BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

ENTERGY SERVICES, INC.

2006 REQUEST FOR PROPOSALS (RFP)

COMMENTS OF WILLIAMS POWER COMPANY, ENTEGRA POWER GROUP LLC, AND SUEZ ENERGY N.A.

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Williams Power Company ("Williams"), Entegra Power Group LLC ("Entegra") and Suez Energy, N.A. ("Suez") (collectively "Joint Participants") appreciate the opportunity to submit the following comments on Entergy's Draft Fall 2006 Request for Proposals ("RFP") for Limited Term Supply Site Resources ("Fall RFP"). Many of these comments repeat concerns raised in the 2006 RFP Collaborative that were not addressed by Entergy in the Fall RFP. While the Joint Participants appreciate the efforts of the Louisiana Public Service Commission ("LPSC" or "Commission") and its Staff in pushing for a RFP that focuses on the displacement of Entergy's high cost gas generation, the Fall RFP, in its current form, appears to fall short of that goal. In the event no substantive changes are made to the Fall RFP, the Joint Participants believe that the opportunities for displacement of high cost generation will be diminished and ask that the

Independent Monitor ("IM") and the LPSC Staff carefully monitor the evaluation process to insure that the limited opportunities presented are fairly administered.

COMMENTS

1. Bid/Economy Energy Evaluation –

In evaluating the bids in the Fall RFP, Entergy should look at the overall savings to ratepayers under a number of scenarios, and then factor in the "risk" associated with a speculative market view versus locking in the price certainty associated with a purchase power agreement ("PPA"). Specifically, Entergy should establish a ProSym basecase without economy purchases and this case should then be compared to the net benefits provided using PPA proposals. These benefits should then be compared to a ProSym basecase with economy purchases. By using this process Entergy can assess (and the IM and the Staff can review) the benefit derived by the economy purchases as compared to the PPA bids. If the results show that a PPA can provide comparable benefits to economy purchases then the PPA should be selected because it provides price certainty versus the risk associated with a speculative market view – a risk borne by ratepayers, not Entergy.

Staff has advised that economy market assumptions used in the evaluations are subject to careful review by the Staff and the IM. While Joint Participants support the careful review, if there is no further change in the Fall RFP to include the approach suggested above in the evaluation methodology, Staff and the IM should request the additional analysis described herein to insure that displacement opportunities are properly considered.

2. Transmission Evaluation –

A continuing problem is the fact that the Entergy Transmission Business Unit ("TBU") transmission evaluation does not reflect the actual dispatch of the Entergy System. This concern was raised in the 2005 Collaborative and in the 2006 Collaborative, and continues to be a significant evaluation issue. A bid might be burdened with a transmission adder (or rejection as a result of the lack of transmission), that does not accurately reflect the operation of the transmission system. EMO also expressed its frustration with this issue, but claimed an inability to address it due to FERC-based communication prohibitions. While safeguards to insure transparency and non-discriminatory treatment are important, neither the federal nor state regulators could possibly intend that such safeguards should prohibit the optimization of assets within the Entergy System and the ability to serve ratepayers at the lowest reasonable production cost. The Joint Participants ask that the Staff and IM pay particular attention to this issue in the evaluation process.

All impacted parties should take immediate steps to resolve this issue, so it will not continue to be on the "unresolved issues" list in any future RFPs. The answer is clearly more transparency with respect to critical information in the marketplace and this dialogue needs to continue between Entergy, the regulators and market participants to resolve this issue on a timely basis.

Additionally, Joint Participants believe there is still a fundamental disconnect between the transmission planning horizon and the term of the Fall RFP. The use of the Entergy' Board-approved and funded transmission projects over the next three years as the model for transmission evaluations results in a "static" view of the transmission system that is inherently biased towards Entergy's existing units. At the very least, the bids should be reviewed in the context of the long term transmission plans as prepared by TBU to ensure that bids are not unduly burdened with costs for transmission investment that may already be included in Entergy's plans.

Finally, the Joint Participants object to the full amortization of all transmission upgrade costs across the limited term contracts included in the Fall RFP when the upgrade provides System benefits. Such treatment results in discriminatory and biased treatment of bids and such costs should be fairly allocated according to the benefits produced.

3. Contract Term –

Entergy's refusal to include longer term bids in the Fall RFP is inconsistent with the multiple Commission requests to focus on opportunities for displacement of high cost generation. As noted in the 2006 Collaborative Report, many of the potential bidders in the RFP have indicated that contract terms of up to 10 years provide the best opportunity for displacement of Entergy's high cost generation and reduction of total production costs for ratepayers.

