
2014 Request for Proposals For Capacity Credits

Technical Conference and Bidders' Conference

MARCH 26, 2014

Conference Introduction

- **Questions**

- Please submit all questions in writing to the RFP Administrator either through email at esirfp@entergy.com or through the webcast chat function
 - » Ensures that ESI has an accurate record of each question posed
- During the conference participants may also submit questions anonymously to the LPSC's representative Ann Hill at Ann.Hill@LA.gov
- After the conference, ESI will post the questions asked during the conference and the definitive responses on the 2014 Capacity Credit RFP Website
 - » If ESI's posted response differs from the oral response given during the conference, the written response will control

- **Administrative**

- In the event of an inconsistency between the presentation and the draft RFP documents, the draft documents will control
- All phones must be on mute
- Please do NOT place your phone on hold
- Email the RFP Administrator at esirfp@entergy.com with any technical issues or questions about the conference
- Defined terms in this presentation have the meaning specified in the RFP

Agenda Items

- **Introductions**
- **Overview of 2014 Capacity Credit RFP**
 - Representative Schedule
 - RFP Purpose and Planning Targets
 - Eligible Participants
 - Summary of Key Purchase Agreement Terms
 - Commercial Negotiations
 - Bidder Registration & Proposal Submission Process
 - RFP Process Safeguards
- **Proposal Evaluation Process**
 - Evaluation Overview
 - Economic Evaluation
 - Credit Review/Collateral Requirements
- **Break**
- **Q&A Session**

Introductions

- **ESI Presenters**

- April Phelps
Project Manager
- Andrew O'Brien
Director, Asset Operations
- Jaime Williamson
RFP Administrator
- Phong Nguyen
Manager, Financial Analysis
- Doug Adair
Manager, Credit

- **Additional Entergy Participants**

- Jason Bilbe
Assistant General Counsel - Regulatory
- James Miller
Assistant General Counsel – Commercial
- John Pietras
Sr. Legal Counsel – Commercial

- **LPSC Staff and Technical Consultants**

- Ann Hill
LPSC Staff Attorney
- Karl Nalepa
ReSolved Energy Consultant
- Bill Starnes
ReSolved Energy Consultant

Overview of 2014 Capacity Credit RFP

**Representative Schedule, RFP Purpose and Planning Targets and
Eligible Participants
(April Phelps)**

Representative Schedule

Target RFP Schedule*

Milestone	Date
➤ Draft RFP Documents Issued	March 5, 2014
➤ LPSC Technical and ESI Bidder's Conference	March 26, 2014
➤ Comments to Draft Documents Due	March 28, 2014
➤ Final RFP Documents Issued	April 9, 2014
➤ Bidder Registration Period	April 9 – 14, 2014
➤ Last Date to Pay Bidder Fees	April 22, 2014
➤ Proposal Submission Period	April 29 – May 2, 2014
➤ Bidders Notified of Credit Requirements	May 9, 2014
➤ Bidders Notified of RFP Results	May 28, 2014
➤ Purchase Agreement(s) Executed	June 30, 2014
➤ Regulatory Approvals	April 2015

** This schedule is representative only and subject to change. Any schedule changes will be posted to the 2014 Capacity Credit RFP Website.*

RFP Purpose and Planning Targets

- **The RFP is intended to identify opportunities to purchase Capacity Credits (currently in the form of Zonal Resource Credits) for the Included Entergy Operating Companies¹**

- **The RFP aims to satisfy important planning objectives of the Included Entergy Operating Companies, including:**
 - Partly satisfying Capacity Credit needs at the lowest reasonable cost for the five specified Planning Years
 - Mitigating future Capacity Credit price risk
 - Helping to meet future MISO resource adequacy requirements

- **The aggregate number of Capacity Credits targeted for purchase in each of the Planning Years from 2016 – 2017 through 2020-2021 is:**

Year	Planning Year	Target Capacity Credit Quantity*
1	June 1, 2016 – May 31, 2017	100 - 500
2	June 1, 2017 – May 31, 2018	500 - 1000
3	June 1, 2018 – May 31, 2019	500 - 1000
4	June 1, 2019 – May 31, 2020	500 - 1000
5	June 1, 2020 – May 31, 2021	500 - 1000
* UCAP MW		

¹Entergy Louisiana, LLC, Entergy Gulf States Louisiana, L.L.C., Entergy Texas, Inc. and Entergy New Orleans, Inc.

