so.

16  
17 **Q45. AS A TRANSMISSION-ONLY COMPANY, DOES ITC VIEW ITS**  
18 **RELATIONSHIP TO THE COMMUNITIES IT SERVES AS IMPORTANT?**

19 **A.** Yes. We are dedicated to providing high quality transmission service in the communities  
20 we serve and we view ourselves as part of each of those communities. While ITC assets  
21 transmit electricity across numerous states, we also know that transmission is a local  
22 issue to the communities where our assets are located. We work hard to be a good

1 neighbor and a positive part of those communities. ITC will also bring this philosophy to  
2 its operations in the EMI footprint.

3 ITC has interacted with more than 1,800 communities throughout Michigan,  
4 Iowa, Minnesota, Kansas and Oklahoma, and sponsored hundreds of community and  
5 charitable events. We work to understand the needs and concerns of local communities,  
6 and work with local leaders and residents to support community improvement initiatives.

7 In one example, ITC worked with communities to grant rights to use transmission  
8 corridors for bike paths and nature trails. In addition, our employees began the "Right  
9 Plant, Right Place" program to help property owners understand the importance of  
10 vegetation management, and the proper types of low-growing plants that can be safely  
11 located near transmission lines. In another recent example, ITC donated and moved a  
12 house used in the construction of the Hugo-Valliant project in Oklahoma to a local  
13 school. The house is now being used by the school for administrative space, freeing up  
14 additional classroom space for students with special needs. These examples highlight the  
15 effort we undertake to be a good neighbor and support our communities.

16 ITC also responds to communities in need. The company donates and matches  
17 employee contributions to support recovery efforts after local, national, and international  
18 disasters. Our employees also are actively engaged in a regular ongoing program to  
19 support different charitable activities, and our employees are active in various community  
20 support activities. While ITC provides a wholesale service and many people might not  
21 recognize the role we play in bringing electricity to homes and businesses, we think it is

1 important for our company to be active in the community and be engaged with people in  
2 those communities.

3  
4 **D. Third Beneficial Attribute: Enhancing the Benefits**  
5 **of Wholesale Energy Markets**

6 **Q46. IN WHAT WAY DOES THE INDEPENDENT MODEL ENHANCE THE**  
7 **BENEFITS OF WHOLESALE ENERGY MARKETS?**

8 **A.** As I have discussed, ITC has a broader regional perspective on the transmission planning  
9 process than a traditional vertically-integrated utility. In seeking to help reduce the  
10 delivered cost of energy to customers, ITC looks both inside and outside its footprint to  
11 understand where transmission investment could result in the greatest benefits to end-use  
12 customers.

13 An example of ITC's broader approach is the GPE project, which as proposed  
14 would touch or cross two RTO regions, non-RTO regions, seven states, and twenty utility  
15 service territories, in addition to ITC's current footprint. GPE was proposed because it  
16 was identified by ITC as the most efficient means to develop and interconnect the wind-  
17 rich Upper Midwest with load centers further east.<sup>22</sup> When initially proposed, there was  
18 no process to consider a project like GPE because of its inter-regional scope and because  
19 the criteria then employed by RTOs to define beneficial projects were too narrow. In  
20 significant part because of GPE, and the initiatives inspired by GPE's proposal including  
21 the Midwest ISO Regional Generation Outlet Study ("**RGOS**"), MISO developed a  
22 broader planning process to address regional projects that serve multiple purposes,

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<sup>22</sup> See *Green Power Express LP*, 127 FERC ¶ 61,031 (2009).

1 including state policy initiatives.<sup>23</sup> This broader approach enhances competitive  
2 wholesale electricity markets by creating a more robust regional infrastructure that fosters  
3 greater market liquidity, and therefore access to the lowest possible cost delivered energy.

4 Another key role that ITC plays in facilitating the wholesale market is ensuring  
5 that all generation has equal access to the energy market. As an independent transmission  
6 company, we are fully dedicated to making the transmission grid equally accessible to all  
7 generators and customers alike. We are totally independent and unbiased in the process,  
8 do not pick winners and losers, and simply focus on quickly connecting any generator  
9 that has completed the RTO interconnection process. Eliminating any potential for, or  
10 perception of, favoritism in the operation or development of the transmission grid is in  
11 itself beneficial for customers. As noted by the Staff of the Federal Trade Commission,<sup>24</sup>

12 Discrimination or uncertainty about the terms and conditions for obtaining  
13 connections to the grid will raise the risk of new generation investments  
14 with respect to their commercial viability and timing. Discrimination in the  
15 selection of future grid expansion projects may disrupt such projects by  
16 similarly increasing uncertainty about future entrants (for example,  
17 discriminatory position of a new transmission line may disproportionately  
18 reduce demand for power from the entrant). By eliminating or delaying  
19 generation entry, or deflecting it to a different site, a transmission owner  
20 may reduce the competitive pressure on its own generation assets,  
21 particularly if the prospective entrant's assets are likely to be more  
22 efficient. As a result of such discrimination, consumers are likely to face  
23 higher electricity prices because more efficient generators fail to displace  
24 less efficient generators.

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<sup>23</sup> See *Midwest Independent Transmission System Operator, Inc.*, 133 FERC ¶ 61,221 (2010), *Order denying in part and granting in part rehearing* (2011) for discussion of Multi Value Projects as defined and approved by the Midwest ISO.

<sup>24</sup> Comment of the Staff of the Bureau of Economics of the Federal Trade Commission, *Regional Transmission Organizations*, Docket No. RM99-2-000, Aug. 16, 1999.

1           When generation owners are confident they will be treated impartially, they will  
2           be more willing to share information about future plans and invest to increase the  
3           generation options in the market.

