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Report of the Independent Monitor

Entergy Services, Inc.

ELL/EGSL 2015 Request for Proposals

For

Long-Term Developmental and Existing Capacity and Energy Resources for WOTAB

September, 2016

Prepared by
Merrimack Energy Group, Inc.

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Executive Summary

Entergy Louisiana, LLC ("ELL") plans to file an application with the Louisiana Public Service Commission ("LPSC" or "Commission") for authorization to construct the Lake Charles Power Station, a nominal 994 MW 2x1 combined cycle gas turbine ("CCGT") unit to be constructed at ELL's Roy S. Nelson plant site in Westlake, Louisiana. The project was selected as a result of ELL/EGSL's Request for Proposals ("ELL/EGSL RFP" or "RFP") for Long-Term Developmental and Existing Capacity and Energy Resources.

Entergy Services, Inc. ("Entergy Services" or "ESI")[1] issued its 2015 ELL/EGSL RFP[2] for Long-Term Developmental and Existing Capacity and Energy Resources on September 29, 2015. The RFP sought up to 1,000 MW of long-term capacity, energy, and related products from Developmental Resources (to be located in the Louisiana portion of WOTAB)[3] and/or existing resources (to be located within the MISO South footprint) with service beginning on or before June 1, 2020. The requirement to issue an RFP for resources in the WOTAB region was driven by Entergy Louisiana's Integrated Resource Plan ("IRP") which identified a need in its five-year action plan to issue the WOTAB RFP to solicit proposals for a new Combined-Cycle Gas Turbine ("CCGT") unit in the Lake Charles area in the 2020-2021 timeframe.

Eligible proposals could be in the form of a Power Purchase or Tolling Agreement for unit contingent products or Acquisitions of Developmental Resources only. The RFP is limited to resources that are RFP-Eligible Resources which include:

- Developmental Resources that are physically located in the Louisiana portion of WOTAB, preferably near the Lake Charles area, or existing generation resources physically located in the MISO South footprint;
- Will utilize an RFP-Eligible technology identified in the RFP;
- Will be a single integrated resource;
- Meet the other requirements for generating resources participating in the RFP.

The competitive bidding process initiated by ESI was undertaken under the Louisiana Market-Based Mechanism ("MBM") General Order.

Merrimack Energy Group, Inc. ("Merrimack Energy") was selected to serve as the Independent Monitor ("IM") for Entergy Services, Inc. 2015 Request for Proposals ("RFP") for Long-Term Developmental and Existing Capacity and Energy Resources.

[1] ESI acts as agent for Entergy Gulf States Louisiana, LLC. ("EGSL") and Entergy Louisiana, LLC. ("ELL")
[2] On August 26, 2015, the Louisiana Public Service Commission ("LPSC") approved the combination of ELL and EGSL. The utilities were authorized to combine their assets and liabilities and became a single operating company known as Entergy Louisiana, LLC ("ELL"). The companies began operating as Entergy Louisiana, LLC on October 1, 2015.
[3] The West of Atchafalaya Basin planning region is referred to as WOTAB.

The Louisiana Market-Based Mechanism General Order dated February 16, 2004 and updated on October 29, 2008 requires a jurisdictional utility to employ a Request for Proposal competitive bidding process to support the acquisition of long-term generating capacity or purchase power contracts. In addition, the Order requires the utility to retain an entity to serve as Independent Monitor for the competitive bidding process in cases where the utility plans to offer a self-build or affiliate bidding option.

This RFP included the market-test of a combined-cycle gas turbine ("CCGT") self-build alternative that would be constructed at EGSL's Nelson site in Westlake, Louisiana (near Lake Charles, Louisiana) within the West of the Atchafalaya Basin planning region ("WOTAB").

Merrimack Energy's involvement as IM began at the beginning of the draft RFP development process and continued through final evaluation and selection of the preferred proposals. The overriding responsibility of the IM is to ensure the competitive bidding process is undertaken in a fair and unbiased manner and that no undue preference is given to affiliates and their bids, self-build, or self-supply projects. A Scope of Work for the IM was prepared and included in the Draft and Final RFPs posted to the ELL/EGSL webpage established for this solicitation. The major responsibilities of the IM include the following:

- Review, track and comment on the utility's conduct of the RFP process from RFP development through final selection;
- Report to the Louisianan Public Service Commission ("LPSC") Staff ("Staff") on the status of the process;
- Facilitate regular communications between the Commission Staff and the utility;
- Maintain a review and oversight function over the RFP process including:
    - Review and comment on the draft RFP, including the bid evaluation criteria, information presented to bidders, and model power purchase agreements
    - Review and comment on the evaluation of bids
    - Monitor communications with market participants, including bidders and other interested parties
    - Review the Code of Conduct and monitor adherence to the Code of Conduct
    - Monitor contract negotiations
- Report any problems or concerns with the RFP process to the utility and Staff for purposes of resolving any issues;
- Submit reports to the Commission, as requested, including a final report which includes any recommendations for improving the RFP process.

Consistent with its role, the IM met with and communicated regularly with the ESI RFP Administrator and RFP Administration Team and maintained constant communications about the process. In addition, the IM coordinated activities with the LPSC Staff and its

consultant. The IM also developed a "watch list"[4] of issues that could have implications on the outcome of the process and provided the watch list of issues to the LPSC staff early on in the process. The IM focused its review on how such issues were addressed as well as their influence on the competitive bidding process. The following issues were classified as "watch list" issues by the IM.

- Replacement power options and costs for evaluation purposes;
- Accounting issues and their implications;
- Credit/Security amounts and options;
- Network upgrade costs;
- Inclusion of all reasonable costs for evaluation of all resource options on a comparable basis;
- Fuel and gas transportation costs/options;
- Capital expenditures and O&M costs associated with the self-build option;
- Qualitative evaluation criteria and evaluation process;
- Quantitative evaluation methodology and supporting models;
- Technology eligibility;
- Required project size

Consistent with other competitive bidding processes, the ESI solicitation process was designed to be completed in five stages as follows:

- Stage 1: Develop the RFP
- Stage 2: Issue the RFP/Bid Preparation
- Stage 3: Receipt of Proposals and Proposal Evaluation and Selection
- Stage 4: Contract Negotiations
- Stage 5: Regulatory Filing/Approval process

ESI began the development of the RFP in April of 2015 and submitted a Notice of Intent letter to the Commission on June 24, 2015 indicating its intent to issue an RFP.[5] The Draft RFP and other information required by the MBM Order were posted on Entergy's website on July 27, 2015. As established by the process, prospective bidders and other interested parties had the opportunity to submit comments regarding the RFP documents as well as ask questions about the documents and process. Entergy held a Bidders Conference/Webcast on August 17, 2015. While several prospective bidders attended the conference, only one party, the Louisiana Energy Users Group provided comments on the Draft RFP. Entergy issued the Final RFP on September 29, 2015 and bids were received by December 10, 2015. A total of five proposals from four bidders totaling 2,909 MW were received.

[4] Watch list issues are issues prevalent in most solicitation processes that could have implications on the evaluation and selection of resources that may merit close review and scrutiny. The watch list was shared with Commission staff and its consultant. The issues listed were discussed with ESI during the implementation of the solicitation process.

[5] Attached as Appendix A to the Notice of Intent was the Draft Minimum Requirements for Developmental Resources as well as a map of the WOTAB region and ELL/EGSL's service area. The Draft Minimum Requirements identify the information prospective Bidders will be required to provide in their proposals.

The process was designed to evaluate bids through a consistent, defined process, culminating in the selection of bids for contract negotiation. The process resulted in the selection of self-build option, the Lake Charles Power Station, as a preferred resource to meet long-term power supply requirements as well as the contingent[6] selection of Proposal 8538, a ten-year proposal from an existing resource to address supply objectives identified in the RFP.

Conclusions

Based on the review and evaluation undertaken by the IM, the IM concludes that the selections of the Lake Charles Power Station and the contingent resource were reasonable decisions based on the results of the evaluation process undertaken by ESI and monitored by the IM. The solicitation process was a fair and objective process in which all bidders were treated fairly and consistently. Both proposals offered a favorable combination of reasonable cost and project viability and provide economic benefits to customers relative to other proposals submitted.

I. Introduction

A. Background

Entergy Louisiana, LLC ("ELL") plans to file an application with the Louisiana Public Service Commission for authorization to construct the Lake Charles Power Station, a nominal 994 MW 2x1 combined cycle gas turbine ("CCGT") unit to be constructed at ELL's Roy S. Nelson plant site in Westlake, Louisiana. The project was selected as a result of ELL/EGSL's Request for Proposals for Long-Term Developmental and Existing Capacity and Energy Resources issued on September 29, 2015.

Merrimack Energy Group, Inc. (Merrimack Energy) has served as the Independent Monitor (IM) for this RFP. The RFP seeks up to 1,000 MW of long-term capacity, energy and related products from Developmental Resources to be located in the Louisiana portion of WOTAB and/or existing resources to be located within the MISO South footprint with service beginning on or before June 1, 2020.

The Request for Proposals was initiated in response to the Louisiana Market-Based Mechanism General Order originally dated February 16, 2004 and amended by Commission Order on October 29, 2008.[7] The MBM Order requires electric utilities subject to the LPSC's jurisdiction to employ a Request for Proposal (RFP) competitive solicitation process to support the acquisition of generating capacity or purchase power contracts to serve Louisiana Public Service Commission jurisdictional retail customers. The Order states that the market-based mechanism shall be a Request for Proposals

[6] The contingency associated with this resource involves the ability of the parties to address potential accounting issues and successfully negotiate a contract for the resource.
[7] Louisiana Public Service Commission Docket No. R-26172, Sub Docket C, October 29, 2008.

(RFP) competitive bidding process. In addition to identifying other requirements of the MBM process, the Order also requires the utility to identify and retain an entity to serve as Independent Monitor for the competitive bidding process under circumstances in which the utility proposes a self-build option or considers a bid by an affiliate. Since it was expected that a self-build option would be proposed, ESI was required to retain an IM to oversee the solicitation process and ensure the process was fair to all parties.

B. Roles and Responsibilities of the Independent Monitor

Merrimack Energy's involvement as Independent Monitor began at the initiation of the RFP development process and continued through final evaluation, selection and approval of the preferred proposal(s). The role of the Independent Monitor is defined in the Scope of Work of the Independent Monitor, which is included under the Reference Tab on the Entergy webpage established for this RFP.[8] During this time, the IM worked closely with ESI's RFP Administrator, RFP Administration Team, RFP team members, LPSC Staff and its consultant. The IM monitored all aspects of the RFP development, administration, evaluation and selection processes. As defined in the Scope of Work, the overriding responsibility of the Independent Monitor is to ensure the competitive bidding process is undertaken in a fair and unbiased manner and that no undue preference is given to affiliates and their bids, self-build or self-supply projects. The major responsibilities of the IM are included later in this report.

This final report meets the requirements for the IM listed in the MBM Order. The report addresses the IM's assessment of the implementation of the key project activities including whether they met the criteria and guidelines established by ESI for undertaking this solicitation and whether the process was undertaken in a fair and equitable manner for the benefit of customers.

Merrimack Energy staff has been actively involved in ESI's competitive bidding process from the beginning and has been involved in monitoring the process through participation in all major team meetings, conference calls and conversations regarding the decisions about the RFP and solicitation process. The objective of this involvement has been to ensure the process is fair and unbiased and to raise any concerns along the way, if necessary, to ensure the process stays on track to meet these objectives.

This is the first solicitation in which Merrimack Energy has served as IM for ESI or any of its affiliates.[9] In addition, as required by the MBM Order, Merrimack Energy has no other business relationship (other than as IM) with ELL/EGSL, ESI or any of their affiliates. However, Wayne Oliver of Merrimack Energy has served in a similar role as

[8]The IM Scope of Work Activities was posted to ELL/EGSL Website for the RFP in the Reference Tab on August 24, 2015 before the final RFP was posted. The Website address is https://spofossil.entergy.com/ENTRFP/SEND/2015ELLEGSLRFP/Index.htm

[9] Merrimack Energy was also retained by ESI to serve as IM for Entergy Texas (ETI) 2015 Request for Proposals for Long-Term Combined Cycle Gas Turbine Capacity and Energy Resources and Limited-Term Capacity and Energy Resources issued on June 26, 2015 on a similar track as the ELL/EGSL RFP.

Independent Monitor, Independent Evaluator or Independent Consultant on over one hundred competitive procurement processes in 19 states and 3 Canadian Provinces.

C. Organization of the Report

For purposes of undertaking this assessment of the ELL/EGSL competitive solicitation or RFP process, the following issues will be addressed in this report:

1. A brief description of the provisions of the Louisiana Market Based Mechanism requirements;

2. A list and description of the Scope of Work of the Independent Monitor;

3. Discussion of the various steps or activities associated with the development of the ELL/EGSL WOTAB RFP and related documents. This includes a discussion of the steps involved in the development of the RFP processes for communicating with bidders, processes and safeguards implemented by ESI to maintain confidentiality of bidder information and development of the bid evaluation criteria and bid evaluation process;

4. A brief description of the contents of the RFP document, including the objectives of the RFP, requirements of the bidders, the proposed evaluation process, and other information;

5. Discussions of the bid receipt process;

6. Process for the review and evaluation of the proposals received;

7. Evaluation and selection of the preferred proposals;

8. Conclusions and recommendations associated with the WOTAB RFP process.

II. Summary of the Louisiana Market-Based Mechanism Requirements

A. Louisiana MBM Rules and Bidding Requirements

As noted, the competitive bidding process initiated by ESI was undertaken to be consistent with the Louisiana MBM Order. As a result, the solicitation process has been designed around the MBM requirements. The Louisiana Public Service Commission issued a General Order ("Market Based Mechanism Order") on April 10, 2002. The General Order developed a market-based mechanism to evaluate proposals to construct or acquire generating capacity. In the Order, the Commission directed that the market-based mechanism shall be a Request for Proposal competitive solicitation process. According to the Order, the adoption of the use of a market-based mechanism was to demonstrate that

application for the construction and/or acquisition of additional regulated generation by utilities is the least cost alternative and in the public interest. In the Commission's Order of October 29, 2008 in Docket No. R-26172, Sub-Docket C the Commission stated that it believes that the process provides both the structure and use of the wholesale market sought by parties while at the same time preserving to the utilities their traditional responsibility for supply planning and acquisition (page 1 of 9).

While the Market-Based Mechanism Order has undergone several rounds of review and comments by interested participants,[10] the general tenets of the Order generally remain.

