



DRAFT

***2006
Request For Proposals (RFP)
For
Long-Term
Supply-Side Resources***

Entergy Services, Inc.

The statements contained in this RFP are made subject to the Reservation of Rights set forth in this RFP and subject to the terms and acknowledgements set forth in the Proposal Submission Agreement.

~~DRAFT 2006 LONG TERM RFP - JANUARY 31, 2006~~

| ~~January 31~~April 17, 2006

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1. GENERAL INFORMATION

1.1. Introduction

Entergy Services, Inc. (“ESI”), acting as agent for one or more of the Entergy Operating Companies,¹ is issuing this 2006 Request for Proposals for Long-Term Supply-Side Resources (“2006 Long-Term RFP” or “RFP”)² to solicit proposals for the delivery of electric capacity, energy, and Other Associated Electric Products. This RFP represents the sixth RFP in a procurement process that began with the Fall 2002 RFP. This 2006 Long-Term RFP can be accessed at ESI’s RFP Website: <https://emo-web.no.energy.com/ENTRFP/index.htm>.

ESI categorizes resources to be acquired through its formal RFP procurement process by product category and by the time horizon for the supply of capacity and/or energy from the resource: (i) limited-term (capacity purchases of one to three years); and (ii) long-term power purchase agreements (“PPA”) or ownership acquisitions.³ ***Only long-term proposals are being solicited in this RFP.***

~~ESI has committed to seek intermediate term products on behalf of at least EGS and ELL in an upcoming RFP. However, considering the current stage of development for this 2006 Long Term RFP, it is not feasible to modify this RFP process to include intermediate term products. Rather, ESI will commit to issue an RFP later this year that will seek proposals for intermediate term resources.~~

ESI has committed to issuing a Draft RFP for limited-term (one to three years) and intermediate-term (three to five years) products on behalf of at least EGS and ELL by no later than September 30, 2006. ESI also has committed to post notice of that RFP by May 15, 2006 as requested by the Louisiana Public Service Commission (“LPSC”). ESI will consider issuing the

¹ The “Entergy Operating Companies” are Entergy Arkansas, Inc. (“EAI”), Entergy Gulf States, Inc. (“EGS”), Entergy Louisiana, LLC (“ELL”), Entergy Mississippi, Inc. (“EMI”), and Entergy New Orleans, Inc. (“ENO”). The Entergy Operating Companies provide retail electric service to approximately 2.6 million customers in portions of the states of Arkansas, Louisiana, Mississippi and Texas, through the interconnected, coordinated electric generating and bulk transmission facilities of the Entergy Operating Companies (which facilities are referred to herein collectively as the “Entergy System”). The Entergy Operating Companies own and manage in excess of 22,000 MW of electric generation capacity in order to serve the needs of their customers. Although this document will describe the planning objectives and needs of the Entergy System as a whole, ENO will not participate in this 2006 Long-Term RFP because of its current status as a debtor-in-possession in Docket No. 05-17697, *In Re: Entergy New Orleans, Inc., Debtor*, Chapter 11 Section “B” pending before the United States Bankruptcy Court, Eastern District of Louisiana.

² All references to this “RFP” or the “2006 Long-Term RFP” include and incorporate the Appendices to this RFP. Appendix A to this RFP contains a glossary of all capitalized terms used in this RFP that are not otherwise defined in this RFP.

³ It should be noted that ESI also continues to procure short-term (*i.e.*, up to one year) resources to meet the Entergy System’s reliability needs outside of the formal RFP processes through various methods including, but not limited to, hourly, daily, weekly, monthly and seasonal procurement processes.

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limited- and intermediate-term RFP earlier than September 30, 2006, and will work with the staffs of regulatory commission(s) participating in overseeing that RFP to evaluate the potential to accelerate that process.

ESI has procured resources from proposals that have been submitted in response to each of its recent five formal RFPs, beginning with the Fall 2002 RFP. Table 1-1 summarizes the amount of capacity for which ESI has contracted on behalf of one or more of the Entergy Operating Companies as a result of these formal RFP solicitations.

Table 1-1

RFP	Short-term 3 rd Party	Limited-term Affiliate	Limited-term 3 rd Party	Long-term Affiliate	Long-term 3 rd Party	Total
Fall 2002	0 MW	185-206 MW ^a	231 MW	101-121 MW ^b	718 MW	1235-1276 MW
January 2003 Supplemental	222 MW	n/a	n/a	n/a	n/a	222 MW
Spring 2003	n/a	0 MW	381 MW	c	0 MW	381 MW
Fall 2003	n/a	0 MW	390 MW	n/a	n/a	390 MW
Fall 2004	n/a	n/a	1,250 MW	n/a	n/a	1,250 MW
Total	222 MW	185-206 MW	2,252 MW	101-121 MW	718 MW	3,478-3,519 MW

^aIncludes a conditional option to increase the capacity up to the upper bound of the range.

^bThe contracted capacity will increase from 101 MW to 121 MW in 2010.

^cIt should be noted that this table does not reflect (i) the River Bend 30% life-of-unit power purchase agreements totaling approximately 300 MW between EGS and ELL, and between EGS and ENO related to EGS's unregulated portion of the River Bend nuclear station, which portion was formerly owned by Cajun Electric Power Cooperative, Inc. or (ii) the EAI wholesale base load capacity life-of-unit power purchase agreements totaling approximately 220 MW between EAI and ELL and between EAI and ENO related to the sale of a portion of EAI's coal and nuclear base load resources (which were not included in retail rates) to ELL and ENO executed in 2003; or (iii) the 12 month agreements executed in 2005 between EAI and EGS and between EAI and EMI relating to the sale of a portion of EAI's coal and nuclear base load resources (which were not included in retail rates) to EGS executed in 2005, which agreements currently are pending for approval by the Federal Energy Regulatory Commission ("FERC") and EMI. These resources were identified outside of the formal RFP process but were submitted as formal proposals in response to the Spring 2003 RFP, which confirmed the economic merits of these resources.

As reflected in the above Table 1-1, ESI has procured a significant amount of capacity to meet near-term incremental capacity needs. Only long-term proposals that have the potential to reduce total costs to retail customers, improve the Entergy System's reliability, and serve the System's needs are being solicited in this RFP.

As described in more detail in the next section and in Appendix G, ESI has established protocols to ensure that (1) the 2006 Long-Term RFP process will be impartial and objective, (2) Bidders' commercially sensitive information will be protected, (3) all proposals are treated in a

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consistent fashion, and (4) no undue preference is given to proposals from any potential Bidder, including Entergy Competitive Affiliates and self-build and/or self-supply projects.

1.2. Independent Monitor

In order to ensure that this RFP is conducted in a fair and impartial manner, and in keeping with the requirements of the Market-Based Mechanisms Order⁴ issued by the ~~Louisiana Public Service Commission (“LPSC”)~~, ESI has retained Ms. Elizabeth Benson of Energy Associates and Dr. David B. Patton of Potomac Economics, both independent consultants, as the Independent Monitors (“IMs”), in order to (1) oversee the design and implementation of the RFP solicitation, evaluation, selection, and contract negotiation process to ensure that it will be impartial and objective, and (2) provide an objective, third-party perspective concerning ESI’s efforts to ensure that all proposals are treated in a consistent fashion and that no undue preference is provided to any Bidder, including Entergy Competitive Affiliates and self-build and/or self-supply projects.

Ms. Benson will serve as the Process IM, and Potomac Economics will serve as the Evaluation IM. The role of each of the Independent Monitors is described in the Scope of Work Activities.⁵ Bidders wishing to communicate with either of the IMs may contact Ms. Benson at erbens@aol.com or (703) 641-7948.

1.3. Overview of the 2006 Long-Term RFP

In this 2006 Long-Term RFP, ESI is soliciting proposals from Bidders for long-term capacity provided by load-following combined cycle gas turbine (“CCGT”) generation resources and/or the following types of baseload resources (collectively “Solid Fuel” generation resources): (1) coal, lignite, nuclear, petroleum coke, (2) other thermal technologies, provided that any proposal for such other thermal technology provides fuel at a guaranteed fuel price, or (3) renewables. Assuming competitive proposals are received in response to this RFP, ESI seeks long-term resources acquired either through bricks and mortar acquisitions (*i.e.*, actual ownership of an existing or planned generating unit) or through long-term PPAs that provide the Entergy System operational control and commercial flexibility to meet retail customers’ needs in a reliable and economic manner.

ESI prefers PPAs with a Delivery Term of at least twenty (20) years for CCGT PPA proposals and at least thirty (30) years for Solid Fuel PPA proposals. Although these Delivery

⁴ General Order, Docket No. R-26172 Subdocket A, *In re: Development of Market-Based Mechanisms to Evaluate Proposals to Construct or Acquire Generating Capacity to Meeting Native Load*, Supplements the September 20, 1983 General Order, dated February 16, 2004.

⁵ The Scope of Work Activities is posted on the LPSC website, and on ESI’s RFP Website at <https://emo-web.no.entergy.com/ENTRFP/index.htm>.

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Terms are preferred, proposals with a shorter Delivery Term will not be rejected as non-conforming; however, Bidders should be aware that all proposals will be evaluated over the same long-term evaluation period, as further described in Appendix E-1.

ESI seeks PPA or acquisition proposals for CCGT resources with a Delivery Term Start Date or Commercial Operation Date respectively, of no later than June 1, 2009; however, ESI prefers PPA or acquisition proposals for CCGT resources with a Delivery Term Start Date or Commercial Operation Date, respectively, of as early as June 1, 2007. ESI seeks PPA or acquisition proposals for Solid Fuel resources with a Delivery Term Start Date or Commercial Operation Date, respectively, of no later than December 31, 2012.

ESI prefers tolling agreements for load-following CCGT resources being offered under a PPA, assuming the generating resource has adequate connections to receive fuel from suppliers that have common pipelines to the current Entergy System generating fleet or other flexible and reliable fuel supply arrangements.

ESI invites proposals from all potential suppliers who are capable of meeting the conditions identified in this RFP, including proposals from other electric utilities, marketers, wholesale generators, independent power producers, and Qualifying Facilities (“QFs”). However, proposals from QFs will not be provided any form of preference or enjoy any priority of selection in the RFP based solely on their QF status. ESI also will allow proposals from Entergy Competitive Affiliates. This 2006 Long-Term RFP will include a Solid Fuel self-build option in the Amite South planning region of the Entergy System that will be sponsored by one or more of the Entergy Operating Companies, and ~~may include a self-supply option for the acquisition of a load-following CCGT resource in Arkansas; these options, which will be sponsored by one or more of the Entergy Operating Companies, are~~ further described in Section 1.9, below.