4           Further, as ITC witness Thomas Vitez explains, ITC's pursuit of projects that  
5           support more efficient competitive markets through the economic reduction of congestion  
6           is critical to lowering the delivered cost of energy for customers. Beyond congestion  
7           relief, ITC identifies and pursues projects that provide other benefits, such as storm  
8           hardening, reduced need for costly reliability must run ("**RMR**") resources, and greater  
9           access to available generation resources. An illustrative example of these kinds of  
10          projects that could be pursued by ITC in the EMI footprint – and its related benefits – is  
11          discussed in the testimony of Dr. Johannes Pfeifenberger of The Brattle Group.

12          Economically rational, unbiased transmission investment and increased market  
13          confidence can lead to more generation options, and therefore lower prices for end-use  
14          consumers.

15

16   **Q47. WILL ITC'S BUSINESS MODEL ENHANCE THE WHOLESALE ENERGY**  
17   **MARKETS IN THE EMI FOOTPRINT?**

18   **A.**   Yes. Bringing value to customers is a key to our success and allows our company to  
19          grow. Therefore, it is both in our best interest and the best interest of customers to ensure  
20          that the transmission system is robust, to pursue the economic reduction of congestion  
21          and lower the overall cost of delivered energy, and provide access to all generators. We  
22          will also look for opportunities to increase connections with other regions where such

1 projects will bring value to customers. Similar to how we have conducted business in our  
2 current operating companies, we will apply our broad and independent transmission  
3 planning approach to identify transmission solutions that make sense for customers in the  
4 long-term. I believe this attribute of our business model will benefit customers in  
5 Mississippi and the surrounding region by enhancing the benefits that stem from  
6 wholesale energy markets, and in particular further capitalize on EMI's entry into MISO's  
7 Day 2 Market.

8  
9 **E. Fourth Beneficial Attribute: Financial Capability**

10 **Q48. HOW DOES THE INDEPENDENT TRANSMISSION COMPANY MODEL**  
11 **PROVIDE GREATER FINANCIAL STRENGTH FOR ITC?**

12 **A.** First and foremost, there is no internal competition or competing priorities for capital or  
13 other resources among functions at ITC as there is in other utility business models. All of  
14 our resources are dedicated to transmission and all of our capital is invested in  
15 transmission. In addition, our singular focus has contributed to stronger credit quality for  
16 ITC, which lowers the cost of capital reflected in rates.

17 As explained more fully by ITC witness Cameron Bready, ITC has a strong  
18 balance sheet, steady cash flow generation, and enjoys solid investment grade ratings.  
19 ITC has been able to attract capital and maintain access to cost-effective capital even in  
20 times of challenging market conditions. This access to capital and ITC's strong credit  
21 quality allows ITC to make efficient infrastructure investment and supports ITC's  
22 operational excellence. ITC intends and expects to maintain its strong investment grade

1 status after closing the Transaction. This financial strength and focus has been a key  
2 driver behind ITC's record for achieving high performance in reliability and  
3 interconnection of generation necessary to increase access to competitive power markets  
4 and lower the delivered cost of electric energy to customers.

5  
6 **Q49. HOW IS THE FINANCIAL STRENGTH ATTRIBUTE OF ITC'S BUSINESS**  
7 **MODEL PART OF THE BENEFITS OF THE TRANSACTION?**

8 **A.** This issue is addressed in detail by both ITC witness Cameron Bready and EMI witnesses  
9 Messrs. Theo Bunting and Jay Lewis. A key element of the Transaction, however, will be  
10 bringing the current transmission businesses of each Entergy Operating Company into  
11 ownership by ITC with its strong financial capability and sole focus on transmission. At  
12 the same time, it will provide enhanced flexibility for EMI to focus its capital on  
13 generation and distribution. The separate balance sheets of ITC and EMI will more  
14 effectively deal with rising capital investment requirements facing the industry and  
15 provide a greater ability to respond to the financial challenges of storm restoration and  
16 other unforeseen events. End-use consumers in the EMI footprint will receive the benefit  
17 of lower borrowing rates due to ITC's strong credit ratings and greater investment in the  
18 energy infrastructure for a stronger, more reliable system.

**F. ITC's Beneficial Attributes Drive Benefits of the Transaction**

**Q50. CAN YOU EXPLAIN WHY ITC ENTERED INTO THIS TRANSACTION WITH  
ENTERGY CORPORATION?**

**A.** We believe our business model is an optimal way for electric transmission assets to be owned and operated for the benefit of customers, and we look for opportunities to grow our business in new areas where investment is needed. This Transaction presents an opportunity for us to grow, and bring the value of our independent transmission company approach and practices to a new region. In addition, ITC is a perfect partner for Entergy's Operating Companies as they are pursuing MISO membership. ITC's experience integrating and operating transmission across several states inside of MISO provides a good platform to assist in the transition of Entergy's transmission system into MISO. ITC is well positioned to accomplish the Transaction and post-Transaction operations.

**Q51. WHY DO YOU BELIEVE THIS IS THE RIGHT TIME FOR THIS  
TRANSACTION?**

**A.** I agree with EMI witnesses Bunting, Tennican, and Lewis that the immense need for investment in the nation's energy infrastructure is weighing on utility companies. For a vertically-integrated company, deciding which line of business to allocate valuable capital to when all are in need can be difficult. ITC has significant financial strength to absorb these large transmission capital requirements. It also is at a stage in its growth where it has the capacity to undertake a comprehensive evaluation of the Entergy

1 transmission system and upgrade it to ensure it achieves our performance expectations.  
2 As I have said, I believe this Transaction represents an important opportunity in the  
3 development of our needed regional backbone grid. ITC and Entergy are currently at a  
4 point where they are able to enter and complete this Transaction and do so in a tax-free  
5 manner, so this is the right time to complete it.

6

7 **Q52. WHY SHOULD THE MISSISSIPPI PUBLIC SERVICE COMMISSION VIEW**  
8 **THE TRANSACTION AS POSITIVE?**

9 **A.** The Transaction will bring ITC's business model to the EMI footprint, with  
10 independence, singular focus, regional view and support of the wholesale energy market,  
11 as well as financial strength dedicated to transmission. I have explained these beneficial  
12 attributes in my testimony, and they are further illustrated in the testimony of other ITC  
13 and EMI witnesses.