The major provisions of the Market-Based Mechanism as updated by the 2008 Order include:

- Electric utilities subject to the jurisdiction of the Louisiana Public Service Commission are required to employ a market-based mechanism to support the acquisition of generating capacity or purchase power contracts intended to serve LPSC-jurisdictional retail customers. The MBM shall be based on use of a Request for Proposal (RFP) competitive solicitation process to support the acquisition of power supply;

- The MBM process is to be coordinated with the LPSC Staff;

- The Order includes exceptions regarding project eligibility requirements, including size limits (resources < 50 MW do not require the use of a market-based mechanism) and term (contracts less than 3-year do not have to be secured through a formal bidding process);

- Utility self-build options and utility affiliate bids are allowed to compete. If a utility's corporate affiliate submits a bid in the RFP process, the utility must ensure that the affiliate has no preferential access to information or has any unfair advantage over other potential bidders;

- The electric utility shall conduct its planning and RFP process with the objective being the provision of reliable electric service at lowest reasonable cost;

- The Order provides for an Independent Monitor in cases where a utility self-build option or affiliate bid is expected to ensure the utility does not provide

[10] The Order was amended in 2004, 2006 and 2008. As discussed in the Commission's Order in 2008, in comments submitted by parties for the last review in 2007-2008, the following consensus was reached: (1) All parties strongly support the retention of the MBM Order, in most cases with fine tuning modifications rather than any fundamental changes. The parties stressed the importance of the rigorous "market test" for new capacity resources that the MBM Order provides; (2) the parties support or accept the participation in RFPs, where appropriate, of self-build projects, but recognize the need for stricter oversight and procedures for accounting for changes in projected construction costs; (3) several suggestions for streamlining or clarifying the MBM Order were accepted by the parties.

undue preference to an affiliate or self-build option. The IM selected by the utility shall coordinate with and report its findings to Staff and the utility, including its Final Report. The IM will review and track the utility's conduct of the RFP to ascertain that no undue preference is given to affiliates and their bids, self-build or self-supply projects. This will include, to the extent necessary, reviewing the draft RFP and the utility evaluation of bids, monitoring communications (and communication protocols) with market participants; monitoring adherence to the codes of conduct; and monitoring contract negotiations;

- The electric utility shall hold one or more technical conferences with Staff and participating organizations to review the utility's filing and proposals;

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- The electric utility shall provide RFP bid results and its evaluation of those bids to Commission Staff and participating organizations deemed eligible to review such material subject to appropriate confidentiality protections. The electric utility shall provide an opportunity for Staff and eligible participant consultation before selecting power contract offers and/or rejecting RFP bids in favor of its own capacity construction process;

- Any bidder whose bid is not selected by the utility for acquisition or contract award may request and the utility on a timely basis shall provide a written explanation for bid rejection;

- To implement the market-based mechanism the utility is required to submit an informational filing which includes information identified in the MBM Order;

- The MBM Order also contains provisions to address self-build cost changes:

    - In the event of a material change to the estimated self-build project cost, projected completion date or design attributes (e.g. rated capacity, heat rate, etc.) subsequent to the submission of the "best and final" bids, the utility staff responsible for the self-build plan submission shall promptly notify the utility's RFP staff. The utility RFP team must promptly notify the Independent Monitor and the Commission Staff of the change. For purposes of this Order, a "material change" is defined as either an increase in construction costs of 20% or more or a change in cost, schedule or design that plausibly could alter the project evaluation rankings;

    - The utility conducting the RFP process shall identify the date at which the RFP is completed. If a self-build project is selected, the RFP team must certify its best estimate of the construction and transmission costs as of that RFP completion date, its best estimate of the self-build project commercial operation date and any material changes to the project design attributes compared to the "best and final" submission.

This information shall be promptly provided to the Independent Monitor and Commission Staff;

- For purposes of this RFP, the communication of information on changes in cost, completion schedule or design attributes by the utility self-build staff to the utility RFP staff, subsequent to the "best and final" bid submission date, pursuant to this rule does not constitute a violation of the RFP's code of conduct;

- In the event of a material change in project cost, schedule or design attribute for the selected self-build project subsequent to the utility's completion of its bid ranking process, the utility shall perform an updated bid ranking. The updated analysis shall be reviewed by the IM and Commission Staff;

- In any such updated bid ranking process, the utility RFP staff shall consult with the IM and Commission Staff as to whether the third-party suppliers competing with the selected self-build project should be permitted to refresh their bids for purposes of an updated bid evaluation;

- To the extent the utility RFP team concludes the self-build project costs to be uncertain (i.e. beyond allowances built into the project construction budget for cost escalation and contingency), the utility is encouraged to develop a range of costs for bid ranking purposes. The bid ranking evaluation process also shall consider the cost risk of the self-build relative to the cost risk of competing third-party bids;

- The bid re-screening requirements discussed above do not necessarily apply to transmission upgrade cost changes that might be associated with the self-build project. However, the utility shall use the best available information on transmission costs associated with both the self-build project and competing resources;

- Nothing in this Rule is intended to restrict any party from proposing and the Commission from adopting a "cost cap" or similar protective mechanism as part of a certification or other proceeding for a self-build project.

III. Role and Activities of the IM in the Competitive Bidding Process

To effectively assess the performance of ESI in developing and implementing a fair and unbiased process, it is necessary for the IM to be actively involved in the process. The major tasks and activities of the IM are described in the IM Scope of Work, which is included on the webpage for the RFP. The activities of the IM can be classified into two categories: (1) process issues and (2) technical issues. The IM was actively involved in both aspects of the assignment.

The proposed activities of the IM throughout the competitive bidding process and the actual tasks and activities performed by the IM are summarized in Table 1. The IM's role is described briefly for each phase of the solicitation process. The responsibilities and activities of the IM include oversight, review, monitoring and reporting. Overall, the role of the IM is to ensure the solicitation process is undertaken in a fair and equitable manner and ensure that the process leads to the best results for customers.

Table 1
Activities of the IM

IM Activities Identified in IM Scope of Work
A. 2015 WOTAB RFP Development. The IM will: • Review and comment on the proposed (1) project specifications and planning criteria, (2) technical product descriptions, (3) RFP proposal evaluation; • Review and comment on the draft 2015 WOTAB RFP documents; • Review and comment on the structure of the RFP evaluation teams and the process for protection of proposal information used by the evaluation teams; • Review and comment on the RFP processes to ensure that they are designed to comply with applicable Codes of Conduct, affiliate rules, confidentiality agreements and restrictions; • Make recommendations to improve the solicitation process; • Review and comment on ESI's evaluation methods, analytical tools and processes, data inputs and assumptions, and price and non-price criteria; • Review and comment on the description of the evaluation processes to be provided in the 2015 WOTAB RFP documentation to ensure such processes are accurately and appropriately described; • Reserve the right to recommend that ESI consider using or analyzing different inputs, scenarios, and sensitivities in addition to those that ESI plans to use in the proposal evaluations.

B. Proposal Solicitation (2015 WOTAB RFP Issuance, Bidder Registration, and Proposal Submission):

- Monitor implementation of the 2015 WOTAB RFP to ensure that the process is administered in a manner that is objective and impartial to all Bidders;
- Participate in any Technical or Bidders conferences;
- Review Bidder Registration information;
- IM will have the ability to respond directly to bidders, and to communicate directly with bidders with respect to questions, issues or concerns.

C. Proposal Receipt

- Oversee the receipt and handling of all 2015 WOTAB RFP proposals;
- Review information submitted regarding the Self-Build option and each proposal a bidder submits in the RFP;
- Review and monitor the distribution of data reports generated for each area of proposal evaluation;
- ESI, with the oversight of the IM, will determine whether a non-conforming proposal should be rejected or provided the opportunity to cure.

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D. Proposal Evaluation and Selection

- Oversee the RFP evaluation and selection process to ensure the process is objective and impartial;
- Review and comment on written communications between ESI and Bidders;
- Monitor the economic evaluation of all proposals and review the quantitative and qualitative analyses performed;
- Monitor the evaluation of the interconnection/transmission-related and other non-price aspects of the proposals;
- Monitor the credit evaluation of Bidders and review credit analyses;
- Monitor the viability and accounting assessments performed to ensure such assessments are reasonable and appropriate;
- Review all written recommendations and materials to be presented to the Entergy Operating Committee ("EOC") and Authorized Energy Executives;
- Review any preliminary and final proposal ranking, portfolio selection, or proposal selection or elimination in the RFP before this information is presented to the EOC. If the IM disagrees with any such rankings, selection or elimination and ESI does not resolve such disagreement to the IM's satisfaction, the IM may address the issues in a report presented to the EOC;
- The IM will not make decisions regarding the selection of proposals; those decisions are by the EOC.

E. Due Diligence and Negotiations

- IM will have access to all materials and information used by or available to ESI regarding the establishment and implementation of the due diligence and negotiation processes;

• Participate in all aspects of discussions between ESI and representatives of any Self-Build option to ensure the process is objective and impartial; • IM may monitor negotiations with third-party Bidders. The IM may request updates on the status of such negotiations; • IM will monitor the adequacy and thoroughness of due diligence performed by ESI in the RFP's due diligence and negotiation processes on any proposal or the Self-Build option.
F. Other Functions of the IM • The IM and participating Staff may communicate with each other on matters related to the RFP without restriction; • If there are disagreements between ESI and a Bidder that are not resolved to the IM's satisfaction, the IM may communicate such disagreement to participating Staff.
G. Final Reports
• At the conclusion of the RFP process the IM will prepare one or more reports stating the IM's analysis of and conclusions regarding the RFP process.

As noted, the IM was involved from the very beginning of the process and was involved in all project phases associated with development of the RFP through bid evaluation, selection and approval. Throughout the process, the IM conducted review and analysis of Entergy's evaluation results and raised questions about aspects of the evaluation process. One of the objectives of the IM was to ensure that the approaches and methodologies proposed by Entergy were entirely consistent with industry standards and consistent with the protocols and procedures developed and identified by ESI to the bidders.

IV. Description of ELL/EGSL's Solicitation Process

This section of the report provides an overall description of ELL/EGSL's solicitation process and identifies the major components of the RFP. The traditional stages for development and implementation of a competitive bidding process are first identified. The description of ELL/EGSL's process is structured as a "chronology" of the key events and issues addressed within the stages of the process, from initiation and development of the RFP documents to selection of the final proposals.

A. ELL/EGSL's RFP Development Process

The development process for the ELL/EGSL RFP was initiated in early 2015. Merrimack Energy was retained in June 2015 to serve as Independent Monitor for the ELL/EGSL RFP.

Initial Meeting

A project team kickoff meeting was held via telecom between ESI and the IM on June 24, 2015. ESI provided the IM with a document that summarized the scope of the RFP,

an RFP timeline and advanced notification to the LPSC staff to initiate the RFP under the Louisiana Market Based Mechanism.[11] The notice to issue the RFP described ESI's basis for issuing the RFP for resources to be located in the WOTAB planning region.

Notice of Intent to Issue RFP

On June 24, 2015 Entergy Services Inc. submitted a letter to the Louisiana Public Service Commission indicating that it intended to issue a Potential Request for Proposals for Long-Term Louisiana Combined Cycle Gas Turbine Development Capacity and Energy Resources and Request for Modification of the MBM Order. The letter served as the advanced notification required by paragraph 14 of the Commission's Market Based Mechanism Order. The notification indicated that through its Integrated Resource Plan, ESI has identified a local capacity and energy need of approximately 800-1,000 MW (summer conditions) beginning in the 2020 timeframe in the WOTAB region of Louisiana to address forecasted load growth and potential unit deactivation, as well as to obtain the enhanced reliability and other advantages of locating generation proximate to the WOTAB load, particularly in the Lake Charles area. The notification provided a discussion of the factors driving the need for the required generation as well as the proposed schedule required under the MBM Order. The RFP would target developmental resources that will satisfy several important long-term planning objectives, including:

- Increase load-serving capability within the WOTAB planning region;
- Bolster reliability within the WOTAB planning region;
- Satisfy the Companies' long-term resource adequacy and energy requirements in the Midcontinent Independent System Operator, Inc. ("MISO") market; and
- Effectively contribute to meeting planning objectives.

The Notice identified the amount of capacity expected to be solicited, the requirements for participating, and identified the presence of a self-build option in the process.

The notice also included a map of the WOTAB region in Louisiana, which runs from west of Baton Rouge, Louisiana, to the Texas state line and from just north of the Gulf of Mexico to the northern edge of EGSL's service area in southwest Louisiana.

Also attached to the notice was a draft of the Minimum Requirements for Developmental Resources. This document identified certain minimum requirements that a new-build or developmental resource must satisfy in the RFP response. In addition to identifying the minimum requirements for each project criteria, the document also provided a list of the information required of the Bidders in order to evaluate the proposals relative to the

[11]While there was no formal kick-off meeting at ESI's offices to review the solicitation process, as noted Merrimack Energy was retained to also serve as IM for the Entergy Texas RFP that was initiated in April, just prior to the Entergy Louisiana solicitation process. Merrimack Energy staff participated in a meeting at ESI's offices in April 2015 designed to describe the solicitation process, the various evaluation teams involved from Entergy's standpoint, the evaluation and selection process, process for maintaining safeguards and confidentiality throughout the process, schedule for the process, role of the IM, and RFP requirements. All these aspects of the RFP process were similar for ETI and ELL/ESGL.

minimum requirements. The criteria identified included all of the project criteria or factors necessary to assess project viability and feasibility (e.g. Bidder experience, site control, technical attributes, fuel supply and transportation, environmental permitting, electric transmission access and interconnection, etc.). The information provided in the document provides an excellent background of the information prospective Bidders will need to prepare and submit with their proposals and therefore provided the opportunity to allow Bidders to begin to prepare their proposals in advance.

In terms of outreach to prospective Bidders, the notice was posted to ESI's website for the RFP. In addition, the notice was sent electronically to ESI's lengthy list of suppliers, power marketers and other contacts for ESI RFPs as well as submitting the notice to industry trade publications who would typically post such information such as Platts Megawatt Daily, Power Marketers Association and SNL Energy.

Coordination with LPSC Staff

In accordance with the MBM Order, the LPSC assigned Staff to the RFP shortly after ESI announced it would initiate the RFP process. LPSC staff contacted the IM in early July 2015. Staff, its consultant and the IM agreed to have regular phone conversations during the solicitation process. Commission Staff and its consultant participated actively in the RFP process, frequently participating on calls or attending meetings with ESI and the IM during the RFP development and implementation process.

During one of the early meetings between the IM and LPSC staff and consultant, the IM suggested that it may be a good idea to identify "watch list" issues or aspects of the RFP and solicitation process that could influence proposal evaluation and selection. The IM indicated to Staff and its consultant that this was a common practice followed by the IM in other solicitations and was a method for keeping track of key common or unique issues that could influence the solicitation process. The IM then prepared the initial list of issues to focus discussions regarding the status of the solicitation for subsequent meetings.

Staff and its consultant provided input to ESI during both the RFP development process as well as during the evaluation process. Staff, its consultant, and the IM attended several meetings with ESI to discuss the proposed quantitative and qualitative evaluation process as well as implementation of the evaluation methodology once the proposals were received. ESI was very responsive to requests for information or request for discussions initiated by the Staff, its consultant and the IM.

ESI Website

ESI established a website for the solicitation process and included the website address in the draft RFP Main Body and Notice of the RFP. The final website included the following tabs:

- Home
- RFP Documents

- Redline Documents (from Draft RFP documents to Final RFP documents)
- Notification about the RFP
- Reference Information (including 2015 Louisiana IRP and IM Scope of Work)
- Questions and Answers
- Contacts
- Affiliate Rules

RFP Safeguards

From a fairness perspective, one of the concerns often raised by Bidders is an assurance that the utility self-build option does not have an advantage in the solicitation process due to preferential treatment or access to information to which third-party Bidders do not have access. This issue is generally raised in solicitations where a self-build option is allowed to compete. As IM, Merrimack Energy is very sensitive to the safeguards utilized by the host utility and the application of the safeguards to prevent any opportunity for self-dealing between the self-build team and evaluation teams in the process to the competitive detriment of third-party options.

