

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Entergy Services, Inc., on behalf of)
Entergy Louisiana Power, LLC)
)
)

Docket No. ER15-_____

**APPLICATION OF ENTERGY LOUISIANA POWER, LLC,
FOR MARKET-BASED RATE AUTHORITY**

Entergy Services, Inc. (“Entergy Services”), on behalf of Entergy Louisiana Power, LLC (“ELP”), an entity that is expected to become a public utility during the second half of 2015, respectfully requests the Federal Energy Regulatory Commission (“FERC” or the “Commission”) to grant an order pursuant to Section 205 of the Federal Power Act (“FPA”) authorizing ELP to sell wholesale electric capacity, energy, and ancillary services at market-based rates and accept its proposed market-based rate wholesale power sales tariff (“Tariff”).¹

ELP will become a public utility upon completion of the business combination of Entergy Gulf States Louisiana, L.L.C. (“EGSL”), and Entergy Louisiana, LLC (“ELL”).² On December 10, 2014, EGSL and ELL filed an application with the Commission in Docket No. EC15-47-000 requesting authorization under FPA § 203 for the FERC-jurisdictional aspects of a transaction in which EGSL and ELL will combine substantially all of their respective assets and liabilities into a single successor public utility operating company, ELP (the “Business Combination”). With this application, ELP requests acceptance of its proposed Tariff so that it may undertake market-based rate wholesale power sales upon becoming a public utility.

1. Entergy Services submits this application on ELP’s behalf pursuant to Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d, Part 35 of FERC’s regulations, 18 C.F.R. § Part 35, and Rule 205 of FERC’s Rules of Practice and Procedure, 18 C.F.R. § 385.205

2. At the conclusion of the Business Combination, ELP will be renamed Entergy Louisiana, LLC, and it will conduct business under that name. To avoid confusion with the existing ELL, Entergy Services refers to the applicant here as “ELP.”

ELP requests FERC to accept its market-based rate wholesale power sales tariff effective as of the date of the conclusion of the Business Combination, when it will become a public utility. ELP anticipates that the Business Combination will be completed during the second half of 2015.

I. DESCRIPTION OF ELP

Upon its formation, ELP will be an indirect subsidiary of Entergy Corporation, a holding company that owns traditional franchised public utilities and market-regulated power sales affiliates that are located primarily in the Southeastern United States.³ At the conclusion of the Business Combination, ELP will own substantially all the assets formerly owned by EGSL and ELL⁴ and will be one of several public utility companies that are collectively referred to as the “Entergy Operating Companies.”⁵

Each of the current Entergy Operating Companies has market-based rate authority and maintains a market-based rate wholesale power sales tariff on file with FERC.⁶ With this application, ELP seeks the same authority so it may undertake market-based rate sales of electric

3. All of the energy subsidiaries of Entergy Corporation are identified in Appendix B. ELP will be affiliated with each of those energy subsidiaries.

4. In a transaction separate from the Business Combination, ELL proposes to transfer certain limited utility facilities located in the Algiers section of New Orleans (“Algiers Assets”) to ENOI (“Algiers Asset Transfer”). ELL and ENOI have applied to FERC in Docket No. ER15-48-000 for authorization for the Algiers Asset Transfer under FPA § 203.

5. The current Entergy Operating Companies are Entergy Arkansas, Inc. (“EAI”); EGSL; ELL; Entergy Mississippi, Inc. (“EMI”); Entergy New Orleans, Inc. (“ENOI”); and Entergy Texas, Inc. (“ETI”). At the conclusion of the Business Combination, EGSL and ELL no longer will be public utilities and the Entergy Operating Companies will be comprised of EAI, ELP, EMI, ENOI, and ETI.

