Report of the Independent Monitor

of the Entergy Services, Inc. 2012 Request For Proposals (RFP) for Long-Term Baseload Resources

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I. Overview

A. Background

On November 2, 2012, Entergy Services, Inc. ("ESI"), announced that the Entergy Operating Committee ("Operating Committee")[1] had selected a self-supply proposal submitted by Entergy Arkansas, Inc., ("EAI")[2] into ESI's 2012 Long-Term Baseload Request for Proposals ("2012 RFP" or "RFP"). The self-supply proposal is a cost-based power purchase of 59 MW of baseload capacity and energy from EAI's Grand Gulf Nuclear Station Retained Share ("GGRS"). ESI announced at the same time that the Operating Committee had allocated the 59 MW to Entergy Mississippi, Inc. ("EMI").

The GGRS power purchase is subject to cost recovery approval from the Mississippi Public Service Commission ("MPSC"), a request for which was filed at the MPSC on November 15, 2012, and to acceptance from the Federal Energy Regulatory Commission ("FERC") under Service Schedule MSS-4 of the Entergy System Agreement ("the MSS-4 Agreement"), a request for which was filed at the FERC on November 5, 2012.

The 2012 RFP was a market-based competitive procurement of power supply for long-term[3] baseload resources. It was designed to market test the GGRS self-supply proposal which had been offered by EAI as a possible baseload resource for one or more of the five other Entergy Operating Companies.

This report discusses the RFP in detail, including how ESI developed it, administered it, and evaluated the proposals submitted by bidders.

[1] The Entergy Operating Committee is composed of members designated by the chief executive officers of the six Entergy Operating Companies – Entergy Arkansas, Inc., Entergy Gulf States, Louisiana, L.L.C, Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc. –and by the Chief Executive Officer of Entergy Corporation. Among other responsibilities, the Operating Committee makes RFP selection and allocation decisions.

[2] Because it offered the self-supply proposal to the other Entergy Operating Companies as a possible baseload resource, EAI did not participate in any Operating Committee deliberations or decisions regarding this RFP.

[3] Ten years or more.

Because Entergy Louisiana, LLC ("ELL") and Entergy Gulf States Louisiana, L.L.C. ("EGSL") were potential purchasers of resources identified through the RFP, the RFP was structured and conducted to meet the requirements of the Louisiana Public Service Commission ("LPSC" or "Commission") Market-based Mechanism Order ("MBM Order").[4] The MBM Order first established a market-based procurement process in 2004[5] to ensure fair consideration, evaluation, and selection of proposals competing to provide power to LPSC-jurisdictional utilities, which include ELL and EGSL.

The MBM Order requires utilities to use an Independent Monitor ("IM") if they intend to market test self-supply or self-build proposals, or if they allow their competitive affiliate(s) to participate in the solicitation. The IM requirement is designed to ensure that RFPs including these potential transactions are fair to all parties, are conducted at arms-length, and are free from affiliate or other abuse. ESI retained Elizabeth Benson of Energy Associates to serve as the IM[6] for this RFP.

The IM's responsibilities, which are specified in the MBM Order, establish the IM's independent consideration of all aspects of the RFP. The MBM Order requires a jurisdictional utility to designate an IM at the beginning of the RFP and to submit its designation to the LPSC. The Commission may reject the utility's IM designee and request the utility to submit another IM choice.

Generally, the role of the IM in this RFP was to: 1) oversee the design and implementation of the RFP solicitation, evaluation, selection, and contract negotiation processes to ensure that they were impartial and objective; and 2) provide an objective, third-party perspective regarding whether the RFP treated all proposals consistently and did not provide undue preference to any

[4] LPSC Docket No. R-26172 Sub Docket C. October 29, 2008, as amended.

[5] Subsequent amendments have added certain MBM Order requirements and refined others.

[6] Ms. Benson has served as IM for thirteen power supply RFPs, all of which have been subject to state and, in some cases, federal regulatory oversight. Four of these RFPs, including the 2012 RFP, were conducted by ESI. Ms. Benson has no interest in the outcome of this or any other RFP, and has worked in no capacity other than as IM for ESI or any of the Entergy Operating Companies.

bidder. The IM's responsibilities in this RFP are described more fully in the next section of this report.

B. Independent Monitor Responsibilities

From June, 2012 through December, 2012, the IM worked closely with ESI RFP team members and monitored all aspects of RFP development, administration and evaluation.

The IM's responsibilities included:[7] 1) reviewing and offering suggested changes to RFP procedures, documents, and timelines; 2) conferring with ESI on the structure and composition of RFP evaluation teams; 3) reviewing and, as needed, revising RFP confidentiality acknowledgements ("CAs"), retaining copies of all signed CAs, and ensuring that they were adhered to by Entergy personnel participating in the 2012 RFP; 4) reviewing all proposal evaluation assumptions, models and procedures to ensure they would accomplish the RFP's objectives and guarantee fair treatment of all proposals; 5) participating in the RFP technical conference; 6) monitoring ESI's RFP bidder registration and proposal submission systems including their procedures to mask, as required, the identities of bidders, generation resources, and proposals from RFP evaluators; 7) reviewing all proposals received, and overseeing and approving redaction of certain bid identifying information before releasing proposals to RFP evaluators; 8) overseeing economic, transmission, viability, and credit evaluations; 9) monitoring RFP evaluators' clarifying questions to bidders and any communication between ESI and bidders; 10) monitoring all communications among RFP evaluators and participating in ESI bid evaluation and selection discussions; 11) participating in meetings between RFP personnel and LPSC Staff, and conferring with LPSC Staff directly; 12) as required, monitoring power purchase agreement ("PPA") negotiations between ESI and selected counter-parties; and 13) as required, participate in regulatory proceedings pertaining to selected proposals.

In furtherance of the IM's responsibilities, this report addresses the development and administration of the RFP, and the evaluation and selection of proposals submitted by bidders. The report also provides the IM's assessment of those activities, including whether they met

[7] The IM's detailed Scope of Work for the 2012 RFP is posted on ESI's RFP Website.

ESI's obligations for fairness and impartiality, and avoided any undue preference toward any proposal.

C. LPSC Staff Consultation

The LPSC assigned LPSC Staff ("Staff") to this RFP during its development and implementation. Staff participated in key aspects of this RFP, and ESI and Staff consulted on a range of issues including proposal eligibility criteria, evaluation models, methodologies, and outcomes.

ESI reviewed evaluation outcomes and proposal recommendations with Staff, as well as with the IM, before it made its recommendations to the Operating Committee, and before it informed bidders on the outcome of the RFP.

The report will discuss Staff's involvement with this RFP, as it took place.

D. Organization of this Report

This report has four sections. Section I is this Overview. Section II discusses the need for the RFP, RFP safeguards, developing RFP procedures and documents, communicating with potential bidders, implementing the RFP, registering, receiving, reviewing, and redacting proposals, and releasing them to the RFP evaluators. Section III discusses the RFP evaluation, including its components, procedures, models, and outcomes. Section IV presents the IM's conclusions regarding the overall fairness and objectivity of the RFP.

The IM provides comments on the RFP throughout this report.

II. Developing and Implementing the RFP

A. Resource Need

The 2012 RFP was based on ESI's objective to market test the GGRS self-supply proposal as a baseload resource, and on the baseload resource needs of the Entergy System.[8] ESI identifies the

[8] The Entergy System consists of the interconnected, coordinated, electric utility systems of the six Entergy Operating Companies. Near term resource planning needs reflect the participation of all six companies; longer term needs reflect plans for a four company system. Because they will exit the six company system in 2013 and 2015, respectively, in the future EAI and EMI will each develop its own resource plan.

resource needs of the Entergy System as part of its Integrated Resource Plan ("IRP"). The Entergy System's latest IRP[9] shows a current baseload capacity need of over 3000 MW, a need which is expected to grow after EAI exits the system.

B. Early Discussions with the IM

On June 20, 2012, the IM met with ESI to review high level plans for the RFP and provide initial feedback on those plans. The basic outline of the RFP – including its objective to market test the GGRS, its evaluation process, evaluation team lead personnel, and process safeguards – was in reasonable form, although all requirements were not yet final, and no RFP documents were available for the IM to review.

ESI informed the IM that it would file a request with the LPSC to waive several MBM Order requirements in order to accelerate the timing of the RFP to make it possible to purchase power from a successful bidder or bidders as early as January 1, 2013.