The primary objective of this RFP is to solicit competitive proposals to provide the Entergy Operating Companies with flexible and cost-effective long-term generating resources to meet their retail customers’ needs in a reliable and economical manner. This RFP primarily seeks incremental baseload and load-following resources; however, ESI will consider the displacement⁶ of existing gas- and oil-fired generation capacity owned by the Entergy Operating Companies in the event that it receives economically and operationally attractive proposals. The ability of ESI to displace some of the Entergy Operating Companies’ own resources in the manner described above will depend on whether market participants provide alternatives that will result in economic benefits in the form of total cost to the Entergy Operating Companies’ customers. Displacement of units will not be permitted if such displacement would degrade the reliability of the System.

⁶ Displacement options include placing generation units into inactive reserve and extended reserve shutdown as well as retiring such units permanently.

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1.4. LPSC Power Plant Retirement Study

It should be noted that a power plant “retirement study” to determine whether certain of the Entergy System’s existing generating units should be retired was conducted by the LPSC Staff at the order of the LPSC. In the September 2005 LPSC Staff report on the “Economic Feasibility of Power Plant Retirements on the Entergy System,” the LPSC Staff stated that:

Staff does not assume that a retirement/replacement action either will or will not be cost effective, and instead the issue should be resolved through market bids. As Entergy conducts its next (long-term) RFP, its first priority should be to address its identified capacity need and acquire the capacity to meet those immediate needs. Once that is accomplished, it can use the RFP bids to go a step further and determine whether acquisitions in excess of the identified need – to replace an exiting [sic] high cost plant – would be warranted. If doing so enables Entergy to obtain a net cost reduction, then the additional acquisition(s) and retirement (or mothballing) should proceed.

The proposals received in response to this RFP will first be evaluated in light of the System’s currently-identified need for incremental baseload and load-following capacity. ESI also will examine ~~whether~~ displacement of existing resources with proposals received in response to this RFP would result and generally will utilize the same evaluation criteria and methodology used in an overall decrease the evaluation of incremental resources to identify benefits associated with such displacements.

1.4.1. Potential Benefits Associated with Mitigation of RMR Requirements

As discussed in all-Appendix E-2 to the RFP, in the Deliverability Evaluation, the TAG will evaluate proposals submitted in response to the RFP to determine if the proposed resource could potentially relieve a reliability must run (“RMR”) constraint by providing a lower cost generation alternative. The potential RMR mitigation benefits will be accounted for through the following steps:

1. Prior to receiving the proposals, the TAG will identify, to the best of its ability, those electrical constraints that cause generating units to be designated as RMR units.
2. Also prior to the receipt of proposals, the EET will estimate the potential benefit associated with the relief of each RMR constraint, which estimate will be based on the production ~~costs~~ cost difference between the RMR unit that would be “replaced” and a market purchase.

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3. After the proposals are received, the TAG will determine whether the proposed resource may be able to qualify as a potential replacement candidate for an RMR unit based on the location of the proposed resource relative to the constraint.
4. In Stage 1 of the evaluation, the EET will reduce the proposal's cost to reflect the potential production cost benefits associated with possible relief of the RMR constraint and consider the resulting effect on the proposal's relative ranking.
5. In Stage 2 of the evaluation, production cost simulations will be performed to estimate the system production cost savings associated with "replacing" RMR units that will reflect the potential production cost benefits associated with the possible relief of the RMR constraint and will consider the resulting effect on the proposal's relative ranking.

1.5. Overview of Resource Planning Objectives and Strategy

The following summarizes key planning considerations that have resulted in the issuance of this RFP and the design of the particular products being requested. Further detail on the Entergy Operating Companies' resource planning considerations and objectives can be found in Appendix H, the Entergy System Strategic Supply Resource Plan – Plan Description ("SSRP").

The Entergy Operating Companies' resource planning objectives have identified a need for long-term baseload and load-following resources. The supply needs that determine the resource requirements of the Entergy Operating Companies are driven by six basic resource supply objectives: providing reliable power, economically supplying baseload energy, economically supplying load-following energy, enhancing the portfolio through resource additions, limiting exposure to volatility in fuel and purchased power prices, and limiting exposure to other systematic risks such as locational capacity concentration.

In order to meet these planning objectives over the upcoming ten-year planning period, ESI will seek to: (1) secure a "balanced and diversified portfolio" of generation resources matched to the load shape needs of both the Entergy System and the Entergy Operating Companies; (2) add resources, such as Solid Fuel generation, that improve the overall price stability of the Entergy System; and (3) add efficient load-following CCGT and combustion turbine generation to complement and/or replace existing conventional gas generation. The products sought in this RFP, CCGT load-following resources and Solid Fuel baseload resources, are intended to address these objectives.

The SSRP seeks to provide each Entergy Operating Company with additional load-following CCGT resources to address its load-following needs. As detailed in the SSRP, the

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System could utilize 2,000 to 5,000 MW of load-following resources from CCGT generation during the planning horizon. To meet these needs and objectives, in this RFP, ESI is seeking proposals for up to a target of 1,000 MW of load-following CCGT resources, assuming sufficiently competitive proposals are received in response to this RFP. CCGT resources are expected to be provided primarily from resources that are already operational or nearly complete; however, this RFP also allows for development projects. As further described in Appendix H, additional load-following CCGT capacity is desired for EAI, EGS, and ELL during the current planning horizon.

The SSRP also seeks to provide each Entergy Operating Company with long-term, baseload Solid Fuel generation resources to move each Entergy Operating Company toward the objective of a portfolio providing baseload firm energy requirements from resources with stable fuel prices. Currently, the Entergy System's generation portfolio consists of approximately 66% gas fueled generation resources correlated on a capacity basis ~~and approximately 52% gas fueled generation resources correlated in terms of energy~~. The objectives of acquiring Solid Fuel generation resources include achieving a diversity of fuel sources and reducing production cost volatility. The Entergy System currently needs approximately 3,000 MW of baseload resources, and the System baseload requirement is growing at a rate of approximately 1%-2% annually. To meet these needs and objectives, in this RFP, ESI is seeking proposals for up to a target of 1,000 MW of long-term baseload Solid Fuel resources, assuming sufficiently competitive proposals are received in response to this RFP. (This amount includes consideration of the Little Gypsy Unit 3 repowering self-build option described in Section 1.9 below.)

Although the Entergy Operating Companies desire the addition of load-following CCGT resources and baseload Solid Fuel resources to their respective portfolios, they are not committing to any minimum amount. Additionally, depending on the attractiveness of the proposals received, ESI may acquire more than the targeted amount of resources as part of this RFP.

The proposal price and the resulting benefits to the Entergy System are the key considerations for selecting a potential resource as part of the resource portfolio. While cost minimization is the most important criterion, resource location, operating flexibility, and other planning objectives and constraints also must be considered in the production of a reasonable supply plan. ESI will select those resources that, in its opinion, represent the lowest reasonable cost in meeting the resource planning requirements of the Entergy Operating Companies and their retail customers, consistent with ESI's planning objectives and constraints. The manner in which proposals will be evaluated based on these factors is described in detail in Appendices E-1 and E-2.

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1.6. Summary Descriptions of Products Sought and Associated Term Sheets

In this 2006 Long-Term RFP, ESI, as agent for one or more of the Entergy Operating Companies, is seeking proposals for the following types of products, each of which is described in more detail in the Product Packages included in Appendix C:

- ❖ Long-Term Non-Tolling PPA – Load-Following CCGT (Product Package A);
- ❖ Long-Term Tolling PPA – Load-Following CCGT (Product Package B);
- ❖ Ownership Acquisition – Load-Following CCGT (Product Package C);
- ❖ Long-Term PPA – Baseload Solid Fuel (Product Package D); and
- ❖ Ownership Acquisition – Baseload Solid Fuel (Product Package E).

These products include capacity procured from new or existing generating units, either through an outright “bricks and mortar” acquisition of the ownership of a unit (or an undivided interest in a unit), or through a long-term PPA, and would be structured as described below.

Each Bidder is advised to review carefully the relevant term sheet (“Term Sheet”) included in this 2006 Long-Term RFP for each product for which the Bidder intends to submit a proposal. The Term Sheets establish certain key terms and requirements for each product. Bidders should be aware that ESI does not intend to materially deviate from any such key terms and requirements for these products unless (a) a resource is otherwise attractive but not physically capable of meeting a requirement specified in the applicable Term Sheet and (b) the Bidder has explained the fact of and basis for this situation in the Special Considerations section of its proposal. Bidders are responsible for reviewing all terms and conditions specified in the relevant Term Sheet and taking these terms and conditions into consideration in developing their proposal(s) in response to this RFP.

Bidders also are also advised that during the Delivery Term of any PPAs entered into as a result of this RFP, there is a possibility that changes in the wholesale market structure could occur as a result of the formation of Regional Transmission Organizations (“RTOs”), the development of an Independent Coordinator of Transmission (“ICT”) or other regulatory actions that may affect the wholesale generation market. As part of the terms required under any such PPAs, ESI will require that its acquisition of Capacity and energy thereunder also will include any applicable Other Associated Electric Products.

With respect to the load-following CCGT Product Packages (A and B), a load-following CCGT resource should have scheduling or operational flexibility to respond to changing load requirements, and must be capable of cycling (i.e., start-up and shut-down) on a day-ahead and intra-day basis and operating across a range of utilization and output levels. The resource is

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expected to dispatch between the unit minimum (typically 30-40% of unit capability) and unit maximum in a timely manner based on short notice changes (with the notice period to be specified in the Definitive Agreement), including hourly swings, start-ups and shutdowns. The ability of a unit to be placed on automatic generation control (“AGC”) is considered to contribute to the load-following capability of the resource, although AGC is not required. In addition, the resource must have sufficient fuel supply arrangements available in order to meet the dispatch requirements of a load-following resource.

1.6.1. Long-Term Non-Tolling PPA – Load-Following CCGT

This product consists of a long-term purchase of Capacity, energy and all Other Associated Electric Products from a load-following CCGT generating unit with output to be delivered to a designated Delivery Point on the Entergy System. Buyer must have the ability to Schedule and dispatch energy and all Other Associated Electric Products from a specific CCGT generating unit on a day-ahead and/or intra-day basis with no minimum annual energy dispatch requirements, and also the ability to start-up and shut down the generating unit at Buyer’s discretion based on the capabilities of the generating unit specified. Seller will provide the fuel supply.

Pricing for this product will be based on (i) an Option Premium, proposed by the Bidder and expressed in \$/kW-year, (ii) a Variable O&M Payment proposed by the Bidder and expressed in \$/MWh, (iii) a Fixed Start-up Payment proposed by the Bidder and expressed in \$/MW per Start, and (iv) an energy payment based on (x) a Fixed Heat Rate proposed by Bidder and expressed in Btu/kWh, multiplied by (y) the Gas Price proposed by Bidder. Bidder must describe fully any effects that steam demand may have on the effective heat rate of any cogeneration unit being proposed.

The start date of the proposed Delivery Term (the “Delivery Term Start Date”) must occur no later than June 1, 2009; however, ESI prefers proposals with a Delivery Term Start Date as early as June 1, 2007.