6. *Entergy Arkansas, Inc., et al.*, 145 FERC ¶ 61,243 (2013) (“2013 MBR Order”). On December 31, 2014, the Entergy Operating Companies and other affiliates with market-based rate authority filed an updated market power analysis for the Central Region. *See Entergy Arkansas, Inc., et al.*, Updated Market Power Analysis for Central Region and Notification of Change in Status, Docket No. ER15-800-000, et al. (December 31, 2014).

capacity, energy, and ancillary services in the same manner as the other Entergy Operating Companies.

EGSL generates, distributes, and sells electric power to retail customers in portions of Louisiana and also provides natural gas utility service to customers in the Baton Rouge, Louisiana, area. EGSL also currently serves one wholesale requirements customer in Louisiana. ELL also generates, distributes, and sells electric power to retail customers in portions of Louisiana. At the conclusion of the Business Combination, EGSL and ELL no longer will be public utilities and ELP will own the utility facilities formerly owned by EGSL and ELL, with the exception of the Algiers Assets, and ELP will undertake the utility service responsibilities currently undertaken by EGSL and ELL.

Each of the current Entergy Operating Companies is, and ELP will be upon the conclusion of the Business Combination, a transmission-owning member of Midcontinent Independent System Operator, Inc. (“MISO”). The transmission facilities owned by the Entergy Operating Companies are under the functional control of MISO, which provides open access transmission service over the Entergy transmission system pursuant to the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (“MISO Tariff”). MISO will maintain functional control of ELP’s transmission facilities and provide open access transmission service on them pursuant to the MISO Tariff following the Business Combination.

As members of MISO, the Entergy Operating Companies participate in, and ELP will participate in, the energy markets administered by MISO.

II. DESCRIPTION OF PROPOSED TARIFF

ELP's proposed Tariff is consistent with the Commission's standard form of market-based rate wholesale power sales tariff. The proposed Tariff's terms will permit ELP to engage in market-based rate wholesale sales of capacity, energy, and ancillary services in any region subject to the Tariff's terms. The proposed Tariff includes required tariff language with respect to ancillary services, compliance with Commission regulations, applicable limitations and exemptions regarding ELP's market-based rate authority, and ELP's seller category.

ELP requests FERC to accept its market-based rate wholesale power sales tariff effective as of the date of the conclusion of the Business Combination, when it will become a public utility. ELP anticipates that the Business Combination will be completed during the second half of 2015 following the receipt of required regulatory approvals but does not yet know the precise date, so it submits its proposed Tariff with an open-ended effective date embedded in the Tariff's eTariff metadata. ELP requests acceptance of its proposed Tariff subject to a compliance filing to be submitted within thirty (30) days of the completion of the Business Combination in which ELP will refile its Tariff in the Commission's eTariff database with its actual effective date embedded in the Tariff's metadata.

III. MARKET POWER ANALYSIS

The Commission authorizes public utilities to make sales of energy, capacity, and ancillary services at market-based rates provided that the seller and its affiliates: (1) do not possess, or have adequately mitigated, market power in generation; (2) do not possess, or have adequately mitigated, market power in transmission (including the erection of any barriers to entry in power markets); (3) will not engage in prohibited affiliate relationships or reciprocal dealing; and (4) will

comply with FERC's requirements for holders of market-based rate authority.⁷ In determining whether a seller is eligible for market-based rate authority, FERC assesses the public utility's ability to exercise horizontal and vertical market power.⁸ FERC has established standard market-power indicative screen analyses, the Pivotal Supplier Analysis and the Wholesale Market Share Analysis (the "Indicative Screens").⁹ The Commission ratified use of the Pivotal Supplier Analysis and Market Share Analysis in Order No. 697 and codified use of the analyses in its regulations.¹⁰ In addition, the Commission has adopted a rebuttable presumption that FERC-approved market monitoring and mitigation within regional transmission organizations ("RTOs") and independent system operators ("ISOs") are sufficient to address any market power concerns.¹¹