Since it was expected that a self-build generation project would be an eligible option, one of the initial topics of discussion between the ESI Administration Team and the IM was the safeguards that ESI intended to include in the solicitation process. During discussions ESI informed the IM that the safeguards included procedures to ensure confidential treatment of RFP information and the establishment of protocols that defined who would have access to the specific information, how information would be processed and distributed, and how the process of communications between ESI and the Bidders would be handled. The safeguards that ESI planned to incorporate into the solicitation process included the following:

- Separation of the self-build team from the RFP development and evaluation teams to ensure self-dealing concerns could be eliminated at the very beginning of the process. This process was also designed to ensure that all potential bidders would be treated the same and no bidder would have access to information about the process before any other bidders;
- Application of Confidentiality Agreements ("CA"), as signed by members of all teams, a Code of Conduct, affiliate rules, and Appendix G of the RFP – Process for the Protection of Proposal Information;
- ESI personnel involved with the ELL/EGSL RFP evaluation process will adhere to the provisions of a confidentiality acknowledgement that governs access to and use of information contained in proposals and proposal related documents;
- Designation of an RFP Administrator as a single point of contact to manage RFP communications. Bidders were required to direct all RFP questions, information requests, and other inquiries to the RFP Administrator in writing using the RFP Administrator's dedicated email address included in the RFP Main Body document;
- Development of a dedicated website specifically for the RFP which contained all pertinent RFP information managed by the RFP Administrator. This allows all

prospective bidders to access the website at any time and assist in decisions about proposal preparation;

- Submission and "lock down" of the self-build option several days prior to submission of other proposals. The self-build proposal was sent to the IM at the same time, several days before other proposals were due;
- Requirement that the self-build option submit all the same information as other bids to ensure the same information for each proposal is consistently utilized and evaluated;
- Use of Bidder and project ID numbers to distinguish each proposal rather than using and revealing Bidder and project names to the evaluation teams. The ID numbers were used for purposes of providing any information to the project teams for each proposal. The intent of this process element along with redaction of information noted below is to eliminate or minimize any bias in the evaluation if an evaluation team members had other knowledge about a specific project;
- Redaction of bidder names and other information to "blind bids" and ensure there is no possible bias in the evaluation;
- Development of a formal redaction process and information distribution process to the various proposal evaluation teams;
- Inclusion of an Independent Monitor in the process.

All employees of ESI, any Entergy Operating Company, or any Entergy Competitive Affiliate were required to adhere to the applicable Affiliate Rules (posted on the website for the RFP) and CA.

In addition, employees involved with the RFP evaluation process will adhere to the provisions of a confidentiality acknowledgement that governs access to and use of information contained in proposals and proposal related documents.

Entergy also defined the personnel involved in each of the evaluation teams and provided a list of the employees, their contact information and the team on which they participate to the IM who oversees and reviews the roles of the teams during the process.

The self-build team was by design functionally and physically separate from the RFP teams.[12] The self-build team was comprised of employees who essentially operated as the project development group within Entergy. Members of the self-build team and any individuals supporting them were required to sign Confidentiality Agreements detailing any restrictions regarding information or other activities affecting them and the requirement that they abide by the same processes and requirements as any third-party.

One of the recommendations made by the IM based on experience with other solicitations was that in any case where a meeting or discussion would occur between any members of the self-build team and RFP Administration or Evaluation team members regarding the RFP, that the IM is present, either via telecon or in person to monitor any discussions.

[12] From a physical separation perspective, the self-build team was located in the same ESI building as the evaluation teams but was located on a separate floor.

The RFP Administrator indicated that this was a common practice adopted by ESI for such solicitations.

The application of safeguards to ensure that the self-build option or company bid has no inherent advantage in the solicitation process is important for eliminating any concerns by prospective bidders over self-dealing. ESI has identified a comprehensive list of safeguards that it planned to include in the solicitation process.[13]

RFP Project Team Roles and Responsibilities

The ESI solicitation process involves a detailed organization plan to structure different project teams with roles and responsibilities at the initiation of the solicitation process. Table 2 provides a list of the list of the various teams involved in the process along with their roles and responsibilities as provided to the IM.

Table 2: Roles and Responsibilities of RFP Project Teams

Team	Responsibilities
RFP Project Sponsors	Ensures the RFP scope meets ELL/EGSL's overall resource supply needs and requirements. Ultimately involved in making the resource selection as a member of the approving Entergy Operating Committee.
RFP Project Manager	Establishes and coordinates overall project plan and deliverables needed to execute the RFP. Develops project timelines, manages document development, and provides updates to OPCO Support and Management as needed.
RFP Administration Team	Provides technical oversight and project management guidance to ensure processes and documents are structured to meet ELL/EGSL's objectives for the RFP in a timely manner that complies with the RFP protocols; Develops project timeline and manages document development; general project oversight; provides information to evaluation teams.
RFP Administrator	Serves as the primary liaison between ESI and Bidders; coordinates the Bidder registration and proposal submission process; ensures evaluation teams receive appropriate data reports; and provides RFP planning support.
Economic Evaluation Team (EET)	Assesses the extent to which proposals provide economic benefits, considering risks; responsible for conducting the economic evaluation of the proposals and the relative economic ranking of proposals.
Production Cost/Aurora Team	Relies of production cost modeling to assess operating projections, variable costs and the energy revenues/value of each conforming proposal. Aurora results feed into the EET economic evaluation models as inputs for the Net Supply Cost analysis.
Delivery Assessment Team (DAT)	Assesses the extent to which proposals achieve relevant resource delivery objectives; evaluates resources' ability to reliably deliver power and estimates (or evaluates Bidder provided) costs associated with transmission upgrades, interconnection and delivery.
Viability Assessment Team	Reviews and assesses the technical, environmental, fuel supply and

[13] The IM was actively involved in designing the Framework for Competitive Bidding in Hawaii, including the safeguards to ensure the process was a fair and equitable process for all Bidders and is very familiar with the safeguards adopted throughout the industry, including those safeguards included in Bidding Rules of Guidelines adopted in a number of states. ESI's list of safeguards utilized generally exceeds industry practices.

(VAT)	transportation and commercial merits of each proposal; VAT identifies fatal flaws or risk elements that limit a proposals ability to meet relevant planning objectives, commercial terms, and the needs and requirements of the RFP.
Accounting Team	Reviews each proposal to determine the accounting treatment and impact the proposal has on ELL/EGSL.
Credit Team	Determines the maximum uncollateralized supplier exposure/credit risk as well as the required forms of collateral to be accepted for selected proposals.
Regulatory and Legal Support	Provides guidance and input to ensure the RFP is structured in a fair and impartial manner. Supports activities associated with seeking regulatory approval and cost recovery; provides a leadership role in negotiations.

Development of the Draft RFP

On July 24, 2015, 30 days after issuing its notice to issue an RFP, ESI notified prospective bidders that ESI posted draft RFP documents to its website for this RFP. The notice indicated that the RFP will include a market test of a self—build option. The notice identified the amount of capacity requested, the products sought, the allowable contract structures, delivery term, and required in-service date. The notice also indicated that ESI intended to post final documents in late September 2015 and plans to hold a Bidder Conference on August 17, 2015. The Draft RFP also stated that the deadline for submitting comments on the draft RFP documents is August 28, 2015.

The Notice also indicated that ESI has posted the Draft RFP documents to its website specifically established for the ELL/ESGL RFP. Draft documents posted to the website included the following:

- Main Body – RFP Instructions
- Appendix A (Glossary)
- Appendix B-1 (Term Sheet PPA)
- Appendix B-2 (Term Sheet Toll)
- Appendix B-3 (Term Sheet for Asset Acquisition)
- Appendix C (Preliminary Due Diligence List)
- Appendix D (Minimum Requirements)
- Appendix E (Reservation of ESI Rights and Other RFP Terms)
- Appendix F (Credit/Collateral Requirements)
- Appendix G (Process for Protection of Proposal Information)
- Draft Confidentiality Agreement

The IM provided initial comments to the Project Administrator on the Draft RFP documents and held discussions with the Administrative and Regulatory teams prior to posting.

A few of these Appendices are worth elaborating on given their importance in the proposal development and evaluation process. For example, Appendix C (Preliminary Due Diligence List) contains questions and requests for information or material that

Bidders will be required to answer or provide in connection with any proposal submitted into this RFP based on a Developmental Resources (Appendix C-1). Information is requested in the following categories:

- Project Overview
- Bidder Experience
- Project Development
- Electrical Interconnection and transmission
- Fuel supply and transportation
- Environmental
- Project structure and finance
- NERC/CIP compliance

Much of this information would be used by the VAT team to conduct its due diligence and project viability assessment for each proposal.

The Proposal Submission Template is another important document. The Proposal Submission Template contains the following tabs:

- Proposal and operational information
- Guaranteed heat rate
- Pricing
- Special Considerations

This document includes the pertinent pricing and operational information that the Economic Evaluation Team and Aurora teams would use in their evaluation. In addition, the Special Considerations section allows Bidders to include any special operational conditions associated with their project or identify any constraints. The Special Considerations identified by some Bidders will be addressed later in this report since they affected the evaluation of the proposals.

The final important document for bid evaluation is the VAT Self-Assessment Form. This Form requests the following information provided by the project sponsor:

- Resource Overview
- Operations and maintenance
- Fuel supply and transportation
- Commercial
- Environmental

Merrimack Energy reviewed these documents and forms in detail to ensure the information that was requested by Entergy was used in the bid evaluation process and that the evaluation criteria and information requested were closely linked. In other words, based on the evaluation criteria established, does the information requested allow the analysts the ability to effectively evaluate all the proposals consistently? Comments raised by the IM were focused on ensuring that a complete list of criteria were addressed and that the information required to conduct the evaluation relative to the criteria was consistent.

Key provisions listed in the July 24, 2015 Notice of Intent and Draft RFP are summarized in Table 3 below.

Table 3: RFP Scope Criteria

Scope Item	Proposed Provision – Draft RFP
Target Start Date	No later than July 31, 2020 but with a preference for a start date that is on or before June 1, 2020
Eligible Resources	• Developmental Resources • GE 7HA or Mitsubishi JAC resources not eligible • Acquisition: Full Facility
Eligible Technology	CCGT with operating parameters that include a maximum heat rate of 7,000 Btu/kWh; must have AGC and ability to operate in base load and load-following roles consistent with MISO operating requirements for units expected to provide ancillary services.
Fuel Type	Natural Gas
Location	WOTAB; preference for resources located in or proximate to Lake Charles
Capacity Sought – (ICAP)	800 – 1,000 MW
Product Categories	Proposals allowable for PPAs, Tolling Agreements and asset acquisition; Acquisition of new unit only; PPA, and Tolling Agreement (Unit Contingent)
Delivery Term	10-20 years for tolls and PPAs
Affiliates	Ineligible to participate
Self-Build	Location: Nelson site Size: 800 – 1,000 MW
Accounting Treatment	The buyer will not accept the risk of any transfer to its books of any debt or long-term liability associated with a PPA or Toll arising out of the Long-term RFP (via, for example, capital lease, variable interest entity, or other accounting treatment).

Identification of Watch List Issues

One of the suggestions of the IM during one of the initial meeting with Staff and its consultant during development of the Draft RFP was to develop a "watch list" of issues that are important to any similar solicitation process and which could influence bid evaluation and selection with regard to the WOTAB RFP. The IM noted that it had utilized this approach for other RFPs as a means of monitoring and evaluating the utility's approach for addressing the key RFP issues. The IM prepared the watch list and submitted a list to staff and its consultant for review. The IM updated and expanded the

list during the solicitation process if other issues evolved. The original list and updates is provided in Table 4.

Table 4: Watch List Issues for RFP

Watch List Issues	Discussion
Replacement power and costs	This issue pertains to the application of a methodology for evaluating third-party PPA relative to self-build options given the different terms for such resources. One of the issues is what are the possible approaches comparing and evaluating bids with different terms. This could include the options for replacing a 20 year PPA or TSA in years 21-30 to compare a 20-year contract against a 30-year self-build option. Utilities generally assume a 30-year life for a self-build while Entergy is seeking up to a 20-year term for a PPA. While this is common for many RFPs, the term of the evaluation can skew the results. For similar solicitations, it is common for utilities to replace the last 10 years of power requirements for a 20 year PPA based on the type of resource they would require at that time based on their long-term IRP. The cost of the replacement unit and the structure of costing out that unit can affect the economic evaluation. For example, IPPs will argue that either the analysis should be undertaken over 20 years, not 30 years or that the replacement cost should either be based on a continuation of the PPA price or an offer to sell the power for the remaining 10 years from the IPP. Most utilities conduct a 25-30 year analysis based on the life of the asset and fill in the final 10 years with the cost of the incremental resource from its Integrated Resource Plan (assuming either utility ownership or IPP ownership of the resource). ESI and the IM spent considerable time addressing this issue based on comments addressed to the IM and ESI from one Bidder. ESI, with input from the IM, considered several different options including filling in the remaining years of the utility asset life (i.e. difference between utility asset life and bid term) with the cost of a new combined cycle unit based on levelized or real levelized cost, allowing 30 year PPA or Tolling offers, or allowing the PPA or Tolling bidder the option to offer a 10-year contract extension to a 20 year PPA or Tolling bid. ESI was not amendable to a 30 year PPA due to the risk of

	such a long-term contract. The approach applied by ESI is discussed later in this report.
Accounting Issues and their implication	Entergy, like several other utility solicitations, does not want to be required to include the liability associated with a long-term PPA or TSA on their books. Similarly, Entergy's RFP states that it will not enter into a Definitive Agreement for a PPA, Toll or any related agreement pursuant to this RFP that will or may result in the recognition of a long-term liability on the books of the utility, whether the long-term liability is due to lease accounting, the accounting for a Variable Interest Entity ("VIE"), or any other applicable accounting standard, such as derivatives. The IM recognizes issues associated with capital leases and Variable Interest Entity treatment are complex, subject to differences of opinion with the counterparties, and uncertain from an accounting standpoint. Further complicating these issues, it was our understanding that FASB rules regarding lease accounting considerations could possibly be revised during the solicitation process schedule, which proved to be the case.
Credit/Security Amounts	The amount of development and operating credit support or security required is generally an issue raised by a number of Bidders. It is important to note that third-party PPAs and TSA's must post credit while the self-build does not, unless that self-build is contracting with an EPC contractor to build the plant. ESI credit team members indicated to the IM that credit requirements are dependent on the credit rating of the counterparty and that each counterparty is evaluated based on its specific financial situation. While the credit/security amounts required in ELL/EGSL's RFP may be slightly high, the IM was informed by ESI's credit team that the level is dependent on the credit risk and collateral requirements for each proposal. Furthermore, the ELL/ESGL RFP states that the Credit Evaluation Team ("CET") will not reject a proposal from consideration solely of the basis of credit. Nevertheless, given the sensitivity of bidders to this issue, the IM expects to monitor how the credit requirements will be established.
Network Upgrade Costs	Access to transmission, including the timing and network upgrade cost implications are among the more important factors for ultimate project success. Entergy requires that bidders apply for an interconnection study prior to submission of their bids and will have to

	estimate the interconnection and network upgrade costs at the time of bid submission. Entergy will conduct their own estimate of network upgrade costs and include the estimated costs in the evaluation. The issue is that network upgrade costs can be the marginal cost that drives project economics. Therefore, the assessment of such costs is an important aspect of the evaluation. Since new projects will not likely have detailed interconnection studies completed by the time they submit their bids, the estimates of these costs could be quite different once the studies are completed. Bidders will have the opportunity to provide updated information after bid submission. DAT's review and assessment of such costs can be an important aspect of project costs.
Inclusion of All Costs in the Self-build estimates	One of the important focuses of the IM during a solicitation process in which there is a self-build is to ensure the self-build option includes all costs associated with project development and operations including such costs as capital expenditures, property taxes and insurance, all capital costs, owner's costs and reasonable O&M costs. Since a third-party PPA provider has to include all its costs in its proposal or risk not recovering such costs, it is important to ensure both the self-build option and third-party bids are placed on a level playing field with regard to reasonable project costs. As will be discussed later in this report, the IM did identify costs that were provided by the self-build team in its proposal but was initially overlooked in the preparation of the cost information for the evaluation of the self-build.
Qualitative Evaluation Criteria and Evaluation process	ESI relies on a detailed qualitative evaluation process as part of its overall evaluation. As IM, one of our roles is to ensure that the qualitative criteria are reasonable and consistent and do not favor one type of resource over another. In addition, it is important for the IM to understand how such criteria will be included in bid evaluation and selection prior to submission of bids to ensure the evaluation criteria and methodology are not influenced by specific projects.
Technology Eligibility	Entergy has identified generation technologies that it believes are not mature and therefore are not eligible to participate. Prospective Bidders may raise concern about these technologies in their comments. As the IM understands, other utilities and IPPs are beginning to consider generation applications using the technologies that ESI views to be non-commercial. However, at the

	time ESI's solicitation process was launched there apparently was no actual operating experience with the technologies in question.
Required Project Size[14]	Entergy is requesting that new projects have to be 800 to 1000 MW. ESI's argument is that economies of scale are present at these sizes and Entergy can take advantage of economies of scale in procuring projects of this size and magnitude. While this argument is reasonable, the counter arguments are that smaller projects/sites may be eliminated. Furthermore, if a large plant is off-line the impact of losing such a large unit could have reliability considerations. On the other hand, the diversity and potential reliability benefits associated with several smaller projects may be beneficial.
Gas Transportation Arrangements and Costs	Gas transportation services and costs and pipeline interconnection options can have an impact on the competitive cost of projects. This is one of the cost components that the IM generally scrutinizes to ensure the costs and volumes allocated to the projects are reasonable and accurate, particularly since the utility will likely serve as the toller for the fuel supply for eligible proposal types.