C. RFP Notice and Waiver Request

On June 22, 2012, ESI provided notice to the LPSC that it intended to issue an RFP for long-term supply that would market test the 59 MW self-supply proposal from the GGRS. The notice requested two waivers to the Commission's MBM Order that would expedite timing of the RFP. ESI noted that the GGRS would become available January 1, 2013 and reasoned that expediting the timing of the RFP would preserve the option that ELL and / or EGSL could benefit from resources that might be selected in the RFP beginning on or near that date.

The first waiver request was the requirement that utilities provide the LPSC at least 30 days advance notice prior to submitting an informational filing and draft RFP, and the second was the requirement that at least 60 days lapse between posting the draft RFP and the publication of the final RFP. The LPSC granted ESI's waiver requests, thereby enabling ESI to establish an accelerated timeline by which to solicit, evaluate, select, and seek regulatory approval for potential baseload resources, including the self-supply proposal.

[9] 2012 Entergy System Integrated Resource Plan, October 2, 2012.

D. Notifying Potential Bidders

ESI publicly announced its intention to conduct the 2012 RFP on June 28, 2012 in a notice to interested parties that was posted on its RFP Website, published in Platts *Megawatt Daily*, and sent electronically to several hundred power suppliers doing business in the south central region of the United States. Many, although not all, of these suppliers had expressed interest in or participated in prior Entergy RFPs and could likely be interested in this upcoming solicitation.

The notice informed all interested parties that ESI intended to issue a draft RFP in mid-July, 2012 for from 50 MW to 150 MW of long-term baseload resources, including solid fuel[10] and combined-cycle gas turbine ("CCGT") technologies. The notice further stated that ESI intended to market test a 59 MW self-supply proposal offered from the GGRS by EAI as an alternative to any other proposal submitted into the RFP.

The notice informed potential bidders and other interested parties that ESI would not permit its competitive affiliates to participate in the RFP.

The notice provided contact information for an RFP Administrator, ESI's single point of contact for the RFP, and for the IM. It encouraged potential bidders with questions at this early stage to direct them to these individuals.

The IM reviewed and signed off on the notice before ESI sent it to potential bidders and to the energy trade press.

E. Initial Planning and RFP Safeguards

Following its June 28th notification to potential bidders, ESI worked on draft documents to describe the RFP in detail to potential bidders and other interested parties, but was not yet prepared to make those documents available to the IM for review. The IM and the RFP Administrative Team did firm up dates to guide an accelerated RFP timeline and align them with the schedules of key participants including ESI, the IM, and LPSC Staff. They also discussed proposed administrative and evaluation procedures for the 2012 RFP and agreed on the procedural and informational safeguards that would guide RFP activities.

[10] coal, petcoke, and nuclear

As had been the case with previous RFPs, the safeguards were designed to protect commercially sensitive information, and to ensure that all proposals would receive fair and impartial treatment. These safeguards applied to all RFP participants and were closely monitored throughout the RFP by the IM. They were specified in detail in published RFP documents and, as pertinent, discussed with bidders and any other interested party during the course of the solicitation. The safeguards included procedures to ensure confidential treatment of RFP information and protocols defining who would have access to which information, how information would be handled, and how bidders would interface with the RFP. Key RFP safeguards were:[11]

1. Confidentiality Acknowledgements

All Entergy personnel involved with the 2012 RFP signed confidentiality acknowledgements ("CAs") that governed their access to and uses of RFP proposal information. CAs were tailored to different groups in accordance with their RFP responsibilities and related requirements for information. For example, proposal evaluators signed CAs affirming their obligation to protect the confidentiality of non-public information they would receive in connection with the RFP, while the self-supply team and support services personnel assigned to assist the self-supply team signed CAs acknowledging that they were restricted from participating in the RFP's development, administration, and evaluation.

The IM reviewed each different CA form to ensure that it addressed all necessary issues and protections. After the CAs were executed, the IM received and retained copies of all participants' signed documents, and oversaw compliance with all CA protocols throughout the RFP.

2. Information Protocols

To manage and control how information was received and used, ESI designated an "RFP Administrator" to manage most RFP communications. With limited exceptions,[12] bidders were required to direct all RFP questions, requests, and other inquiries to the RFP Administrator in

[11] All safeguards and information protections are described in detail in the RFP documents, including, especially, in Appendix F.

[12] For example, bidders with inquiries about the Entergy transmission system were required to communicate directly with Entergy's functionally separate transmission organization through its OASIS website as required by the FERC. Bidders could communicate directly with all RFP personnel during a technical and bidders' conference, and were free to communicate with the IM and with LPSC Staff at all times about any RFP issue.

writing using a dedicated email address. The RFP Administrator was the only ESI employee authorized to receive and handle RFP communications from bidders throughout most of the RFP and, exclusively, from the date draft RFP documents were published in July, 2012 until the preliminary shortlist was selected in October, 2012.

The RFP Administrator also managed a public RFP Website that was used to post all draft and final RFP documents, and to address most general inquiries and other communications from bidders, especially when the RFP was in draft form. The RFP Website provided an easily accessible and transparent forum which ensured that RFP questions and answers pertinent to all parties would be simultaneously and equally available to them, while keeping inquirers' identities confidential.

The RFP Administrator was also responsible to ensure that bidder, resource, and proposal identifying information was appropriately redacted before releasing information to evaluators. During proposal evaluation, the RFP Administrator managed all proposal clarifying communications between RFP evaluators and bidders and ensured that identifying information was appropriately redacted. The RFP Administrator also managed communications among RFP evaluation teams, taking care to ensure that only approved information was shared.

The IM worked closely with the RFP Administrator throughout the RFP. She reviewed all documents and communications before they were posted to the RFP Website. She reviewed all proposal information, questions, data, and clarifying requests, commented on them, as necessary, and approved all proposed redactions before documents were provided to evaluators. This ensured that communications with bidders and among evaluation teams were handled at arms length and all commercially sensitive information was protected.

Before the draft RFP was published, the IM reviewed the employees designated by ESI to work on the RFP and the self-supply proposal to ensure that those individuals were separate and different, that they could not provide an undue advantage to any RFP proposal, including the self-supply proposal, and that their participation in the RFP complied fully with their CAs, affiliate rules of the Entergy Operating Companies, and Federal Energy Regulatory Commission ("FERC") Affiliate Restrictions and Standards of Conduct, as applicable.

RFP evaluation teams focused on different aspects of each individual bid and each team received only the information it needed to do its job. For example, economic evaluators received a confidential report containing only pricing information for each proposal, but no information that identified the bidder, while transmission evaluators received bid transmission information, including the location of each resource, but no price information. Finally, the information all evaluators received masked the identity of bidders, generation resources, and proposals by replacing names with randomly generated identification numbers that bidders received when they registered their RFP proposals, and that were used in all proposal documents and communications throughout the RFP.

3. RFP Administration Team

For this RFP, ESI established an RFP Administration Team to assist, as needed, with certain aspects of the RFP. In addition to the RFP Administrator, this team included personnel from ESI's System Planning & Operations ("SPO") group as specified in Appendix F of the RFP. None of these was a member of any RFP evaluation team, or of the self-supply team. Generally, the RFP Administration Team's role was to ensure that bidder and LPSC questions were adequately addressed and that proposal information was appropriately handled within the RFP evaluation. Individual team members also assisted the IM to insure timely and adequate review and redaction of bidder information, and to address certain other RFP issues.

4. Self-Supply Team Protocols

The GGRS self-supply option was subject to RFP protocols to ensure that it was developed separately from the RFP, and that it was given no undue preference in RFP procedures or the evaluation. It was developed and submitted by self-supply and self-supply support team members composed of Entergy employees expert in nuclear operations, fuel, planning, and finance. Members of the self-supply team and those acting in support of them were separate and different from employees working on the RFP.

Before the draft RFP was published, members of the self-supply team met telephonically with the IM to discuss and ask questions about their obligation to operate separately from the RFP, to sign and comply with self-supply CA guidelines and restrictions, and, otherwise, to abide by all RFP protocols in a manner identical to third party bidders.

F. Draft RFP Documents and Procedures

The MBM Order requires that all RFP documents be made available to potential bidders and interested parties in draft form so they may ask questions about and provide input to the RFP before its policies and procedures are final. On July 20, 2012, ESI and the IM held a second face-to-face meeting and began reviewing the draft RFP documents and procedures that would address this requirement. The overall objective of the IM's review was to ensure that draft documents and procedures adequately addressed the objectives of the RFP, that they were clear, thorough, and fair, that they described information bidders would be required to provide, and that they provided no undue preference to any bidder or proposal.

ESI sent a first draft of twelve RFP documents to the IM shortly before the meeting. Because of the number and complexity of the RFP documents, the IM and ESI understood that this discussion would need to be followed by further consideration and IM review before draft documents could be published.