On December 31, 2014, the Entergy Operating Companies and their affiliates that also make market-based rate sales in the Central region (the "Entergy Central MBR Utilities")¹² filed an updated market power analysis for the Central Region.¹³ The Entergy Central MBR Utilities' updated market power analysis was performed by Dr. Matthew E. Arenchild of Navigant

7. See e.g. *AEP Power Mktg., Inc.*, 97 FERC ¶ 61,219 (2001); *AEP Power Marketing, Inc.*, 108 FERC ¶ 61,026 (2004).

8. Order No. 697 at P 7.

9. *AEP Power Marketing, Inc., et al.*, 107 FERC ¶ 61,018 (2004), *order on reh'g* 108 FERC ¶ 61,026 (2004); *Acadia Power Partners, LLC*, 107 FERC ¶ 61,168 (2004).

10. *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697 at P 62, FERC Stats. & Regs. ¶ 31,252, *clarified*, 121 FERC ¶ 61,260 (2007), *order on reh'g*, Order No. 697-A, 73 Fed. Reg. 25,832 (May 7, 2008) FERC Stats. & Regs. ¶ 31,268 (2008), *order on reh'g and clarification*, Order No. 697-C, 127 FERC ¶ 61,284, FERC Stats. & Regs. ¶ 31,291 (2009).

11. Order No. 697 at P 240-42, P 246, P 290; Order No. 697-A at P 111. MISO is a regional transmission organization with FERC-approved market monitoring and mitigation. *Midwest Independent Transmission System Operator, Inc.*, 108 FERC ¶ 61,163 (2004), *order on reh'g*, 109 FERC ¶ 61,157 (2004).

12. The Entergy Central MBR Utilities are EAI; EGSL; ELL; EMI; ENOI; ETI; Entergy Nuclear Palisades, LLC; Entergy Power, LLC ("Entergy Power"); EWO Marketing, LLC; Northern Iowa Windpower, LLC; EAM Nelson Holdings, LLC; and RS Cogen, LLC.

13. *Entergy Arkansas, Inc., et al.*, Updated Market Power Analysis for Central Region and Notification of Change in Status, Docket No. ER15-800-000, et al. (December 31, 2014).

Consulting, Inc.¹⁴ Dr. Arenchild performed the Pivotal Supplier Analysis and the Market Share Analysis for the Entergy Central MBR Utilities and concluded that they pass both Indicative Screens. Dr. Arenchild also assessed whether the Entergy Central MBR Utilities can exercise transmission market power or erect barriers to entry and concluded that they cannot.

Dr. Arenchild conducted his analysis for the MISO balancing authority area (“BAA”), which he concluded is the relevant geographic market.¹⁵ For his analysis of MISO, Dr. Arenchild relied primarily on a study that MISO conducted at the request of its member Transmission Owners to compile data consistent with Order No. 697 on an aggregate basis for MISO. This study provides data on generating capacity, purchases and sales, operating reserves, planned outages, load, and Simultaneous Import Limits. MISO filed the report with FERC,¹⁶ and the Entergy Central MBR Utilities provided the report as part of Appendix A to their market power update.

In support of its request for market-based rate authority, ELP submits Dr. Arenchild’s market power analysis in support of the Entergy Central MBR Utilities’ recent market power update. Dr. Arenchild’s analysis concluded that the Entergy Central MBR Utilities satisfy the Commission’s horizontal and vertical market power tests for market-based rate authority.

ELP notes that Dr. Arenchild conducted his market power analysis for the Entergy Central MBR Utilities for the study period of December 1, 2012, through November 30, 2013, but he also included current information in his analysis to reflect changes in circumstance that occurred during 2014. Specifically, Dr. Arenchild assessed the 2014 retirement of the Robert Ritchie 2 generating

14. Dr. Arenchild’s updated market power analysis is provided as Appendix A.

15. Appendix A at 7. In Order No. 697, the Commission reaffirmed utilization of the seller’s RTO or ISO market as the default relevant geographic market for market power analytical purposes. Order No. 697 at P 231.