Eligible Participants

- **ESI invites proposals from all interested parties capable of meeting the conditions and requirements of the RFP**
- **Affiliates of Entergy Corporation, including Entergy Competitive Affiliates, are ineligible to participate in the RFP**
- **Eligible RFP participants**
 - Other electric utilities
 - Marketers
 - Wholesale generators
 - Independent power producers
 - QFs
- **A bidder may not consist of more than one entity**
- **Eligible Participants must be able and commit to transfer Capacity Credits to any of the Included Entergy Operating Companies using the MISO MECT Tool (or any successor system)**

**Summary of Key Purchase Agreement Terms and Commercial
Negotiations
(Andrew O'Brien)**

Summary of Key Purchase Agreement Terms

- **Capacity Credit Term:**
 - Minimum Term is one Planning Year
 - Maximum Term is five Planning Years
 - Capacity Credits may be offered for one, more than one, or all of the Planning Years

- **Contract Quantity**
 - Minimum Contract Quantity is 50 Capacity Credits
 - Maximum Contract Quantity is the maximum Target Credit Capacity Quantity for each Planning Year (slide 10); ESI prefers proposals offering less than the maximum

- **Delivery Deadline**
 - The Contract Quantity for a given Planning Year must be transferred by the earliest of:
 - » Noon (CPT) on the March 1st immediately preceding the Planning Year
 - » Ten Business Days before any MISO deadline applicable to the filing of any MISO resource adequacy plan for the Planning Year
 - » Ten Business Days before the first day of the MISO incremental capacity auction for the Planning Year
 - » Ten Business Days before any applicable MISO deadline regarding the use of Capacity Credits to satisfy MISO's resource adequacy requirements

Summary of Key Purchase Agreement Terms (Continued)

- **Pricing and Price Adjustments**

- Each Capacity Credit will have an associated fixed price (\$/MW-Planning Year)
- Price adjustments (both positive and negative) will be made if the Capacity Credit is sourced from a MISO Planning Resource not located in MISO Local Resource Zone 9
- Any Capacity Credit sold to Buyer that limits or restricts Buyer's ability to obtain the full benefit of the Capacity Credit for MISO resource adequacy purposes will be considered undelivered and will not be entitled to payment from Buyer

- **Seller Credit Support**

- At the time a Purchase Agreement is executed, Seller may be required to provide performance assurance to support its Purchase Agreement commitments
- During the term of the Purchase Agreement, Buyer will have the right to require additional credit support (or if such Seller did not initially provide credit support, an initial amount of credit support) for the following:
 - » any Published Credit Rating of Seller or Seller's Credit Support Provider is downgraded from its then-current rating,
 - » Buyer's potential exposure to Seller under the Purchase Agreement materially increases, or
 - » Buyer otherwise has reasonable grounds for insecurity regarding Seller's ability to perform its obligations under the Purchase Agreement
- Bidders are encouraged to review Appendix D to the RFP and the Purchase Agreement

