



Appendix E

Deliverability Evaluation Process

For

2011 Western Region Request for Proposals For Long-Term Supply-Side Resources

Entergy Services, Inc.
December 9, 2011

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

APPENDIX E DELIVERABILITY EVALUATION PROCESS

1. DELIVERABILITY EVALUATION PROCESS OVERVIEW

This Appendix E describes the process, criteria, and methods that ESI intends to use in the Deliverability Evaluation Process (“DEP”) to evaluate the proposals received in the RFP. The DEP will be conducted by, or at the request of, the Delivery Assessment Team (“DAT”), which includes the Technical System Planning group that is affiliated with the Entergy Energy Delivery Business Unit (“EED BU”).

The DEP is based on ESI’s planning objectives for this RFP. As noted in the Notice of Intent posted July 8, 2011 on the Western RFP Website, these objectives include:

- increasing load-serving capability in the Western Region
- maintaining reliability within the Western Region
- reducing dependence on existing generation within the Western Region, including, in particular, existing generation at Entergy Texas’ “Lewis Creek” facility.

The three phases of the proposal evaluation process are described in Section 6 of the Main Body. The DEP occurs over the first two phases.

2. DELIVERABILITY EVALUATION PROCESS - PHASE I

In Phase I of the proposal evaluation process, the DAT will work with the Viability Assessment Team to determine the preliminary viability of proposals. For the DAT, this review will focus primarily on identifying instances in which Bidder has failed to satisfy the Delivery Assessment Preliminary Shortlist Requirements specified in Section 2.3 of the Main Body.

3. DELIVERABILITY EVALUATION PROCESS - PHASE II

As discussed in Section 2.5 of the Main Body, any resource proposed in this RFP must be capable of qualifying as an Entergy Long-Term Network Resource and receiving Long-Term Network Integration Transmission Service (or other comparable level of transmission service required by Buyer in its sole discretion) in addition to other minimum requirements described herein. In addition, (i) Buyer in any Definitive Agreement will have exclusive responsibility for qualifying the proposed resource as an Entergy Long-Term Network Resource and obtaining the amount of Long-Term Network Integration Transmission Service (or other comparable level of transmission service required by Buyer in its sole discretion) within the Entergy System corresponding to the amount of capacity specified therein, including, without limitation, the cost of potential transmission upgrades on the Entergy Transmission System, in each case at Buyer’s sole cost and expense, and (ii) Seller will have exclusive responsibility for all generation interconnection costs for a proposed resource and all firm transmission service costs for the

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delivery of the offered amount of capacity, energy and Other Electric Products from the proposed resource to the Delivery Point on the Entergy System.

In Phase II of the evaluation process, the DAT, using the methodology generally described in Sections 3.2 and 3.3 below, will develop an estimate of the cost to qualify the proposed resource as an Entergy Long-Term Network Resource and receive Long-Term Network Integration Transmission Service (or other comparable level of transmission service required by Buyer in its sole discretion). The DAT will also estimate the cost required for the proposed resource to meet this RFP's defined planning objectives. As part of this process, the DAT will conduct studies to determine all necessary transmission upgrades, along with related costs and construction timelines. The costs and timelines resulting from these analyses will be provided to the Economic Evaluation Team for consideration in its evaluation and ranking of proposals.

The Deliverability Evaluation Process in Phase II consists of two processes. The first is the Generation Interconnection Evaluation Process. The second is the Transmission Evaluation Process ("TEP"). Each is discussed below.

3.1 Generation Interconnection Evaluation Process

In Phase II, the DAT may evaluate the generation interconnection costs associated with a proposal. As discussed in more detail in Section 2.5 of the Main Body, as between Seller and Buyer (in its capacity as Buyer), all costs relating to the interconnection of a proposed resource with the Entergy Transmission System or another transmission system will be the exclusive responsibility of Seller. As a result, the DAT does not expect that any evaluation of generation interconnection costs that it may conduct will be particularly detailed or lengthy.

3.2 Transmission Evaluation Process - Off-System

Section 2.5 of the Main Body provides that Seller is responsible for delivering the offered amount of Capacity, energy and Other Electric Products to Buyer at the Delivery Point on the Entergy Transmission System at its sole cost and expense and that all transmission service for Capacity, energy, and Other Electric Products offered from Off-System Resources must be Firm Point-to-Point Service (or other comparable level of transmission service required by Buyer in its sole discretion) to the Delivery Point on the Entergy Transmission System for the Delivery Term. For this reason, the DAT does not expect to conduct a detailed evaluation of the costs of off-system transmission service associated with a proposal.