In general, the draft documents provided information on: 1) the resources ESI was seeking; 2) a summary of principal commercial terms; 3) the timeline for RFP activities; 4) the different RFP evaluation teams and the economic, transmission, viability, and credit evaluations each team would perform;[13] 5) the self-supply option ESI would market test and the protocols in place to wall it off from the RFP; and 6) information on RFP bidder registration and proposal submission processes.

The documents also described the safeguards in place to protect both commercially sensitive information and the identity of bidders and proposals during the evaluation. They described the role of the IM and how bidders could reach the IM if they wished to do so. They discussed RFP procedures to safeguard against preferential access to information, or unfair or improper advantage in consideration of any bid, including the self-supply proposal. They included a confidentiality agreement that would be available to ESI and bidders in the event they determined they needed to share highly sensitive information that went beyond the confidentiality protections already provided by RFP procedures.

[13] The details of these evaluations are described later in this report in Section III. Proposal Evaluation.

Many of the procedures in the 2012 RFP had been vetted in previous competitive procurements and were updated or adapted to address the requirements of this RFP. Unique to this RFP were the accelerated timeline, the GGRS self-supply option, and the impact on the RFP of Entergy's proposed, but not approved, request to join the Midwest Independent Transmission System Operator, Inc. ("MISO") regional transmission organization ("RTO"). Of these, the self-supply option and Entergy's MISO plans merit additional comment here.

1. Self-Supply Option

The RFP discussed certain differences between the GGRS 59 MW self-supply option and the market bids. Procedurally, the self-supply team was required to submit its proposal before those from any market bidders. Other than this exception, the procedures to handle the self-supply and market proposals were identical. Substantively, if selected in this RFP, the self-supply option would be a regulated, cost-of-service, not a market-based, transaction. As a consequence, any agreement between the self-supply option and any Entergy Operating Company would not include heat rate guarantees, availability requirements, or other terms in the RFP commercial term sheets, which pertained to market-based transactions. These differences elevated the importance of the RFP's due diligence review of the nuclear resource because it would explore and report on the operating history and practices of the resource and enable the RFP to make better informed judgments about its future reliability.

2. MISO

Entergy's proposal to join MISO presented some uncertainty to the RFP. The draft RFP noted that joining MISO would be expected to result in future changes to transmission service and resource dispatch. Because both the nature and certainty of those possible changes weren't clear, ESI notified potential bidders that it reserved the right to modify the RFP's proposed evaluation of proposals and commercial term sheets in the event changing circumstances regarding MISO required it to do so.[14] At the same time and due to the same uncertainty, ESI told bidders that they could not condition their proposals on membership of any of the Entergy Operating Companies participating in the RFP in MISO or another RTO.

[14] In practice, ESI did not modify either the evaluation or any commercial terms.

3. IM Review

The IM offered edits and clarifications to the documents. She pointed out several areas where she felt that information being provided or requested should be clarified or modified.

Although the RFP planned to select up to 150 MW of baseload capacity, RFP documents provided little information on the baseload resource needs of the Operating Companies participating in the RFP. The IM recommended that ESI provide additional information on baseload resource needs both to help parties considering participating in the RFP to understand those needs, and to comply with MBM Order requirements.

The IM also asked evaluators to reconsider the amount of information that they were asking bidders to provide for the RFP's due diligence review, known as the "viability assessment." The viability assessment has been used in previous RFPs, and has proved to be a valuable evaluation tool. Its key practical impact is its ability to help evaluators determine whether resources with attractive economics can, in fact, deliver on those economics. For example, the viability assessment conducts a due diligence review to assess each resource's operating capabilities and track record. The IM supports the value of this assessment, but believed that this RFP merited ESI's considering whether all the information it was requesting was required. Due to the accelerated timeline of the RFP, bidders would be asked to provide a great deal of information in a short time – a change from past practice and a potential burden on bidders, particularly those new to the Entergy RFP process. Moreover, some of the risk at the center of the due diligence review was mitigated because all resources bidding into this RFP would be currently operating facilities, and ESI would hold counter-parties to contractually binding performance requirements through a negotiated PPA.

Overall, the IM conducted three full reviews of all RFP documents, discussing with ESI all aspects of the solicitation's implementation and evaluation. Nevertheless, due to the short time allocated to reviewing draft documents, the IM and ESI agreed that they would consider some of the changes discussed following consultation with potential bidders and LPSC Staff.

ESI posted draft RFP documents to the RFP Website on July 25, 2012, and notified its list of interested parties electronically that the posting had taken place. Platts *Megawatt Daily* followed the posting with full RFP coverage. The RFP sought a minimum of 50 MW up to 150 MW of

baseload capacity, associated energy and other products that would be sourced from solid fuel (i.e., coal, pet coke, nuclear), CCGT, and qualifying renewable (i.e., biomass, waste heat and landfill gas) technologies. The minimum delivery term was 10 years; the maximum was 30 years or the proposed resource's remaining useful life.

G. RFP Technical and Bidders' Conferences

On August 9, 2012, approximately two weeks after RFP draft documents were posted, ESI, together with LPSC Staff held joint technical and bidders' conferences in Houston, Texas. The technical conference was sponsored by LPSC Staff and provided a forum for Staff to discuss its role in the RFP, and to put questions about the RFP to ESI. During the bidders' conference, ESI reviewed the RFP with potential bidders, and responded to questions from both Staff and bidders. Representatives from six (6) companies attended the conference in person. Fourteen (14) representatives from other companies participated by telephone.

ESI provided a detailed briefing on the RFP including proposal information requirements, terms and conditions, and registration and bid submission processes. ESI also discussed the RFP evaluation process and the RFP timeline. The IM discussed her role in the RFP and outlined the RFP safeguards that were in place to ensure fair treatment of all proposals. Staff provided comments and addressed questions to ESI about the RFP. Following these briefings and questions, potential bidders asked questions about the RFP. ESI responded to all questions during the conference, but also posted each question and answer, as well as all conference presentation materials, to the RFP Website to ensure that all parties would have complete and ongoing access to the information.

Starting with the draft RFP's July 25th RFP Website posting, continuing through the technical and bidders' conference on August 9th, and the beginning of bidder registration on August 28th, potential bidders and LPSC Staff submitted thirty-seven (37) questions about the RFP.[15] The RFP Administrator handled each according to the RFP's confidentiality and IM protocols, and posted all questions and answers to the RFP Website.

[15] The 37th and final question and answer were posted to the RFP Website on October 26, 2012. The question, posed by LPSC Staff, addressed a MISO issue. The answer was delayed due to research ESI conducted before replying. It did not change the evaluation of any proposal.

Questions covered a wide range of issues including: 1) reasons ESI was seeking 50 MW minimum and 150 MW maximum capacity amounts; 2) transmission requirements; 3) inquiries regarding the GGRS ranging from license renewal, to the availability of cost information, to how certain commercial issues would be addressed in the evaluation; and 4) how MISO issues would be handled in the proposal evaluation.

All questions and answers are posted on the RFP Website.

H. Final RFP Issued

Because the LPSC had waived the normal 60 day period between draft and final documents, the final RFP was posted to the RFP Website on August 28, 2012.

In addition to all final documents, ESI posted redline versions of all draft documents so that potential bidders and others could see where changes were made. Among the key changes to the RFP were:

- ESI added more information on baseload resource needs to the text of the RFP. ESI also posted its then current Strategic Resource Plan ("SRP") to provide background on resource needs. After it was approved by the Operating Committee in early October, ESI posted its now current IRP, dated October 2, 2012;
- ESI provided additional detail on economic, transmission and viability evaluations;
- ESI modified due diligence requirements for coal, petcoke, CCGTs, and renewable resources somewhat – eliminating a few requirements, but not changing them substantially;
- ESI added due diligence information requirements for nuclear resources particularly, although not exclusively, related to nuclear fuel;
- ESI concluded that a "slice of system" sale would not conform to RFP requirements, and required that all proposals be unit contingent.

All final documents and redlined documents can be found on the RFP Website.

I. Bidder Registration and Proposal Fees

Between August 28th and August 31st, all bidders, including the self-supply team, submitted proposal registration forms to the RFP Administrator that provided required contact, company, and product proposal information. Successfully registered bidders received three sets of randomly generated numbers identifying them ("the bidder ID"), the generation plant or plants they intended to bid ("the resource ID"), and each of their proposals ("the proposal ID"). These numeric identifiers replaced bidder names and other identifying information in all RFP documents and communications used by evaluators beginning with bidder registration and continuing throughout most of the RFP.[16]

ESI invoiced market bidders[17] a $5,000.00 submittal fee for each of their registered proposals, and required that all fees be paid before bidders submitted their proposals. All market bidders submitted the proper fees without difficulty and on time.