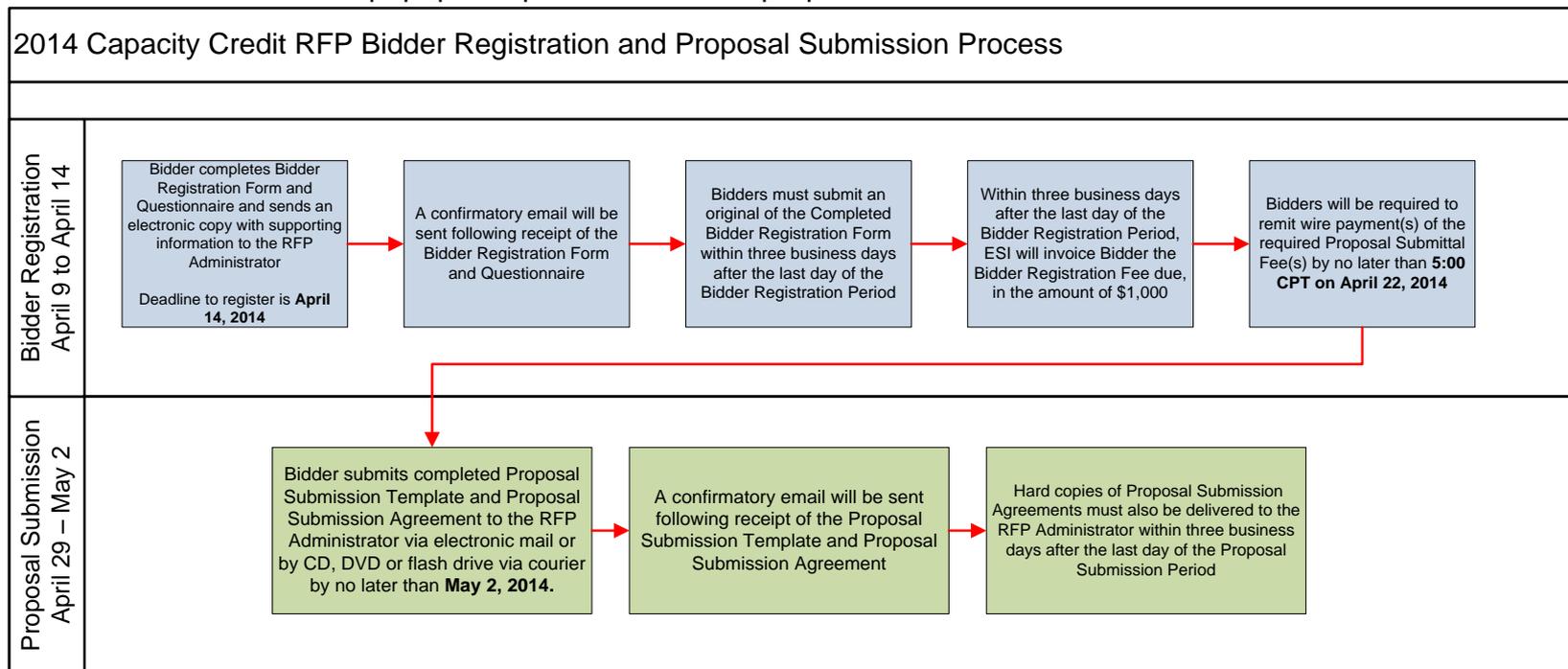
Commercial Negotiations

- **ESI will not negotiate any of the terms of the Purchase Agreement posted with the final RFP documents**
- **Because ESI does not intend to make any modifications to the Purchase Agreement (other than to account for the terms of a Bidder's proposals), Bidders are urged to carefully review the draft Purchase Agreement and must submit any and all desired changes to the RFP Administrator *by no later than March 28, 2014***
- **Proposals that take exception to any term contained in the Purchase Agreement or are contingent on any "special consideration" or "special exception" will be considered non-conforming and eliminated from consideration**

**Bidder Registration, Proposal Submission and RFP Process
Safeguards
(Jaime Williamson)**

Bidder Registration & Proposal Submission Process

- **Registration and Submission will utilize forms and templates posted to the 2014 Capacity Credit RFP Website, including:**
 - Bidder Registration Form and Questionnaire
 - Proposal Submission Template
 - Proposal Submission Agreement
- **All proposal-related documents must be submitted via courier or e-mail**
 - Original copy of executed Bidder Registration Form
 - Original copy of executed Proposal Submission Agreement
 - ESI will not accept paper copies of electronic proposals



Bidder Registration & Proposal Submission Process

- **Bidder Registration Fees**
 - \$1,000 for each registered Bidder
 - Bidder invoiced within three business days after the end of the Bidder Registration Period
 - *ESI must receive the Bidder Registration Fee for each Bidder no later than 5:00 p.m. CPT on April 22, 2014 (current schedule)*
 - If Bidder misses the payment deadline, Bidder will be ineligible to participate in the RFP