ESI is seeking proposals for the Capacity of the specified CCGT generating unit which can either be the full Capacity of such unit (*e.g.*, one entire 2x1 CCGT train totaling approximately 450 MW to 650 MW, or one entire 1x1 CCGT train totaling approximately 250 MW to 400 MW) or a portion thereof. ESI is seeking proposals for at least one entire 1x1 CCGT train totaling approximately 250 MW to 400 MW.

ESI prefers a minimum Delivery Term of 20 years; however, proposals with a Delivery Term of less than 20 years will not be rejected as non-conforming. ESI also prefers generating units that do not have any restrictions or limitations imposed on them as a result of other generation assets at the site.

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Term Sheet A of Appendix C summarizes the specific requirements for this product, which are generally described herein.

1.6.2. Long-Term Tolling PPA – Load-Following CCGT

This product consists of a long-term purchase of Capacity, energy and all Other Associated Electric Products from a load-following CCGT generating unit with output to be delivered to a designated Delivery Point on the Entergy System. Buyer must have the ability to Schedule and dispatch energy and all Other Associated Electric Products from a specific CCGT generating unit on a day-ahead and/or intra-day basis with no minimum annual energy dispatch requirements, and also the ability to start-up and shut down the generating unit at Buyer's discretion based on the capabilities of the generating unit specified. Buyer will provide the fuel supply.

Pricing for this product will be based on (i) an Option Premium, proposed by the Bidder and expressed in \$/kW-year, (ii) a Variable O&M Payment proposed by the Bidder and expressed in \$/MWh, and (iii) a Fixed Start-up Payment proposed by the Bidder and expressed in \$/MW per Start. Bidder will propose a Guaranteed Heat Rate that shall be guaranteed within a band width of plus or minus 3%.

The proposed Delivery Term Start Date must occur no later than June 1, 2009; however, ESI prefers proposals with a Delivery Term Start Date as early as June 1, 2007.

ESI is seeking proposals for the full Capacity of the specified CCGT generating unit (e.g., one entire 2x1 CCGT train totaling approximately 450 MW to 650 MW, or one entire 1x1 CCGT train totaling approximately 250 MW to 400 MW).

ESI prefers a minimum Delivery Term of 20 years; however, proposals with a Delivery Term of less than 20 years will not be rejected as non-conforming. ESI also prefers generating units that do not have any restrictions or limitations imposed on them as a result of other generation assets at the site.

In the event that the proposal is for less than 100% of the output of the facility, Bidders submitting proposals for this product must have (1) sufficient revenue quality fuel metering equipment in place to separate fuel inputs to each generating unit and (2) sufficient revenue quality metering for all electrical output associated with the generating unit or portion of the facility that is being proposed by the Bidder.

Term Sheet B of Appendix C summarizes the specific requirements for this product, which are generally described herein.

The statements contained in this RFP are made subject to the Reservation of Rights set forth in this RFP and subject to the terms and acknowledgements set forth in the Proposal Submission Agreement.

1.6.3. Ownership Acquisition – Load-Following CCGT

This product consists of the acquisition of an undivided ownership interest in a load-following CCGT generating unit and all ancillary facilities with output to be delivered to a designated Delivery Point on the Entergy System. ESI seeks proposals for 100% of the specified generating unit. Pricing will be based on a single fixed payment that is inclusive of all monetary consideration for the generating unit and all ancillary facilities. The proposed generating unit in this product category must be operational by no later than June 1, 2009; however, ESI prefers proposals that currently are operational or will be operational as early as June 1, 2007. ESI prefers generating units that do not have any restrictions or limitations imposed on them as a result of other generation assets at the site.

Term Sheet C of Appendix C summarizes the specific requirements for this product, which are generally described herein.

1.6.4. Long-Term PPA – Baseload Solid Fuel

This product consists of a long-term purchase of Capacity, energy and all Other Associated Electric Products from a baseload Solid Fuel generating unit with output to be delivered to a designated Delivery Point on the Entergy System. This product must be a baseload Solid Fuel technology that is expected to run in most hours and allow the Buyer limited dispatch flexibility.

Pricing for this product will be based on (i) an Option Premium, proposed by the Bidder and expressed in \$/kW-year, (ii) an energy payment based on (x) a Fixed Heat Rate proposed by the Bidder, expressed in Btu/kWh, multiplied by (y) a Fuel Price, and (iii) a Variable O&M Payment proposed by Bidder and expressed in \$/MWh. If the Bidder is proposing a thermal technology other than coal, petroleum coke, lignite, or nuclear, then such Bidder must include a proposed guaranteed fuel price in their proposal.

If the Bidder is proposing a renewables product, then pricing for such product will be based on (i) an Option Premium, proposed by the Bidder and expressed in \$/kW-year, and (ii) a guaranteed energy payment proposed by the Bidder and expressed in \$/MWh.

ESI is seeking proposals for a minimum of 50 MW. ESI prefers resources with a Delivery Term of 30 years; however, proposals with a Delivery Term of less than 30 years will not be rejected as non-conforming. ESI requires a Delivery Term Start Date no later than December 31, 2012 and prefers the earliest Delivery Term Start Date possible. Finally, ESI prefers generating units that do not have any restrictions or limitations imposed on them as a result of other generation assets at the site.

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Term Sheet D of Appendix C summarizes the specific requirements for this product, which are generally described herein.

1.6.5. Ownership Acquisition – Baseload Solid Fuel

This product consists of the acquisition of an undivided ownership interest in a baseload Solid Fuel power generating unit and all ancillary facilities with output to be delivered to a designated Delivery Point on the Entergy System. Pricing for this product will be based on a single fixed payment that is inclusive of all monetary consideration for the generation unit and all ancillary facilities. The proposed generating unit in this product category must be operational by no later than December 31, 2012. ESI prefers generating units that do not have any restrictions or limitations imposed on them as a result of other generation assets at the site.

Term Sheet E of Appendix C summarizes the specific requirements for this product, which are generally described herein.

1.7. Transmission Considerations in Development of Proposals

This section describes transmission issues Bidders need to be aware of and need to address as they prepare proposals in response to this RFP. A description of how transmission issues will be evaluated by the RFP Evaluation Team and its Transmission Analysis Group (“TAG”), and when selected proposals will be submitted through OASIS to Entergy’s Transmission Business Unit (“TBU”) for System Impact Studies (“SIS”) is located in Section 4 of this document and discussed in detail in Appendix E-2.

As discussed in greater detail later and in Appendices E-1 and E-2, proposals submitted in response to this RFP ultimately are expected to qualify as a Long-Term Network Resource. However, Bidders are not expected to estimate and include in their proposals the cost necessary to become a Long-Term Network Resource, which includes the cost of any potential transmission additions or upgrades. Instead, except as otherwise stated in Section 1.1 of Appendix E-2, Buyer will assume the responsibility for requesting and obtaining, including the costs associated therewith, qualification of a proposed resource as a Long Term Network Resource for the Entergy System. Using the methodology described in Appendix E-2, the TAG will develop an estimate of the cost for delivery of the resource (“Delivery Cost Adders”) to be used by the EET in the economic evaluation.

If the proposed resource does not have a signed Interconnection Agreement or has not already submitted a request to perform an interconnection study with TBU, the Bidder/Seller must initiate this process and submit the appropriate information to the TBU prior to submitting its proposal. Failure to submit the appropriate information to the TBU will cause a proposal to

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be considered non-conforming. It is not necessary for the Bidder to have received the results of the interconnection study or to have entered into a signed Interconnection Agreement in order to submit a proposal; rather, the interconnection process must have been initiated with TBU, including the submission of the information required by TBU.

Point-to-point transmission service requirements for PPA proposals and acquisition proposals sourced from generating units located outside the Entergy Control Area are as follows:

- ❖ For a resource proposed as a PPA, the Bidder/Seller shall be required to obtain firm point-to-point transmission service to the Entergy Control Area for the entire Delivery Term.
- ❖ For a resource proposed as an acquisition, the Bidder/Seller is required to provide cost estimates in its Proposal Submission Form associated with delivery of the resource to the Entergy Control Area through firm point-to-point transmission service for the design life of the resource. Such estimates should include the costs of any transmission upgrades, as well as the tariff rates that will be charged to deliver energy from the proposed resource to the Entergy Control Area. With the exception of transmission service credits arising from interconnection-related costs, which are discussed in sections 1.2 and 1.3 of Appendix E-2, the Bidder/Seller may propose to transfer existing transmission rights or other transmission arrangements to the Buyer.

Bidders will have access to the same information that TAG will utilize (1) to identify whether potential constraints exist that may prohibit the Bidder's resource from qualifying as a Long-Term Network Resource; (2) to estimate the upgrade cost required to alleviate those constraints on a long term basis; and (3) to identify other potential constraint mitigation alternatives. Bidders may provide in the RFP Proposal Submission Form ***only their best recommendation to alleviate potential constraints***. The TAG will consider the estimated cost and the validity of any Bidder identified required upgrades and/or constraint mitigation. The constraint mitigation recommendations included in the RFP Proposal Submission Form must meet all transmission reliability criteria without degrading the reliability of the overall System.

For generating resources interconnecting with the Entergy System, the Bidder/Seller is responsible for complying with Entergy's OATT administered pursuant to FERC Order No. 2003-A's Standard Large Generator Interconnection Agreement and Standard Large Generator Interconnection Procedures or any successor requirements in effect. Under an acquisition, the Bidder/Seller will not be responsible for complying with changes or modifications to Entergy's OATT administered pursuant to FERC Order No. 2003-A's Standard Large Generator Interconnection Agreement and Standard Large Generator Interconnection Procedures or any successor requirements after the closing of the acquisition.

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The Bidder/Seller assumes all risks with regard to transmission interconnection with the Entergy Control Area (and in the case of resources located outside of the Entergy Control Area, interconnection with such other transmission system) including, but not limited to, the cost of interconnection, the treatment of any associated transmission service credits, and any charges associated with reliability requirements. Any transmission service credits existing or forthcoming associated with upgrades constructed as a result of the interconnection studies discussed above will be retained by the Bidder/Seller and will be subject to the applicable contemporaneous rules in effect. Therefore, Bidders are encouraged to exclude from their proposal, but are not prohibited from including, interconnection costs that qualify for transmission service credit.

It should be noted that the extent to which interconnection-related costs give rise to transmission service credits under the Entergy OATT will be a function of the OATT provisions that are applicable at the time of the service. To the extent a Bidder's interconnection-related costs for a generation resource are determined to be credit-eligible under the applicable OATT rules, if the Bidder's generation resource is selected under this RFP and becomes a Long-Term Network Resource of the Entergy System, TBU will render the financial compensation for the credits to the Bidder/Seller. Therefore, it is not necessary for the Bidder to proffer such prospective credits to Buyer as part of its proposal in order for the credits to have value to the Bidder. In fact, ESI discourages Bidders from proffering such credits. ESI's preference is for the Bidder to retain such credits. The Bidder may make its own judgment about the prospective value of any such credits. The same principles regarding transmission service credits arising from interconnection-related costs apply for resources located outside the Entergy Control Area.