Beginning with proposal registration and continuing through proposal submission, the RFP Administrator maintained an RFP Hotline to respond to bidders' questions on how to register proposals, pay proposal submittal fees, and submit proposals. The Hotline was a useful backup safeguard for any bidder uncertain about submittal procedures, or experiencing difficulty submitting registration or proposal information.

J. Proposal Submission, Review, and Redaction

RFP proposal submission was carried out in two steps. The RFP required the sponsors of the self-supply proposal to submit it to the RFP Administrator before any market proposal was submitted. This procedure was put in place to ensure that the self-supply proposal could neither in fact nor in appearance be able to benefit from proposal information that would be provided later by market bidders. The IM established September 7, 2012 as the due date for the self-supply proposal, ahead of the September 10-13, 2012 proposal submission dates for market proposals.

[16] Although RFP protocols allowed certain evaluators to learn the identity of bidders at different stages of the RFP evaluation, numeric IDs were used in all communications throughout the evaluation.

[17] ESI did not collect a submittal fee from the self-supply proposal.

Other than this earlier submission date, the self-supply proposal was required to submit required information using the same forms and same process as any market bidder.

On September 7th, the self-supply team submitted detailed project information electronically to the RFP Administrator's dedicated RFP email address and, separately, to the IM. Self-supply proposal information was held securely by the RFP Administrator and by the IM to await proposal information submitted by market bidders. It was not reviewed by either the IM or the RFP Administrator until after ESI received all registered proposals. Nor was it seen by any RFP evaluator until it was released along with all other proposal information following review, redaction and IM approval.

Market bidders submitted their proposals by email to the RFP Administrator beginning September 10, 2012 and concluding at 5:00 p.m. on September 13, 2012. Bidders populated a specially designed RFP proposal template with required information that would eventually be sent to the economic, transmission, viability, and credit evaluation teams. Bidders provided additional information in file attachments or flash drives or CDs, generally in response to the RFP's due diligence requirements. Bidders also noted any special considerations, clarifications, or additional information regarding their proposals, or, in accordance with RFP protocols, exceptions they wished to take to RFP commercial term sheet requirements. All proposal information was held securely by the RFP Administrator until the IM and RFP Administrator accessed it following the September 13 proposal deadline.

After the proposal submission deadline, the IM and RFP Administrator reviewed the threshold requirements for each proposal that were stated in the RFP. In addition to conforming proposals, one bidder submitted term sheets for a proposal that fell outside the scope of the 2012 RFP.[18] Following consultation with the IM, who concurred with ESI's assessment, and later with LPSC Staff, ESI declared the proposal non-conforming with RFP requirements and rejected it from consideration.

Due to the number of documents that had to be reviewed, the IM and the RFP Administrator worked with the RFP Project Manager, a member of the RFP Administration Team, during the

[18] Information regarding this proposal is confidential and proprietary and will not be described in this report.

first days of bid review. They reviewed all proposal information submitted by bidders and, as needed, redacted each report and document to remove unauthorized identifying information and to provide only the proposal information each evaluation team was authorized to receive. The review included all proposal templates, special considerations, due diligence documents, and any additional information provided for each proposal and resource. The IM and the RFP Administrator kept separate copies of complete and unredacted information from all proposals, information that included the identity of each bidder and resource.

At the end of this review, the IM authorized the RFP Administrator to release redacted proposal information from the conforming proposals to each designated RFP evaluation team. On September 17, 2012, evaluators began receiving proposal information for the first phase of the evaluation. A brief summary of conforming proposals[19] appears immediately below in Table 1.

Table 1: Conforming Proposals

Number of Bidders	**5**
Number of Generation Resources	[redacted]
Number of Proposals	**7**
• **Nuclear**	[redacted]
• **Natural Gas**	[redacted]

Two of the five bidders offered mutually exclusive proposals; that is, only one of their two proposals would be available to ESI depending on the outcome of the RFP. One bidder offered capacity amounts that exceeded the 150 MW limit, although not substantially. The higher capacity amounts did not disqualify the bidder or its proposals from full and equal consideration during this RFP.

[19] This summary includes both self-supply and market proposals.

K. Comments

During RFP development and implementation, the IM was responsible to ensure that its objective was clearly stated, that it encouraged a robust response from the competitive wholesale market, that during its draft phase potential bidders and other interested parties could ask questions about and comment on it, that it had procedures to ensure objective analysis of all proposals, and that it provided adequate information to bidders on how their proposals would be evaluated. Based on her close oversight of all RFP activities, the IM concludes that the RFP adequately addressed these issues. The following observations support the IM's conclusion and provide additional comments on several issues:

- Although the draft RFP provided limited information on the Entergy System's resource needs, ESI provided information on its baseload needs during the RFP's technical and bidders' conference, added information on those needs to the final RFP, and provided resource planning information from Entergy's October 2012 IRP, which was posted to the RFP Website.

- ESI conducted the 2012 RFP to market test the 59 MW GGRS and sought only a small increment of overall Entergy System baseload needs. In view of the reported need for at least 3000 MW of baseload capacity, a number of parties, including the IM, questioned ESI closely about its decision to limit total capacity in this RFP to 150 MW. ESI indicated that its request for capacity was designed to ensure comparability in its market test of the GGRS, but also that it would under certain circumstances consider proposals offering higher capacity amounts. In practice, several proposals submitted into the RFP offered capacity amounts in excess of 150 MW and were fully and equally considered.

- The RFP was conducted at a time of uncertainty due to Entergy's proposed, but not yet approved request to join MISO, but the RFP adequately addressed that uncertainty. The RFP described this uncertainty and the possibility that it could change bid evaluation and commercial terms as the RFP progressed. LPSC Staff questions and ESI answers provided information on how, if at all, the RFP would utilize MISO constructs and procedures in its evaluation, and removed a great deal of uncertainty. Because the move to MISO was not approved during the RFP, MISO policies and procedures (e.g., auction

revenue rights, resource adequacy construct) were not in place and, therefore, not part of the evaluation.

- Information on the self-supply proposal was provided and self-supply proposal submission and evaluation protocols were identified. The RFP clearly stated that the self-supply proposal, if selected, would be a regulated cost-of-service, not a market-based, transaction. In response to a question from LPSC Staff, ESI informed all parties that historical cost data on the GGRS was available to the public in FERC Form 1 reports available on the FERC website. Staff questions and ESI answers provided greater detail on relicensing assumptions, a recent uprate and associated major capital investments, and the RFP's due diligence review of the GGRS self-supply resource.

  The self-supply team was required to abide by a CA defining its obligations to operate separately from the RFP. It submitted its proposal to the RFP ahead of any market proposal. Other than this modification, which was designed to protect market bid information, the self-supply proposal was treated like any other proposal and evaluated at the same time using the same models and procedures. Because the self-supply proposal was the only nuclear proposal submitted into the RFP, efforts to shield its identity from evaluators had obvious limitations, but RFP protocols ensured that it would not receive undue preference in the evaluation.

- ESI organized and staffed the RFP to safeguard data and ensure a fair and arms length consideration of all proposals. All RFP participants signed CAs requiring them to protect proposal information and the integrity of the RFP process. Bidder, resource, and proposal names were replaced by numeric identifiers. Other identifying information was carefully redacted. Evaluation teams performed discrete and separate functions and were provided only with the information they needed to do their job. The IM reviewed all evaluators designated to participate in the RFP to ensure that they did not possess material non-public information about any proposal, and that they would otherwise maintain the protocols and safeguards of the RFP.

- The RFP documents described the proposal evaluation. The evaluation process, different teams and their responsibilities, and the evaluation timeline were described in written documents posted on the RFP Website, and discussed during the RFP technical and bidders' conferences. Evaluation model assumptions and inputs were discussed with the IM and provided to both the IM and to LPSC Staff but were otherwise confidential and proprietary. The evaluation process was substantially transparent and disclosed to bidders how and when price and non-price factors would be considered in the review of their proposals.

- Bid registration and submission procedures were fair and described fully. All bidders complied with the same procedures.[20] All bidders successfully complied with RFP registration and bid submission procedures. The RFP Administrator provided backup support through the RFP Hotline.

[20] With the exception, as noted, that the self-supply team was required to submit its proposal several days before market bidders submitted theirs.