14 I recognize that the benefits of ITC's business model may not be fully appreciated  
15 at first. After all, ITC is unique and represents evolution in the electric industry. I also  
16 recognize that there may be some skepticism about changing from the status quo without  
17 guaranteed dollar figures to rely on as the benefit. I understand based on other witnesses'  
18 testimony, however, that any rate impacts of the Transaction are modest, particularly  
19 because Transmission represents such a small part of end-use consumers' bills. Even in  
20 our most mature systems after significant investments and drastic system improvement,  
21 the transmission component of the customers' bill still remains under four percent.

1 More importantly, in any event, the benefits of the Transaction are substantial. In  
2 reviewing the Transaction, it is important to consider it in real terms. A good way to  
3 understand the value of the Transaction is to look at who ITC is, how our structure drives  
4 our priorities and focus, how we approach running our business, and the resulting track  
5 record. That is why I have explained those points in my testimony (and pointed to other  
6 witnesses who further explain them). ITC's structure and track record illustrate how we  
7 are an excellent owner and operator of transmission systems, we consistently improve the  
8 reliability and capability of transmission systems, and are totally dedicated to open-access  
9 transmission and serving the interests of all transmission customers and stakeholders.  
10 That is why it is important to seize the opportunity of this Transaction to improve the  
11 energy infrastructure in Mississippi and the full region covered by Entergy's Operating  
12 Companies.

13  
14 **Q53. HOW WILL THE BENEFITS OF THE TRANSACTION BE DIFFERENT THAN**  
15 **WHAT WOULD OCCUR PURELY AS A RESULT OF EMI BECOMING A**  
16 **MEMBER OF MISO?**

17 **A.** Participation in an RTO supports transmission open-access and planning, and ITC has  
18 been a member of RTOs since its inception. However, in my view, without the ITC  
19 business model, no company's participation in an RTO can provide the full independence,  
20 singular focus, regional view, enhancement of wholesale market benefits, and the  
21 financial strength dedicated to transmission that I have talked about in my testimony. The  
22 RTO is an overlay on the companies that make it up. To have full access to transmission-

1 related benefits, the difference needs to be at the source – the member transmission  
2 company.

3 Obviously, an RTO does not own transmission. It does not perform local  
4 operations, fund or perform maintenance on the system, fund or build capital projects or  
5 generator interconnections, or respond to customer needs or concerns on the ground. In  
6 fact, ITC investments represent over 60% of MISO's total new in-service transmission  
7 investments (and MISO started 2 years before ITC).<sup>25</sup> The RTO, therefore, cannot drive  
8 the benefits that ITC can through its independent transmission company model, which I  
9 explained above.

10 One notable benefit the Transaction provides that cannot be achieved from EMI  
11 joining MISO alone relates to the development of transmission projects. As I said, the  
12 RTO planning process starts with evaluation of projects identified and submitted by  
13 transmission owners – a bottom-up process. Therefore, a transmission owner's approach  
14 to planning has a big impact on what projects are evaluated by MISO. ITC's broader  
15 regional approach to transmission planning and independent business model result in  
16 more robust project proposals to meet a variety of customer and public policy needs.

17 EMI's planned entry into MISO actually provides further rationale for why this  
18 Transaction makes sense and specifically at this time. ITC has experience with RTO  
19 integration processes and has been operating in MISO since its inception. ITC has  
20 extensive operating experience in MISO, and with its planning process, and a staff that is

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<sup>25</sup> MISO's total investments are \$4.3 billion.  
(<https://www.midwestiso.org/Planning/TransmissionExpansionPlanning/Pages/BenefitsofMTEP.aspx>) with almost  
\$2.8 billion of ITC investment in MISO (as of June 30, 2012).

1 familiar with the MISO transmission tariffs, protocols, and organization. In that sense,  
2 ITC's ownership of the transmission system will help ease and ensure a smooth transition  
3 of EMI into MISO.

4  
5 **IV. ADDITIONAL TRANSACTION-RELATED MATTERS**

6 **Q54. ASSUMING THE TRANSACTION CLOSES, WHAT ARE SOME IMMEDIATE**  
7 **PRIORITIES YOU SEE FOR A SMOOTH TRANSITION?**

8 **A.** I believe it is very important for ITC to continue building its knowledge of the Entergy  
9 transmission system and the stakeholders in the local areas where EMI operates. At the  
10 same time, it also is critically important to smoothly integrate Entergy transmission  
11 system employees into our company so we can rely on their knowledge and expertise,  
12 ensure a good continuity of operations and service, and effectively apply ITC's approach  
13 to owning and the operating transmission system.

14 Through our own efforts and the integration process with Entergy Corporation for  
15 the Transaction, ITC is learning more and more about the transmission system and local  
16 areas where EMI operates. We also are working to meet and build relationships with  
17 stakeholders in the areas where EMI provides service. To supplement these efforts, I also  
18 note that under Section 1.08 of the Merger Agreement, ITC has committed to add two  
19 new independent directors to the ITC Holdings Corp. Board of Directors that will be  
20 selected by the ITC Board. These will be individuals who have transmission industry  
21 knowledge and familiarity with the region in which EMI operates and like all Directors  
22 will be independent of market participants.

1           As I said, we also will rely on the experience and knowledge of employees  
2           coming to ITC with the transmission business. That will include retaining approximately  
3           750 Entergy transmission business employees, including some individuals who currently  
4           are in key transmission-related leadership positions. In addition, ITC will be looking for  
5           best practices utilized in the Entergy transmission business that could help enhance ITC's  
6           corporate processes as applied in that area.

7           Because the independent transmission company model is unique, it also will be  
8           important to familiarize the former Entergy transmission system employees with ITC's  
9           culture and business goals. To do so, we will have ITC management on the ground and in  
10          the trenches to facilitate a successful transition. Our integration process for the  
11          Transaction, and for the transition of employees to ITC, is described in more detail by  
12          ITC witness Jon Jipping in his testimony.