16. *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Midcontinent Independent Transmission System Operator, Inc. (Filed December 18, 2014, in Docket No. AD10-02).

facility (“Ritchie 2”) owned by Entergy Power and ELL’s commencement of operations of its new Nine Mile Point Unit 6 generating facility (“Nine Mile 6”), also in 2014. The retired Ritchie 2 generating facility had a generating capacity of 554 MW, and the new Nine Mile 6 generating facility has a generating capacity of 550 MW. Dr. Arenchild conservatively included both facilities in his market power analysis and the Entergy Central MBR Utilities passed both of the Indicative Screens using that current information.

Dr. Arenchild’s conclusions with respect to the Entergy Central MBR Utilities are valid for ELP. For purposes of his market power analysis, ELP will effectively step into the shoes of EGSL and ELL as of the conclusion of the Business Combination without any material change to the facts and circumstances Dr. Arenchild considered in his analysis.

A. Horizontal Market Power

As Dr. Arenchild described in his affidavit, the Entergy Central MBR Utilities pass both the Pivotal Supplier Analysis and the Market Share Analysis in the MISO BAA, the market in which they own and operate generating resources.

For the Pivotal Supplier Analysis, Dr. Arenchild demonstrated that in the MISO market, the Uncommitted Capacity of the Entergy Central MBR Utilities, constituting the sum of their uncommitted capacity in the market and the import capacity allocated to them, is less than the net uncommitted supply of all resources in the region. Accordingly, the Entergy Central MBR Utilities passed the Pivotal Supplier Analysis in the MISO market.¹⁷

For the Market Share Analysis, Dr. Arenchild demonstrated that the market shares of the Entergy Central MBR Utilities range between 12.6% and 16.8% in the MISO market. Because the

17. Appendix A at 9.

Entergy Central MBR Utilities' market shares are below FERC's 20 percent threshold in each season,¹⁸ they passed the Market Share Analysis.¹⁹

As Dr. Arenchild further noted, MISO is a "Day 2" RTO and the Entergy Operating Companies will be subject to MISO's FERC-approved market power mitigation and market monitoring post-MISO integration.²⁰ In *Order No. 697-A*, FERC adopted a rebuttable presumption that existing FERC-approved market power monitoring and mitigation programs in RTO/ISO markets are sufficient to address any market power concerns that may arise with respect to an applicant for market-based rate authority.²¹ MISO has a FERC-approved market monitoring and mitigation program.²² The Entergy Central MBR Utilities passed the Indicative Screens and therefore they do not need to rely on MISO's FERC-approved market-monitoring and mitigation to qualify for market-based rate authority following the Entergy Operating Companies' integration into MISO, but the existence of MISO's market-monitoring and mitigation program provides a further basis for concluding that the Entergy Central MBR Utilities will not be able to exercise market power in the MISO BAA. Similarly, the existence of MISO's market-monitoring and mitigation program provides a further basis for concluding that ELP will not be able to exercise market power in the MISO BAA.

18. Order No. 697 at P 65.

19. Appendix A at 9-10.

20. Order No. 697 at PP 240-42, 246, and 290.

21. Specifically, in *Order 697-A*, FERC adopted a "rebuttable presumption that the existing Commission-approved RTO/ISO mitigation is sufficient to address market power concerns in the RTO/ISO market, including mitigation applicable to RTO/ISO submarkets." Order No. 697-A at PP 5, 114. *See also MidAmerican Energy*, 128 FERC ¶ 61,048 (2009); *PSEG Energy Resources & Trade, LLC*, Letter Order in Docket No. ER99-3151-017 (June 29, 2011); *NRG Power Mktg. LLC*, Letter Order in Docket No. ER97-4281-018 (Apr. 27, 2009); *Dominion Energy Mktg., Inc.*, 125 FERC ¶ 61,070 at P 27 (2008); *PSEG Energy Resources & Trade LLC*, 125 FERC ¶ 61,073 at P 35 (2008).