To the extent a Bidder/Seller has funded upgrades on another transmission system, and has transmission credits associated with those upgrades, ESI also discourages Bidders from proffering such credits. ESI's preference is for the Bidder/Seller to retain such credits. However, to the extent that a Bidder wants to be compensated by ESI for those credits, ESI would be willing to transfer any financial compensation associated with such credits to the Seller contemporaneously with the Buyer's receipt of such compensation from the transmission owner.

1.8. Planning Regions

For resource planning purposes, ~~System Planning divides~~ the area served by the Entergy Operating Companies ~~is divided~~ into four major planning regions which are determined based on characteristics of the Entergy System including the ability to transfer power between regions as defined by the available transfer capability, the location and amount of load, and the location and amount generation. The four planning regions are described generally as follows:

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- ❖ North Arkansas - that certain area of northern Arkansas serviced by one or more of the Entergy Operating Companies and other utilities (generally north of Sheridan, Arkansas);
- ❖ WOTAB - the region in southwestern Louisiana and southeastern Texas that is west of the Atchafalaya Basin and that is serviced by one or more of the Entergy Operating Companies and other utilities (generally west of the Baton Rouge, Louisiana metropolitan area, to the westernmost portion of EGS's service territory in Texas);
- ❖ Amite South - the region of Louisiana south of the Amite Substation that is serviced by one or more of the Entergy Operating Companies and other utilities (generally from east of the Baton Rouge, Louisiana metropolitan area to the Mississippi state line and south to the Gulf of Mexico); and
- ❖ Central - that certain area of southern Arkansas, northern Louisiana and western Mississippi serviced by one or more of the Entergy Operating Companies and other utilities (generally south of the North Arkansas region and north of the WOTAB and Amite South regions, but includes the Baton Rouge, Louisiana metropolitan area).

In this 2006 Long-Term RFP, preference will be given to resources located in the Amite South and WOTAB planning regions. Factors influencing this preference include:

- ❖ The System seeks to achieve a geographic dispersion of resources with generation located proximate to load.
- ❖ The SSRP anticipates the addition of long-term CCGT resources in each planning region to address load following needs.
- ❖ Recent additions of capacity have been in the Central region.
- ❖ Existing Solid Fuel resources are located primarily in the northern part of the System.

Although regional location will be a consideration, regional location will not exclude any proposal from consideration. The primary factor in the selection of resources will be the relative economic benefits provided by each proposal.

1.9. New Supply from Self-Build and/or Self-Supply Options of the Entergy Operating Companies

As stated in past RFPs, in order to manage its risks relating to longer-term supply availability and cost for supply resources, ESI intends to develop and maintain self-build and/or self-supply options to provide supply resources to the Entergy System. ESI plans to continue to take steps to preserve the potential that these supply options can be implemented, if needed, as an

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alternative to power purchases or the acquisition of existing merchant facilities. These self-build and/or self-supply options could include the purchase or acquisition of existing capacity from third parties, the construction of new generation and/or the construction of transmission facilities in conjunction with, and in order to facilitate, access to additional generation resources located outside constrained regions.

ESI has identified a self-build option to serve the long-term needs of the Amite South area that will be compared to Solid Fuel proposals submitted through this 2006 Long-Term RFP process. The self-build option that is being considered in this 2006 Long-Term RFP is a repowering of ELL's Little Gypsy Unit 3, located near La Place, Louisiana. The repowering consists of installing two coal- and/or coke-fueled circulating fluidized bed boilers and the conversion of the steam cycle to subcritical operation to provide approximately 500 MW net electric output. This repowering will replace the existing gas-fired capacity of Little Gypsy Unit 3. The projected in-service date is 2011.

Little Gypsy Unit 3 was selected as the site of the self-build option for reasons including, but not limited to, the following:

- ❖ It is located within the Amite South planning region, which is a transmission constrained area;
- ❖ ~~Existing transmission for the Little Gypsy station even after the incremental facility is expected to be adequate; therefore, no incremental transmission interconnection or transmission service costs are expected;~~
- ❖ Transmission interconnection and transmission service costs are expected to be minimal because of the transmission rights associated with the existing unit;
- ❖ Fuel delivery is possible via the Mississippi River;
- ❖ There is adequate room for additional equipment and fuel storage;
- ❖ It is near potential fuel supply sources; and
- ❖ Much of the existing infrastructure can be utilized.

~~Detailed construction cost estimates and fully defined project scope and performance data for the Little Gypsy Unit 3 repowering self-build option will be provided confidentially to the IMs and staffs of regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process before any Bidder proposals are opened.~~

In compliance with the LPSC's MBM Order, subject to the confidentiality protections provided in Rule 12.1 of the LPSC's Rules of Practice and Procedure, ESI will provide to the

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LPSC Staff and Independent Monitors detailed information concerning the Little Gypsy Unit 3 repowering self-build option. This information will be provided before May 12, 2006, before any Bidder Solid Fuel proposals are received. Upon request, ESI also will provide this information to the staffs of other regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process. This information will include the following:

- Detailed construction cost estimates;
- Preliminary revenue requirement data;
- Construction timeline estimates;
- Defined project scope and performance data, including operating characteristics;
- Fuel supply assumptions and market information;
- Design parameters and technologies;
- Permitting requirements;
- Components of ESI's resource plan supporting the development of the self-build option, including a comparison to alternatives considered.

No decision has yet been made to proceed with this self-build option, and no decision has yet been made with respect to which of the Entergy Operating Companies would participate in the self-build option.

The Little Gypsy Unit 3 repowering self-build option is considered as an alternative to the Solid Fuel proposals that may be submitted in response to this 2006 Long-Term RFP. Therefore, ESI plans to evaluate Solid Fuel proposals received in response to this 2006 Long-Term RFP against the economic and operational characteristics of this self-build option. If, as a result of the RFP evaluation process, the Little Gypsy Unit 3 repowering is determined to be more operationally and/or economically beneficial to the retail customers of one or more of the Entergy Operating Companies than the Solid Fuel proposals received in response to this 2006 Long-Term RFP, ESI will consider moving forward with it, subject to any applicable review by the appropriate regulatory bodies.

ESI identified several specific self-build options in the Spring 2003 RFP to serve the long-term needs of the Amite South area. These options included multiple alternatives for new generation capacity at the ENO's Michoud plant site. Although none of these generation alternatives were selected, ESI continues to monitor and evaluate the technical and economic

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feasibility of this project. However, recent hurricane related events in the Metro-New Orleans area have affected the need for not only new generation but also for existing generation. Several New Orleans area plants, including ENO's Michoud plant, sustained damage during the recent hurricanes. ~~The decision to return one or more units at Repairs have commenced for two of the three Michoud plant site units, with Michoud's Unit 2 expected to return to service will be based on a number of factors, including, without limitation, the timing this spring and volume of load returning Unit 3 expected to the area, the cost to restore the units at the plant, the cost of available market alternatives, various transmission import capabilities within certain regions return to service this summer.~~

~~The Draft RFP posted on January 31, 2006 stated that ESI was in the System, and the relative spread between the market prices for natural gas and fuel oil. ESI will monitor these factors on an ongoing basis so that the appropriate decision can be made on the timing for returning any of the existing units at the Michoud plant to service as well as the addition of any new generation.~~

~~ESI has been in ongoing negotiations with a non-affiliated third party for the acquisition of a load-following CCGT resource located in Arkansas. If these negotiations are successful, this acquisition would that may be identified as a self-supply option for EAI and would be market tested through the 2006 Long Term RFP process. Detailed acquisition costs and transaction terms for this self-supply in this RFP. However, this option would be provided confidentially to the IMs and staffs of the appropriate regulatory commission(s) before any Bidder proposals are opened. No decision has yet been made to proceed with this self-supply option, and any final decision regarding this acquisition will be provided in the Final 2006 Long Term RFP. is no longer being considered.~~

2. RFP SOLICITATION AND PROPOSAL SUBMISSION PROCESS

This 2006 Long-Term RFP will use a multi-phase process consisting of: (1) Solicitation; (2) Electronic Bidder Registration; (3) Electronic Proposal Submission; (4) Proposal Receipt and Screening; (5) Review and Evaluation; (6) Preliminary Shortlist Notification; (7) Preliminary Due Diligence, Final Shortlist, and Final Selection; and (8) Contract Negotiations.

Phases 1, 2, 3 and 4 will be processed electronically via the RFP Website and electronic mail. Bidders should note that ESI will only accept electronic proposal submissions, similar to the format that was developed and utilized in previous RFPs. The electronic submission process has been implemented to automate submission, receipt, and processing of Bidder proposals, to help streamline the RFP process, and to support ESI's efforts to protect the confidentiality of proposal information and ensure that all proposals are consistently, accurately and fairly evaluated by the RFP Evaluation Team.

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Phase 5 (Review and Evaluation) is discussed in Appendices E-1 and E-2. Phases 6, 7 and 8 are discussed in Section 6 of this RFP. The schedule for this 2006 Long-Term RFP is presented below.

This RFP and all appendices and forms will be available on the RFP Website. As further described in Appendix D, Bidders will be able to download the required forms and complete the forms in Microsoft Word format. Bidders must submit properly completed forms via electronic mail to the RFP Submission Email Address by the specified deadline.

Each proposal must be signed by an officer (or similarly situated representative) of the Bidder who is authorized to sign and submit the proposal.

If a Bidder wishes to submit a proposal contingent on another company’s request for proposals, the Bidder may do so provided that it indicates such conditions and reasons in the “Special Considerations” section of its electronic Proposal Submission Form.

The schedule for this 2006 Long-Term RFP is presented below.

2.1. Schedule

Based upon differing evaluation requirements, ESI will utilize two separate evaluation and selection schedules for CCGT and Solid Fuel proposals. Below is the target schedule for this 2006 Long-Term RFP process. This timeline is representative only and is subject to change.