13

14   **Q55. WILL THE ITC OPERATING COMPANIES RESULTING FROM THE**  
15   **TRANSACTION MAINTAIN OFFICES IN MISSISSIPPI?**

16   **A.**   Yes. ITC will locate its regional headquarters in Jackson, Mississippi (where the Entergy  
17          transmission business has its headquarters) for a period of not less than three years. ITC  
18          will also maintain field facilities (offices and warehouses) in Mississippi and other  
19          locations across the region. ITC witness Jon Jipping provides additional information  
20          about planned ITC offices and other facility locations.

1   **Q56. WHAT ARE YOUR PLANS TO PREPARE FOR STORM RESTORATION**  
2       **NEEDS IN THE EMI SERVICE TERRITORIES?**

3   **A.**   ITC has a strong record of timely restoration of service after large storms, most notably in  
4       response to severe floods and tornados. As a result, we bring with us tested experience in  
5       dealing with severe weather conditions and related transmission outages.

6               However, we also understand that storm restoration is a particularly high priority  
7       issue in the Gulf region, in light of recent hurricanes and other extreme weather. As  
8       explained in the direct testimony of ITC witness Mr. Jon Jipping and EMI witnesses  
9       Mr. Robbin Jeter and Mr. Richard Riley, we and Entergy Corporation are taking a careful  
10      approach to ensuring we have absolute continuity in storm restoration readiness. We will  
11      be adding key storm response personnel from the Entergy transmission business to the  
12      ITC team as part of the Transaction. This is useful to ensure that on day one after the  
13      Transaction closes ITC can utilize the experience and expertise of personnel who have  
14      been addressing severe storms in the Gulf region. Our plan is to adopt the Entergy  
15      transmission business' storm restoration practices that it has employed in the region,  
16      while looking for ways to improve. As part of our integration efforts, we already are  
17      conducting storm restoration drills to work toward ensuring readiness. Our plans for  
18      storm restoration include, as we do in our current service territories, working closely with  
19      municipal and electric cooperative utilities and other wholesale customers to ensure we  
20      understand their needs and concerns regarding storm restoration. Again, we understand  
21      the importance of storm restoration readiness, and are focused on continuing to be an  
22      excellent performer in that area after the Transaction closes.

1   **Q57. WHAT IS THE PLAN FOR CLOSING THE TRANSACTION, AND HOW DOES**  
2   **THAT RELATE TO ENTERGY'S PENDING MISO INTEGRATION?**

3   **A.**   A condition of closing the Transaction is that Entergy Corporation must have achieved  
4   approvals from its state regulators to join MISO or another "acceptable RTO." In  
5   addition, ITC and Entergy obviously must obtain all regulatory approvals for the  
6   Transaction and satisfy other closing conditions of the Transaction. Once those closing  
7   conditions are satisfied, we hope to close the Transaction by June 2013 (commensurate  
8   with the initial termination date of ITC's agreements with Entergy).

9           As explained by ITC witness Thomas Wrenbeck, ITC and Entergy are prepared to  
10   close the Transaction when all regulatory approvals for the Transaction and other closing  
11   conditions are satisfied, without that closing being linked to the completion of Entergy's  
12   integration into MISO. Being able to close the Transaction upon satisfaction of all the  
13   Transaction closing conditions, without additional delay, will avoid exposing the  
14   Transaction to unnecessary timing uncertainty and the parties to further market risk while  
15   the Transaction remains pending. It also will provide clarity to employees, transmission  
16   customers, retail regulators and other stakeholders. Finally, it will allow ITC to begin its  
17   efforts to bring the benefits of its business model to customers at the earliest time  
18   possible.

19           Closing the Transaction is the point in time when ITC can begin implementation  
20   of its philosophies with respect to transmission system operations, maintenance, planning  
21   and other areas. With respect to system planning, for example, as discussed by ITC  
22   witness Thomas Vitez, ITC's independent business model features enhanced bottom up

1 planning through collaboration and open and transparent communications with  
2 regulators, customers and other stakeholders; a broader regional view, and evaluation of  
3 the needs of both retail and wholesale customers in a single transmission planning  
4 process that will facilitate low cost energy delivery for both retail and wholesale  
5 customers. Closing the Transaction in June 2013 would enable these benefits of ITC's  
6 ownership to be captured in the MISO planning process that begins in September 2013.  
7 Upon its entrance into MISO, ITC will be in a position to apply its unique, broader  
8 planning approach in the MISO planning process a full cycle earlier than if the  
9 Transaction were to close later in the year.

10 With respect to ITC's strong credit quality, as discussed in ITC witness  
11 Cameron Bready's testimony, this enhanced credit quality will benefit transmission  
12 customers as debt is refinanced. Closing the Transaction expeditiously will allow this  
13 refinancing to occur, and then the related credit quality benefits will begin to be realized  
14 sooner rather than later.

15 The benefits of the operational excellence stemming from ITC's sole focus on  
16 transmission also will begin to accrue once the Transaction is able to close. As described  
17 in ITC witness Jon Jipping's testimony, ITC has a track record of steadily improving the  
18 performance of its newly-owned transmission systems. Here again, closing the  
19 Transaction will allow ITC to begin to apply its singular focus on transmission system  
20 performance.

21 Closing of the Transaction also will allow Entergy's own integration into MISO to  
22 be more seamlessly coordinated with ITC's ownership of the transmission assets formerly

1 owned by Entergy and it also will allow Entergy to begin focusing singularly on the  
2 development of the systems, processes, and expertise necessary to function in the MISO  
3 markets. Today, the Entergy Operating Companies are focused on the integration of both  
4 their transmission and generation systems; closing the Transaction will allow the Entergy  
5 Operating Companies to concentrate their efforts on the generation systems and  
6 MISO markets.