III. Proposal Evaluation

A. Evaluation Process

The goal of the 2012 RFP evaluation was to identify and select the proposal or proposals that met the requirements of the RFP and best addressed the Entergy System's need for long-term baseload capacity at the lowest reasonable cost and risk, and highest degree of reliability. The evaluation was carefully structured to accomplish that goal and to treat all proposals fairly and objectively. It was conducted in two phases, which are described briefly here and in greater detail below.

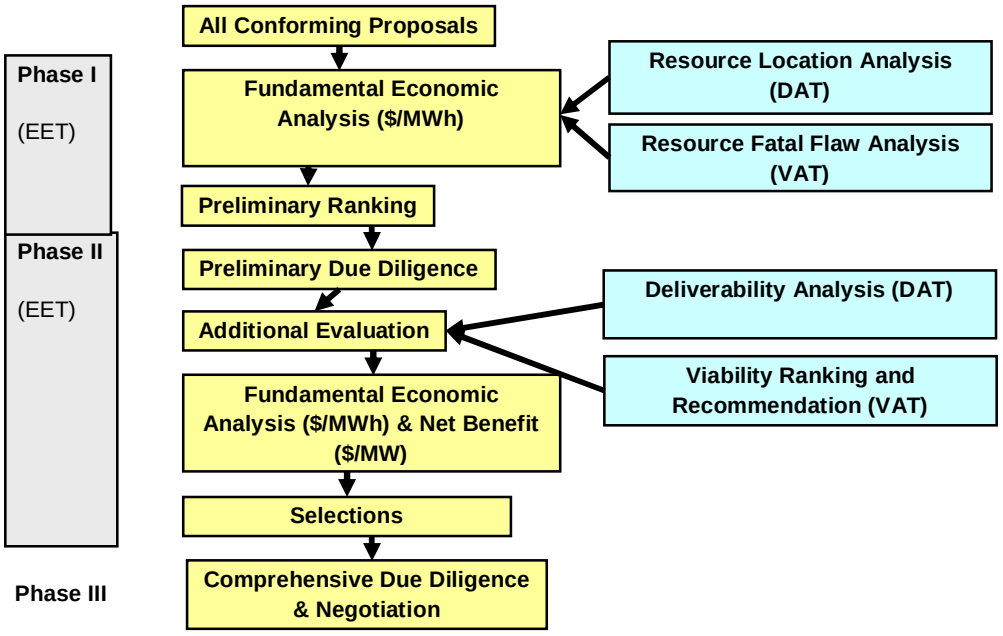
Phase I was a preliminary assessment of all proposals. It included a fundamental economic analysis performed by the Economic Evaluation Team ("EET"), a resource location analysis performed by the Deliverability Assessment Team ("DAT"), and a preliminary viability assessment including a resource "fatal flaw" analysis performed by the Viability Assessment Team ("VAT"). DAT and VAT Phase I evaluation results were provided to the EET, which recommended proposals for selection to a preliminary shortlist, a designation of those proposals that would remain under consideration and be subject to additional evaluation based on their economic attractiveness and potential, otherwise, to meet the baseload needs of the Entergy System.

Phase II was a detailed evaluation of proposals selected to the preliminary shortlist. During Phase II, the DAT performed deliverability analyses on the proposals, and provided estimated costs, if any, to qualify the resource as an Entergy long-term network resource. The VAT performed due diligence assessments of all resources, and developed a viability ranking for each of them. The EET refreshed its fundamental economic analysis, conducted a net benefit analysis, and integrated evaluation results from the transmission and viability analyses of the DAT and the VAT, respectively, to provide a comprehensive assessment of how each proposal was projected to satisfy the baseload supply requirements of the Entergy System. At the end of the Phase II analysis, ESI recommended the GGRS proposal to the Operating Committee because it best met those supply requirements.

Phase III of the evaluation was reserved for comprehensive due diligence and contractual negotiations between ESI and any market proposal selected for award. Because the GGRS self-supply proposal was selected, in this RFP there was effectively no Phase III.

The RFP proposal evaluation process is illustrated in Table 2.

Table 2: Proposal Evaluation Process



The following subsections describe the responsibilities of the EET, DAT, and VAT evaluation teams more fully, and discuss the role of the Credit Evaluation Team ("CET").

1. Economic Evaluation Team

In Phase I of the RFP, the EET produced a quantitative estimate of the economic costs of each proposal and ranked the proposals based on the result. In Phase II, the EET calculated both economic costs and benefits of each proposal and ranked the proposals based on those estimates. In addition to cost information provided by bidders, EET models used proprietary assumptions from ESI internal forecasts. They included fuel price forecasts, carbon and other environmental cost forecasts, inflation factors, financial assumptions, etc.

The IM received all assumptions from the EET before bidders submitted their proposals, discussed them with the EET, and concluded that they were reasonable and in line with those of independent third party sources, as appropriate.

The EET populated its evaluation model with proposal cost information from bidders, with model assumptions, and transmission deliverability costs, if any.

The EET separately received and incorporated into its model information on the delivered cost of gas from a fuel expert who was a member of the VAT. The fuel expert calculated a gas delivery cost factor for each natural gas proposal based on pipeline, hub, and resource location information from each CCGT resource. The RFP Administrator provided these natural gas delivery cost factors to the EET.

A nuclear fuel expert retained by ESI reviewed the fuel cost components of the nuclear proposal and concluded that they provided a reasonable estimate of potential future costs.

The EET's fundamental economic analysis used a spreadsheet model to compare the fixed and variable cost of each proposal on a $/MWh basis to reflect its levelized cost over the 30 year period being evaluated. The model used "as bid" information from each proposal and prescribed operating assumptions (e.g., capacity factor) to determine the levelized cost of each proposal over the term. To ensure that all proposals would be evaluated over the same term, the model added estimated post-delivery costs to the stream of costs for proposals whose term was less than the 30 year study period. The post-delivery proposal costs were based on the forecasted cost of a new CCGT resource.

The IM reviewed the spreadsheet model with the EET on September 6, 2012 and observed how it would handle assumptions, forecasts, and proposal information. Based on that review, she concluded that it would assess all proposals fairly and objectively. The model was straightforward, flexible, and treated all proposals consistently, including those offering different terms.[21]

[21] The EET also sent its assumptions and spreadsheet model to LPSC Staff.

The net benefit analysis used the AURORAxmp Electric Market Model ("AURORA") production cost model to assess the energy value of each resource based on a forecast of its locational marginal pricing ("LMP") and generation. AURORA simulated the hourly operations of the power market from 1/1/2014 to 12/31/2042. In the evaluation, the results of the AURORA production cost model were added to each proposal's total fixed costs (e.g., capacity rate, the capital costs of any needed upgrade) and total variable costs (e.g., energy price, variable operation and maintenance) to determine the proposal's net benefit.

The net benefit of a proposal was calculated by subtracting its total fixed and variable costs from its projected energy value, and measured on a present value basis in $/kW. A proposal may have either a positive (i.e., savings) or negative (i.e., costs) net benefit.

On September 13, 2012, the IM met with the EET to discuss the AURORA evaluation and review Entergy assumptions built into the AURORA model. She concluded that the assumptions were reasonable and that the model appropriately accounted for projected changes in the configuration of the Entergy System due to the planned exits of EAI in late 2013 and EMI in late 2015 from the Entergy System Agreement.

In a change from past RFPs, the EET's evaluation did not compute a cost to PPA proposals due to their potential effect on Entergy System capital costs. This so called "imputed debt" cost stems from the treatment of PPA costs by credit rating agencies.[22] The EET reasoned that since a PPA would be used as the contracting mechanism for any proposal selected in the RFP, the potential cost of imputed debt was not expected to be a differentiating factor in the evaluation. ESI reserved the right to change its position on this issue, depending on the proposals it received, but it did not do so.

It was the EET's responsibility to rank all proposals at the conclusion of the RFP and recommend final selection of proposal. During Phase II, the EET integrated evaluation results

[22] According to Standard & Poor's, a PPA is considered to be a debt of a certain percent of the PPA obligation. If a utility were to enter into a long-term PPA, its total debt would increase. Because a credit rating could decline when debt increased, entering into a PPA could decrease the utility's credit rating and increase its cost of capital. The utility accounts for these increased costs by measuring the equity it would have to issue to maintain the same capital structure and credit rating.

from the DAT and the VAT into its overall analysis to develop its ranking and recommendation. The work of the DAT and the VAT is discussed in Section III.A.2 and Section III.A.3, respectively.