ESI Bidders Teleconference/Webcast – LPSC Technical Conference

ESI and the LPSC held a Bidders Teleconference/Webcast and Technical Conference on August 17, 2015. The topics addressed included:

- Role of the IM
- Key objectives and requirements of the RFP
- Design features and submission of a self-build option
- Tentative RFP schedule
- Bidder registration and proposal submittal process and requirements
- Commercial terms overview
- Key parameters and requirements of the RFP
- Pricing components for PPAs and Tolls
- Commercial highlights for acquisitions
- Electric interconnection/deliverability
- Bid evaluation overview process and criteria including economic assessment, viability assessment, deliverability assessment, and credit
- Identification of the evaluation teams and their roles in the process
- Q&A period

[14] As discussed later in this report, the final RFP expanded eligibility by allowing a broader range of capacity sizes and also by allowing existing resources to bid.

A total of 11 participants representing three potential bidders and the self-build option registered for the Bidders Conference.

Comments on the Draft RFP

Comments on the draft RFP were due on August 28, 2015. Comments were submitted only by the Louisiana Energy Users Group ("LEUG"). LEUG's overall concern with the draft RFP was that the eligibility requirements were very restrictive in terms of the size, technology, delivery term, and location of the resources that ESI sought via the RFP. LEUG noted that the draft RFP was restricted to procuring an 800 MW – 1,000 MW combined cycle gas turbine ("CCGT") developmental project located in the Louisiana portion of WOTAB. As noted in its comments, the LEUG believed that restrictions in the RFP will prevent ESI from maintaining the flexibility required to explore multiple resource options in order to ensure that it selects the lowest reasonable cost solution for ratepayers to meet its resource requirements. LEUG recommended that the RFP should significantly expand the resource eligibility and delivery requirements to ensure that sufficient flexibility is preserved to examine the full range of potential RFP bids that may cost-effectively meet the projected resource requirements of ELL and EGSL. For example, the RFP should include consideration of resource technologies other than CCGT (such as Combined Heat and Power ("CHP") generation), existing resources in addition to developmental resources, jointly-owned resources, bids from portions of generating units, resource sizes less than 800 MW, delivery terms shorter than ten years and non-WOTAB resources. In addition, LEUG recommended that ESI retain an independent third party to conduct an independent evaluation of the RFP bids and to provide independent resource selection recommendations in parallel to the resource selection decisions taken by Entergy.

The IM agreed with several points raised by LEUG and provided his views on the draft RFP provisions regarding some of the points raised by LEUG to ESI. One of the issues raised by the IM was that project size should be more flexible than restricting projects to 800 MW to 1000 MW. The IM's rationale was that typical sizes for combined cycle units could range from about 350 MW up to 1000 MW[15] and that the diversity benefit of several smaller units would not be captured given the current requirements. The IM also questioned whether existing facilities could also meet the objectives of ESI for resource requirements. The IM's rationale was that providing the opportunity for more bidders to compete should serve to increase competition.

As noted in the discussion of the Final RFP below, ESI did incorporate several of the suggestions of LEUG and the IM.

[15] The IE's views were based on involvement in other RFPs for conventional gas-fired combined cycle units which typically range in size from around 350 MW (1x1 CT and steam turbine unit) to around 1,000 MW (2x1 or 3x1 combined cycle units).

2015 ELL/EGSL RFP LPSC Staff and IM Meeting – September 18, 2015

ESI organized a meeting for LPSC staff, its consultant and the IM on September 18, 2015. One of the objectives of the meeting was to introduce the LPSC Staff and IM to the roles and responsibilities of the evaluation teams and members of each team organized to conduct the evaluation process. The agenda for the meeting included:

A. RFP Overview
    a. ELP resource needs
    b. Projected MISO South capacity position
    c. RFP background
    d. RFP scope matrix[16]
B. RFP Evaluation Overview
    a. Economic Evaluation Team ("EET")
    b. Deliverability Assessment Team ("DAT")
    c. Viability Assessment Team ("VAT")
    d. Credit Evaluation Team ("CET")
    e. Accounting Evaluation Team ("AET")
C. Questions and Next Steps

The six evaluation teams identified above are tasked with evaluating proposals. Proposals will be reviewed and assessed for the following:

- Economics (Net Supply Cost)
- Production Cost (Aurora)
- Transmission/Delivery
- Project Viability
- Credit and Collateral Requirements
- Accounting Treatment

The roles and responsibilities of each team as well as their evaluation processes were discussed in detail at the meeting.

Final RFP

The final RFP was posted on the website by ESI on September 29, 2015. Similar to the draft RFP, in addition to posting the Final RFP documents to its website, Entergy also sent an email to its contact list for similar RFPs and also issued the notice to trade publications. In addition to posting the final documents on ESI's website for this RFP, ESI also posted redline versions of the documents to allow prospective Bidders to clearly identify the sections in each document that had been revised.

[16] The RFP Scope Matrix presented a side-by-side comparison of the key RFP parameters contained in the Draft RFP as well as the proposed updates to be included in the Final RFP. The revisions were based on ESI's Operating Committee decision to revise the RFP to include both developmental and existing resources (i.e., PPA and Tolls only) consistent with the suggestions of LEUG.

ESI did make several revisions to the final RFP documents that reflected the comments raised by LEUG as well as the IM. For example, the final RFP reduced the minimum size for the Developmental resource to 650 MW. Also, the final RFP allows Combined Heat and Power projects ("CHP") to compete. Finally, the RFP allows existing resources that can deliver into MISO south to be eligible resources. A summary of the key attributes and requirements of the Final RFP posted on September 29, 2015 is provided below as compared to the Draft RFP in included in Table 5.

Table 5: Provisions of the Draft RFP and Final RFP

Scope Item	Proposed Provisions – Draft RFP	Final Provisions – Final RFP
Target Start Date	On or before June 1, 2020	On or before June 1, 2020
Eligible Resources	• Developmental Resources • GE 7HA or Mitsubishi JAC resources not eligible • Acquisition: Full Facility	• Developmental and Existing Resources; • GE 7HA or Mitsubishi JAC resources not eligible • Acquisition: Full Facility • PPA/Tolling Agreement – Full Unit
Eligible Technology	CCGT with operating parameters that include a maximum heat rate of 7,000 Btu/kWh; must have AGC and ability to operate in base load and load-following roles consistent with MISO operating requirements for units expected to provide ancillary services.	Developmental – Commercially proven CCGT technology with AGC and operating parameters that include (i) for developmental resources only, a max heat rate of 7,000 Btu/kWh (HHV) and (ii) the ability to operate in base load and load-following roles consistent with MISO operating rules for units expected to provide ancillary services. Existing Resources – must be fully dispatchable; QFs may offer actual dispatchability
Fuel Type	Natural Gas	Natural Gas (for both Developmental and Existing Resources)
Location	WOTAB; preference for resources located in or proximate to Lake Charles	Developmental – Louisiana WOTAB; preference for resources located in or proximate to Lake Charles Existing – Physically located in MISO South footprint; Delivery

		Point: Louisiana Load Zone (ELILD)
Capacity Sought – (ICAP)	800 – 1,000 MW	Developmental – 650 – 1000 MW Existing – Minimum: 250 MW Maximum: 1000 MW Buyer must receive full ZRCs/capacity credits for the contract capacity
Product Categories	Acquisition of new unit only, PPA, and Tolling Agreement (Unit Contingent)	Developmental: Acquisition, PPA, and Tolling Agreement (Unit Contingent); Existing – PPA or Tolling Agreement (Unit Contingent)

A summary of the important eligibility requirements and other provisions of importance included in the Final RFP are identified below:

RFP Requirements - The RFP seeks up to 1,000 MW of long-term capacity, energy, and related products from Developmental Resources (to be located in the Louisiana portion of WOTAB) and/or existing resources (to be located within the MISO South footprint) with service beginning on or before June 1, 2020, although the Companies reserve the right to select more than the targeted amount;

Eligible Participants - Eligible Participants include other electric utilities, marketers, wholesale generators, electric cooperatives, independent power producers, and QFs. Entergy competitive affiliates are ineligible to participate in the RFP;

Eligible Products - Eligible Products include Acquisitions (Developmental Resources only), PPAs and Tolls (Unit Contingent). The RFP is not seeking, and Bidders should not propose, Acquisition Products for existing resources. Any purchase of Capacity and Energy pursuant to a PPA or Toll arising out of this RFP will also include any and all capacity-related benefits (such as Capacity Credits), other electric products, and Environmental Attributes associated with such Capacity and/or energy;

Eligible Technologies - Eligible Technologies include proposals based on Developmental Resources which must utilize CCGT technology that is equipped with functioning automatic generation control (AGC), has operating parameters that include the ability to operate in base load and load following roles consistent with MISO operating rules for resources expected to provide ancillary services, and is Commercially-proven CCGT technology. Commercially-proven CCGT technology is technology that ESI determines has, as of June 24, 2015, a sufficient amount of operational and performance data and information to ESI's satisfaction. Examples of CCGT technology listed in the RFP as not commercially proven include GE 7HA technology and Mitsubishi

JAC technology. RFP eligible technologies for proposals based on existing generation resources are gas-fired CCGT, stand-alone combustion turbines, and stand-alone steam turbine generation technologies. Proposals based on demand-side management, load reduction, system sale, distributed generation, energy efficiency or intermittent resources are not being solicited and are not eligible;

Eligible Resources - Eligible Resources are generation resources that:

- Are Developmental Resources that will be physically located in the Louisiana portion of WOTAB, preferably near the Lake Charles area, or existing generation resources physically located in the MISO South footprint;
- Will utilize an RFP-Eligible Technology permitted for the proposed resource;
- Will be a single integrated resource (generation resources located at separate facility sites are considered multiple resources and may not be combined to form an RFP-Eligible Resource); and
- Meets the other requirements for generating resources participating in this RFP.

Other Eligibility Requirements – Other Eligibility requirements include:

- The start date for eligible resources must be on or before June 1, 2020;
- The proposal contract size requirements are established for both Developmental and Existing Resources:
  - Developmental Resources
    - Minimum Capacity: 650 MW (Summer Conditions, at full load, including duct-firing)
    - Maximum Capacity: 1,000 MW (Summer Conditions, at full load, including duct-firing)
  - Existing Resources
    - Minimum Capacity: 250 MW (Summer Conditions, at full load, including, if applicable, duct-firing)
    - Maximum Capacity: 1,000 MW (Summer Conditions, at full load, including, if applicable, duct-firing).
- The delivery term for eligible resources is 10-20 consecutive years (PPA and Tolls). Proposals may offer an extension option;
- The allowable pricing provisions and requirements are also listed in the RFP documents;
- Any proposal not meeting the Threshold Requirements will be considered non-conforming and may be eliminated from further consideration in this RFP by ESI, after consultation with the IM;
- Sellers will be required, under the terms of any Definitive Agreement, to have obtained interconnection, deliverability, and firm transmission service for the proposed resource and qualified the resource as a Long-Term Network Resource in MISO (or have a third party obtain such service or so qualify the resource) with full deliverability. For proposals based on Developmental Resources, the generator interconnection application must request, and the

Developmental Resource must have received prior to the time specified in the applicable Definitive Agreement (if any) at least the required NRIS Quantity.

Other RFP Provisions – Other key provisions included in the Final RFP include:

- ESI intends to develop and submit into the RFP a cost estimate for the Self-Build Option. The Self-Build Option is a CCGT facility that would be built at EGSL's Nelson site in Westlake, Louisiana;
- The RFP document includes a complete schedule for the solicitation;
- The RFP provides a complete description of the proposal submission requirements;
- The RFP Document also provides a description of the Proposal Evaluation Process, threshold criteria and evaluation criteria.[17]

The RFP also describes each of the Evaluation Teams and their roles.[18] While a summary of the roles of each team was initially included in Table 1 based on initial discussions with the IM, the roles are provided in more detail based on the description of the teams included in the Final RFP.

RFP Administration Team

ESI designates an "RFP Administrator" and RFP Administration Team for each solicitation. As described in the RFP Main Body document, the RFP Administrator's responsibilities include (1) acting as liaison between the Participants in the RFP and ESI on all RFP-related matters; (2) ensuring that Bidder questions that ESI receives are addressed in an appropriate manner; (3) receiving, recording, and maintaining Bidder proposals; (4) interacting with the IM, and (5) managing other administrative matters related to the RFP.

Roles and Responsibilities of the RFP Proposal Evaluation Teams

This section of the report will focus on all teams. The role of the economic evaluation team will be discussed in more detail later in this report.

Economic Evaluation Team

The EET team will conduct an economic evaluation of proposals to identify the proposals submitted in the RFP that economically meets Entergy Louisiana's supply needs, considering risk. EET is responsible for evaluating the economics of proposals received with inputs from other project teams such as DAT, VAT, CET and AET. The EET's

[17] The evaluation process, methodology, criteria and selection process are described in more detail later in this report.