7 Finally, ITC has significant experience operating as a Transmission Owner in  
8 MISO. Closing will also allow ITC's expertise to be in place and in progress the first day  
9 that the Entergy Operating Companies begin participation in the MISO markets.

10

11 **Q58. THE MERGER AGREEMENT PROVIDES IN SECTION 5.13 THAT ENTERGY**  
12 **WILL NOT CHALLENGE ITC'S RATES OR TERMS AND CONDITIONS OF**  
13 **SERVICE FOR A PERIOD OF FIVE YEARS AFTER THE CLOSING. WHY IS**  
14 **THIS NECESSARY?**

15 **A.** ITC and Entergy Corporation have discussed the need to invest in the transmission  
16 system ITC would acquire, ITC's plans for operating the system, and the rate construct  
17 that ITC would anticipate utilizing going forward. Both parties believe in the benefits of  
18 the Transaction, and are seeking approval of it as expressed in the testimony of ITC and  
19 EMI witnesses.

20 Section 5.13 of the Merger Agreement is a contractual provision that assures ITC  
21 – after we have negotiated, obtained approval of, and consummated the Transaction with  
22 Entergy Corporation – that Entergy Corporation will not then attempt to litigate those

1 issues for a finite time period after closing. Because ITC takes a different approach to  
2 management of the transmission grid, prior owners of our transmission systems have  
3 been uncomfortable when ITC builds a project that may have been identified but not built  
4 in the past. Jewell-Spokane in ITCT and Salem-Hazelton in ITCMW are examples of the  
5 types of projects that bring significant benefits to customers but were not built prior to  
6 ITC's ownership. That is why this assurance is useful to ensure that ITC's attention can  
7 be directed at the day-to-day integration, operations, and long-range planning efforts in  
8 the EMI footprint right from the start. While I do not anticipate that rate disputes will  
9 arise, any such disputes over rates with what will be ITC's largest wholesale customer  
10 just when that process begins would be a big distraction from those efforts.

11 This provision does not impact the avenues available to regulators, customers, or  
12 stakeholders to raise concerns on these issues. In addition, the Merger Agreement  
13 provides an exception to allow Entergy Corporation and the Entergy Operating  
14 Companies to pursue a dispute if it is required by law, at the unanimous direction of the  
15 ERSC, or requested by written action of this Commission, the Commission of any of the  
16 states in which the Entergy Operating Companies operate or the Council of the City of  
17 New Orleans. ITC is confident that it will initiate and maintain successful relationships  
18 with retail regulators and that it will be able to address questions and concerns they and  
19 their staffs have using an approach focused on transparency and discussion, such that any  
20 rate issues can be answered long before complaints become necessary.

1           **V.       JURISDICTION AND SATISFACTION OF LEGAL REQUIREMENTS**2           **Q59. WILL ITC MISSISSIPPI BE SUBJECT TO THE JURISDICTION OF THE**3           **MPSC?**

4           **A.**     ITC's operating subsidiary, ITC Mississippi,<sup>26</sup> will be a transmission only public utility  
5                   and thus subject to the jurisdiction and rules, regulations and requirements of this  
6                   Commission to the extent they are applicable to a transmission only public utility and are  
7                   not preempted by federal law.

8

9           **Q60. WILL THE MPSC HAVE ACCESS TO THE BOOKS AND RECORDS OF ITC**  
10           **MISSISSIPPI?**

11          **A.**     Yes.

12

13          **Q61. IS THE PROPOSED TRANSACTION IN GOOD FAITH?**

14          **A.**     Yes, the proposed transaction is in good faith. The Separation Agreement, Merger  
15                   Agreement and the Employee Matters Agreement, and the transactions contemplated  
16                   therein, are the product of arms-length negotiation and bargaining by two sophisticated  
17                   and unrelated parties who own substantially equal transmission systems, and who both  
18                   believe the agreement is fair.

---

<sup>26</sup> As described in the Joint Application, Transmission Company Mississippi LLC, a Michigan limited liability company and one of the Applicants in this proceeding will be renamed ITC Mississippi LLC ("ITC Mississippi").

1   **Q62. IS ITC FIT AND ABLE TO PROPERLY PERFORM THE TRANSMISSION**  
2           **SERVICES AUTHORIZED BY EMI'S CERTIFICATE OF PUBLIC**  
3           **CONVENIENCE AND NECESSITY (CPCN) AND TO COMPLY WITH THE**  
4           **LAWFUL RULES AND REGULATIONS OF THE MPSC?**

5   **A.**   Yes. ITC's operating subsidiary, ITC Mississippi, will be fit and able to properly perform  
6           the transmission portion of the public utilities services authorized by EMI's CCNs and to  
7           comply with the lawful rules and regulations of the Commission, because, among other  
8           things, (a) it will be an independent transmission company whose sole business is  
9           owning, planning, constructing, operating, maintaining and investing in electric  
10          transmission infrastructure, whose singular focus is being an excellent owner and  
11          operator of electric transmission systems, (b) of ITC's strong financial condition and the  
12          ability to access capital, (c) of ITC's commitment to operational excellence, and of  
13          compliance with lawful rules and regulations and requirements of the Commission to the  
14          extent they are applicable to a transmission-only public utility and not preempted by  
15          federal law, (d) of ITC's history of operational excellence and of regulatory compliance  
16          in other jurisdictions and (e) of its independent transmission business model.

17

18   **Q63. IS THE TRANSACTION CONSISTENT WITH THE PUBLIC INTEREST?**

19   **A.**   Yes, the Transaction is consistent with the public interest for the reasons expressed and  
20          contained in the Joint Application and elsewhere in my testimony and in the testimony of  
21          both EMI and ITC witnesses.