3.3 Transmission Evaluation Process – Entergy System

The DAT will perform an "Entergy System Transmission Deliverability Evaluation," or "ESTDE," for each of the conforming proposals evaluated in Phase II. The ESTDE is intended

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to identify (i) constraints that may limit deliveries from a proposed resource into the Entergy System or into the Western Region and (ii) transmission upgrades and improvements that mitigate the identified constraints and allow for that satisfaction of the RFP planning objectives and requirements of this RFP. The ESTDE will involve studies conducted by the DAT that identify possible transmission constraints in the Entergy System associated with a proposal and assess the estimated cost and period of time required to mitigate them. These studies are not formal System Impact Studies or Facilities Studies under the Entergy OATT and will not be used to evaluate any requests for transmission service that may be necessary for the proposed resource to become a Long-Term Network Resource (or receive other comparable level of transmission service required by Buyer).

For the ESTDE studies discussed below, the DAT will determine the supply options, transmission project assumptions, and other factors to be used in the seasonal load flow models employed to evaluate proposals. The DAT will endeavor to update the transmission modeling used in the deliverability evaluation to reflect the then-most current version of the Entergy Construction Plan (posted on OASIS) available before receipt of proposals. In addition to the transmission upgrades identified in the Construction Plan, the DAT and other evaluation teams may evaluate other potential transmission sensitivities. The studies identified will be performed independently for each proposal without a portfolio or stacking analysis.

Delivery to Entergy System

The DAT will perform a study for each proposal that will identify transmission solutions to establish deliverability for the appropriate version or representation of the Entergy System using “(N-1, G-1)” planning criteria. The (N-1, G-1) planning criteria involve the monitoring of all transmission elements at or above 115 kV upon the simultaneous loss of the most significant transmission element and the most critical network generation resource. The study will identify those constraints that may limit the proposed resource’s ability to deliver the proposed amount of Capacity, energy and Other Electric Products to the Entergy System. Based on the results of the study, the DAT will determine a transmission solution set to mitigate the limiting constraints to qualify the resource as an Entergy Long-Term Network Resource.

Delivery to Western Region

Using the methodology described below, the DAT will determine a transmission solution set to mitigate the limiting constraints associated with deliverability to the Western Region, enabling each resource to:

- Be fully deliverable to the Western Region
- Increase load-serving capability in the Western Region
- Maintain regional reliability within the Western Region
- Reduce dependence on existing generation at the Lewis Creek facility.

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This assessment is expected to result in a transmission solution set for each proposal. The assessed costs will likely increase the greater the distance a resource is from the Western Region.

Deliverable to Western Region

For each proposed resource evaluated, the DAT will perform a study to assess deliverability to the Western Region using both the (N-1, G-1) and the “(N-2)” planning criteria. The (N-2) criteria involve the monitoring of all transmission elements at or above 115 kV upon the loss of the two most significant transmission elements. The (N-2) criteria will be tested to determine the transmission improvements necessary when large quantities of power are imported into the Western Region. The DAT will determine additional transmission upgrades necessary to enable a proposed resource to be fully deliverable to the Western Region, using the more limiting (conservative) of the results from the (N-1, G-1) and (N-2) assessments.

Increasing load-serving capability in Western Region (Outside Western Resources Only)

An important component of the evaluation of an Outside Western Resource offered in the RFP will be the assessment of the transmission upgrades necessary to increase the Western Region import capability to enable the resource to be fully deliverable to the Western Region. For Outside Western Resources, the DAT will estimate, using both (N-1, G-1) and (N-2) criteria, the transmission upgrades necessary to increase Western Region import limits by the specified amount of Capacity in the proposal in order to accommodate the full delivery of power offered from the resource and develop associated cost estimates and completion estimates. By their very location, Inside Western Resources increase the load-serving capability within the Western Region and thus will not be assessed any additional transmission costs to satisfy this load-serving objective.

Maintaining reliability within Western Region

The existing Lewis Creek units contribute to the satisfaction of Western Region reliability needs, such as voltage support and dynamic and voltage stability. For proposed RFP resources, additional studies may be conducted to determine necessary transmission upgrades and associated equipment, systems, and material to enable the proposed resource to address local angular, dynamic (small-signal), voltage stability and other Western Region reliability needs. The evaluation, which utilizes (“G-1”) criteria, will determine costs to enable the proposed resource to meet these reliability needs. The (G-1) criteria involve the monitoring of all transmission elements at or above 115 kV

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upon the loss of the most critical network generation resource. Using the results of these studies, the DAT will determine for the proposed resource the additional transmission upgrades necessary to maintain reliability within the Western Region.