[18] The Evaluation Teams have a prominent role in the solicitation process including preparing the evaluation criteria and evaluation methodology for their function, reviewing the sections of the proposals pertinent to their evaluation responsibilities, preparing any follow-up questions for Bidders, and conducting evaluation and due diligence for each proposal. The flow of information between each of the teams and the RFP Administration team is reviewed and signed off on by the IM.

economic evaluation estimates the all-in economic cost and benefit to the Companies' customers of each proposal evaluated. The economic evaluation will also identify proposal(s) that meet the needs and requirements of the Company at the lowest reasonable cost, with a consideration of risk. The EET team will utilize tools and methods commonly used by Entergy Operating Companies for long-term planning and resource evaluation including (1) Supply Cost analysis with inputs from the Aurora production cost modeling[19]; (2) Commitment Cost calculation; and (3) Other tools as needed.

Deliverability Assessment Team

The objectives of the DAT team include the following:

- Verify that each proposal meets RFP deliverability requirements, including resource location, electric interconnection, network deliverability, and status of interconnection;[20]
- For each proposal submitted, the DAT team will perform an analysis to review and/or identify any additional transmission upgrades and associated costs required to ensure that the proposal satisfies the requirements of the RFP. The result of the DAT evaluation will be a list of the upgrades needed to satisfy all RFP requirements based on the results of the transmission assessments and the upgrades included by the Bidder. In this regard, the DAT team evaluates the following factors:
    - Energy resource interconnection service ("ERIS") requirements and costs;
    - Network resource interconnection service ("NRIS") requirements and costs;
    - Steady state and dynamic reliability
- The DAT team will also evaluate each proposal's ability to meet NERC Reliability Standards and Entergy's Local Planning Criteria and identify transmission upgrades and develop cost estimates to satisfy these standards and criteria. However, the Bidder will remain responsible for all interconnection, deliverability, and transmission upgrades and costs associated with the proposed resource.

[19] The Production Cost Assessment sub-team uses a production cost model (Aurora) to produce a forecast of variable costs and energy revenues for each proposal. Aurora results will feed into the EET economic evaluation models as inputs for the Net Supply Cost analysis. This sub-team relies on production cost modeling to assess operating projections and the energy value of each conforming proposal.

[20] The Threshold Deliverability Requirements for Developmental resources include: (1) resource must be located in the Louisiana portion of WOTAB; (2) resource must be directly interconnected to ELL/EGSL; (3) Resource must be eligible to be designated as a network resource and to be fully deliverable: (4) a generator interconnection application (GIA) that meets the requirements of the RFP must have been submitted to MISO by November 16, 2015 per the current schedule. The Thresholds for Existing resources include: (1) Resources must be located in and directly interconnected in MISO South; (2) Resources should possess a level of NRIS that meets the minimum NRIS requirements established in the RFP for the offered capacity, or if the resource does not meet the NRIS minimum, a GIA must be submitted to MISO by November 16, 2015 (current schedule) seeking an amount of NRIS that equals or exceeds the amount necessary for the resource to obtain the minimum NRIS requirements for the offered capacity.

Viability Assessment Team

The VAT team reviews and assesses the technical, environmental, fuel supply and transportation and commercial merits of the proposals. The VAT team includes subject matter experts within the company associated with each of the evaluation criteria focus areas.[21] The subject matter expert in a specific are is responsible for developing the evaluation criteria and evaluating each proposal with respect to his or her area of expertise. The key objectives and functions of the VAT team include the following:

- Review the Bidder's response to the Project Self-Assessment form, due diligence questionnaires, proposal templates, and clarifying questions for its proposal;
- Confirm that the operational characteristics and related costs provided by the Bidders in their proposals are reasonable and credible;
- Assess and evaluate risks associated with each proposal based on the evaluation criteria established and scorecard developed;
- Confirm that each Bidder proposal meets the applicable VAT threshold requirements;
- The VAT will develop a final viability ranking and recommendation for each proposal and seek the IM's concurrence with the final scores and ranking;
- Provide to the EET team a final viability ranking and recommendation, with supporting documentation for further review and incorporation into the economic analysis.

Credit Evaluation Team

The Credit Evaluation Team evaluates Bidder credit and other credit-related matters. CET. One of the objectives of the CET is to determine the required amounts and form of collateral during any negotiation of a definitive agreement. The security requirements are generally based on such factors as creditworthiness of the Bidder or Guarantor, Entergy's credit exposure, and contract tenor and type of agreement. CET will also assign a Bidder a credit rating, if it doesn't have one. CET and the Bidder with discuss the rating and options for credit support with Bidders included on the selection list.

Accounting Evaluation Team

The AET team assesses the proposed PPAs and Tolls offered into the RFP to determine the relevant accounting treatment with respect to leasing accounting, Variable Interest Entity (VIE) Accounting, and Derivative accounting. As part of its review process, the AET team also will review each PPA and Toll proposal package submitted into the RFP for compliance with the accounting threshold requirements (essentially that the proposal package includes the necessary accounting certifications by an accounting officer).

[21] These include Plant and Equipment, Operation and Maintenance, Commercial terms, Environmental and Permitting, Fuel Supply and Transportation, Long-Term Planning, and other areas as required.

Self-Build Option

In its Draft and Final RFP documents, ESI noted that it intends to develop and submit into the RFP a cost estimate for a Self-Build Option. The RFP noted that the Self-Build Option would be a CCGT facility that would be built at EGSL's Nelson site in Westlake, Louisiana. The Self-Build option will attempt to optimize the maximum capacity of the proposed self-build resource by including in the base plant design HRSG duct-firing and options for either chilling or evaporative cooling to the combustion turbine inlet. The Self-Build option will be sized at no less than 650 MW (Summer Conditions, at full load) and no more than 1,000 MW. The Self-Build option is expected to utilize existing infrastructure and resources at the Nelson site, including existing natural gas infrastructure. The Self-Build option will be considered an alternative to third-party proposals submitted into this RFP. If selected in the RFP, the self-build facility is expected to be placed into commercial service by no later than June 1, 2020.

From a safeguards perspective, the team that prepared the self-build option was comprised on employees dedicated to the self-build option. While the self-build team was generally located within the same Entergy building in the Woodlands, Texas the team was functionally separate and physically (different floors) separate from the RFP Administration and other evaluation teams. Members of the self-build team were designated as such prior to the notification of the RFP and signed confidentiality agreements.

The RFP required the Self-build team to submit a completed proposal based on the same information required of all other Bidders for a similar resource (i.e. Developmental) to the RFP Administrator and the IM prior to receipt of proposals from other Bidders. For this RFP, the Self-build option was due by 5 p.m. Central time on Friday, December 4, 2015, prior to the scheduled registration period for other Bidders of December 7 - 10, 2015. The IM received the Self-build proposal as required prior to submission of other proposals.

Bidder Registration Period

The Bidder registration period was scheduled for November 2, 2015 to November 5, 2015. A Bidder must complete the Bidder Registration Process to be eligible to submit a proposal. To register for the RFP, all Bidders, including those sponsoring the Self-Build Option will be required to complete a Bidder Registration Agreement.[22] Only Registered Bidders will be permitted to submit proposals into the RFP. Following submission of its completed Bidder Registration Agreement, Bidders will be issued a unique Bidder ID number. Also, each registered resource and proposal will receive its own Resource ID and Proposal ID. The ID numbers are to be used by the Bidder as identification of its project when submitting information to ESI. The use of ID numbers instead of the

[22] The Bidder Registration Form requested the following information from the prospective Bidder: (1) Bidder Name; (2) Bidder Contacts; (3) Generation Facility name; (4) Facility location; (5) Owner of facility; (6) Proposal type (i.e. PPA, Toll, Acquisition); (7) Number of proposals Bidder intends to submit; (8) Nameplate capacity (optional); (9) Electric Interconnection Point (optional).

identification of the Bidder or project name is designed to ensure that there is no or limited possibility for anyone on the bid evaluation team to either intentionally or non-intentionally enter any bias into the evaluation process. The use of Bid numbers in combination with redaction of bidder names and project information is designed to ensure the bid evaluation process is as generic or neutral as possible.

Bidders are also required to pay a Proposal Submittal Fee of $5,000 for each proposal registered. ESI bills the Bidder the total Proposal Submittal Fees following the end of the Registration Period.[23]

Five Bidders, including the Self-Build option submitted Bidder Registration Agreements for a total of six projects and eleven prospective proposals overall. A summary of the Registration information is included in Table 6.

Table 6: Summary of Registered Bidders

Bidder Number	Number of Proposals	Proposal Type
Bidder 45 (Resource 321)	1	Acquisition of existing resource
Bidder 45 (Resource 473)	3	2 Acquisition options and 1 PPA option
Bidder 33	2	Tolling
Bidder 67	1	Acquisition
Bidder 25	3	Tolling
Bidders 12	1	Tolling

However, upon review, ESI felt that several of the options considered would be non-conforming and sent a letter to two of the Bidders identifying ESI's view of the basis for potential non-conformance and providing the reference in the RFP for non-conformance. At the suggestion of the IM, ESI did allow Bidders the opportunity to either justify that they were conforming, to remove the non-conformities, or to withdraw from the process if the non-conformities remained. The following reasons were provided to two bidders with three projects (and five proposals) that ESI believed would be non-conforming:

- One Bidder indicated it intended to offer three proposals for a Developmental Resource (i.e. 2 Acquisition options and one PPA). However, the location of the resource was not in the Louisiana portion of WOTAB and thus would be non-conforming;
- A project by another Bidder was offered as a Developmental Resource but was not located in the Louisiana portion of WOTAB;
- A Bidder offered a proposal for acquisition of an existing generation resource which was not conforming with the RFP requirements because acquisition of an existing resource was not eligible.

[23] Proposal fees are refunded to Bidders only under the following circumstances as described in the RFP: (1) Bidder registers a proposal and pays the fees but does not complete the proposal submission; (2) Bidder completes a proposal but withdraws the proposal prior to the Proposal Submission deadline; (3) ESI cancels or terminates the RFP prior to selection of proposals.

ESI also established an "RFP Hotline" to Bidders throughout the Bidder Registration Period and Proposal Submission Period. Through the Hotline, Bidders could ask technical questions or other questions regarding registration or the Proposal Submission Process. The Hotline was another safeguard to allow Bidders the opportunity to raise questions and receive a quick response during a crucial period of proposal development. The Hotline was not accessed for the WOTAB RFP process.

Modeling Meeting – LPSC Staff and IM

ESI organized a meeting attended by LPSC staff, its consultant, and the IM on November 20, 2015 to review and discuss the quantitative evaluation methodology and models to be used, proposal evaluation inputs and assumptions, discuss the components of the qualitative criteria including viability assessment, and also provide access to other team members such as Deliverability Assessment Team, Accounting Team, and Credit Team.

The Aurora team, which runs the Aurora production cost model[24] to assess the energy value of each conforming resource, provided a detailed description of the model, the model construct, its role in the evaluation methodology process, key Aurora modeling assumptions for the WOTAB assessment (i.e. generating unit assumptions, reserve requirement assumptions, unit commitment requirements, and unit deactivation assumptions), input assumptions and fuel price forecasts, load forecast and resource plan and Aurora results and outputs. The team described ESI's gas price assumptions and methodology for projecting gas prices,[25] emission (CO2, NOx, SO2) price forecasts and methodology, and key generating unit assumptions. The Aurora team also spent quite a bit of time reviewing the Aurora constructs under either a zonal or nodal representation.

The Economic Evaluation Team ("EET") also discussed the Economic Evaluation Model which would be used to calculate the Net Supply Cost for each proposal and which incorporates the output provided by Aurora in its overall assessment.[26]

[24] Aurora was licensed by Entergy in 2011. It is the primary production cost tool used for MISO market modeling and Entergy long-term planning. Aurora simulates the hourly operations of a power market over a projected study period. For this analysis, the study period will be 1/1/2017 to 12/31/2035, with extrapolation beyond 2035. The ELL/EGSL RFP case has been created using the planning assumptions for October 2015. The Aurora model uses a zonal and nodal representation of MISO and 1st tier markets. For this assessment, ESI is using the nodal representation for Aurora.

[25] ESI's methodology for projecting natural gas prices is similar to the approach used by a number of other utilities the IM is familiar with. ESI uses NYMEX futures prices for the first year extrapolates from the NYMEX futures to a compilation of long-term gas price forecasts for years 3-20 based on review and assessment of 6-8 third-party consultants. ESI develops a delivered cost of gas for the proposals based on the gas commodity forecast, basis differentials, gas transportation costs, losses and sales tax.

[26] The Aurora and EET work closely together on the quantitative evaluation methodology. Components of the Aurora outputs are combined with the EET spreadsheet model to generate the total Supply Cost for each proposal and portfolio. Essentially the EET model combines the fixed cost components and value of each proposal along with a forecast of variable operating costs and energy revenues to generate a Net Supply Cost for each proposal. The Net Supply Cost analysis relies on production cost modeling and spreadsheet models to project the cost of serving the Companies' customers with the addition of the proposed RFP resource to the generation portfolio. The analysis considers fixed and variable costs, as well as forecast energy and capacity revenues. The effect of each proposal on total supply cost will be compared

One of the objectives of ESI at this time was to lock-down the forecasts and key assumptions for the reference case as part of the evaluation process prior to receipt of proposals.

Each team discussed its role in the solicitation process, its evaluation methodology, and role in the overall evaluation. In particular, the VAT team provided its evaluation criteria and Scorecard parameters. As a note, the IM had been working with VAT for some time regarding the pre-determined evaluation criteria and final scorecard. The IM reviewed and commented on several iterations of the Scorecard and criteria included leading up to development of the final scorecard for bid evaluation.

Questions and Answers

The final Questions and Answers were posted on 12/9/2015, although ESI did post drafts of the Q&As as they were being processed. A total of 107 Q&As were posted on the website. The Q&As varied by category but several of the more frequently referenced areas were (1) methodology for comparing and evaluating proposals with different bid terms;[27] (2) lease accounting requirements and issues; (3) proposal eligibility requirements associated with size, project structure and technology; and (4) transmission requirements.

The RFP Administrator submitted each question and draft response to the IM for review and comments prior to posting the questions to the website. The IM's objective was to respond quickly with any comments to the responses to allow Entergy to expedite posting of the Q&As.

The IM felt that Entergy responded to the questions with fairly detailed responses and in sufficient detail to provide a reasonable base of information in response to the questions.

This phase of the solicitation process leading up to submission of proposals involved a few additional tasks or requirements. For example, the final date for bidder completion

over the evaluation period. The Net Supply Cost analysis may also include a portfolio evaluation that compares the Companies' generation portfolio with multiple resources from proposals offered into the 2015 ELL/EGSL RFP, as applicable.

[27] For example, Entergy explained its proposed methodology for comparing and evaluating proposals with different terms. In response to Question A-9, ESI stated "the evaluation methods and assumptions for the RFP continue to be developed and have not been finalized. The chosen evaluation process for the RFP will place all proposals on an equivalent basis. To the extent that a PPA term is less than the evaluation period, ESI anticipates that the evaluation process will rely on an assumption regarding the cost of replacement power after the expiration of the PPA delivery term for the balance of the evaluation period. Bidders may offer an option for ELL to purchase power under a proposed PPA or toll beyond the initial delivery term specified in the proposal. In order for the pricing terms of the extension option to be considered as an alternative to the cost of replacement power for the portion of the evaluation period in which power would be available to ELL under the extension option, the terms of the option, including pricing and the extension delivery term, must be firm, unconditional, and unambiguous; the option must be for the sale from the same generation resource and meet the other supply requirements of the RFP; the option must be viable; and the option must be exercisable exclusively by ELL in its sole and absolute discretion."

and submission of the required Interconnection Application to the MISO was scheduled to be November 16, 2015. Bidders who submitted registrations for the RFP were also required to submit their Proposal Fee Payment after registration.