1           Moreover, as stated and expressed earlier in my testimony, the public interest will  
2           be served by bringing the independent transmission company model to EMI customers  
3           and to the public in the EMI footprint. Specifically, through the Transaction, customers  
4           and others in the EMI footprint will benefit from: (1) ITC's independence from all  
5           buyers and sellers of electric energy, which means its pure and total dedication to being a  
6           good steward of the electric transmission grid; (2) ITC's singular focus on electric  
7           transmission, which drives a dedication to transmission service, operational excellence  
8           and expertise in transmission; (3) enhancement of the benefits of wholesale energy  
9           market, through ITC's regional view, improvement of the transmission grid, and its  
10          structural separation from users of the transmission grid; and (4) ownership of the  
11          transmission business by a financially strong and capable entity, whose resources are  
12          fully dedicated to the capability and performance of the transmission system.

13          The ITC Transaction is also consistent with the public interest, because it  
14          promotes the public policy of this State, as expressed in MISS. CODE ANN. § 77-3-2(1)(f)  
15          ("to foster the continued service of public utilities on a well-planned and coordinated  
16          basis that is consistent with the level of service needed for the protection of public health  
17          and safety, and for the promotion of the general welfare.") and MISS. CODE ANN. § 77-3-  
18          2(1)(g) ("to operate with other States and federal government in promoting and  
19          coordinating interstate and intrastate public utility service and reliability.") and the public  
20          policy of the United States as expressed in (1) Energy Policy Act of 2005 (which  
21          recognized the need for additional transmission infrastructure development and the  
22          further development of competitive wholesale markets); (2) the Energy Independence and

1 Security Act of 2007 § 1301, 42 U.S.C. § 17381 (2012) (“It is the policy of the United  
2 States to support the modernization of the nation’s electricity transmission and  
3 distribution system to maintain a reliable and secure electricity infrastructure that can  
4 meet future demand growth.”); (3) FERC Order 888 (which removed barriers to  
5 competitive wholesale markets and required public utilities to provide open access  
6 transmission service); and (4) FERC Order 1000 (which requires transmission providers  
7 to engage in regional and inter-regional transmission planning processes).

8

9 **Q64. UPON CONSUMMATION OF THE PROPOSED TRANSACTION, (1)(A) WILL**  
10 **THE NATIVE LOAD CUSTOMERS OF EMI CONTINUE TO HAVE A FIRST**  
11 **PRIORITY TO THE USE AND/OR BENEFIT OF THE TRANSMISSION**  
12 **FACILITIES BEING TRANSFERRED, OR (1)(B) WILL ANY SUCH LOSS NOT**  
13 **BE CONTRARY TO THE PUBLIC INTEREST, AND (2) WILL ANY NATIVE**  
14 **LOAD CUSTOMERS SERVED BY THE TRANSMISSION FACILITIES BE**  
15 **SERVED ON THE SAME BASIS AS BEFORE THE TRANSACTION?**

16 **A.** Yes. The native load customers of EMI will continue to have the same priority for the  
17 use and benefit of the transmission system and will not experience any change or loss of  
18 priority in their existing transmission rights as a result of the Transaction. Native load  
19 customers served by the transmission facilities being transferred will continue to be  
20 served on the same basis as before the Transaction in conformance with open access  
21 regulations; only who owns, operates and maintains the transmission facilities will  
22 change.

1 **VI. CONCLUSION**

2 **Q65. CAN YOU SUMMARIZE YOUR PROPOSALS AND RECOMMENDATIONS**  
3 **FOR THE COMMISSION?**

4 **A.** The proposed transaction between ITC and Entergy Corporation presents a unique  
5 opportunity to efficiently and effectively meet the future challenges of the electric  
6 industry by bringing the benefits of the independent transmission company model to the  
7 Entergy Region. The RMT structure, which makes this transaction tax free, is unique and  
8 may not be available in the future. Further, we are the only independent, transmission-  
9 only entity that is the right size to make the Transaction work and that situation may not  
10 be the same in the future. This is a transformational next step in the development of a  
11 robust and highly-interconnected transmission grid and for the reasons stated throughout  
12 the testimony in this case, I recommend that it be approved.

13  
14 **Q66. WHAT OTHER ITC WITNESSES ARE SUBMITTING TESTIMONY IN THIS**  
15 **PROCEEDING IN SUPPORT OF THE REQUESTED APPROVALS?**

16 **A. Cameron Bready** – Mr. Bready is Executive Vice President and Chief Financial Officer.  
17 His testimony describes the merits and benefits of the proposed transaction from a  
18 financial perspective along with the benefits it will bring to customers. He also discusses  
19 how ITC's rate construct and financial strength are well suited to address sustained levels  
20 of capital investments to meet planned and unplanned investment needs. Mr. Bready also  
21 provides an analysis of the estimated effects on transmission revenue requirements and  
22 debt cost savings for Entergy's transmission business under ITC ownership.

1       **Douglas Collins** – Mr. Collins is President of ITCMW and a Vice President of ITC. His  
2       testimony explains how the ITC independent business model has been applied in the  
3       ITCMW footprint and provided benefits to customers. Specifically, he explains the  
4       value of investments in the ITCMW system since the company began in 2007 and  
5       provides examples to demonstrate that ITC follows through on the commitments it makes  
6       to the retail jurisdictions it serves, is responsive to the transmission wants and policy  
7       objectives of its retail jurisdictions, and is successful in meeting those objectives,  
8       including improving system reliability and efficiency through proactive maintenance and  
9       investment focused on lowering energy costs through removal of transmission  
10      constraints.

11      **Jon Jipping** – Mr. Jipping is Executive Vice President and ITC's Chief Operating  
12      Officer. He provides an in-depth discussion about ITC's singular focus on transmission  
13      and how that provides a platform for ITC's stewardship of the transmission networks it  
14      operates and maintains. Mr. Jipping explains ITC's proven track record of operational  
15      excellence and how that is achieved. Further, he discusses the current management  
16      structure of ITC and how ITC Midsouth and new ITC operating companies will be  
17      integrated into the ITC organizational structure while ensuring business continuity of the  
18      critical functions necessary for the safe and reliable operation of the EMI transmission  
19      system.