RFP safeguards and information protocols were designed to ensure to the maximum degree possible that the EET's conclusions would be based on the objective results of its analyses. They were in place and fully enforced during all phases of the evaluation. The EET did not meet with or otherwise have direct access to bidders during the RFP. It conducted all evaluations and received evaluation inputs from the DAT and the VAT using only proposal IDs;[23] it did not receive information identifying either bidders or resources. The EET communicated with bidders throughout the RFP solely through the RFP Administrator and the IM. During approved discussions and communications between the EET and DAT and/or VAT evaluators, proposals were referred to by their numeric IDs, and all such discussions and communications were fully monitored by the IM.

2. Delivery Assessment Team

The DAT had two responsibilities during the 2012 RFP: a) to verify the location of all resources bid into the RFP; and b) to evaluate the transmission costs and potential benefits for all conforming proposals.

During Phase I, the DAT determined where each resource was located and, if the resource was off-system, verified its proposed transmission path.[24] The DAT provided the result of its review to the IM and the RFP Administrator. The RFP Administrator provided information on the regional location of each proposal to the EET.

During Phase II, the DAT conducted a deliverability evaluation which assessed the cost to qualify each market resource as a long-term network resource under the Entergy OATT.[25] The

[23] Because the self-supply proposal was a nuclear proposal and there was only one nuclear proposal in this RFP, shielding its identity posed unavoidable limitations.

[24] No bidder submitted an off-system resource in this RFP.

[25] The self-supply resource, the GGRS, already was qualified as an Entergy designated network resource through 2042 and did not need to be evaluated by the DAT for this requirement.

DAT did not estimate the cost to obtain network service for any resource in MISO. Nor did it evaluate MISO congestion charges because it concluded that, given the uncertainly of Entergy's joining MISO at that time, it would be impossible to bring any degree of accuracy to such an evaluation.

The DAT conducted a deliverability evaluation for each resource based on three different system cases – a current or "six company" case, a "five–one company" case, and a "four–one–one company" case. These cases estimated the cost to sink power into the Entergy System in 2014, 2016, and 2022.

The DAT also estimated projected transmission benefits the resources provided to the Entergy System. It evaluated whether the location of a resource bid might alleviate constraints and be able to substitute for existing generation units subject to what has traditionally been known as Reliability Must Run ("RMR") guidelines, a designation that requires certain existing Entergy generation to run to ensure transmission reliability regardless of economics. The DAT's RMR analysis sought to identify resources whose presence could lead to changes in RMR designation, although any actual change in that designation would remain the responsibility of the functionally separate Energy Delivery Business Unit.

The DAT also analyzed whether any proposal offered possible opportunity to "delist" existing Entergy-owned generation; that is, to remove the resource from dispatch due to the presence of the RFP proposal.

The DAT provided the results of its analyses to the EET so they could be integrated into the EET's economic model and help inform final proposal rankings.

The IM met with the DAT on August 8, 2012 to discuss the transmission evaluation, and followed up with additional discussions early in September, 2012. The IM concluded that the DAT's approach to its transmission evaluation was sound and would capture transmission deliverability costs and benefits fairly and effectively.

As with past RFPs, because the DAT needed to know the location of all resources to do its job, it received the name of the resource at the beginning of the evaluation. DAT members were

prohibited by RFP protocols from disclosing this information to the EET. The RFP Administrator and IM handled all communications between the DAT and the EET to ensure that this prohibition remained in place.

DAT communications and evaluation documents used bidder, resource and proposal IDs in place of names or other identifying information. At no time did the DAT have access to proposal cost information directed to the EET, or to information from the EET's evaluation models, or to any proposal's overall economic ranking.

3. Viability Assessment Team

The VAT evaluated the overall viability of all resources bid into the RFP and provided guidance on how effectively resources and their associated proposals would support Entergy System needs for baseload generation.

The VAT was composed of Entergy experts who assessed all [redacted] resources during the RFP evaluation. Their work was combined with that of the other evaluators to identify the proposals that best addressed the needs of this RFP. The IM monitored and, as needed, provided input to the VAT's work to ensure an objective and impartial review.

The VAT was staffed by subject matter experts ("SMEs") prepared to address all baseload technologies eligible to bid into the RFP. Because no coal, petcoke, or renewable resources were bid into the RFP, SMEs focused on only CCGT and nuclear resources.

SMEs who reviewed CCGT resources were all Entergy employees experienced in the subject areas for which they were responsible. Together they evaluated each resource in the following areas: a) operations, including plant, equipment and O&M issues; b) environmental issues, including permits and compliance history; c) fuel, including supply, pipeline, and transportation issues; d) commercial considerations, including business and risk issues; and e) transmission, including cost and upgrade issues.[26]

To assess nuclear resources, ESI retained experienced external nuclear consultants from two different companies to review topics associated with nuclear plant operations. This work

[26] DAT evaluators served as SMEs for the VAT's transmission review.

included: 1) evaluating nuclear plant operational and generation history; assessing reliability; measuring the success of maintenance programs; and evaluating human performance, safety, licensing, and other cross-cutting issues; and 2) assessing fuel issues including uranium mining, enrichment, fuel assembly, fabrication, and the number, experience, and quality of suppliers in each of these areas.

The VAT's Phase I preliminary assessment analyzed all [redacted] resources to determine whether they qualified as eligible resources, were capable of meeting the RFP's required start date, met capacity requirements, proposed a term of at least ten years, and were free of any "fatal flaws" that would keep them from meeting supply obligations to one or more of the Entergy Operating Companies.

The VAT's Phase I resource viability topics and sub-categories are illustrated below in Table 3.

Table 3: VAT Phase I Viability Topics

Phase I Resource Overview	**Phase I Resource Viability Summary**
• proposed start date	• meets functional objectives
• technology	• eligible resource
• dependable capacity (MW)	• delivery term equal to or greater than 10 years
• fuel type	• meets minimum 50 MW and maximum 150 MW
• secondary fuel	• 2013 start date
• heat rate	• adhered to key proposal guidelines
• delivery term (years)	• limited exceptions to term sheet
• flexibility capability option	

The VAT's Phase II assessment was organized around five focus areas that together created a scorecard for each resource. Each proposal was scored based on the importance of the focus area and on the status of each proposal in each focus area sub-category. The scorecard was similar to a tool that had been used in previous RFPs, but its topics, weightings and sub-categories were reevaluated to ensure that they addressed the needs of the 2012 RFP.

The focus areas for CCGT resources, their sub-categories, and weightings are illustrated below in Table 4.

Table 4: CCGT Resource Focus Areas

Operations	Weighting	Transmission	Weighting
Overall Status & Condition of Major Equipment	25%	Magnitude of Unavoidable Upgrade Costs	20%
Fit with Functional Objectives and Products		Electrical Metering/GIA	
Issues Associated with Common Facilities		Deliverability in the Short Term	
Key Plant/Support Personnel Experience/Knowledge		Impact on RMR Guidelines	
Reliability of Equipment/Design Configuration			
Status of Any Equipment Service Agreements			
Maintenance Program			
Availability of Spares / Storage			
Fuel	**Weighting**	**Environmental**	**Weighting**
Access to Supply Areas	20%	Status of Critical Permits	15%
Gas Pressure Rating		Environmental Compliance	
Availability of Regional Gas Storage		Operating Restrictions or Concerns	
Pipeline Interconnection			
Type of Transportation Available (Firm/IT)			
Dual Fuel Capability			
Business Experience with Pipelines			
Commercial	**Weighting**		
Product Delivery Term	20%		
Deviation from Key Proposal Guidelines			
Proposal Fuel Pricing Structure			
Viability as Long-Term Supplier			
Share Environmental CIL Risk			

The focus areas for nuclear resources, their sub-categories, and weightings are illustrated below in Table 5.

Table 5: Nuclear Resource Focus Areas

Operations	Weighting	Transmission	Weighting
Plant Operational History	25%	Magnitude of Unavoidable Upgrade Costs	20%
Plant Generational History		Electrical Metering/GIA	
Overall Status & Condition of Major Equipment		Deliverability in the Short Term	
Fit With Functional Objectives and Products		Impact on RMR Guidelines	
Key Plant / Support Personnel Experience/Knowledge			
Reliability of Equipment / Design Configuration			
Maintenance Program			
Availability of Spares / Storage			
Fuel	**Weighting**	**Environmental**	**Weighting**
[Inventory plus Upward Flexibility in Contracts x cycle length in mths] / [12 x Single Biggest Supplier Volume]	20%	Status of Critical Permits/Operating License	15%
Years of Forward Requirements Under Contract at 80-90% Level		Environmental/Regulatory Compliance	
Supplier Diversity: Number of Independent Suppliers		Operating Restrictions / Concerns / Potentials for Delayed Startups or Regulatory Shutdowns	
Supplier Status			
Spent Nuclear Fuel Offload Capability			
Commercial	**Weighting**		
Product Delivery Term	20%		
Deviation from Key Proposal Guidelines			
Proposal Fuel Pricing Structure			
Viability as Long-Term Supplier			
Share Environmental CIL Risk			

The weightings for each focus area were based on SMEs' expert opinion of its relative contribution to the overall viability of the resource and were, in the IM's view, a reasonable way to measure that contribution.