22. *Midwest Independent Transmission System Operator, Inc.*, 108 FERC ¶ 61,163 (2004), *order on reh'g*, 109 FERC ¶ 61,157 (2004).

On the basis of Dr. Arenchild's analysis that demonstrates that the Entergy Central MBR Utilities do not have horizontal market power, the Commission similarly should conclude that ELP will not possess horizontal market power.

B. Vertical Market Power and Barriers to Entry

The Commission requires sellers with market-based rate authority to show that they do not possess vertical market power by virtue of owning transmission assets or through an ability to erect barriers to entry by controlling inputs to the production of electric energy such as fuel sources or generation sites.

The Entergy Operating Companies own transmission facilities, all of which are under MISO's functional control subject to the rates, terms, and conditions of the MISO Tariff. MISO will maintain functional control over ELP's transmission facilities and provide open access transmission service over them pursuant to the MISO Tariff. Accordingly, the Entergy Central MBR Utilities will not be able to exercise vertical market power through control over transmission facilities.

With respect to barriers to entry, Dr. Arenchild noted that FERC considers whether applicants have the ability to erect barriers to entry by other suppliers in terms of such things as control of sites for new capacity development other than those that may exist at the sites being acquired; control of fuel inputs to generation; and control of any equipment suppliers or facilities used to transport fuels or other inputs to generation. Dr. Arenchild explained that the Entergy Central MBR Utilities do not have dominant control over power plant sites for new capacity development in the relevant market.²³ Specifically, he explained that ELL presently owns one undeveloped site in Louisiana that could be used for generation capacity development. The

23. Appendix A at 10.

Entergy Operating Companies also own and/or control sites at existing generating facilities that may be used to develop new generation facilities. Nevertheless, the Entergy Operating Companies do not have the ability to prevent the siting of new generation facilities owned by their competitors.²⁴

With respect to other inputs to generation, Dr. Arenchild noted that ETI owns the Spindletop Gas Storage Facility (“Spindletop Facility”), which is located in Orange and Jefferson Counties, Texas. The Spindletop Facility consists of two natural gas caverns, above-ground electric compression and withdrawal facilities, leaching facilities (including brine and fresh water pipelines, disposal equipment and brine storage wells), an electrical substation, and approximately 23 miles of intrastate pipeline that connects to ETI’s electric generation facilities and to other intrastate and interstate pipelines located in Southeast Texas. There are abundant alternatives for generators to receive gas supplies in the region and the Spindletop Facility is dedicated to serving generation owned by the Entergy Operating Companies and their affiliates. Further, Varibus, L.L.C., a wholly-owned subsidiary of EGSL, owns the Varibus Intrastate Pipeline, consisting of 29 miles of intrastate pipeline which supply natural gas to the Nelson and Willow Glen generating units owned by affiliates of the Entergy Operating Companies. ELP’s affiliates do not control coal supplies or barges and rail cars used for the transportation of coal supplies, except rail cars leased solely to deliver fuel for their coal-fired generating plants, and ELP will not own such transportation equipment.²⁵

24. *Id.*

25. In addition, EGSL and ETI jointly own Southern Gulf Railway LLC, which owns and operates several miles of rail track in Louisiana for the purpose of transporting coal for use as a boiler fuel at the RS Nelson Unit # 6 generating facility, which is owned by EGSL, ETI, and EAM Nelson Holding, LLC, which also is a subsidiary of Entergy Corporation.