Reducing dependence on Lewis Creek Facility

The DAT will determine for proposed resources whether any transmission upgrades are necessary for the resource to reduce Western Region dependence on the existing generation at the Lewis Creek facility and still ensure that Western Region reliability requirements remain satisfied. More specifically, as part of this evaluation, the DAT will identify the transmission upgrades (if any) needed to enable a proposed resource to meet the unit commitment, reliability, and dispatch requirements associated with one of the two existing Lewis Creek generation units. This determination and the related cost assessment will be conducted for all resources, whether Outside Western Resources or Inside Western Resources, and will use both (N-1, G-1) and (N-2) criteria. Like all of its evaluations, the DAT's specific network resource unit commitment evaluation results will not be posted publicly; however, the IM will have access to the study results.

The determination of unit commitment requirement effects as part of the ESTDE is for evaluation purposes only and is not necessarily predictive of actual operation or use of Lewis Creek or the proposed resource. The modeled unit commitment requirements effects may or may not materialize during actual operation of the proposed resource. If the resource becomes a resource in the Entergy System through this RFP, reduced reliance on one of the existing Lewis Creek units will be a function of decisions made by the Entergy EED BU, including decisions whether or not to commit the Lewis Creek unit to run for economic reasons.

Western Region Deliverability Total Transmission Solution Set

The transmission upgrades from each of the studies in this Section 3.3 will be used to form a total transmission upgrade solution set that enables a resource to be deliverable to the Western Region and satisfies the planning objectives and requirements of this RFP. For reliability purposes, the total upgrade solution set may include siting to address potential storm-hardening criteria, such as limiting the number of transmission lines in a right-of-way or locating a transmission line further from the Gulf of Mexico, among other factors.

Local Area Problems

Additional studies may be run to assess any potential local operational issues as a result of a dispatch to serve the Western Region from a remote location. In the event local constraints

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cause local area problems and limit specific generation due to variations in topology configurations, or unavailable generation, local line-loading problems will need to be addressed to mitigate any curtailments from the specific resource.

In performing the evaluation of local area operational limitations, the DAT will consider un-designating or de-listing existing ETI Long-Term Network Resources as a potential mechanism for mitigating local areas problems and obtaining or improving deliverability for a proposed resource.

Other Studies

As a part of a comprehensive assessment of a proposal's ability to meet the planning objectives of this RFP, the DAT may run other studies beyond those described in this Section 3.3 and assess other costs as a result.

Total Transmission Upgrade Cost

Planning level cost estimates will be developed for any transmission constraint identified by the DAT. The cost estimates will be based on criteria similar to those used in System Impact Study assessments. Using the results of all studies described within this Section 3.3, the DAT will develop total deliverability cost and construction timeline estimates for each proposal and provide those estimates to the EET for use in its evaluation of the proposals. As noted above, the DAT's analysis will not substitute or eliminate the need for the performance of the System Impact Study or the Facilities Study for any proposed resource that becomes an Entergy System resource after being selected in this RFP.

4. POST-SELECTION REQUESTS FOR TRANSMISSION SERVICE

Following the completion of the overall proposal evaluation process and the selection, if any, of proposals for the Primary Selection List and the Secondary Selection List, the DAT may submit a formal transmission service request to the ICT on OASIS through the active transmission reservation queue to obtain Long-term Network Resource status (or other comparable level of transmission service required by Buyer in its sole discretion) and deliverability analysis to the Western Region load for the resource(s) (if any) placed on the Primary Selection List.

5. PROPOSED MEMBERSHIP IN MISO AND TRANSMISSION DIVESTITURE

As noted in the Main Body, the Entergy Operating Companies have proposed to join the MISO RTO by no later than December 2013. Membership in MISO would entail the transfer of operational control of the Operating Companies' transmission assets to MISO. Upon joining MISO, the procurement of transmission service over the Operating Companies' transmission

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facilities would be governed by the MISO OATT. In addition, in an RTO operating environment, physical transmission rights are generally replaced by financial transmission rights. Also, MISO operates Day Ahead and Real Time markets – known as “Day 2 Markets” – for energy and ancillary services. For these and various other reasons, if the Entergy Operating Companies join MISO, changes in the manner in which the DEP is conducted may be necessary. At this time, however, the Operating Companies’ membership in MISO is expected to be the subject of regulatory proceedings in each retail jurisdiction and at FERC and, as such, is uncertain.

In addition, on December 5, 2011, Entergy Corporation announced a separate transaction with ITC Holdings Corp. in which the regulated transmission business of the Entergy Operating Companies will be transferred to a third party (“Transmission Divestiture”). The Transmission Divestiture, which is unrelated to and independent of the Operating Companies’ proposed move to MISO, will require state and federal regulatory approvals. Closing of the Transmission Divestiture is targeted for 2013.

As noted in the Main Body, and without qualifying the terms of Appendix D, ESI reserves the right to modify the DEP or any other aspect of the RFP or the RFP evaluation based on the Operating Companies’ proposed membership in MISO, the Transmission Divestiture, or other changed circumstances.

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