Phase 1 — Solicitation (all proposals)

Draft RFP issued	January 31, 2006
LPSC Technical Conference	10:00 a.m. February 23, 2006
Bidders’ Conference	2:00 p.m. February 23, 2006
Technical Conferences of other regulatory commission(s) (or their staffs) participating in overseeing the 2006 Long-Term RFP process, if needed	TBD
Bidder/Interested Party deadline to submit RFP comments	March 17, 2006
Staff(s) of regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process to submit comments	March 24, 2006
Final RFP issued	On or about April 17, 2006

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Phase 2 — Bidder Registration (all proposals)

On or about

Bidder Registration Process begins	April 18, 2006, 8:00 a.m. CPT
Bidder Registration Process completed	April 21, 2006, 5:00 p.m. CPT
Deadline for payment of Proposal Submittal Fees	April 27, 2006, 5:00 p.m. CPT

Phase 3 — Electronic Proposal Submission

On or about

CCGT proposals	CCGT proposal submission period opens	May 1, 2006, 8:00 a.m. CPT
	Deadline for electronic submission of CCGT proposals	May 5, 2006, 5:00 p.m. CPT
Solid Fuel proposals	Solid Fuel proposal submission period opens	May 8 <u>15</u> , 2006, 8:00 a.m. CPT
	Deadline for electronic submission of Solid Fuel proposals	May 12 <u>19</u> , 2006, 5:00 p.m. CPT

Phase 4 — Proposal Receipt and Screening for Conformance

On or about

CCGT proposals	CCGT proposals received and CCGT proposal data reports for the evaluation teams are reviewed by the Process IM. CCGT proposal data reports subsequently forwarded to evaluation teams.	On or about May 5, 2006
Solid Fuel proposals	Solid Fuel proposals received and Solid Fuel proposal data reports for the evaluation teams are reviewed by the Process IM. Solid Fuel proposal data reports subsequently forwarded to evaluation teams.	On or about May 12 <u>19</u> , 2006

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Phase 5 — Review and Evaluation Process

		<u>On or about</u>
CCGT proposals	Evaluation of CCGT proposals begins	As early as May 6, 2006, but not prior to completion of the process for reviewing and segregating CCGT proposals.
	Bidder(s) notified of their inclusion on the Candidate Proposal list or elimination from further consideration	June 1, 2006
Solid Fuel proposals	Evaluation of Solid Fuel proposals begins	As early as May 13 <u>20</u> , 2006, but not prior to completion of the process for reviewing and segregating Solid Fuel proposals.
	Bidder(s) notified of their inclusion on the Candidate Proposal list or elimination from further consideration	July 1 <u>June 30</u> , 2006

Phase 6 — Preliminary Shortlist Notification

		<u>On or about</u>
CCGT proposals	Bidder(s) notified of their inclusion on the Preliminary CCGT Shortlist or elimination from further consideration	September 15, 2006
Solid Fuel proposals	Bidder(s) notified of their inclusion on the Preliminary Solid Fuel Shortlist or elimination from further consideration	October 13, 2006

Phase 7 — Preliminary Due Diligence, Final Shortlist, and Final Selection

		<u>On or about</u>
CCGT proposals	Deadline for Bidder(s) included on Preliminary CCGT Shortlist to submit information required in CCGT Preliminary Due Diligence List	September 29, 2006

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	ESI responds to Bidder(s) included on Preliminary CCGT Shortlist and invites such Bidder(s) to submit best and final proposals	October 12, 2006
	Deadline for Bidder(s) included on Preliminary CCGT Shortlist to provide best and final offers	October 27, 2006
	Bidder(s) notified of their inclusion on the Final CCGT Shortlist or elimination from further consideration	November 17 , 2006
	Notification of Final Selection of CCGT resource(s)	December 1 <u>November 17</u> , 2006
Solid Fuel proposals	Deadline for Bidder(s) included on Preliminary Solid Fuel Shortlist to submit information required in Solid Fuel Preliminary Due Diligence List	October 27, 2006
	ESI responds to Bidder(s) included on Preliminary Solid Fuel Shortlist and invites such Bidder(s) to submit best and final proposals	November 10, 2006
	Deadline for Bidder(s) included on Preliminary Solid Fuel Shortlist to provide best and final offers	December 8, 2006
	Bidder(s) notified of their inclusion on the Final Solid Fuel Shortlist or elimination from further consideration	December 29, 2006 <u>January 12, 2007</u>
	Notification of Final Selection of Solid Fuel resource(s)	January 12 <u>16</u> , 2007

Phase 8 — Contract Negotiations

		<u>On or about</u>
CCGT proposals	Negotiate and sign Letter of Intent (“LOI”) for CCGT resource(s)	December 29 <u>15</u> , 2006
	Begin comprehensive due diligence	December 29 <u>15</u> , 2006
	Negotiate and sign Definitive Agreement for CCGT resource(s)	February 12 <u>28</u> , 2007

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Solid Fuel proposals

Negotiate and sign LOI for Solid Fuel resource(s)	February 15 <u>March 2</u> , 2007
Begin comprehensive due diligence	January 31 <u>March 2</u> , 2007
Negotiate and sign Definitive Agreement for Solid Fuel resource(s)	March 30 <u>April 13</u> , 2007

ESI may contact Bidders if necessary to clarify one or more proposals; however, except as provided in the following paragraph, Bidders should not assume that they will be given any opportunity to revise a proposal after the proposal submission deadlines set forth in Section 2.1.

_____ As set forth in Phases 6 and 7 of the above schedule, Bidder(s) notified that they have been selected for either the Preliminary CCGT Shortlist or the Preliminary Solid Fuel Shortlist, will be required to ~~(1)~~ provide the information listed in the relevant Preliminary Due Diligence List (see Appendices I-1 and I-2) and ~~(2)~~ will have the opportunity to submit best and final proposals. At this time, with respect to CCGT proposals, such Bidders will be allowed to improve, but not otherwise materially alter, a proposal, and are prohibited from increasing the cost terms, including increasing the acquisition price or capacity charge from those in the Bidder's initial proposal. With respect to Solid Fuel proposals, Bidders will be allowed to improve, but not otherwise materially alter, their proposals, and are prohibited from increasing the cost terms, with the limited exception applicable to those cost terms that are subject to material pricing changes in the relevant external market, for example, the cost of labor, materials and certain components such as boilers and turbines. If a Bidder seeks to increase the cost of a Solid Fuel proposal, the Bidder must have provided the required information in Part 3 of the Proposal Submission Form and will be required to demonstrate either that (1) the change in that cost was not known, and not reasonably knowable, to the Bidder when the proposal was formulated; or (2) the cause of the change was associated with risks identified in the Bidder's proposal that could not be reasonably or cost-effectively controlled as of the date of the original proposal submission.

Phases 6, 7 and 8 of the above schedule are representative only and are subject to change based upon the number of proposals under consideration.

2.2. Cancellation, Modification or Withdrawal of the RFP

ESI reserves the right to cancel, modify or withdraw this RFP and to revise the schedule specified above in order to meet its objectives after appropriate consultation with the IMs and staffs of regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process. ESI will endeavor to notify all participants who have completed a Bidder Registration Form of any such cancellations, modifications or schedule changes that are made prior to the applicable

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deadline for submission of proposals. However, ESI will have no responsibility for failing to do so.

2.3. Staff Technical Conferences and Bidders' Conference

2.3.1. LPSC Staff Technical Conference

The LPSC will host one Technical Conference.

LPSC Staff Technical Conference

Time: 10:00 a.m. – 2:00 p.m. (CPT) (lunch will be provided)
Date: Thursday, February 23, 2006
Place: Houston Airport Marriott at George Bush Intercontinental
18700 John F. Kennedy Blvd., Houston, TX

At the LPSC Staff Technical Conference, ESI will provide a report on the results of the Fall 2004 RFP.

2.3.2. Additional Technical Conferences of Regulatory Commission(s) Participating in Overseeing the 2006 Long-Term RFP

There may be additional Technical Conferences hosted by various regulatory commission(s) (or their staffs) participating in overseeing the 2006 Long-Term RFP process. If any such Technical Conferences are scheduled by those commissions (or their staffs), then the date, time, and location will be posted on the RFP Website.

2.3.3. Bidders' Conference

After the conclusion of the LPSC Technical Conference on February 23, 2006, ESI will host a Bidders' Conference with all interested parties for purposes of discussing and clarifying issues relating to the RFP. ESI personnel, the Process IM, and the Evaluation IM, will be available at this Bidders' Conference to answer specific questions about the Bidder registration process, electronic proposal submission process, evaluation process, technical issues, product terms and conditions and to respond to other pertinent information requests.

A representative from TBU will make a separate presentation at the Bidders' Conference and will provide all parties information and answer questions regarding the System Impact Study process utilized by TBU.

All questions regarding the RFP, whether they arise before, during or after this conference, must be submitted in writing to the RFP Administrator (using the contact information provided in Section 2.5). In order to provide all interested parties with access to

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information elicited through the submission of questions, ESI intends to provide written responses to all written questions, and to post the questions and answers on the RFP Website. While ESI personnel may orally address written questions submitted during the conference, the written response may contain information that is different from or in addition to information that has been provided orally, and the written response shall be deemed to supersede the oral response. Bidders are encouraged to submit written questions to the RFP Administrator prior to the Bidders' Conference.

Bidders' Conference Meeting

Time: 2:00 p.m. – 5:00 p.m. (CPT)
Date: Thursday, February 23, 2006
Place: Houston Airport Marriott at George Bush Intercontinental
18700 John F. Kennedy Blvd., Houston, TX

Bidders are strongly encouraged to attend the Bidders' Conference, but are not required to attend. ESI will post on the RFP Website the materials presented at the Bidders' Conference. Bidders are advised that those materials cannot be expected to provide or explain all of the information that is provided or explained at the Bidders' Conference.

By no later than February 17, 2006, Bidders are requested to notify ESI by electronic mail to the RFP Administrator of the names of all of the individuals representing the Bidder who are planning to attend the Bidders' Conference, said notice specifying the company name of the prospective Bidder, as well as names and telephone numbers of all individuals representing the Bidder who are planning to attend the Bidders' Conference.

Beginning January 31, 2006, ESI will accept written feedback from market participants and other interested parties on the Draft 2006 Long-Term RFP, provided that such comments are provided to the RFP Administrator by no later than March 17, 2006.

ESI encourages comments on the Draft 2006 Long-Term RFP from regulatory agencies, with a goal of obtaining any such comments by no later than March 24, 2006 in order for those comments to be taken into consideration by the time of publication of the final 2006 Long-Term RFP on or about April 17, 2006. ESI has been informed that the Louisiana Public Service Commission will offer a separate comment process.

2.4. Final 2006 Long-Term RFP Issuance

ESI will issue the final 2006 Long-Term RFP after the completion of the Bidders' Conference and upon consideration of written feedback received in a timely fashion (as set forth in the previous paragraphs) from the various market participants, regulatory agencies and other interested parties. After taking into consideration comments from stakeholders and the IMs, ESI

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will reflect any changes in the final 2006 Long-Term RFP that it, in its sole discretion, determines will enhance or improve the proposed supply procurement process described herein. ESI will post the final 2006 Long-Term RFP to the RFP Website on or about April 17, 2006.

2.5. Contacts with ESI and RFP Questions

Consistent with previous RFPs, ESI has a designated “RFP Administrator.” The multi-purpose role of the RFP Administrator is described in Appendix G. Except as described in the next section with respect to transmission matters and in Appendix D with respect to the RFP Hotline, all questions and requests and any other inquiries or contact about the RFP must be directed in writing to:

Ms. Laura Berryman, RFP Administrator
Entergy Services, Inc., T-PKWD-3A
10055 Grogans Mill Road
The Woodlands, TX 77380
Email: lberrym@entergy.com
Fax: 281-297-3937

A direct link to Ms. Berryman’s email address is available on the RFP Website.

Beginning January 31, 2006, unsolicited contact or communication between market participants and personnel or employees of ESI or any of the Entergy Operating Companies (other than the RFP Administrator or those employees within Entergy’s Transmission Business Unit as described in Section 2.6, below) concerning the 2006 Long-Term RFP, without the specific, prior written consent of the RFP Administrator after consultation with the Process IM, is not allowed and may, depending on the circumstances, constitute grounds for disqualification of a Bidder.