20      **Johannes Pfeifenberger (The Brattle Group)** – Mr. Pfeifenberger will present an  
21      illustrative analysis of the potential benefits of a portfolio of "strategic" transmission  
22      projects that reflect the types of projects that ITC would be uniquely positioned to plan,

1 support, and implement. This analysis illustrates the potential benefits of an independent  
2 transmission company's transmission planning perspective.

3 **Thomas Vitez** – Mr. Vitez is Vice President of Planning for ITC. He will describe ITC's  
4 transmission planning process, how it works with the MISO planning process, and the  
5 benefits of independent planning compared to traditional planning within a vertically-  
6 integrated utility. In addition, he will explain how ITC's ownership of Entergy's  
7 transmission assets will provide benefits in excess of what could be expected from  
8 Entergy's participation in an RTO planning process and ITC's plans with respect to the  
9 current Entergy transmission projects.

10 **Thomas Wrenbeck** – Mr. Wrenbeck is Director, Regulatory Strategy for ITC. He will  
11 provide an overview of the formula rate proposed for ITC, including the annual true-up  
12 adjustment and summary of the formula rate protocols through which ITC will share  
13 information regarding the annual formula rate projection and true-up adjustment. He will  
14 also describe how the formula rate will be implemented for ITC in 2013 and 2014.  
15 Finally, Mr. Wrenbeck will describe ITC's plans for outreach to stakeholders in the mid-  
16 South region.

17  
18 **Q67. PLEASE DESCRIBE THE ADDITIONAL STATE AND LOCAL FILINGS THAT**  
19 **ITC AND ENTERGY WILL MAKE SEEKING APPROVAL FOR THE**  
20 **TRANSACTION.**

21 **A.** In support of this Transaction, the applicable Energy Operating Companies and ITC  
22 together will file a joint application for change of control and any other regulatory

1           approvals of the ITC Transaction in each of the respective regulatory jurisdictions. In  
2           addition to the instant filing, Joint Applications to address the matters required in each  
3           jurisdiction are being filed (in alphabetical order):

- 4           • in the State of Arkansas, by Entergy Arkansas, Inc. (“*EAI*”) and ITC with the  
5           Arkansas Public Service Commission;
- 6           • in the State of Louisiana, by Entergy Louisiana LLC, Entergy Gulf States  
7           Louisiana LLC and ITC with the Louisiana Public Service Commission;
- 8           • in the State of Missouri, by EAI and ITC with the Missouri Public Service  
9           Commission; and
- 10          • in the City of New Orleans, by Entergy New Orleans, Inc. and ITC with the City  
11          Council of New Orleans;
- 12          • in the State of Texas, by Entergy Texas, Inc. and ITC with the Public Utility  
13          Commission of Texas.

14

15   **Q68. WHAT FEDERAL APPROVALS ARE REQUIRED TO COMPLETE THIS**  
16   **TRANSACTION?**

17   **A.**   The Transaction is contingent upon obtaining approvals from the FERC under the  
18   following sections of the Federal Power Act (“*FPA*”):

- 19          • Section 203 for the transfer of Entergy’s transmission assets;
- 20          • Section 204 for the issuance of debt and securities by Entergy and ITC; and
- 21          • Section 205 rate filing for the resulting new ITC public utility operating  
22          companies.

1                   In addition, the Transaction requires approval from the U.S. Department of Justice  
2                   under the Hart–Scott-Rodino Act. Entergy also is seeking a private letter ruling from the  
3                   U.S. Department of the Treasury Internal Revenue Services (“*IRS*”) supporting the tax-  
4                   free nature of the Transaction. As I mentioned, ITC will be seeking approval of the  
5                   Transaction from its shareholders. That approval, and the rest of the Transaction, must be  
6                   in compliance with the Securities Act and the rules and regulations of the New York  
7                   Stock Exchange.

8  
9   **Q69. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

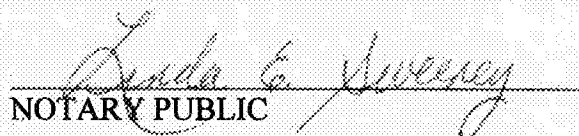
10   **A.**     Yes.

STATE OF MICHIGAN  
COUNTY OF OAKLAND

Personally appeared before me, the undersigned authority in and for the jurisdiction aforesaid, JOSEPH L. WELCH, who after being by me first duly sworn stated that he is President and Chief Executive Officer of ITC Holdings Corp., and that as such is fully authorized to make this affidavit; and further stated that the matters and things contained in the foregoing Direct Testimony are true, accurate, and correct as therein set forth to the best of his knowledge, information, and belief.

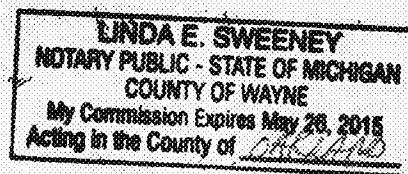
  
JOSEPH L. WELCH

SWORN TO AND SUBSCRIBED before me, this the 3rd day of October, 2012.

  
NOTARY PUBLIC

My Commission Expires:

5/26/2015



ENTERGY MISSISSIPPI, INC.  
EC123-0082-00

TRANSMISSION COMPANY  
MISSISSIPPI, LLC

MID SOUTH TRANSCO LLC

ITC MIDSOUTH LLC

ITC HOLDINGS CORP.