The scoring system for each sub-category was based on a three point scale with 1 as low, 5 as medium, and 10 as high. For example, when considering maintenance programs "1" indicated either that no preventive maintenance program was in place, or, if there was a program, the forced outage rate showed a history of reliability issues, "5" indicated that a preventive maintenance program was in place and the forced outage rate showed a history of generally reliable service, and "10" indicated that a preventive maintenance program was in place and the forced outage rate showed a history of "best in class" reliability. The overall score for each focus area was established by determining the simple average of the scores for each of its sub-categories. The final scorecard ranked all seven proposals based on their focus area viability scores.

Because of the short timeline for this RFP, the VAT knew the identity of bidders during its Phase I evaluation and requested clarifying due diligence information on each resource from the beginning of Phase I. During Phase II, the VAT issued additional clarifying requests to all bidders and, to enable quicker review of some information, met telephonically with 4 of the 5 bidders.[27] The IM participated in these meetings.

VAT members were prohibited by RFP protocols from disclosing bidder and resource identifying information outside the VAT. Throughout the RFP, all VAT communications and evaluation documents used bidder, resource and proposal numeric IDs in place of names or other identifying information. The VAT did not have access during the RFP to proposal cost information directed to the EET, to information from the EET's evaluation models, or to any proposal's economic ranking.

[27] Representatives from the fifth bidder were unable to participate in a VAT teleconference due to a scheduling conflict, but made detailed due diligence information available in response to the VAT's questions.

4. Credit Evaluation Team

The RFP established the CET to assess whether a bidder's credit quality combined with the proposal(s) it offered adequately addressed Entergy corporate risk management standards. The CET was responsible to identify collateral requirements or other forms of security in the event the supplier failed to perform and ESI was required to replace energy and capacity during the term of the contract. ESI described its credit evaluation in a detailed appendix to the RFP, which discussed how the CET would review a bidder's credit rating and how and when collateral requirements would be applied to different products.

The IM discussed credit and collateral requirements with ESI during the development of the RFP documents in July, 2012, and met with the CET on July 20, 2012 and again or August 8, 2012 to review its proposed credit evaluation protocols and when it would implement them. The IM concluded that they were fair and thoroughly disclosed.

The CET functioned separately from the other RFP evaluation teams. To perform a credit evaluation, it needed to know the name and organizational structure of each bidder. The CET also received information on the capacity amount and delivery term of each proposal, but no information on proposal cost, transmission, or operations. No bidder was excluded from participating in the RFP due to its credit position, and the CET's credit evaluation had no effect on the outcome of the evaluation. Instead, recommendations from the CET were slated to be considered during PPA negotiations with any successful third party bidder. Because no third party bidder was selected in this RFP, there were no PPA negotiations.

B. Phase I

The goal of the Phase I evaluation was to determine which proposals would be candidates for the preliminary shortlist. Phase I began on September 17, 2012 when the RFP Administrator began providing bid information to evaluators, and was completed when bidders were notified of their shortlist status on October 5, 2012.

EET, DAT and VAT evaluators reviewed proposal information they received and submitted clarifying questions to bidders through the RFP Administrator. Clarifying questions are monitored by the IM and can address any issue related to a proposed bid. For example, they can

request confirmation of a bid point, ask for additional information, request clarification of a special consideration attached to a proposal, or ask for more information on an option a bidder proposes.

1. DAT Evaluation

In addition to determining where all resources bid into the RFP were located, the DAT's Phase I work set in motion the deliverability evaluations and RMR and delist analyses that would be completed in Phase II. These analyses were described in Section III.A.2. of this report.

2. VAT Evaluation

VAT SMEs analyzed the information they had received for all resources, but focused principally during Phase I on whether any of the resources presented fatal flaws that would eliminate it from consideration.

Based on its Phase I assessment, the VAT concluded that none of the [redacted] proposed resources contained any fatal flaw that would keep it from providing reliable baseload supply. The VAT sought and received the IM's concurrence with its conclusion that all [redacted] resources were viable. The RFP Administrator and IM provided the VAT's report and conclusions regarding the viability of all seven proposals to the EET to consider when it prepared its Phase I proposal rankings.

3. EET Evaluation

The EET performed a fundamental economic analysis during Phase I. The EET's Phase I fundamental economic analysis used the bid information and assumptions described earlier in this report to estimate a stream of costs for each proposal. During Phase I, these costs did not include transmission delivery costs. The present value of the stream of costs determined the levelized cost of each proposal over the 30 year term being evaluated and provided the EET's initial proposal ranking.

Phase I levelized costs of the seven proposals are shown below in Table 6. The proposals are numbered so the reader can track them across this and following Tables in this IM report.

Table 6: EET Phase I Levelized Cost

Proposal	Product	Levelized Cost ($/MWh)
[redacted]	PPA	[redacted]
[redacted]	PPA	[redacted]
[redacted]	PPA	[redacted]
[redacted]	PPA	[redacted]
[redacted]	PPA	[redacted]
[redacted]	PPA	[redacted]
[redacted]	PPA	[redacted]

Combining the results of its Phase I economic analyses with the viability assessment from the VAT, the EET recommended that all seven proposals be selected to the RFP preliminary shortlist. The IM concurred with the EET's recommendation.

On October 5, 2012, ESI discussed Phase I outcomes with LPSC Staff. Staff suggested that ESI conduct a separate review of the nuclear proposal to assess whether the self-supply team's economic estimates were a reasonable measure of future costs. Unlike market proposals, the self-supply nuclear proposal was cost based and did not guarantee its price. Coupled with the VAT's due diligence assessment that would consider the nuclear resource's historical reliability and other operating issues, additional cost assessment of the nuclear proposal could give ESI greater certainty regarding its economics.

Following the meeting with Staff, the RFP Administrator notified all bidders that all proposals had been selected to the 2012 RFP preliminary shortlist and would proceed to Phase II of the evaluation.

C. Phase II

Phase II was a detailed evaluation of all shortlisted proposals. The VAT continued its due diligence assessments of each resource and proposal. The DAT completed transmission deliverability evaluations, assessed the impact of each proposal on RMR requirements, and investigated whether any proposal could affect delist opportunities. The EET integrated VAT

and DAT results into its fundamental economic and net benefit analyses to form a comprehensive assessment of each proposal. The results of these combined analyses drove ESI's final RFP award decision.

1. VAT Evaluation

During Phase II, VAT SMEs continued their review of each resource and proposal. The VAT issued additional follow-up questions to bidders, and, before concluding its review and formulating its recommendations, held separate teleconference meetings on October 17 and 18, 2012 with four of the five bidders.

The IM discussed VAT viability conclusions with the team to ensure that they fairly represented the information that the team had received and verified for each resource. The scorecard provided a snapshot of each proposal based on information bidders provided, from VAT follow-up requests for information, and from publicly available sources. The briefing document summarized VAT findings on each proposal's benefits and risks, and included VAT comments on potential mitigating factors.

Accompanying the scorecard was a key describing how the 1 (low), 5 (medium), and 10 (high) scores applied to each sub-category, and a background summary providing a brief rationale for each score.