All questions regarding the RFP, whether they arise before, during or after the Bidders’ Conference, must be submitted in writing to the RFP Administrator. The Process IM will obtain, review, and may comment on copies of all written communications between ESI and Bidders in advance of ESI’s issuance of such communications.

Subject to ESI’s consideration of confidentiality concerns as described in the next two paragraphs below, ESI intends to post all questions submitted by Bidders, as well as ESI’s responses to these questions, on the RFP Website. Such questions, therefore, must be submitted in writing. ESI will not identify the name of the party submitting questions unless such party is a regulatory agency, and such regulatory agency has requested that it be identified (the LPSC already has made such a request). ESI’s objective in posting these questions and answers is to ensure that all Bidders have equal access to information that potentially may be relevant to their proposals. Bidders are urged to submit questions as early as possible, in consideration of the

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proposal submission deadlines set forth in Section 2.1. During the proposal submission periods, ESI expects to provide answers only to questions that are specific to an actual proposal submission issue.

ESI does not expect that it will be required to provide information that is confidential to ESI or any of the Entergy Operating Companies in response to Bidder questions. If, however, ESI determines that (1) a Bidder's question calls for an answer that would contain such confidential information and (2) the provision of such confidential information is necessary and appropriate, then, ESI will notify the Process IM and will respond to that question in writing via certified mail to all Bidders who have timely executed and returned to ESI the confidentiality agreement that is posted on the RFP Website.

Similarly, ESI does not expect any questions Bidders may submit to contain information that the Bidder considers to be confidential. If a Bidder believes that certain information contained in a question the Bidder intends to submit should be treated as confidential, the Bidder is strongly urged, first, to attempt to exclude from the question all of the information the Bidder believes to be confidential, whether by redaction or other means, and then, to submit the question. Alternatively, if the Bidder believes that it is necessary or advisable to submit the question without redacting confidential information, then the Bidder should, without providing any confidential information, notify the RFP Administrator in writing of the purpose of the question and the nature of the confidential information contained therein, such that ESI can make a determination as to whether the Bidder's question requires the disclosure, either by the Bidder or by ESI, of confidential information, or whether such disclosure is unnecessary or can be avoided for purposes of the RFP process. If ESI determines that the disclosure of information confidential to the Bidder is necessary and appropriate, ESI will notify the Process IM and the confidentiality agreement that is posted on the RFP Website will be executed between ESI and such Bidder so that such question may be submitted. In the event that a question containing information that the Bidder considers to be confidential is timely submitted to ESI, ESI will send a copy of the question and answer to that Bidder by express mail.

ESI, its agents and representatives, and the IMs will treat as confidential all proposals submitted by Bidders. Bidders shall submit their proposals with the knowledge and understanding that, regardless of confidentiality, any information submitted by Bidders is subject to disclosure to regulatory commission(s) and their staffs or any other governmental authority or judicial body with jurisdiction relating to these matters and may be subject to legal discovery. The process for protection of proposal information is further described in Appendix G.

2.6. Contacts with Entergy's Transmission Business Unit

The Entergy Operating Companies' transmission system is managed and operated by Entergy's Transmission Business Unit ("TBU"), which is functionally separate from the wholesale merchant functions of ESI and the Entergy Operating Companies, as required by

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Orders 888 and 889 issued by the FERC. Any inquiries about the Entergy Operating Companies' transmission system must be directed only to Entergy's Transmission Business Unit through the Entergy OASIS website <http://oasis.e-terrasolutions.com/OASIS/EES>.

2.7. Bidder Registration

Each Bidder must electronically submit a properly completed Bidder Registration Form, which must include the number of proposals and product type of each proposal that the Bidder intends to submit in response to this RFP, by no later than 5:00 p.m. CPT on April 21, 2006 in order to be eligible to participate in the solicitation process. Upon receipt, Bidder Registration Forms will be automatically screened for completeness, and the Bidder will be automatically notified whether the form has been confirmed as received by ESI. All proposals submitted without prior registration will be rejected. See Appendix D for detailed instructions on the Bidder registration process.

2.8. Proposal Submittal Fees

Consistent with the provisions of the LPSC Market-Based Mechanism Order, ESI will require all Bidders to pay a proposal submittal fee ("Proposal Submittal Fee") for each registered proposal. Within two (2) Business Days of receiving the executed Bidder Registration Form, ESI will invoice Bidder, by Proposal Identification Number, the Proposal Submittal Fee that is due for each registered proposal in the amount of \$5,000.00 for the first registered proposal from a generating plant and \$1,000.00 for each additional registered proposal from that same generating plant. Bidder will be required to remit wire payment(s) of the required Proposal Submittal Fee for each individual registered proposal by no later than 5:00 p.m. CPT on April 27, 2006 per the instructions in the invoice. **Failure to submit the Proposal Submittal Fee(s) by this deadline will cause the registered proposal(s) to be rejected as non-conforming and Bidder shall not be permitted to submit a Proposal Submission Form for such registered proposal(s).** See Appendix D for detailed instructions on the Proposal Submittal Fee process.

2.9. Other Bidder Requirements

ESI is making every reasonable effort to maximize fair and impartial competition and prevent or avoid collusion by any parties in this RFP process. Proposals determined by ESI, after consultation with the Process IM, to have been made with the intent or effect of creating artificial prices, terms, or conditions will be rejected. ESI expects all Bidders to comply with all the terms and conditions and conform to all of the requirements of this RFP in order to be eligible to participate in the solicitation process. The requirements to be eligible to participate include the requirement that each Bidder submit a Bidder Registration Form.

Bidders that are comprised of more than one Person may enter into contribution or indemnity arrangements or agreements among themselves to allocate their respective obligations,

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but no such agreements or arrangements will affect the rights of ESI or any of the Entergy Operating Companies without the ~~prior~~ express written agreement of ESI or the affected Entergy Operating Companies. ~~All such contribution, indemnity, allocation, sharing and similar arrangements, agreements and understandings must be fully disclosed to ESI, which agreement will be negotiated at the time that a Letter of Intent is executed or upon the execution of a Definitive Agreement.~~ Any Entergy Operating Company may agree to be affected by such agreements or arrangements only as to itself, and no such agreement shall be effective as to any other Entergy Operating Company or as to ESI. When proposals are submitted, all such contribution, indemnity, allocation, sharing and similar arrangements, agreements and understandings must be fully disclosed to ESI. Bidders may accomplish such disclosure by completing the appropriate section of the Bidder Registration Form in Appendix B or by sending a written disclosure to the RFP Administrator prior to Proposal Submission.

Pursuant to the terms of the Proposal Submission Agreement (contained in the Product Packages in Appendix C), unless otherwise agreed to by ESI, Bidders may not disclose to any other Person (except for those participating in the same proposal, as described above, the thermal host of a cogeneration facility being offered by a Bidder, the IMs, the RFP Administrator and staffs of regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process) their participation in the RFP process (other than by attendance alone at the Bidders' Conference described above or any similar meeting to which more than one participant is invited by ESI, which attendance in and of itself shall not violate this provision of the RFP), and Bidders also may not disclose, collaborate on or discuss with any other Person (except for those participating in the same proposal, as described above, and staffs of regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process) bidding strategies or the substance of proposals, including without limitation, the price or any other terms or conditions of any contemplated, indicative or final proposal. Such disclosure, collaboration or discussion would violate this RFP and the Proposal Submission Agreement.

Unless and until ESI announces or otherwise notifies a Bidder that the RFP process is terminated or concluded, or that its proposal has been rejected, that Bidder will be expected to make available, upon reasonable notice, its duly authorized officers, representatives, and advisers for the purpose of questions, negotiations, and execution and delivery of Definitive Agreements. ~~Bidders will be expected to submit a best and final proposal; provided, however, that ESI's remedy for a Bidder's failure to submit such a proposal will be limited to disqualification of such Bidder from this RFP.~~ Any Bidder who is invited to finalize one or more Definitive Agreements will be expected to use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or appropriate to finalize, execute, and deliver such Definitive Agreements as promptly as possible.

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2.10. Proposal Submission

In Appendix C, ESI has provided electronic Proposal Submission Forms that ESI will require Bidders to complete and submit to the RFP Submission E-mail Address and which will provide the information that ESI needs in order to evaluate proposals. These forms, along with Appendix D, provide detailed proposal submission instructions. The forms are grouped in individual Product Packages that correspond to the particular products requested by this RFP. A Bidder may submit one or more proposals, which may be alternatives to each other, but each alternative will be considered a separate proposal and will require the payment by Bidder of an additional Proposal Submittal Fee.

CCGT proposals will be accepted electronically from Bidders only between 8:00 a.m. CPT on Monday, May 1, 2006 until 5:00 p.m. CPT on Friday, May 5, 2006. Solid Fuel proposals will be accepted electronically from Bidders only between 8:00 a.m. CPT on Monday, May ~~8~~¹⁵, 2006 until 5:00 p.m. CPT on Friday, May ~~12~~¹⁹, 2006. At the time of their submission, Proposal Submission Forms will be automatically screened for completeness and the Bidder will be notified automatically when the form has been received by ESI, including whether some required fields were incomplete or missing when the form was received.

3. PROPOSAL REVIEW AND OVERALL EVALUATION PROCESS

ESI intends to utilize a multi-step evaluation process, further detailed in Appendices E-1 and E-2 of this RFP, conducted in a carefully controlled manner, to review and select proposals that meet ESI's resource planning objectives at the lowest reasonable cost. The Evaluation IM will oversee the evaluation process to support ESI's efforts to ensure that the process is fair and objective. In addition, the Process IM will monitor the proposal evaluation and selection process in order to verify that it is objective and impartial to all Bidders, which will include monitoring the precautions taken to restrict access to proposal information only to appropriate members of the evaluation teams in order to preserve the confidentiality of information contained in the proposals. The process for protection of proposal information is further described in Appendix G.

Upon receipt of the proposals, the Process IM and the RFP Administrator, under the oversight of the Process IM, will review and assess each proposal to ensure that it conforms with the following **threshold requirements**:

- ❖ The Bidder must have completed properly an electronic Bidder Registration Form, which must have been submitted successfully by the Bidder and received electronically by ESI between 8:00 a.m. CPT on April 18, 2006 and 5:00 p.m. CPT on April 21, 2006.

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- ❖ The Bidder must have paid all applicable Proposal Submittal Fees by 5:00 p.m. CPT on April 27, 2006.
- ❖ The Bidder's proposal(s) must be completed properly on the electronic submission forms provided and submitted successfully and confirmed as received by ESI between 8:00 a.m. CPT on May 1, 2006 and 5:00 p.m. CPT on May 5, 2006 for CCGT proposals, or between 8:00 a.m. CPT on May ~~8~~15, 2006 and 5:00 p.m. CPT on May ~~12~~19, 2006 for Solid Fuel proposals.
- ❖ The proposal must contain clear and complete pricing information as specified in the applicable Product Package (see Appendix C).
- ❖ The Bidder must have a signed Interconnection Agreement or have submitted a request to perform an interconnection study with TBU prior to submitting its proposal.
- ❖ The proposal must be signed by an officer or other similarly situated representative of the Bidder who is duly authorized to sign and submit the proposal.