B. Proposal Submission Period

Proposal Submission

Five proposals from four Bidders were received. The Self-build proposal was submitted to ESI and the IM on December 4, 2015 as required. The remaining proposals from third-parties were submitted between December 7 – December 10, 2015. The proposals submitted are summarized in Table 7.

Table 7: Summary of Proposals Submitted

Bidder ID	12	25	33	67
Proposal ID	9743	8538,5174	7223	9036
Resource Type	Developmental	Existing	Existing	Developmental
In-Service Date	6/1/2020	6/1/2022	7/1/2018	6/1/2020
Term (years)	20	10	10	Life of unit
Product Type	Toll	PPA	PPA	Acquisition
Capacity Offer (MW)	1000	485	500	924
Mutually Exclusive	N/A	8538, 5174	N/A	N/A

Bidder 12 was classified as non-conforming. This Bidder registered for the RFP and was notified by ESI that the location of the proposed resource did not appear to meet the requirements to be classified as an RFP-Eligible Resource. The Bidder did not address the non-conformance issues at the time it submitted its proposal. These include: (1) as a developmental resource, the project was not located in the WOTAB region in Louisiana as required and (2) the resource proposed GE 7HA technology which was not a conforming technology.

Bidder 45, who was informed by ESI that its proposal did not appear to be conforming did not submit any proposals. Both Bidder 33 and 25 each withdrew one of their registered proposals.

Proposal Redactions

The next step in the solicitation process that is implemented after submission of proposals is the redaction process of confidential information for each proposal. The intent of the redaction process for the ESI Administration team was to limit access to information about a proposal to specific project teams only to information necessary for each project team. For example, the EET team essentially requires the pricing and operational information associated with a project to undertake its portion of the evaluation but should

not require information associated with site control, permitting, financing or the like. Likewise, the VAT team does not require access to price information. In addition, one of the other objectives of the redaction process is to ensure Bidder names and Project names are not identified. Project team members, to the extent possible, should only have access to Bidder ID numbers and Proposal ID numbers.

The redaction process is designed as follows:

- ESI Administration team and the IM reviews sections of the proposal and associated documents and redacts the information necessary for each project team;
- The ESI Administration team then places the redacted proposal information in separate files for each project evaluation team;
- ESI then sends the files that have been redacted for each project team and for each proposal to the IM for review and approval. The IM reviews each file and either approves the redactions or identifies additional sections of the proposal which should also be redacted or sections of the proposal that were redacted but which the IM feels should not be redacted. If the parties disagree, the ESI team and IM discuss the comments and decide on the best approach for resolving any differences. For the ELL/EGSL RFP, the ESI and IM were able to resolve all issues associated with the redaction process;
- Once agreement is reached, the ESI team distributes the proposal information to each team based on the information required by each team for undertaking their team evaluation for each proposal.

The IM's experience is that probably the biggest challenge associated with confidentiality of such information is to eliminate the possibility that qualitative evaluation team members will have access to pricing information. Since the qualitative evaluation can be somewhat subjective, a qualitative team member could exert some unintentional bias toward a proposal which the team member realizes will be a strong competitor from an economic evaluation standpoint. While the redaction process is time consuming and may have questionable value relative to the time spent if the evaluation team members ultimately figure out who the Bidder or project is, it is another safeguard option to treat all proposals fairly and consistently.

Clarification Questions for Bidders

Once the evaluation teams began the evaluation of each of the proposals within the categories for which they were required to conduct their evaluations, the different teams identified clarification issues for each proposal to better understand and clarify information about each proposal. The project teams submitted their questions to the RFP Administrator who then prepared the questions in a consistent format for each bidder and then crafted a letter for the bidder. Prior to distributing the questions to the Bidders, the ESI Administrator sent the questions to the IM for review and comment. The IM can suggest revisions or "sign off" on the letter to the Bidders. Once approved by the IM, the

letter with questions and any background information regarding requirements of the RFP were sent to the specific Bidders.

When Bidders sent in their responses, they were again reviewed and redacted if necessary. The ESI Administrator sent the redacted responses to the team's questions to the IM for review prior to distribution of the answer to the questions to the appropriate evaluation teams for review. This process was followed consistently for each proposal and Bidder, including the self-build proposal during January, 2016.

Retention of an Independent Engineer ("IE")

During the development of the solicitation process, ESI informed the IM that one of its recent practices was to retain, through the IM, an Independent Engineer to provide technical assistance to evaluate the reasonableness of the major cost components associated with Entergy's self-build proposal, and potentially, assist with assessment of RFP submittals by third-parties. The goal of the IE's assessment would be to evaluate the validity of the ESI self-build option's cost estimates and if requested, provide consulting services to support the evaluation process. The IE role involves a close working relationship with the IM and the ESI RFP Administration team.

When informed by the ESI Administration team that ESI has used an IE to work with the IM in other recent solicitations, the IM felt this was an excellent idea and offered another set of eyes to ensure the costs of the self-build were reasonable as well as serve as a potential resource for other technical issues that may arise during the evaluation process. ESI indicated that the IM could prepare a scope of work and solicit bids to select an IE. Alternatively, ESI informed the IM that it had used Burns & McDonnell in recent solicitations. Since the IM had recently worked on other solicitations on which Burns & McDonnell was retained by the utility to provide a similar role and function and conduct due diligence on third-party bids as well and was impressed with the work performed by Burns & McDonnell in these solicitations, the IM agreed that Burns & McDonnell would be a reasonable selection.[28]

Burns and McDonnell was contacted by ESI and the IM in January 2016 to prepare a Scope of Work and budget to serve as IE for the WOTAB RFP. Burns & McDonnell provided its Scope of Work in late January and was retained shortly thereafter.[29] Shortly after the IE was retained, the IM compiled the proposal information submitted by the self-build team and sent the proposal to the IE for review and assessment.

[28] Through its work as IE for recent Entergy solicitations as well as serving as EPC contractor in bidding, designing, and constructing similar large scale combined cycle projects, the IM felt that Burns & McDonnell would have significant and up-to-date experience with cost and operational parameters for several combined cycle technologies, including recent information on the cost of the Mitsubishi technology proposed by the self-build team.

[29] The Scope of Work prepared by Burns & McDonnell involved the following four tasks: (1) initial site visit/kickoff meeting; (2) third party review of the capital cost estimate for ESI's self-build option; (3) review of capital cost estimates to include identification concepts not covered within the bid; (4) work with ESI to resolve any concepts not addressed with the bid.

IE Site Visit

The first task in the IE scope of work was a site visit to the Roy S. Nelson Generating Station, the shared site for the self-build Lake Charles Power Station project. The site visit took place on February 4, 2016 and was attended by members of the self-build team, two representatives of the IE team, the IM, the ESI Project Manager, and the ESI RFP Administrator. The first two hours of the meeting were designed to address questions raised by the IE on a range of issues associated with the self-build proposal including a range of environmental considerations, site conditions, permitting, project layout, status of other units on the site, transmission requirements, water availability and requirements, fuel access, and relationship to the EPC contractor for the project.

After the meeting, the team visited the specific site and the land around the site to review the proposed location of the project, the location for the interconnections for electric transmission and natural gas, water access and intake structure, and proposed laydown areas.

Outside of the contact with the self-build team during the site visit, the only other communication between the self-build team and the IE was submission of responses to questions raised by the IE as part of its review, which was managed by the RFP Administrator and monitored and reviewed by the IM. The self-build team was not provided with any of the findings of the IE until after completion of the evaluation process.

Proposal Review and Initial Evaluation

ESI also began to evaluate the proposals and supplement the evaluation results based on Bidder response to the questions submitted by ESI to the bidders.

At the same time, the IM undertook several tasks to ensure he was in a position to conduct his review of the quantitative and qualitative evaluation results in a timely and thorough manner once the results became available for review and assessment. The IM undertook the following tasks leading up to review of evaluation results:

- Reviewed each proposal in detail;
- The IM prepared detailed term sheets for each proposal designed to allow the IE to review all the key proposal inputs relative to the bid information submitted by the bidder. The term sheets prepared by the IM included detailed proposal pricing information, operational characteristics, heat rates, fuel supply and transportation options, costs and pipeline capacity required (based on VATs fuel cost matrix), electric transmission costs and options, and other proposal information. The IM used the term sheets as a means of checking all the proposal inputs used by EET for the evaluation of each proposal;
- The IM also focused on ensuring that all costs were properly captured for each option, including the self-build. The IM conducted a detailed review of the costs

submitted by the self-build team in its proposal and identified cost items for discussions with the ESI Administration team. For example, the IM has found in other solicitations that Capital Expenditures (CAPEX) costs are often overlooked in the assessment of the self-build option. While the utility usually captures the fixed and variable O&M costs, CAPEX costs may not be known in advance and will be incurred as required or at different intervals during the life of a project. For the self-build option, the IM found that CAPEX costs were included in the self-build proposal but were not initially included in the bid evaluation assessment. These costs were then confirmed by the VAT team and included in the economic assessment by EET once identified by the IM;

- The IM conducted its own review and evaluation of the qualitative viability assessment undertaken by VAT using the evaluation criteria and scorecard developed for this evaluation. The IM and VAT team went through a few iterations with regard to the evaluation results and ultimately agreed in general on the final evaluation results. For analysis of this nature (i.e. more subjective analysis), the IM views its role as "challenging" the results of the evaluation and seeking justification from the utility evaluation team;
- The IM also reviewed the EET model to ensure the equations would accurately calculate the metric as required and appropriately applied the methodology with regard to several important categories. These include:
    - The IM conducted a detailed review of the methodology included in the EET model regarding calculation of imputed debt costs to ensure the model accurately captured the methodology for calculating imputed debt for utilities;
    - The IM also reviewed the methodology incorporated in the model for calculating the replacement cost (backfill) to ensure proposals with different terms are evaluated as described.
    - The IM also reviewed the Revenue Requirements sections of the model to ensure all costs associated with the self-build or acquisition option would be calculated properly based on an appropriate revenue requirements methodology.

C. Proposal Evaluation Process

As described in the Bidder's Conference presentation, the "RFP evaluation will seek to identify a proposal(s) that meet the Companies' needs and the RFP requirements at a reasonable cost, taking into account reliability, risk mitigation, and other relevant factors." As previously mentioned, there are five evaluation teams that will evaluate each proposal. The compilation of information and analysis developed by each team will be used in the resource selection process. The selection of the preferred resource is not based on a point system or formula but includes a compilation of the assessments of each proposal by the five evaluation teams.

The evaluation process undertaken by ESI is a single phase process. While some solicitation processes include a multi-stage approach which may include a price screening assessment and/or shortlist process, the ESI approach involves a single stage evaluation

of all conforming proposals which includes a complete, thorough, and consistent evaluation and analysis of each proposal. Proposals are reviewed and assessed for the following factors:

- Economics
  - Net Supply Cost
  - Production Cost
- Transmission/Delivery Access and Cost
- Viability Assessment [30]
- Accounting Assessment
- Credit and Collateral

The roles and responsibilities of each team are discussed in subsequent sections of this report. The findings and evaluation results of each team are presented to the RFP Administration team which combines the assessment from each team and develops an overall evaluation for each proposal and a recommendation for proposal selection. These results are then presented to the Operating Committee who then makes the final determination.

It is important to note that the IM has the ability to request that additional scenarios or sensitivities be performed to assess the robustness of the various proposals to factors that could influence project evaluation results. The IM is also presented with all the evaluation results and has the opportunity to meet with the various teams to review the results and ask any follow-up questions.

1. Economic Evaluation

The EET team conducts an analysis of the costs and benefits associated with each proposal and evaluates and ranks the proposals based on several metrics. The EET utilizes the tools, methods, and metrics commonly used by the Entergy Operating Companies for long term planning and resource evaluation, including Total Supply Cost analysis, Total Supply Cost savings, Savings Breakeven year, and Equivalent Acquisition Price. EET models the economic costs and benefits to customers of each proposal based on information from the Bidder's proposals,[31] inputs provided by the Aurora model, input assumptions and forecasts prepared by ESI, internal financial input assumptions for ELL/EGSL[32] and information provided by VAT and DAT team members. The EET model is a large scale spreadsheet model with several tabs which include input data and Aurora results.

[30] The assessment undertaken by the VAT team encompasses many of the power project development issues required to develop a power project including technology, bidder experience, site control, environmental issues, fuel plan, financing plan, commercial issues, project operational factors, and operation and maintenance plan.

[31] Typical information included in the Bidder's proposals are Capacity Charge, Operation and Maintenance Costs, heat rates, operational parameters, etc. Bidders are required to submit pricing and other information in their proposals as listed in the RFP and in the Bid Forms and Templates provided for bidders.

[32] This would include debt and equity ratio and costs, tax rates, allowed Rate of Return, etc.

The EET Economic Evaluation model ("EET Model") was initially discussed with the IM and Commission Staff in September 2015. The IM was provided a preliminary copy of the model in early November, 2015. The IM reviewed the model and provided comments and suggestions for highlighting the evaluation results and inputs. On November 20, 2015 ESI held a meeting attended by Commission staff, the consultant for the Commission, and the IM to review the latest draft of the model, inform the parties on the various components of the model, and answer any questions from the parties. The EET model was locked down on December 1, 2015.

As noted above one of the primary metrics calculated by the EET model for each proposal to compare the total costs and benefits associated with each proposal is Total Supply Cost. The Total Supply Cost analysis relies on the production cost analysis from Aurora combined with the costs and benefits of serving customers associated with each proposal. Each proposal is modeled over the entire evaluation period based on the methodology used by ESI for including market costs for those years beyond the proposal term if less than the evaluation period.[33] The Net Present Value of all costs and benefits are calculated for each proposal over the evaluation period from 2017 through 2050. ELL/ESGL Weighted Average Cost of Capital ("WACC") is used as the discount rate for cost and benefit streams.

The Total Supply Cost includes several components: Total Variable Supply Cost + Proposal Fixed Cost minus Proposal Capacity Revenues. The Variable Supply Costs are generated by Aurora and reflect the total system supply cost with each specific proposal included in the system cost assessment.[34] Proposal Fixed Costs include the sum of Capacity Charges plus Fixed O&M Cost (if applicable) plus Gas Transportation Cost plus VAT Capital Cost + DAT Capital Cost plus Imputed Debt plus Acquisition Cost. Proposal Capacity Revenue is the value of capacity if sold into the MISO market at the projected market Capacity Price. Backfill Capacity Revenue is based on the same methodology except that the Backfill Capacity Revenue reflects those years in which ESI

[33] Since the proposals differ in term or duration, in order to compare the proposals of different duration, the EET team normalizes proposals over the planning horizon or evaluation term (2017 – 2050) by assuming replacement cost or backfill once the proposed contract term is up. EET conducts potentially three cases for evaluating proposals over equivalent terms. The Reference Backfill case assumes a levelized fixed cost based on the cost of a 2x1 501G combined cycle unit. The variable supply cost is assumed to be an extension of the proposal. The second case is the Market Price Sensitivity Case in which the fixed cost is based on the forecasted capacity price in MISO, which is based on the capital cost of a CT when new capacity is required and the variable supply cost is based on the self-build variable cost case. EET would also conduct a third approach for placing all proposals on an equivalent basis. Bidders may offer an option for ELL/EGSL to purchase power under a proposed PPA or toll beyond the initial delivery term specified in the proposal. In order to be considered as an option, the terms of the option including pricing and extension delivery term, must be firm, unconditional and unambiguous; the option must be for the sale of power from the same generation resource and meet other supply requirements of the RFP; and the option must be exercisable exclusively by ELL/EGSL in its sole and absolute discretion (response to A-9 in the Q&A responses).