- **RFP Hotline**
 - The RFP Hotline will be available during bidder registration and proposal submission to assist Bidders with technical questions regarding either process
 - The number for the RFP Hotline is (281) 297-3758
 - Only technical process questions are permitted

RFP Process Safeguards

- **Codes of conduct**
 - Employees of ESI, any Entergy Operating Company, or any Entergy Competitive Affiliate must abide by applicable Affiliate Rules and Codes of Conduct
 - Links provided on the 2014 Capacity Credit RFP Website

- **Additional protocols**
 - Interactions between Evaluation Teams is limited
 - ESI personnel involved in the evaluation process must adhere to confidentiality restrictions that strictly limit communication with and access to the Evaluation Teams

- **RFP process design and implementation**
 - The RFP process has been designed to assure fair and impartial treatment of all Bidders
 - Bidder identification is masked as appropriate and proposal information is redacted to remove information that might identify Bidders

Proposal Evaluation Process

Evaluation Overview and Economic Evaluation (Phong Nguyen)

Evaluation Overview

- **Primary Objective**
 - To select a proposal or proposals that meet the requirements of the RFP and the needs of the Included Entergy Operating Companies at the lowest reasonable cost, taking into account risk mitigation and other relevant factors
- **The evaluation process is designed to facilitate the fair and impartial economic evaluation of all proposals**
- **Two RFP Proposal Evaluation Teams will evaluate proposals**
 - Economic Evaluation Team (EET)
 - Credit Evaluation Team (CET)
- **The evaluation process will consist of two (2) phases**
 - In Phase I, ESI will evaluate the information provided by Bidder(s) in the Bidder Registration Form and Questionnaire
 - In Phase II, (i) proposals will be reviewed and assessed based on their full-in economic cost and (ii) the credit support requirements for each Bidder will be established
- **Primary and Secondary Selection Lists**
 - At the conclusion of the evaluation process, a Primary Selection List that identifies the proposal(s) selected for execution of a Purchase Agreement will be created
 - In addition, a Secondary Selection List will also be established, that includes proposal(s) selected for possible execution of a Purchase Agreement
 - Bidders who do not have a proposal selected for the Primary or Secondary Selection Lists will be notified and have no subsequent participation in the RFP
- **ESI reserves the right to select proposals outside of rank order in order to, among other things, diversify the Included Entergy Operating Companies' committed Capacity Credit supply pool, gain Capacity Credit purchase experience with multiple sellers of Capacity Credits, and/or reduce the Included Entergy Operating Companies' exposure to counterparty default risk**

Economic Evaluation

- **The EET is responsible for the evaluation of the economics of proposals received in response to the RFP and the ranking of the proposals**
- **The EET may assess and factor into its evaluation any costs, risks and matters that the EET determines to be relevant to an estimate of the full-in economic cost or benefit of a proposal**
- **The economic evaluation will rely on tools and methods commonly used by the Included Entergy Operating Companies for planning and resource evaluation**
- **The EET will evaluate the proposals and select the portfolio of proposal(s), if any, that it determines best meet the requirements of the RFP and the needs of the Included Entergy Operating Companies at the lowest reasonable cost, taking into account risk mitigation and other relevant factors**

Credit Review/Collateral Requirements (Doug Adair)

Credit Evaluation Overview

- **Following the Bidder Registration Process, the CET will begin its credit assessment for the RFP, using the information provided by Bidders in the Bidder Registration Form and Questionnaire**
- **The credit evaluation process seeks to assure that the credit quality of Bidder or its Credit Support Provider, when considered in light of its RFP proposals, complies with ESI's corporate risk management standards**
- **As part of the credit evaluation process, the CET, at its sole discretion, will determine how much credit support, if any, Seller will be required to provide initially under the Purchase Agreement and the form of such credit support**
- **Bidders are expected to be notified of the amounts of their credit support requirements on or about one week after the last day of the Proposal Submission Period**
- **Within seven (7) days after notification, Bidder will be required to commit to meet such credit support requirement and, if requested by ESI, demonstrate or provide evidence of its ability to meet such credit support requirement**
- **Credit support will not be required to be posted until execution of the Purchase Agreement; however, Bidder's proposal(s) may be eliminated from consideration if Bidder fails to commit to meet its credit support requirements or to demonstrate or provide evidence of its ability to meet such credit support requirements within the seven-day period described above**