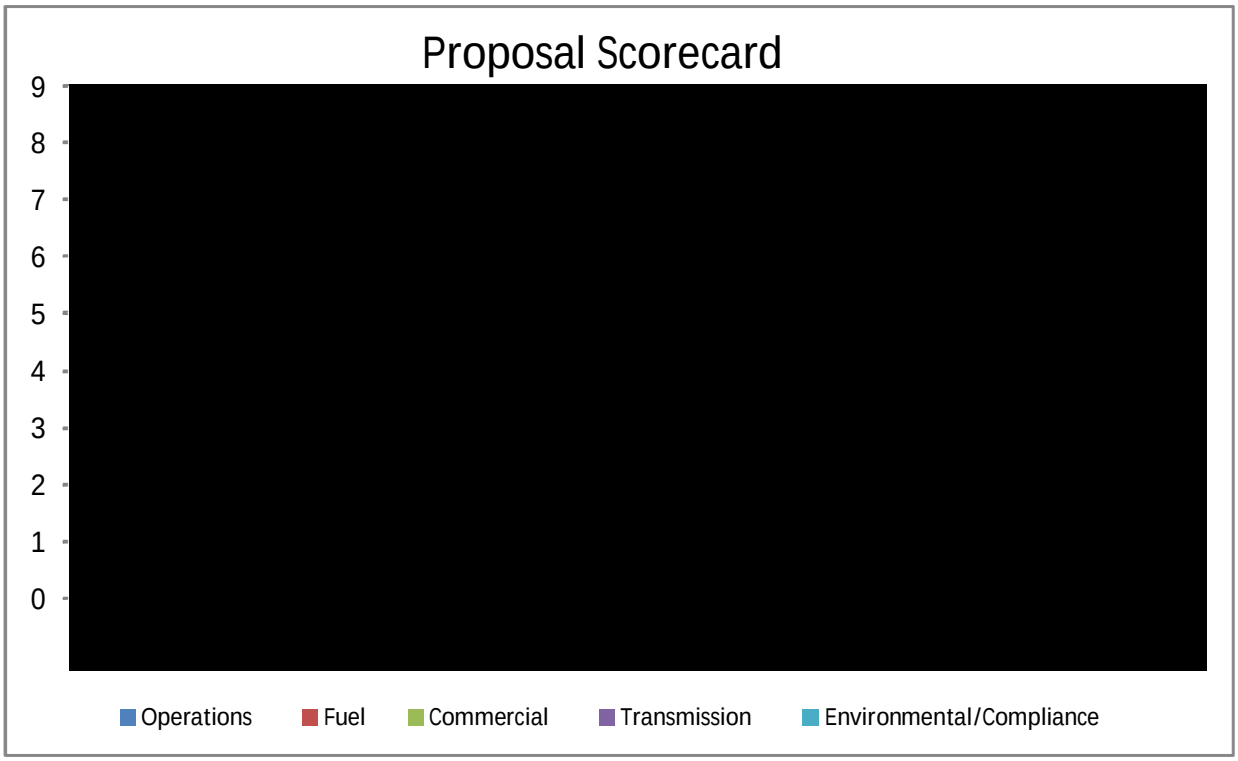
In general the scorecard reinforced the VAT's Phase I conclusion that all resources were capable of meeting the capacity needs of the RFP. Overall, the total and weighted average scores for the seven proposals were [redacted] – ranging from a low of [redacted] to a high of [redacted]. Some individual focus area scores were stronger than others, but there were no disqualifying conditions associated with any resource or proposal.

Both bidders and the VAT were challenged by the large amount of information that was requested and reviewed during a very compressed period, but the VAT's approach to measuring the viability of each proposal was objective, and appropriately accounted for differences in CCGT and nuclear resources. The IM concurred with the VAT's conclusions.

On October 24, 2012, the RFP Administrator provided the final viability scorecard and briefing document to the EET and the VAT met with the EET and the IM to discuss it.

Proposal scorecard summary results are shown below in Table 7.

Table 7: VAT Phase II Scorecard Summary



3. DAT Evaluation

The DAT focused on the following issues in its Phase II evaluation of each proposal: a) the transmission upgrade costs that might be incurred to deliver the proposed power; b) the deliverability of the resource in the short term; and c) the impact, if any, on RMR guidelines and whether the resource provided any delist options.

The DAT discussed its Phase II analysis results with the IM on October 8 and October 10, 2012. Phase II results described the costs and benefits of each proposal. For those proposals that were not fully deliverable, the DAT provided alternatives, if they were available (e.g., transmission upgrade, partial delivery, or delisting an Entergy resource). The DAT's conclusions are briefly summarized here.

- One proposal, the GGRS, was not studied because it already qualified as an Entergy designated network resource.

- [redacted] of the seven proposals required transmission upgrade expenditures to deliver the proposed power during at least one of the study periods; [redacted] of these proposals w[redacted] it would require transmission upgrades.

  [redacted] of these proposals presented a possible delist option; that is, delisting an Entergy-owned resource could make the proposal deliverable without transmission upgrades.

- [redacted] proposals did not require transmission upgrades.

- [redacted] of the seven proposals offered potential RMR benefits. [redacted] other proposals did not.

Following this review, the IM approved the DAT's providing its analyses and conclusions to the EET for its use in its Phase II economic evaluations. The DAT discussed its Phase II results with the EET and IM on October 11 and, following additional analysis performed at the EET's request and with the IM's concurrence, again on October 22, 2012.

3. EET Evaluation

The EET refreshed its fundamental economic analysis and conducted a net benefit analysis during Phase II. The EET added any transmission cost or benefit provided by the DAT to arrive at its final economic analysis of all proposals and its final proposal ranking.

Following up on the suggestion of LPSC Staff at the end of Phase I, the EET also conducted its own analysis of the nuclear resource to determine whether its non-fuel cost components were a reasonable estimate of the costs that might be incurred in the future. The EET considered three different methods: [redacted]. [redacted] of the [redacted] assessments were [redacted]. The EET concluded that its assessment showed the non-

fuel component of the proposal to be a reasonable estimate of its potential future costs. The IM concurred with the EET's conclusion.

The EET's Phase II levelized cost and net benefit analyses included information for all seven proposals, included each proposal's viability score, and was based on a case that reflected no CO_2 prices. It is shown below in Table 8.

Table 8: EET Phase II Economic Evaluation Results

Proposal	Levelized Total Cost ($/MWh)	Fundamental Analysis Rank	Levelized Net Benefit / (Cost) ($/kW year)	Net Benefit Analysis Rank	Viability Assessment Score
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Based on the results of the combined analyses of the VAT, the DAT, and its own economic evaluation, the EET recommended [redacted] for selection in the 2012 RFP because it showed the greatest cost, transmission, and viability benefits over the evaluation term. The IM concurred with the EET's recommendation. [redacted] is the GGRS self-supply proposal for 59 MW for 30 years.

4. Final Briefings

On October 29, 2012, ESI briefed the LPSC Staff and the IM on the RFP's results and indicated that it would recommend to the Operating Committee that it allocate the GGRS to EMI.

ESI recommended moving forward with the GGRS proposal because, compared to the other proposals, it provided the greatest benefit to EMI, while also providing supply diversity. The Operating Committee concurred with ESI's recommendation.

5. Notifying Bidders

On November 2, 2012, ESI informed the self-supply team that the GGRS self-supply proposal had been selected for award. ESI also notified the other bidders that their proposals would no longer be considered in the 2012 RFP.

D. Comments

The validity of the RFP depended on whether proposal evaluation was thorough, objective, impartial, and free of undue preference toward any bidder. Based on my close oversight, I conclude that the evaluation met these standards. My conclusion is supported by the following observations:

- The evaluation was consistent with the description and protocols described in the RFP. All evaluators adhered to the safeguards in place to ensure fair and objective treatment of all proposals. At the end of Phase I, all proposals were short listed. During Phase II, VAT and DAT evaluators performed more in depth due diligence and deliverability analyses, but did not have access to fundamental or production cost economic information, EET analyses, or overall economic rankings. The EET did not at any time during the RFP have access to information on the identity of any bidder, although the presence of only one nuclear resource limited the ability to shield the identity of that bidder. All facets of the evaluation were overseen by the IM, who worked closely with the VAT, the DAT, and the EET.

- The Phase I and Phase II economic and transmission evaluations conferred no undue advantage on any proposal and identified the proposal that provided the greatest overall benefits to the Entergy System. Bid evaluation procedures and models were consistent with industry standards. The RFP evaluated all proposals, including the self-supply proposal, at the same time and using the same models and procedures. The economic

evaluation of all bids was fair and objective. Transmission evaluations fairly assigned responsibility for transmission costs and benefits.

- The VAT's due diligence review of the GGRS self-supply resource played an important part in understanding the operating and fuel characteristics of this cost-based resource. The nuclear experts ESI retained to perform due diligence on nuclear operations and fuel issues were essential to the RFP's understanding of the likely future performance of this cost-based, regulated resource.

IV. Conclusion

During the RFP, the IM had access to all RFP information and all ESI personnel, and monitored RFP activities closely. ESI cooperated with the IM and involved her in each step of the RFP.

The GGRS self-supply proposal was selected following a carefully managed process that attracted seven proposals from [redacted] CCGT resources and one nuclear resource. The RFP evaluation concluded that the 59 MW GGRS self-supply proposal best met Entergy System baseload requirements at the lowest cost to rate payers when compared to all other proposals.

Overall, it is the IM's conclusion that the proposed self-supply proposal was selected by ESI as the result of an objective RFP that showed no undue preference toward any proposal. This conclusion is supported by evidence regarding the development and implementation of the RFP, and the evaluation of RFP proposals, all of which have been described in detail in this report.

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