[34] For example, a highly efficient new combined cycle unit will likely be dispatched close to the top of the stack of projects due to its efficient heat rate. As a result, the energy produced from this new, highly efficient unit will displace less efficient units with higher heat rates and higher variable costs resulting in more savings associated with the more efficient projects.

has to replace the capacity from the proposal. Total Supply Cost is presented in total PV dollars to 2017. EET also presents the Total Supply Cost

The Aurora Electric Market Model, a production cost model, is used to assess the energy value of each conforming proposal on the overall total system variable cost. Aurora simulates the hourly operations of a power market over a projected study period. For ESI, the model has been developed to allow for projections for up to 19 years in length (1/1/2017 to 12/31/2035). The Aurora model has the ability to use a zonal or nodal representation of MISO and first tier markets. The Aurora input database is provided by EPIS, the software firm from whom Entergy licenses the Aurora model. Aurora is the primary production cost tool used by for MISO market modeling and Entergy long-term planning.

The Aurora analysis starts with a Reference Case. The starting point for the ELL/EGSL RFP reference case is the RFP locked down base case. The Base Case includes all existing and planned system resources, including a 2020 WOTAB CCGT (923 MW), which are in the 2016 Business Plan. The Reference Case is based on assumed market purchases to meet requirements as the basis for calculation of total system cost for the Reference Case. The 2020 WOTAB CCGT is not included in the Reference Case. For evaluation purposes, this base case resource will be removed from the plan and replaced with each proposal submitted into the RFP. Since ESI is conducting the Aurora analysis based on a nodal analysis, the revenue generated by each resource is included in the Aurora model based on the LMPs at the specific bus at which it is located. ESI informed the IM that it is using nodal analysis for current solicitations compared to zonal analysis for previous solicitations.

The Aurora model includes a number of assumptions including unit capacities and operating parameters, market capacity additions, generation deactivations, load growth, planned transmission projects and unit retirements. The model targets an assumed 15% reserve margin requirement for MISO as the basis for system reliability.[35] In addition to the planning assumptions and inputs for the broader region, assumptions specific to the Entergy operating companies are also included such as unit deactivation assumptions, existing contracts, operating company load forecasts, reference Entergy fuel price forecasts (i.e. natural gas, coal, and nuclear), and emission price forecasts.

The output from Aurora which is provided to the EET team includes Variable Supply Cost and Energy Revenues and Costs for each proposal based on the bidder-supplied heat rate, in conjunction with bidder-supplied Variable Operation and Maintenance costs ("VOM"), start-up costs and assumed gas price forecasts and gas delivery costs provided by the fuel evaluation team.

The fixed costs associated with a specific Power Purchase Agreement or Tolling Agreement project include the total annual capacity cost based on the product of monthly capacity price proposed and the contract capacity offered. If applicable, Fixed O&M

[35] The Aurora modeling assumes that sufficient capacity is added over time to maintain a 15% reserve margin within MISO.

costs ("FOM") are based on the proposed FOM costs times the Contract Capacity. Gas transportation costs, electric transmission costs and network upgrades are also included in the fixed costs calculations. These costs are calculated within the EET model.

ESI uses the Standard & Poor's method for assessing imputed debt (also referred to as debt equivalence) for long-term obligations that ELL/EGSL would incur related to proposed PPAs or Tolling Agreements plus an estimate of the additional cost that would be incurred if it were to rebalance its capital structure to counteract the effect of the imputed debt. It is this additional cost that is used as the imputed debt "cost" in the evaluation methodology. The primary rationale for considering a PPA as equivalent to debt, from S&P's perspective, is to factor in the risk that the purchaser, ELL/EGSL in this case, will not be able to recover its costs over the term of the PPA. Other things being equal, the longer the term of the contract, the larger the risk and, hence, the more imputed debt and the higher the debt equivalence cost used in the evaluation calculations. S&P only imputes debt to capacity and FOM charges in PPAs. [36]

For Acquisition proposals or the self-build Option, many of the fixed costs (i.e. capital cost of the project, transmission network upgrade costs), are recovered in the utility's rate base. Utilities generally use a cost of service model to calculate the revenue requirements of a project over the life of the asset to permit the utility to recover the cost of the asset placed in service as well as a return on investment to the utility shareholders.

For each proposal in the RFP, the DAT team verifies that each proposal meets RFP deliverability requirements and performs an analysis to review and/or identify any additional transmission network upgrades. The DAT team calculates the transmission upgrades for each proposal under the assumption that the resource is fully deliverable and maintains compliance with applicable NERC reliability standards. DAT provides its estimate of the cost of required and avoided transmission upgrades and the year incurred to EET for inclusion in the EET modeling analysis along with the Administration team and other evaluation teams as required.

The VAT team provides several functions in the evaluation process. First, the VAT team reviews and assesses the technical, environmental, fuel supply and transportation, and commercial merits of the proposals submitted to determine if the proposals meet threshold requirements. VAT reviews the self-assessment provided by each Bidder and will use the self-assessment to determine Bidder's compliance with the RFP requirements. Second, the VAT team conducts a detailed viability assessment of each proposal based on the evaluation criteria established prior to receipt of proposals for each attributes identified. Essentially, the VAT team with review and input provided by the IM[37] developed a "scorecard" that pre-determined the characteristics of the evaluation,

[36] Imputed debt is calculated as the present value of the fixed (capacity) portion of annual payment, discounted at the utility's average cost of debt, and multiplied by a risk factor. The risk factor is intended to reflect the probability that PPA costs will be fully recovered in rates and varies depending on state-specific legislative and/or regulatory policy. The base case risk factor for the ELL/EGSL assessment is 25%.

[37] The VAT and the IM met on several occasions to discuss the scorecard and criteria. The IM prepared a list of comments and suggestions for clarifying a few of the criteria and provided recommendations for revising the scorecard for future solicitations.

the weights for each criteria, the definition of the evaluation parameters, and point totals associated with the specific characteristics of the proposal within each category. Each proposal will be evaluated and the key attributes scored on the basis of three categories: Score of 1 – incomplete or deficient; Score of 5 – Average; and Score of 10 – fully functional and flexible. The VAT developed different scorecards for Developmental resources and Existing resources in an attempt to distinguish the important characteristics of each type of resource.[38] The members of the VAT team, which include subject matter experts from different functional areas within ESI, are responsible for evaluating each proposal relative to their area of expertise. The VAT team reviews the bidder's response to the Project Self-Assessment provided by the bidder with its proposal, due diligence questionnaires, proposal templates, and responses provided by bidders to VAT team questions. The criteria and weights for each criterion that serve as the basis for the VAT evaluation are listed in Table 8.

Table 8: Viability Assessment Criteria

Developmental Resources		**Existing Resources**	
Evaluation Criteria	Weight	**Evaluation Criteria**	Weight
Project Status	20%		
Status of Engineering			
Status of EPC Contracting Process			
Adequacy of Project Timeline			
Operations	20%	**Operations**	30%
Proposed Technology		Overall Status and Condition of Major Equipment	
Overall Condition of Major Equipment		Fit with Functional Objectives and Products	
Fit with Functional Objectives and Products		Issues Associated with Common Facilities	
Plan in Place for Dealing with Common Facility Issues		Key Plant/Support Personnel Experience and Knowledge	
Planned Operator Experience/knowledge		Reliability of Equipment/Design Configuration	
Operational Control/Governance		Flexibility of Effective Operating Range	
Flexibility of Effective Operating Range		Status of Any Equipment Service Agreements	
Strategy for Long-Term Equipment Maintenance		Maintenance Program	
		Availability of Spares/Storage	

[38] The differences in Scorecards does not present any issues in the evaluation process since ESI does not use the raw scores from the VAT evaluation in combination with pricing results or other criteria to develop a total score for bid ranking and selection. Instead, the VAT viability evaluation results and scores are used as a means of distinguishing the viability of the various proposals submitted.

Fuel - Gas	20%	**Fuel - Gas**	25%
Access to Supply Areas		Access to Supply Areas	
Gas Pressure Rating		Gas Pressure Rating	
Swing Capability Rating		Swing Capability Rating	
Availability of Regional Gas Storage		Availability of Regional Gas Storage	
Pipeline Interconnection		Pipeline Interconnection	
Type of Transportation Available (Firm/IT)		Type of Transportation Available (Firm/IT)	
Dual Fuel Capability		Fuel Metering for Allocation to Power Blocks	
Business Experience with Pipelines		Dual Fuel Capability	
		Business Experience with Pipelines	
Commercial	15%	**Commercial**	25%
Deviation from Key Guidelines		Product Delivery Term	
Viability as Long-Term Supplier		Deviation from Key Proposal Guidelines	
Pre-Commercial Financial Guarantees for Non-Performance		Viability as Long-Term Supplier	
Project Financing Plan			
Plan in Place for Obtaining Easements/ROWs/Site Control			
Environmental	15%	**Environmental**	20%
Status of Air Permits		Status of Critical Permits	
Status of Water Permits		Environmental Compliance	
Compliance Plan		Operating Restrictions/Concerns	
Land or Environmental Issues			
Potential for Operating Restrictions/Concerns			
Long-Term Planning[39]	10%		
Reliability			
Flexibility			
Location			
Total	100%		100%

[39] Long-Term Planning contains multiple parameters within each of the criteria. Reliability includes the following parameters – forced outage rate, planned outage rate, time to sync, blackstart capability, ST bypass timing, loss of CT timing, loss of ST timing, and cooling water supply. Flexibility includes the following parameters – ramp rate up, ramp rate down, minimum output, minimum downtime, starts per day, start time, dispatch restrictions, and AGC configuration. Location includes the following parameters – proximity to load, vulnerability, expansion potential, suitability of surroundings, and site access.

The VAT also developed a more detailed definition of the parameters for scoring each proposal on a 1, 5, or 10-point scale, with the definition developed and locked-down prior to receipt of proposals.

A third role of the VAT team is to provide input to other teams as required, such as the EET, in such areas as fuel supply and transportation costs and environmental cost issues. For example, the members of the VAT team validated operational information provided in the proposals such as heat rates, operational parameters, variable costs, etc. before the information is input into the EET model.

The IM also evaluated the proposals received using the VAT scorecard and interacted with the VAT team to review and assess the scores generated by the VAT team and by the IM. The final scores completed by the VAT team include discussions between the VAT team and IM regarding the scoring and evaluation of proposals.

The VAT team also provides its overall assessment of the potential risks associated with each proposal and the overall project viability to the ELL/EGSL Administration team.

The CET team evaluates the Bidder's credit quality and other credit-related matters. The CET team with input from ESI determines the required amount and form of collateral required of each proposal during negotiation of a definitive agreement. Among the factors considered in this assessment are the creditworthiness of the Bidder or guarantor, the credit exposure to Entergy, and contract tenor and type. It is not the intent of ESI to eliminate any bidder from participating in the process on the basis of credit. CET prepares a summary of each proposal relative to its credit considerations.

The AET team assesses the proposed classification of each PPA or Toll proposal regarding accounting treatment and considerations with respect to lease accounting, variable interest entity accounting, derivative accounting or any other adverse accounting issues raised by the proposal.

2. Input Assumptions

The Aurora assumptions, including fuel, CO2 prices, and plant operational assumptions were locked-down at the end of November, 2015. This section will briefly identify the basis for the fuel and CO2 assumptions used in the evaluation of proposals.

One of the most important assumptions in the analysis is the gas price forecast. The Reference Gas Price case will be used in the evaluation and high and low gas sensitivities are also performed. The forecasts are provided for Henry Hub as well as the Houston Ship Channel based on the historical relationship between the indices.[40] A delivered forecast of gas prices is developed for each proposal based on the commodity cost of gas plus the costs (including adders) to deliver the gas to the plant. The VAT team reviews

[40] The Henry Hub forecast is the base to which transportation, basis, taxes, losses, etc are added to determine the delivered price at each of Entergy's plants.

the proposal information, location of the project, and pipeline access to determine if fuel adders are reasonable.

Entergy's gas price forecast methodology is based on the use of the NYMEX futures for the first year of the forecast period and use of the average of fundamental-based independent third-party consultant forecasts for years 3-20, followed by escalation based on constant real dollars. For years 2-3, Entergy interpolates between the NYMEX and fundamental forecast. This methodology is consistent with the methodology used by other utilities for planning and evaluation purposes and also relies heavily on third-party independent forecasts, which eliminates any forecast bias.

The natural gas price and coal price forecasts were developed in August 2015 by the Generation Planning and Models group. The nuclear fuel forecast was developed in July 2015 by the Nuclear Fuels group. The CO2 medium case is the ICF International Q1 2015 Reference case.

3. Meeting to Discuss Preliminary Results

ESI scheduled a meeting with the Commission Staff, it's consultant, and the IM on March 21, 2016 to review the preliminary results for the ELL/EGSL RFP developed to date and to provide the Staff and the IM the opportunity to review the results and ask questions of the various team members regarding each area of the evaluation. Each team prepared a slide deck and presented updates of its evaluation results.

The EET team presented the preliminary results for three scenarios: reference Gas, low gas and high gas cases matched with medium CO2, no CO2, and high CO2 cases for the following metrics:

- Total Supply Cost
- Total Supply Cost Savings
- Acquisition Price or Equivalent
- Savings Breakeven Year

EET also provided detailed line item information for both Total Supply Cost and Total Supply Cost Savings metrics for each scenario.

The VAT team provided the results for its scorecards for developmental projects (1 project) and existing resources (3 PPAs/Tolls) and walked through the scoring for each proposal and the basis/justification for the scores.

The Accounting Team provided an update of its assessment regarding whether the proposals trigger capital lease treatment, and therefore it would be recognized as a long-term liability on the books of ELL. AET concluded that two of the three PPA/Toll proposals would trigger capital lease treatment. This assessment was important since the RFP clearly stated that "The Companies will not enter into a definitive agreement for a PPA, Toll, or any related agreement pursuant to this RFP that will or may result in the

recognition of a long-term liability on their books…".[41] The two proposals deemed to be a capital lease were two options for the same resource and that resource was a cogeneration project. The counterparty did not believe the contract would trigger capital lease treatment based on the nature of the project as a cogeneration project. The counterparty had argued that it had multiple product streams and because of the nature of such a project, it was not clear if ELL has sufficient control over the asset. The IM indicated that he felt it may be premature to classify the contract as a capital lease and requested that AET do additional research on this issue. AET agreed that additional review and research was required.

CET also provided an update on its assessment of the credit ratings and financials for each proposal.

4. Independent Engineer Review and Assessment

ESI hired Burns & McDonnell, under the supervision of the IM, to perform an independent third-party review of the capital cost estimates developed for the self-build option to determine the reasonableness of the estimate. In performing this assessment, the IE prepared a draft[42] and final report and shared both reports with the IM and the ESI RFP Administration team for review. The IE reviewed the project cost estimates prepared by the self-build team in their proposal, identified any costs that may be different than the costs estimated by the self-build team or not included based on the experience of the IE, and discussed its methodology and scope for undertaking its analysis. As part of this assessment, the IE also provided a Contingency Confidence Level assessment.