The Commission has adopted a rebuttable presumption that ownership or control of, or affiliation with an entity that owns or controls, intrastate natural gas transportation, intrastate natural gas storage, or distribution facilities; sites for generation capacity development; and sources of coal supplies and the transportation of coal supplies, such as barges and rail cars, do not allow a seller to raise barriers to entry.²⁶ The Commission requires applicants to provide a description of their ownership or control of, or affiliation with entities that own or control, such facilities.²⁷

Consistent with the foregoing, ELP affirmatively states that its and its affiliates have not erected barriers to entry in the relevant market and will not erect barriers to entry in the relevant market.²⁸

C. Eligibility for Market-Based Rate Authority

On the basis of his analysis, Dr. Arenchild concluded that the Entergy Central MBR Utilities satisfy FERC's eligibility criteria for market-based rate authority.²⁹ On the same basis, the Commission should determine that ELP similarly satisfies FERC's eligibility criteria for market-based rate authority.

IV. SELLER CATEGORY DESIGNATION

ELP requests FERC to accept its designation under the Tariff as a "Category 2" seller in the Central region and as a "Category 1" seller in the Northeast, Northwest, Southeast, Southwest, and Southwest Power Pool regions. ELP, together with its affiliates located in the Central region, will own more than 500 MW of generating capacity in the Central region and the Entergy Operating

26. See Order No 697 at PP 446-448.

27. See 18 C.F.R. § 35.37(e)(1)-(3).

28. Order No. 697 at P 7.

29. Appendix A at 11.

Companies will be franchised public utilities in the Central region. Accordingly, it is appropriate that ELP be designated as a Category 2 seller in the Central region.

With respect to the Northeast, Northwest, Southeast, Southwest, and Southwest Power Pool regions, ELP will not own, operate, or control any generation in those regions; will not own, operate or control transmission facilities in those regions; will not be affiliated with anyone that owns, operates or controls transmission facilities in those regions; will not be, or be affiliated with, a franchised public utility in those regions; and its request for market-based rate authority as a Category 1 seller in those regions does not raise other vertical market power issues. Accordingly, it is appropriate that ELP be designated as a Category 1 seller in the Northeast, Northwest, Southeast, Southwest, and Southwest Power Pool regions.

V. REQUESTED EFFECTIVE DATE

As noted, ELP requests FERC to accept its market-based rate wholesale power sales tariff effective as of the date of the conclusion of the Business Combination, when it will become a public utility. ELP anticipates that the Business Combination will be completed during the second half of 2015 but does not yet know the precise date, so it has submitted its proposed Tariff with an open-ended effective date embedded in the Tariff's eTariff meta data. ELP requests acceptance of its proposed Tariff subject to an eTariff compliance filing to be submitted within thirty (30) days of the completion of the Business Combination in which ELP will refile its Tariff with its actual effective date embedded in the Tariff's metadata.

VI. COMMUNICATIONS

Communications regarding this application should be provided to the following:

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VII. DOCUMENTS SUBMITTED WITH THIS FILING

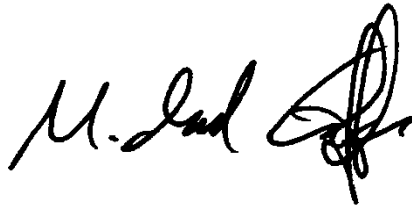
The Applicants submit the following documents in support of their application:

1. This application;
2. Affidavit of Matthew E. Arenchild with supporting exhibits and work papers;
3. Appendix B1 and Appendix B2 identifying energy assets that will be owned or controlled by ELP and its affiliates as of the conclusion of the Business Combination; and
4. Proposed market-based rate wholesale power sales tariff of ELP.

VIII. CONCLUSION

For the reasons identified in this application and in Dr. Arenchild's market power analysis, Entergy Services respectfully requests FERC to accept ELP's proposed market-based rate wholesale power sales tariff effective as of the date ELP becomes a public utility at the conclusion of the Business Combination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. C. Griffen", written over a horizontal line.

By:

Michael C. Griffen

Attorney for Entergy Services, Inc.,
on behalf of Entergy Louisiana Power, LLC

Dated: February 27, 2015