



Appendix D

Credit/Collateral Requirements

For

2014 Request For Proposals

For

Capacity Credits

~~DRAFT~~

Entergy Services, Inc.
~~March 5,~~ April 9, 2014

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

APPENDIX D CREDIT/COLLATERAL REQUIREMENTS

This Appendix D contains a brief overview of the credit evaluation procedures expected to be utilized during the overall proposal evaluation process. These procedures seek to assure that Seller's credit quality, when considered in the context of Bidder's proposal to ESI, complies with ESI's corporate risk management standards, and that any requirements for credit support associated with the proposal are identified.

A. Requirements for Bidder Registration

For purposes of ESI's credit evaluation procedures, Bidder must provide the information requested in the Bidder Registration Form and Questionnaire for Seller and any Credit Support Provider, including, if financial information is consolidated with other entities, all data related to Seller or Credit Support Provider that must be extracted and submitted as separate documents by Bidder.

B. 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. These procedures include, without limitation, a credit analysis of financial statements utilizing, among other things, leverage, liquidity and profitability metrics. If Seller has a Published Credit Rating, the CET Credit Rating will, in most cases, be equivalent to such Published Credit Rating.

Based on Seller's CET Credit Rating, the CET, at its discretion, will determine how much credit support, if any, Seller will be required to provide initially under the Purchase Agreement, if such agreement were to be entered into by the parties, and the form of such credit support. Bidders are expected to be notified of the amounts of their applicable credit support requirements on or about one week after the Required Proposal Submission Time.

Within seven (7) days after notification from ESI of its credit support requirement, Bidder will be required to commit to meet such credit support requirement and, if requested by ESI, demonstrate or provide evidence of, to ESI's satisfaction, its ability to meet such credit support requirement, including, for example, by providing a commitment letter from a bank indicating its willingness to issue a letter credit on or prior to execution of the Purchase Agreement, if such agreement were to be executed, that would satisfy such credit support requirement. Failure to meet the foregoing requirement may cause Bidder's proposal to be eliminated from further consideration.

The amount of any credit support required to be provided by Seller initially under the Purchase Agreement will be a function of Seller's or Seller's Credit Support Provider's CET Credit Rating, the unsecured credit threshold applicable to such Seller, Buyer's potential credit

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

APPENDIX D

Credit/Collateral Requirements

exposure to Seller, and other factors deemed appropriate by the CET. Please refer to Annex D-1 attached hereto for general guidance regarding the potential amount of credit support a given Seller may be required to provide initially under the Purchase Agreement). Annex D-1 is provided for general guidance only and not to provide a means of calculating the actual amount of credit support that will be required from a given Seller.

As illustrated in Annex D-1, Sellers with higher CET Credit Ratings will have higher unsecured credit thresholds that may result in the reduction or elimination of the requirement that such Sellers provide credit support initially under the Purchase Agreement.

Any credit support required to be provided by Seller under the Purchase Agreement could take the form of:

- a parent guaranty
- a letter of credit
- cash collateral
- other forms of credit support acceptable to ESI
- combinations of the foregoing,

provided that any form of such credit support provided by Seller is subject to the requirements of the Purchase Agreement. Please see Schedule C and Schedule 8.2 of the Form of Capacity Credit Purchase Agreement attached as Appendix B to the Main Body for the forms of parent guaranty and letter of credit that Bidder would be required to provide in substantially the forms thereof if such forms of credit support are required by Seller.

With respect to any credit support provided by a Credit Support Provider, the CET will undertake a similar process with respect to such Credit Support Provider as described in this Section B for Seller in order to determine a CET Credit Rating for such Credit Support Provider. The Seller will get credit toward an Unsecured Credit Threshold based on the CET Credit Rating for the Credit Support Provider and the value of the parent guaranty provided. As general guidance, a Credit Support Provider with a CET Credit Rating equivalent to BBB- or higher from S&P and Baa3 or higher from Moody's that is the direct or indirect parent of Seller will be eligible to provide a parent guaranty.

If, at any time during the term of the Purchase Agreement, (i) any Published Credit Rating of Seller or Seller's Credit Support Provider is downgraded from its then-current rating, (ii) Buyer's potential exposure to Seller under the Purchase Agreement materially increases, or (iii) Buyer otherwise has reasonable grounds for insecurity regarding Seller's ability to perform its obligations under the Purchase Agreement, Buyer will have the right to require that additional credit support (or, if such Seller did not initially provide credit support, an initial amount of credit support) be provided by such Seller at that time.

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

APPENDIX D
Credit/Collateral Requirements

C. Bidder Selection

While credit support is not required to be posted until the execution of the Purchase Agreement, Bidder's proposal may be eliminated from further consideration if Bidder fails to commit to meet its credit support requirement and, if requested by ESI, demonstrate or provide evidence of its ability to meet such credit support requirements required in Section B above. Finally, please note that, in the selection of Bidders for the Primary Selection List and the Secondary Selection List, the CET may establish limits for the aggregate amount of exposure (pursuant to this RFP plus existing transactions) of the Included Entergy Operating Companies to a Seller or to certain groups of suppliers, including groups that are supported by the same Credit Support Provider (as defined below), as it sees fit.

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

Annex D-1

Credit Support Requirements General Guidance

Buyer's exposure to a given Seller will be determined during the credit evaluation process. Subject to adjustments as noted in Appendix D and this Annex D-1, Buyer's anticipated maximum potential exposure to a given Seller can be estimated generally based on the table below.

Buyer's Anticipated Maximum Potential Exposure to Seller	\$100,000 per Capacity Credit per Planning Year
---	---

The CET's determination of the amount of Seller's initial credit support requirement under the Purchase Agreement 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 Provider¹	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 credit threshold above is subject to adjustment by ESI, including downward adjustment, based on Seller-specific information evaluated by the CET, including the terms of the applicable proposal, and other information the CET deems relevant.

¹ In the event of split ratings, the CET Credit Rating generally coincides with the lower of the S&P and Moody's ratings.

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

Document comparison by Workshare Compare on Wednesday, April 09, 2014
5:01:40 PM

Input:	
Document 1 ID	file://C:\Users\jpietra\Documents\RFPs\Capacity\Final Documents\Initial Posting\Appendix D (Credit_Collateral Requirements)_Final.docx
Description	Appendix D (Credit_Collateral Requirements)_Final
Document 2 ID	file://C:\Users\jpietra\Documents\RFPs\Capacity\Final Documents\Final Versions\Appendix D (Credit_Collateral Requirements)_FINAL (3).docx
Description	Appendix D (Credit_Collateral Requirements)_FINAL (3)
Rendering set	Standard

Legend:	
Insertion	
Deletion	
Moved from	
Moved to	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	1
Deletions	2
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	3