Proposals that meet all of these threshold requirements shall move to the applicable proposal evaluation process.

ESI reserves the right either to (1) reject incomplete, non-conforming or unclear proposals from further consideration, or (2) communicate with Bidders to clarify proposal terms or request additional information. ESI will consult with the Process IM regarding any decisions it makes to reject proposals as incomplete, non-conforming or unclear and will do so before such decisions are final and communicated to the Bidders. ESI also will consult with the Process IM before communicating with any Bidder to seek clarification regarding the terms of a proposal or to request additional information. The Process IM will obtain and review copies of all written communications between ESI and Bidders in advance of ESI's issuance of such communications.

ESI expects that clarifications will be the exception and that Bidders will properly complete the electronic Proposal Submission Forms. In the event that ESI believes that it would be appropriate to contact a Bidder to obtain clarification or request additional information, the question will be submitted to the RFP Administrator, who will transmit the question in writing to the Bidder. The Bidder will then submit its written response to the RFP Administrator, who will consult with the Process IM regarding the redaction of identifying information and thereafter will submit the requested clarification to appropriate members of the evaluation teams. When such exchanges of information include confidential information, such exchanges will be conducted in accordance with the procedures described in Appendix G.

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The CCGT proposal evaluation process will have two stages:

- 1) screening level analysis (“Stage 1”); and
- 2) additional evaluation and due diligence (“Stage 2”).

Stage 1 of the CCGT proposal evaluation process will result in a Preliminary CCGT Shortlist. Following selection of the Preliminary CCGT Shortlist, the evaluation will move into preliminary due diligence (Stage 2), during which Bidders included on the Preliminary CCGT Shortlist will have the opportunity to provide best and final offers [as described in Section 2.1 above](#), and ESI will perform a more detailed economic evaluation.

Stage 2 of the CCGT proposal evaluation process ultimately will result in a Final CCGT Shortlist, but may consist of several successive rounds of detailed evaluation. The number of such rounds will depend on, among other factors, the number of proposals received and the terms and conditions of these proposals. Proposals remaining after the completion of the Stage 2 analysis, if any, will move into execution of a LOI, comprehensive due diligence and negotiations toward a Definitive Agreement.

The Solid Fuel proposal evaluation process also will have two stages:

- 1) screening level analysis (“Stage 1”); and
- 2) detailed evaluation and due diligence (“Stage 2”).

Stage 1 of the Solid Fuel proposal evaluation process will result in a Preliminary Solid Fuel Shortlist. Following selection of the Preliminary Solid Fuel Shortlist, the evaluation will move into preliminary due diligence (Stage 2), during which Bidders included on the Preliminary Solid Fuel Shortlist will have the opportunity to provide best and final offers [as described in Section 2.1 above](#), and ESI will perform a more detailed economic evaluation.

Stage 2 of the Solid Fuel proposal evaluation process will consist of several successive rounds of detailed evaluation. The number of such rounds will depend on, among other factors, the number of proposals received. Proposals remaining after the completion of the Stage 2 analysis, if any, will move into execution of a LOI, comprehensive due diligence and negotiations toward a Definitive Agreement.

Detailed information on the proposal evaluation process can be found in Appendices E-1 and E-2.

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4. TRANSMISSION SERVICE AND TRANSMISSION DELIVERABILITY EVALUATION

The RFP evaluation process will include a transmission Deliverability Evaluation to identify transmission issues that could materially affect the utilization and expected total delivered cost of a resource over the term of the proposal submitted in the RFP process relating to that resource. The Deliverability Evaluation will be performed as part of the overall economic evaluation of both CCGT and Solid Fuel proposals according to the methodology outlined in Appendix E-2.

For all of the analyses conducted under this methodology, the TAG will use loadflow models that are posted on the Entergy OASIS website for the steady state analysis (thermal and voltage) used in this methodology. The TAG also will provide on the RFP Website a description of how the posted information will be used. The TAG will utilize PTI's MUST software for this analysis, which is proprietary and must be purchased from the manufacturer. TAG's methodology will consider only the steady state analysis (thermal and voltage), and will not evaluate or identify transmission interconnection requirements which, as discussed in Appendix E-2, will be the responsibility of the Bidder.

As discussed in Section 1.7 above and in Appendix E-2, using the methodology described in Appendix E-2, the TAG will develop an estimate of the cost for delivery of the resource ("Delivery Cost Adders") to be used by the EET in the economic evaluation. Under this methodology, during the EET's Stage 1 evaluation, the TAG will evaluate transmission deliverability issues in two phases: an initial transmission analysis (conducted on all conforming proposals) and a detailed transmission evaluation (conducted on "Candidate Proposals", a set of proposals from which the Preliminary Shortlist is drawn).

In the initial transmission analysis, the TAG will identify: 1) proposals that exhibit relatively fewer potential constraints; 2) in which of the four planning regions the proposed resource is located; and 3) any potential transmission benefits that may be derived from a proposal. This information will be provided to and used by the EET to develop the Candidate Proposal list. This initial transmission analysis will not be used to eliminate any proposal from further consideration. Rather, it will provide information to the EET in the Stage 1 analysis for their consideration in determining whether any other proposals should be deemed Candidate Proposals, a designation that is necessary in order for a proposal ultimately to be considered for inclusion on the Preliminary Shortlists.

The detailed transmission evaluation will be performed on the Candidate Proposals to determine the appropriate mitigation alternatives for the constrained resources. In the detailed transmission analysis, the TAG will identify potential alternatives to alleviate constraints that

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may prohibit the Bidder's resource from qualifying as a Long-Term Network Resource as identified in the initial transmission evaluation. From this analysis, Delivery Cost Adders will be estimated for each proposal under consideration. The Delivery Cost Adder is not paid by the Bidder; rather, it is added to the respective proposal's total production cost by the EET during development of the Candidate Proposal list.

One or more Delivery Cost Adders may apply if the TAG can identify alternatives to alleviate the identified constraints on a long-term and short-term basis through prioritization and management of existing transmission capability usage. The mitigation alternatives that the TAG will assess include the following long term options:

1. Transmission upgrades;
2. Delisting of existing Network Resources ; (short-term and long-term)

These studies will be performed by the TAG prior to submission of the SIS requests to TBU. The TAG also will evaluate the following short-term mitigation alternatives:

3. Counter-flow generation portfolio selection ; and (short-term only)
4. Active transmission service management. (short-term only)

Counter-flow and active transmission service management, will be utilized only on a short-term basis as a bridge until the required transmission upgrades are available to provide a long-term solution.

After the detailed transmission evaluation has been performed on the Candidate Proposals to determine the appropriate mitigation strategies for the constrained resources, the Candidate Proposals list will be finalized and submitted to the TBU through the Entergy OASIS website to request an SIS. Upon submitting the SIS request for each Candidate Proposal, the TAG will provide to TBU a letter that describes the proposed mitigation alternatives to be studied by TBU when determining if the resource will qualify as a Long-Term Network Resource. If the results are received within time to be considered by the EET (expected to be within 90 days from initial submission on the Entergy OASIS website), then Delivery Cost Adders for the Candidate Proposal will be adjusted to reflect the SIS study results. If the results are not received from TBU in a timely fashion, Delivery Cost Adders developed through the detailed transmission evaluation described in Section 2.2 of Appendix E-2 will be used by the EET.

Bidders are strongly encouraged not to submit their own SIS requests to TBU for the proposed resources as such could result in significant delays. Bidders are not allowed to submit requests for qualification as Network Resources through the Entergy OASIS website to TBU.

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Under the OATT, only network customers can submit such requests. Detailed information ~~on~~regarding this process can be found in Appendix E-2.

Proposals selected to the Preliminary Shortlists will undergo preliminary due diligence. The TAG may perform additional transmission evaluations as more detailed transmission information is received for each proposal.

It should be noted that TBU has proposed certain changes to its OATT, whereby TBU will contract with an independent entity, the Independent Coordinator of Transmission (“ICT”) to oversee the administration of Entergy’s OATT and undertake certain functions under that tariff. Among other responsibilities, the proposed ICT will develop a Base Plan to determine which transmission upgrades are required for reliability and which are Supplemental Upgrades for purposes of cost allocation. Under the ICT Proposal’s⁷ new pricing policy for transmission upgrades, under which Base Plan Upgrades would be eligible for recovery in transmission rates while Supplemental Upgrades would be paid by the requesting party. The Weekly Procurement Process in the ICT Proposal is a process intended to integrate the procurement of power with the granting of transmission service.

The ICT Proposal, including the associated pricing policy and Weekly Procurement Process, is under review by the FERC and certain state regulatory agencies, and changes to this evaluation methodology may become necessary depending upon the outcome of these reviews. In addition, any other opportunities which improve the ability of the Entergy Operating Companies to further integrate generation and transmission information in their resource procurement efforts to the extent permitted by FERC Standards of Conduct, also will be taken into consideration.

To the extent that information is obtained concerning the ICT Proposal, the Weekly Procurement Process, or other evaluations within a time frame that can be incorporated into the evaluation process, changes to this evaluation process may be implemented. Any material changes to this evaluation methodology that ESI deems necessary in light of these events will be discussed with the IMs and the staffs of regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process prior to implementation, and the appropriate notification also will be posted to the RFP website.

⁷ ICT Proposal means the proposed revisions to Entergy’s Open Access Transmission Tariff that are the subject of FERC Docket No. ER05-1065-000.

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5. CREDIT/COLLATERAL REQUIREMENTS

In addition to the economic evaluation of the proposals, each conforming proposal will be analyzed by the Credit Evaluation Team (“CET”) to assess potential credit risks and collateral requirements. The credit evaluation seeks to assure that the Bidder’s credit quality, combined with its proposal to ESI, ~~is in compliance~~ complies with ESI’s corporate risk management standards, and that any requirements for additional collateral or security associated with the proposal are identified. Considering construction lead times and 20+ year contracts, the critical credit risk management issue will be protecting the Buyer from the risk of a Bidder’s non-performance over the duration of the contract. This risk is tied to the necessity to replace power and/or capacity from higher cost resources than the contracted-for resources should a supplier become unable to perform.

ESI has revised its credit risk management process and limits for exposure in this 2006 Long-Term RFP as detailed in Appendix F. This process is summarized below:

Bidder Requirements – ESI will evaluate all proposals on an economic basis and will not exclude or prohibit a potential Bidder from participating in the RFP on the basis of credit.

Bidders who have been notified of their “Final Selection” will be required to provide an irrevocable, standby letter of credit in the amount of two million dollars (U.S.) (\$2,000,000.00) upon execution of a LOI.