Determination of Credit Support Requirements

- **The CET will apply its own internal procedures to determine, for each conforming proposal submitted by Bidder, the CET Credit Rating of Seller (and, if applicable, its Credit Support Provider), including a credit analysis of financial statements utilizing, among other things, leverage, liquidity and profitability metrics**

- **If Seller or Credit Support Provider has a Published Credit Rating, the CET credit rating, will, in most cases, be equivalent to such Published Credit Rating**

- **The amount of any credit support that Seller or Credit Support Provider is required to provide initially under the Purchase Agreement will be a function of:**
 - Seller's or its Credit Support Provider's CET Credit Rating
 - The unsecured credit threshold applicable to Seller
 - Buyer's potential credit exposure to Seller
 - Other factors deemed appropriate by the CET

- **Any credit support required to be provided by Seller under the Purchase Agreement could take the form of:**
 - Parent Guaranty
 - Letter of Credit
 - Cash Collateral
 - Other forms of credit support acceptable to ESI

Credit Support Requirements General Guidance

- Buyer's anticipated maximum potential exposure to Seller can be generally estimated based on the table below

Buyer's Anticipated Maximum Potential Exposure to Seller	\$100,000 per Capacity Credit per Planning Year
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- The CET's determination of Seller's initial credit support requirement will take into account the unsecured credit threshold applicable to such Seller based on its CET Credit Rating, as set forth in the table below

CET Credit Rating of Seller or Seller's Credit Support Provider	Unsecured Credit Threshold
a- to a+ CET Rating (generally equivalent to A- to AAA (S&P) and A3 to Aaa (Moody's))	\$50 million
bbb to bbb+ CET Rating (generally equivalent to BBB to BBB+ (S&P) and Baa2 to Baa1 (Moody's))	\$35 million
bbb- CET Rating (generally equivalent to BBB- (S&P) and Baa3 (Moody's))	\$25 million
b- to bb+ CET Rating (generally equivalent to B- to BB+ (S&P) and B3 to Ba1 (Moody's))	\$3 million
c+ or lower CET Rating (generally equivalent to CCC+ or lower (S&P) and Caa1 or lower (Moody's)) or unrated	\$0

- The anticipated maximum potential exposure for a given Seller calculated after application of the applicable unsecured threshold above is subject to adjustment by ESI, including downward adjustment, based on Seller-specific information evaluated by the CET

Break

Q&A Session

ESI requests that Bidders submit all questions in writing to the RFP Administrator at esirfp@entergy.com or through the webcast chat function.

During today's conference participants may also submit questions anonymously to the LPSC representative Ann Hill at Ann.Hill@LA.gov

Q&A Session

Participant Questions and/or Feedback

- Questions received during today's conference will be posted to the RFP Website:
<https://spofossil.entergy.com/ENTRFP/SEND/2014CapacityRFP/Index.htm>
- All RFP related questions following the conference must be emailed to the RFP Administrator by March 28, 2014 at esirfp@entergy.com
- ESI requests written questions/feedback regarding the RFP documents from market participants and other interested parties by the close of business on March 28th, 2014

For Additional Information on MISO

- MISO Website - <https://www.misoenergy.org/Pages/Home.aspx>
- MISO Markets and Operations Website - <https://www.misoenergy.org/MARKETSONERATIONS/Pages/MarketsOperations.aspx>
- Becoming a Market Participant Website - <https://www.misoenergy.org/StakeholderCenter/MarketParticipants/Pages/BecomingaMarketParticipant.aspx>
- Market Participant Resources - <https://www.misoenergy.org/StakeholderCenter/MarketParticipants/Pages/MarketParticipants.aspx>