Entergy has agreed to engage in discussions regarding the potential to extend a 5 year Base-load Product or Dispatchable MUCPA PPA for a period longer than 5 years as part of the negotiation of the Definitive Agreement. However, Entergy has also advised that the negotiation of any contract extension will be negotiated based on the pricing of the 5 year proposal, with consideration given for inflation and other external factors. Bidders are warned not to presume any contract length longer than 5 years when pricing their proposals.

While Entergy has now agreed to raise the potential of entering into negotiations for a longer term contract with winning bidders on two products, the process established essentially precludes a bidder from developing its best proposal for a longer term PPA. If Entergy was truly interested in considering all possibilities for displacement, it would permit bidders to present their "best shot" in a bid of up to 10 years and conduct the appropriate evaluations to determine whether net benefits are available. If there are no benefits, Entergy always has the ability to reject all bids received.

The issue of contract term is not a new one. The Staff's Retirement Study report indicated that intermediate term products in the 5-7 year range should be considered in some cases as an option to reduce use of old, inefficient generating units. Staff Retirement Report, pages 64, 65, 76. The issue was thoroughly discussed in the 2005 Collaborative in the context of the approaching long term RFP. Generators asked for contract terms of 5-10 years and, as noted in the Staff Report, the Staff argued for some flexibility on product types permitted to bid in order to obtain portfolio diversity (although it did express some concern over increasing the complexity of bid evaluations when comparing bids of differing lengths.) 2005 Collaborative Report, page 16. Despite this input, Entergy retained its 20 and 30 year requirement for contract terms in the long-term RFP, but indicated it would not discard shorter term contracts as non-conforming, although the proposed evaluation of those contracts is problematic. The 2005 Collaborative Report indicates Entergy's position that the 2006 RFP would focus more on limited term products, but would include some level of intermediate products.

After all of the efforts spent on the issue of displacement of high cost generation over the last two years, Entergy's refusal to include a fair opportunity to "test the market" with respect to 6-10 year products in the Fall RFP is disappointing and difficult to reconcile with the Commission's call for a reduction in such generation. Entergy's approach appears to be an effort to limit rather than to locate opportunities for ratepayer savings through displacement.

4. Date of Delivery –

Entergy's Fall RFP states that the delivery of power under the contracts selected will be September, 2007 rather than June 1, 2007 as originally indicated. The stated reason for the delay is to allow a longer period for regulatory approval of any selected PPA. Such a delay not only extends the time it will take for ratepayers to see savings through the displacement of Entergy's high cost gas units during the high cost peak summer months, but it also significantly penalizes proposals by moving the net present value of the first period of significant savings to the end of the evaluation period. This will drastically change the net present value calculations.

The June 1, 2007 delivery date should be retained. Entergy has, in the past, sought and obtained expedited approval of PPAs. Assuming a fair evaluation process and the Commission's strong interest in displacing Entergy's high cost gas units, the Commission should accommodate the schedule needed.

5. Evaluation of Bids with Differing Delivery Terms –

The evaluation process proposed by Entergy is biased due to Entergy's belief "that a comparison across Delivery Terms is critical to ensuring that customers receive the benefit of the lowest reasonable cost portfolio of resources, including the need to maintain flexibility in the length of contract Delivery Terms in order to mitigate market price risk." This is problematic for a number of reasons. First, the comparison of a five-year proposal against a one year proposal could be inherently biased depending on what Entergy assumes to fill in the missing years. Second, a requirement that final decisions be based on a comparison across terms is inconsistent with the "optimum portfolio resource mix" which Entergy relies upon and which is based on the need to have a range of terms. The Joint Participants support the use of a methodology which will result in the comparison of contracts of the same or similar terms. If Entergy's approach is ultimately maintained in the RFP, Staff and the IM must examine closely the modeling assumptions used in the comparisons to ensure a lack of bias.

6. Limits on Displacement or "Capacity Substitutions" –

There should not be a set limit on the amount of high cost generation subject to displacement in the Fall RFP. Entergy has indicated that the generating units that are candidates for capacity substitution are 1,500 MW that function in the reserve supply role and are generally not required for transmission reliability or expected to produce a significant amount of energy. However, such limitations may result in ratepayers missing out on potential savings. Economic savings should be the primary factor in determining the levels of displacement/delisting that occur pursuant to the Fall RFP.

All high costs units should be candidates for consideration. The Fall RFP provides the opportunity to retire and displace as many high cost units as economically feasible, without regard to their RMR status. Entergy has committed to assess the potential of each individual proposal in the Fall RFP to relieve RMR requirements, which is consistent with the numerous directives from the Commission and Mr. Leonard's commitment earlier this year to the LPSC. The Staff and the IM should ensure that this commitment is maintained.

Respectfully submitted:

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