Maximum Uncollateralized Supplier Exposure – The CET will determine a Maximum Uncollateralized Supplier Exposure for each Bidder. The Maximum Uncollateralized Supplier Exposure will be a function of the Bidder Credit Rating. For example, a Bidder with a Bidder Credit Rating of AAA may be assigned a \$100 million Maximum Uncollateralized Supplier Exposure limit, whereas a Bidder with a non-investment grade Bidder Credit Rating may be assigned a Maximum Uncollateralized Supplier Exposure of \$3 million.

Collateral Requirements Upon Execution of a Definitive Agreement – In an effort to mitigate risks such as performance risk, construction risk, and the risk of replacing the contracted services at higher market prices, ESI is requiring all Bidders to provide acceptable collateral upon execution of a Definitive Agreement for specific product types as described in Appendix F. ESI will consider a variety of traditional forms of collateral as well as some non-traditional collateral such as liens on assets and step-in rights on a case-by-case basis.

Bidders should understand that the above mentioned collateral requirements are meant to help reduce the Buyer’s credit exposure and that additional Seller representations, warranties, and indemnifications, and credit support to secure a Bidder’s obligations with respect thereto, will be addressed in the Definitive Agreement. The credit and collateral requirements in Appendix F apply only to Bidders and are designed to protect the Buyer from the risk of a

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Bidder's non-performance. In consideration of the fact that this RFP seeks long-term resources, however, ESI recognizes the potential need for credit support from the appropriate Entergy Operating Company(ies) in certain situations, and will discuss any required parameters in connection with the Letter of Intent and will enter into specific credit arrangements in a Definitive Agreement.

6. NOTIFICATION OF EVALUATION RESULTS AND NEGOTIATIONS

ESI intends to select a mix of proposals for further consideration. Pursuant to the schedule presented in Section 2.1 above, ESI will contact each Bidder to notify it of the status of its proposal and whether additional discussions or negotiations are warranted.

The Process IM will participate in all elements of negotiations, if any, between ESI and Entergy Competitive Affiliates and in any meetings with the sponsor of the self-build project to ensure that the process is objective, impartial, and at arms-length. The Process IM also will monitor negotiations with third party Bidders. To the extent that the Process IM requires additional information regarding negotiations with third party Bidders where she is not in attendance, ESI will provide that information.

Neither the placement of a proposal on any shortlist nor the Final Selection of a proposal indicates acceptance by ESI of any proposed contract terms. Bidder should understand that no enforceable contract or agreement providing for a Transaction shall be deemed to exist unless and until a Definitive Agreement has been executed and delivered.

After Stage 1 of the evaluation process has concluded, ESI intends to segregate proposals into four categories:

- 1) Preliminary CCGT Shortlist – The most beneficial CCGT proposals will be selected for the Preliminary CCGT Shortlist. ESI will advise Bidders with proposals in this category in writing on or about September 15, 2006 that their proposals have been selected for further analysis, and that ESI intends to begin preliminary due diligence for all of the proposals on the Preliminary CCGT Shortlist. Bidders in this category will be given two (2) weeks to provide the information requested in the CCGT Preliminary Due Diligence List (Appendix I-1). Bidders ~~must use their best efforts are requested~~ to provide ~~this~~the date by which they can, on a best efforts basis, provide any information. ~~Such that cannot be provided within the two week period.~~ All information must be provided in electronic format (when such information can be formatted in such a manner) and made available by way of compact disk to the RFP Administrator by 6:00 p.m. CPT on the designated due date.

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If a Bidder believes that certain information requested in the CCGT Preliminary Due Diligence List should be treated as confidential, then the confidentiality agreement that is posted on the RFP Website will be executed by such Bidder and ESI, and the requested information may be submitted pursuant to such confidentiality agreement.

Each Bidder included on the Preliminary CCGT Shortlist will have the opportunity to submit a best and final offer as described in Section 2.1 above, which is due no later than October 27, 2006.

- 2) CCGT proposals that have not been selected for further consideration due to proposal economics – Bidders with proposals in this category will be advised on or about September 15, 2006.
- 3) Preliminary Solid Fuel Shortlist – The most beneficial Solid Fuel proposals will be selected for the Preliminary Solid Fuel Shortlist. ESI will advise Bidders with proposals in this category in writing on or about October 13, 2006 that their proposals have been selected for further analysis, and that ESI intends to begin preliminary due diligence for all of the proposals on the Preliminary Solid Fuel Shortlist. Bidders in this category will be given two (2) weeks to provide the information requested in the Solid Fuel Preliminary Due Diligence List (Appendix I-2). ~~Bidders must use their best efforts are requested~~ to provide ~~this~~ the date by which they can, on a best efforts basis, provide any information. ~~Such that cannot be provided within the two week period.~~ All information must be provided in electronic format (when such information can be formatted in such a manner) and made available by way of compact disk to the RFP Administrator by 6:00 p.m. CPT on the designated due date.

If a Bidder believes that certain information requested in the Solid Fuel Preliminary Due Diligence List should be treated as confidential, then the confidentiality agreement that is posted on the RFP Website will be executed by such Bidder and ESI, and the requested information may be submitted pursuant to such confidentiality agreement.

Each Bidder included on the Preliminary Solid Fuel Shortlist will have the opportunity to submit a best and final offer as described in Section 2.1 above, which is due no later than December 8, 2006.

- 4) Solid Fuel proposals that have not been selected for further consideration due to proposal economics – Bidders with proposals in this category will be advised on or about October 13, 2006.

After Stage 2 of the evaluation process has concluded, ESI intends to make a final selection and will proceed with execution of a LOI with each Bidder, comprehensive due

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diligence and negotiations of Definitive Agreement(s) as set forth in the schedule provided in Section 2.1. Upon execution of the LOI, the Bidder will be required to provide a standby letter of credit in the amount of two million dollars (U.S.) (\$2,000,000.00). See Appendix F for more information about this letter of credit requirement.

7. REGULATORY APPROVALS, AND OTHER PERMITS, LICENSES, AND/OR APPROVALS

Certain of the capacity and/or energy resources selected as a result of this RFP process may require certification or other approval from the retail regulators of one or more of the Entergy Operating Companies, or may require authorization from the FERC under applicable law or regulations. Thus, the Definitive Agreement(s) with the selected Bidder(s) may be conditioned on, or provide a termination right with respect to the failure to obtain, any such Regulatory Approvals. Bidders should refer to applicable Product Packages for specific provisions regarding Regulatory Approvals.

Bidders will be responsible for having or obtaining all necessary permits, licenses, and/or approvals associated with their proposals, other than any necessary Regulatory Approvals involving regulatory jurisdiction over a purchasing Entergy Operating Company.

8. RESERVATION OF RIGHTS

A Bidder's proposal will be deemed accepted only when a Definitive Agreement has been executed and delivered by ESI (on behalf of one or more of the Entergy Operating Companies) or by any of the Entergy Operating Companies and by the chosen Bidder. Although ESI intends to enter into Transactions for resources that offer sufficiently attractive economic and/or reliability benefits to the Entergy System, ESI has no obligation to accept any proposal, whether or not the stated price in such proposal is the lowest price offered in the RFP process, and may reject any proposal, in its sole discretion, for any reason.

By participating in the RFP process, each Bidder agrees that (a) except to the extent of any representations and warranties contained in a Definitive Agreement, any and all information furnished by or on behalf of ESI or any of the Entergy Operating Companies in connection with this RFP is being or will be provided without any representation or warranty, express or implied, as to the accuracy or completeness of such information, and (b) except as otherwise provided in a Definitive Agreement, neither ESI, any Entergy Operating Company, nor any of their representatives or advisors shall have any liability to any Bidder or its representatives relating to

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or arising from the use of or reliance upon any such information or any errors or omissions therein.

This RFP does not commit ESI or any Entergy Operating Company to pay any costs incurred by the Bidder in the preparation of a proposal in response to this RFP, or to procure or contract for any products or services. ESI reserves the right to modify or withdraw this RFP, to negotiate with any or all qualified Bidders to resolve technical or contractual specifications, or to reject any or all responses and to terminate negotiations at any time. ESI, the Entergy Operating Companies and their representatives and advisors may, and expressly reserve the right to, at any time and from time to time, without prior notice and without assigning any reason therefor:

- ❖ cancel, modify or withdraw this RFP, reject any and all responses, and terminate negotiations at any time during the RFP process;
- ❖ discuss with any Bidder and its advisors the terms of any proposal submitted by the Bidder and obtain clarification from any Bidder and its advisors concerning the proposal (this will be done under the oversight of the Process IM as set forth in Appendix G);
- ❖ consider all proposals to be the property of ESI, subject to the provisions of this RFP relating to confidentiality, and subject to any confidentiality agreement that may be executed in connection with this RFP process, and destroy or archive any information or materials provided in the proposal submission process (currently, ESI intends to retain all proposal information until any related regulatory approval processes to which that information relates have been completed);
- ❖ request from any or all Bidders information that is not explicitly detailed in this RFP but which is necessary for evaluation of the proposal;
- ❖ determine which proposals to accept, pursue or reject;
- ❖ evaluate and consider opportunities to acquire resources offered outside the formal RFP process from parties who are not Entergy Competitive Affiliates, as such opportunities arise and which are compelling in terms of economic benefit to its rate payers, with the understanding that any decision to commit to these resources would be fully subject to any applicable review and approval by the appropriate regulatory bodies;
- ❖ reject any proposals that are not complete or contain irregularities, or waive irregularities in any proposal that is submitted;
- ❖ elect to not accept proposals that provide the lowest cost based on the criteria and analyses described in this RFP and Appendices E-1 and E-2, if a proposal review

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identifies issues detrimental to the Entergy System not specifically identified in the criteria and analyses described and after discussion of these circumstances with the Process IM and the Evaluation IM;

- ❖ determine which Bidders to allow to participate in the RFP process, including disqualifying a Bidder due to a change in the qualifications of the Bidder or in the event that ESI determines or believes that the Bidder has failed to conform with the requirements of this RFP;
- ❖ after consultation with staffs of regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process and the Process IM, invite further submissions of proposals from all eligible RFP participants;
- ❖ conduct negotiations with any or all Bidders or other Persons; or
- ❖ sign one or more Definitive Agreements with any Bidder who submits a proposal or with any other Person or sign no Definitive Agreements related to this RFP.

If at any time ESI determines that there is a defect in the RFP process or a deviation from the requirements of this RFP, or that collusive or fraudulent bidding has occurred or appears to have occurred, ESI may suspend the RFP process in whole or in part as to any Bidder or Bidders. Prior to doing so, ESI will notify the staffs of regulatory commission(s) participating in overseeing the 2006 Long-Term RFP process and the IMs.

Under all circumstances, each Bidder is responsible for all costs and expenses it incurs in connection with the RFP process. Under no circumstances, including ESI's termination of the RFP process at any time, will ESI or any of the Entergy Operating Companies be responsible for any costs or expenses of any Bidder incurred in connection with the RFP process.

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