IN RE: JOINT APPLICATION FOR THE  
TRANSFER OF OWNERSHIP AND  
CONTROL OF ENTERGY MISSISSIPPI  
INC.'S TRANSMISSION FACILITIES  
AND ASSETS TOGETHER WITH  
RELATED CERTIFICATES,  
FRANCHISES AND OTHER PROPERTY  
RIGHTS TO TRANSMISSION  
COMPANY MISSISSIPPI, LLC AND  
APPROVAL OF SUBSEQUENT  
TRANSFERS OF OWNERSHIP AND  
CONTROL

EXHIBIT JLW-1

**ITC HOLDINGS CORP.  
POLICY ON INDEPENDENCE**

**I. GENERAL POLICY**

International Transmission Company d/b/a *ITCTransmission*, Michigan Electric Transmission Company, LLC (“METC”), ITC Midwest LLC (“ITC Midwest”), and ITC Great Plains, LLC (“ITC Great Plains”) are independent transmission companies engaged exclusively in the development, construction, and ownership of transmission facilities.<sup>1</sup> The Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) operates the transmission facilities of *ITCTransmission*, METC and ITC Midwest in accordance with the Midwest ISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Midwest ISO OATT”). The Southwest Power Pool (“SPP”) operates the transmission facilities of ITC Great Plains in accordance with the SPP Open Access Transmission Tariff (“SPP OATT”).

It is the policy of ITC Holdings Corp. (“ITC Holdings”) to safeguard and maintain the independence of *ITCTransmission*, METC, ITC Midwest and ITC Great Plains from Market Participants. ITC Holdings therefore adheres to this Policy on Independence.

**II. CORPORATE INDEPENDENCE**

**A. Definitions**

*Affiliate* has the meaning set forth in 18 CFR § 358.3(a) of the regulations of the FERC.

*Control* has the meaning set forth in 18 CFR § 358.3(a)(3) of the regulations of the FERC.

*Director* means any member of the boards of directors of ITC Holdings or any of its Affiliates.

*Employee* means any employee of ITC Holdings, *ITCTransmission*, METC, ITC Midwest or ITC Great Plains.

*Market Participant* has the meaning set forth in 18 CFR § 35.34(b)(2) of the regulations of the FERC.

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<sup>1</sup> *ITC Holdings Corp., et al.*, 102 FERC ¶ 61,182 (2003). See also *ITC Holdings Corp., et al.*, 111 FERC ¶ 61,149 (2005).

*Officer* means any employee of ITC Holdings or any of its Affiliates who holds a Director-approved position, typically Vice President and higher.

*Regional Transmission Organization* means the Midwest ISO, SPP, ISO New England, the New York ISO, PJM Interconnection, the Electric Reliability Council of Texas, or the California ISO.

**B. Market Participant Ownership of Securities in ITC Holdings Corp. is Restricted**

In order to protect the independence of ITC*Transmission*, METC, ITC Midwest and ITC Great Plains, the Articles of Incorporation of ITC Holdings restrict Market Participant ownership of ITC Holdings securities:

“First, ITC Holdings shall not issue shares of stock that would cause a market participant (or a group of stockholders containing a market participant) to beneficially own five percent or more of any class of ITC Holdings stock. Second, if a market participant (or a group containing a market participant) acquires five percent or more of any class of ITC Holdings stock, no market participant (or a group containing a market participant) may vote, give consent in respect of, or direct or control five percent or more of any class of ITC Holdings stock. Third, the Board of Directors of ITC Holdings shall be empowered to redeem shares so that a market participant (or a group containing a market participant) will not own five percent or more of any class of ITC Holdings stock.”<sup>2</sup>

ITC Holdings will inform the FERC within ten days if it receives notice from the U.S. Securities and Exchange Commission, a Market Participant, or a group including a Market Participant, that the five percent stock ownership level has been reached or exceeded.<sup>3</sup> If ITC Holdings has invoked one or more of the restrictions in its restated Articles of Incorporation to prevent a Market Participant’s ownership share from exceeding five percent, it will describe to FERC the action taken and its effect on the Market Participant’s ownership share.

**C. Obligation to Advise FERC of New Material Facts**

ITC Holdings will inform the FERC promptly of any material new facts that could affect the continued independence of ITC*Transmission*, METC, ITC Midwest or ITC Great Plains.

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<sup>2</sup> *ITC Holdings Corp., et al.*, 111 FERC ¶ 61,149 (2005) at P 15.

<sup>3</sup> *ITC Holdings Corp., et al.*, 111 FERC ¶ 61,149 (2005) at P 25.

### III. EMPLOYEE INDEPENDENCE

#### A. No Interests in Market Participants

1. Directors, Officers, and Employees shall have no direct financial interest in, or a financial conflict of interest with, any Market Participant or any Affiliate of any Market Participant.

ITC Holdings will require any consultant, contractor, and/or subcontractor to disclose any direct financial interest in any Market Participant or any Affiliate of any Market Participant, or any potential financial conflict of interest between ITC Holdings and any Market Participant or any Affiliate of any Market Participant. ITC Holdings may disqualify any consultant, contractor, and/or subcontractor based on such direct financial interest or potential financial conflict of interest.

Employees shall not benefit financially from any transaction with any Market Participant or any Affiliate of any Market Participant.

Employees and their immediate family members (spouses and minor children living in the same households) may not directly own securities issued by any Market Participant or any Affiliate of any Market Participant. Each Employee (and each immediate family member thereof) shall dispose of any securities in any Market Participant or any Affiliate of any Market Participant within six (6) months of the commencement of his/her employment with ITC Holdings. If an Employee (or any immediate family member thereof) receives a gift or inheritance of securities in any Market Participant or any Affiliate of any Market Participant, he/she must dispose of such securities within six (6) months of the date of receipt.

2. Nothing in this Policy on Independence shall be interpreted to preclude an Employee (or any immediate family member thereof) from indirectly owning securities issued by any Market Participant or any Affiliate of any Market Participant through a managed diversified fund or similar arrangement (other than a managed fund or arrangement specifically targeted towards the electric utility industry, or any segment thereof).
3. Participation in a pension plan of a Market Participant or an Affiliate of a Market Participant shall be deemed to be a permissible financial interest as long as such pension plan is a defined benefit or defined contribution pension plan that does not involve ownership of the securities of the Market Participant or Affiliate sponsoring such plan.

**B. Annual Verification of Compliance**

All Directors and Officers will annually certify in writing, by May 1<sup>st</sup> of each year, that they are in compliance with this Policy on Independence.