Since one of the functions of the RFP Administration team was to provide the cost estimates for the self-build to the EET team for evaluation, the Administration team used the IE's assessment of the reasonableness of the self-build costs and its findings as input into the development of cost ranges, if applicable, at which the self-build would be evaluated.

The IM was particularly interested in the IE's view regarding the reasonableness of the cost estimate prepared by the self-build team given the limited response for Developmental Resource proposals. In its report and in response to a question from the IM, the IE concluded that the estimated cost submitted by the self-build team represents current market probable costs, with 50% confidence that the final project costs will not exceed estimates.[43] The IE also found that the approach for developing the estimate to be reasonable and recommended a few adjustments to be considered in the proposal evaluation, including a few cost items that were omitted from the self-build cost

[41] In February 2016, the Financial Accounting Standards Board issued new lease accounting rules to be effective in 2019 that will require a lessee to record an asset and long-term liability on its balance sheet equal to the present value of the minimum lease payments for any transaction determined to be a lease.
[42] The IM provided feedback on the draft report and also submitted a few clarifying questions to the IE regarding the draft report.
[43] The IE also suggested that ESI may want to consider a contingency cost level of 70% for assessing capital cost risk.

estimates. The IE also recommended that ESI should consider performing several capital cost sensitivities on all proposals, including the self-build project.

Based on the results of the IE report, the RFP Administration Team created two capital cost scenarios and provided the results for the two cases to EET for assessment of the two capital cost cases.

The final IE report is included as Appendix A to the IM Confidential report.

5, **Final RFP Evaluation Results**

The Evaluation process for the 2015 ELL/EGSL RFP was nearly a five-month process, initiated after receipt of proposals in early December and completed on April 29, 2016 with a Notice of Final Results of the 2015 ELL/EGSL RFP to Bidders. This section of the report will provide the final results of the evaluation and selection process including the basis for selection.

After the March 21, 2016 meeting at which the RFP teams provided preliminary results to the Staff, Staff consultant and IM, the teams conducted final review and assessment. The draft final results and recommendations were provided by the RFP Administration team to the IM for review and comments on April 15, 2016. After review and comments by the IM, the intent of the Administration team was to complete the evaluation and prepare a final presentation for management with the recommendations for selection from the RFP along with the backup or supporting information for the resource selections proposed.

The 2015 ELL Request for Proposals Final Results were presented by the Administration team to the ELL Operating Committee on April 28, 2016. The purpose of the presentation was to present the results of the 2015 ELL RFP process and based on the results to recommend (1) selection of Proposal 9036, the Lake Charles Power Station self-build option and (2) contingent selection of Proposal 8538, a ten-year PPA proposal for the Carville project, to address the supply objectives identified in the RFP. Final selection and execution of a contract with proposal 8538 was contingent upon acceptable resolution of lease accounting concerns.

The final results from the economic assessment is provided in Table 9 below. Table 9 provides a high level summary of the characteristics of the proposals evaluated along with the final results. The Table reflects the Reference Gas and Medium CO2 case. The results for several of the proposal were slightly different than the preliminary results due primarily to updated Aurora production cost runs for one of the Bidders.

Two cases were evaluated for Proposal 9036. The first case (9036) includes the Reference Capital Investment case based on the bidder's initial capital cost estimate plus incremental capital cost recommended by the IE. Proposal 9036B reflects the sensitivity case which includes the same adjustments suggested by the IE plus contingency cost

adjustments to reflect a P70 Contingency cost estimate. The capital cost for Proposal 9036B is higher than 9036 by $18.2 million.

Table 9: Summary Economic Assessment Results for Each Proposal

Proposal	5174	8538[44]	7223	9036	9036B
Bidder	25	25	33	67	67
Resource	462	462	276	415	415
Type	PPA	PPA	PPA	Acquisition	Acquisition
Technology	GE PG7241 FA CTG	GE PG7241 FA CTG	GE PG7241 FA CTG	Mitsubishi 501 GAC	Mitsubishi 501 GAC
Term (yrs)	10	10	10	N/A	N/A
In Service Date	6/1/2022	6/1/2022	7/1/2018	6/1/2020	6/1/2020
Base Capacity	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Supplemental Capacity	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Capacity	485	485	500	924	924
Base Heat Rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Supplemental Heat Rate	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Supply Cost (NPV $2017 $Million)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rank	*4*	*3*	*5*	*1*	*2*
Total Supply Cost Savings (levelized $/kW)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rank	*3*	*4*	*5*	*1*	*2*
Acquisition	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[44]Proposals 5174 and 8538 were based on the same resource. However, the proposals offered two different pricing structures which influences the final evaluation results.

Price or Equivalent $/kW					
Rank	*1*	*2*	*5*	*3*	*4*
Total Supply Cost Savings (NPV $2017 $Million)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Rank	*4*	*3*	*5*	*1*	*2*
Commitment Cost Break-even year	**2025**	**2026**	**2027**	**2028**	**2028**

In the Table above, Total Supply Cost Savings are presented relative to the reference case portfolio with no proposal but with reference case costs based on meeting deficiencies in capacity and energy with procurement at market prices. The results of the analysis clearly show that proposal 9036 has a significant economic advantage over the other proposals. From a Total Supply Cost basis, which provides a comprehensive measure of the relative economics of each proposal, proposal 9036 is lower than the remaining proposals by at least approximately [redacted] over the planning horizon (2017-2050). Proposal 9036 also has a significant advantage over the other proposals on the basis of Total Supply Cost Savings. Proposal 5174 is the top ranked proposal in terms of Acquisition Price or Equivalent. Proposal 7223 is ranked lowest in all the cost-related metrics analyzed.

EET also conducted portfolio analysis to assess whether combinations of proposals could provide additional economic benefit relative to a single proposal. EET conducted two sets of analyses:

1. EET assessed whether the selection of proposal 8538, the second-ranked proposal from an economic perspective, could reduce customer costs if selected in addition to proposal 9036;
2. EET assessed whether the selection of two smaller PPAs (proposal 8538 combined with proposal 7223) in combination could yield greater net benefits than proposal 9036 alone.

The results of the evaluation illustrated that case 1, the combination of proposal 8538 and proposal 9036, did result in lower customer costs. However, the second case where the two PPAs were essentially replacing proposal 9036, the results clearly indicated that proposal 9036 is the most economic option, resulting in overall lower Total Supply Costs of [redacted] (on a present value basis).

The Viability Assessment Team ("VAT") reviewed each proposal and performed an assessment of the non-price attributes of each proposal based on the criteria established and the scorecard developed for the evaluation and scoring. As previously noted, VAT prepared scorecards for Developmental proposals and existing projects to reflect the

different criteria of importance associated with the viability of Developmental resources and existing resources. Table 10 presents the final evaluation results for the Developmental resource.

Table 10: Viability Assessment Score – Developmental Resources

Developmental Resources		**Bidder 67; Proposal 9306**
Evaluation Criteria	Weight	
Project Status	20%	
Status of Engineering		
Status of EPC Contracting Process		
Adequacy of Project Timeline		
Operations	20%	
Proposed Technology		
Overall Condition of Major Equipment		
Fit with Functional Objectives and Products		
Plan in Place for Dealing with Common Facility Issues		
Planned Operator Experience/knowledge		
Operational Control/Governance		
Flexibility of Effective Operating Range		
Strategy for Long-Term Equipment Maintenance		
Fuel - Gas	20%	
Access to Supply Areas		
Gas Pressure Rating		
Swing Capability Rating		
Availability of Regional Gas Storage		
Pipeline Interconnection		
Type of Transportation Available (Firm/IT)		
Dual Fuel Capability		
Business Experience with Pipelines		
Commercial	15%	
Deviation from Key Guidelines		
Viability as Long-Term Supplier		

Pre-Commercial Financial Guarantees for Non-Performance		[redacted]
Project Financing Plan		[redacted]
Plan in Place for Obtaining Easements/ROWs/Site Control		[redacted]
Environmental	15%	
Status of Air Permits		[redacted]
Status of Water Permits		[redacted]
Compliance Plan		[redacted]
Land or Environmental Issues		[redacted]
Potential for Operating Restrictions/Concerns		[redacted]
Long-Term Planning	10%	
Reliability		
Flexibility		
Location		
Total	100%	[redacted]
Weighted Sum		[redacted]

There were three proposals from existing resources. Table 11 presents the results of the final scoring for the existing resources. While the scores are similar, proposal 5147 was ranked the highest.

Table 11: Viability Assessment Score – Existing Resources

Existing Resources		**Bidder - 25**	**Bidder - 25**	**Bidder – 33**
Evaluation Criteria	**Weight**	**Prop - 5174**	**Prop - 8538**	**Prop - 7223**
Operations	30%			
Overall Status and Condition of Major Equipment		[redacted]	[redacted]	[redacted]
Fit with Functional Objectives and Products		[redacted]	[redacted]	[redacted]
Issues Associated with Common Facilities		[redacted]	[redacted]	[redacted]
Key Plant/Support Personnel Experience and Knowledge		[redacted]	[redacted]	[redacted]
Reliability of Equipment/Design Configuration		[redacted]	[redacted]	[redacted]
Flexibility of Effective Operating Range		[redacted]	[redacted]	[redacted]
Status of Any Equipment Service Agreements		[redacted]	[redacted]	[redacted]

Maintenance Program		[redacted]	[redacted]	[redacted]
Availability of Spares/Storage		[redacted]	[redacted]	[redacted]
Fuel - Gas	25%			
Access to Supply Areas		[redacted]	[redacted]	[redacted]
Gas Pressure Rating		[redacted]	[redacted]	[redacted]
Swing Capability Rating		[redacted]	[redacted]	[redacted]
Availability of Regional Gas Storage		[redacted]	[redacted]	[redacted]
Pipeline Interconnection		[redacted]	[redacted]	[redacted]
Type of Transportation Available (Firm/IT)		[redacted]	[redacted]	[redacted]
Fuel Metering for Allocation to Power Power Blocks		[redacted]	[redacted]	[redacted]
Dual Fuel Capability		[redacted]	[redacted]	[redacted]
Business Experience with Pipelines		[redacted]	[redacted]	[redacted]
Commercial	25%			
Product Delivery Term		[redacted]	[redacted]	[redacted]
Deviation from Key Proposal Guidelines		[redacted]	[redacted]	[redacted]
Viability as Long-Term Supplier		[redacted]	[redacted]	[redacted]
Environmental	20%			
Status of Critical Permits		[redacted]	[redacted]	[redacted]
Environmental Compliance		[redacted]	[redacted]	[redacted]
Operating Restrictions/Concerns		[redacted]	[redacted]	[redacted]
		[redacted]	[redacted]	[redacted]
		[redacted]	[redacted]	[redacted]

The scores for the Developmental and Existing resources reflect the type of scoring one would expect. That is, existing resources should be more viable given the projects are already built and operating and unless the projects is experiencing major operational or permitting issues, should be expected to be more viable than a developmental project that still has development risks. However, based on the scores, all three projects scored fairly well. The VAT team did not identify any fatal flaws with any of the proposals.

V. Conclusions and Recommendations

A. Conclusions

- The 2015 ELL/ESGL solicitation process was undertaken in a fair, equitable and unbiased manner by ESI with the oversight of the IM. The solicitation process initiated by ESI is a consistent and equitable process designed to treat all proposals the same throughout the process. The IM found that ESI followed its protocols and objectives throughout the solicitation;

- The Lake Charles Power Station self-build project was the lowest reasonable cost option for customers taking into account all costs and risks. This project had the lowest total supply cost and highest total supply cost savings of all proposals evaluated. The contingent selection of Proposal 8538 was also a reasonable decision to address the supply requirements and objectives identified in the RFP;

- This competitive bidding process was undertaken by ELL/EGSL under the Market-Based Mechanism Order. As such, ELL/EGSL's RFP process and related documents were developed with input from the IM and Commission Staff based on industry standards as included in a number of other competitive bidding processes. The competitive bidding process designed and implemented by ELL/EGSL meets the requirements of the MBM Order.

- The ELL/EGSL solicitation process contains a number of safe-guards[45] designed to ensure that all proposals are treated fairly and that there is no inherent advantage possible for the self-build option. The IM finds that the implementation of the safe-guards instituted in the process exceed industry standards. Furthermore, the safe-guards were diligently maintained throughout the solicitation process;

- The role of the IM in the ELL/EGSL solicitation process was designed to be a very active role. Essentially, all communications between the ELL/EGSL Administration Team and all Bidders are parsed through the IM. The IM also found that there were no cases in which the IM either requested information from the ESI Administration team or RFP Administrator or raised questions about the evaluation process or results that such information was not provided or responded to;

[45] The safeguards included in the ELL/EGSL RFP include: (1) separation of the self-build team from the evaluation team; (2) Application of a Code of Conduct and Affiliate Rules; (3) Designation of an RFP Administrator as a single point of contact with bidders; (4) submission and lock-down of the self-build several days before other proposals are submitted; (5) Requirement that all bidders, including the self-build, submit the same proposal information to ensure each proposal is consistently evaluated; (6) use of bidder, proposal and project ID numbers to eliminate any potential bias in the evaluation; (7) blinding of bid information and redaction of bidder names of other non-pertinent information when distributing information to the bid evaluation teams; and (8) inclusion of an active role for the Independent Monitor.

- ESI treated the self-build option fairly and consistently relative to all other proposals. The self-build resource was required to provide the same information as all other proposals, was required to respond to follow-up questions and was evaluated consistently relatively to all other proposals. Furthermore, ESI took care in the evaluation process to ensure all cost information provided by all proposals, including the self-build was consistent and complete;

- The RFP process was a reasonably transparent process, providing a reasonable level of information about the requirements for bidding, the products requested, the evaluation methods and methodology, the evaluation process, bid evaluation criteria, information required of the bidder, requirements of the bidder for submitting its proposal, the schedule for undertaking the process, and risk parameters of the Company as identified in the RFP and related contracts. In conjunction with the role of the IM throughout the process, in our view the transparency of the process is consistent and in some cases exceeds industry standards for other competitive bidding processes;

- The bidder outreach and communication activities implemented by ELL/EGSL were designed to encourage market participation by informing a large number of potential participants about the RFP. ESI maintains a large database of potential suppliers, power marketers and others and informed those entities of the development and issuance of the RFP. ESI also publicized the RFP via industry trade publications that regularly include reference to RFPs. Furthermore, throughout the process, bidders were informed about the solicitation through bidder and technical conferences and Notifications posted to ELL/EGSL's website for the RFP. In addition, there were over 100 questions and answers posted to ELL/EGSL's website for this solicitation;

- The IM is of the opinion that one of the most valuable initiatives contained in the MBM Order is the ability of Bidders and interested parties to submit comments on the RFP documents and process. The IM views this requirement as an excellent opportunity for potential bidders to exert influence on the solicitation process at the front end of the process before the RFP is finalized. It was disconcerting that only one party submitted comments. The comments submitted by that party were valuable and led to changes in the RFP requirements;

- The competitive solicitation process is closely linked to ELL/EGSL's Integrated Resource Planning process. This includes input from other market participants and interested parties in the assessment of the need for power and the amount to be bid, input assumptions, modeling methodologies, and resource selection process.

- All bidders were treated the same and provided access to the same information, including both third-party bidders and the self-build team. The ESI management team was very effective in providing consistent information to all bidders throughout the process, and for ensuring all proposals provided consistent

information through the Q&A process with Bidders after proposals were submitted;

- The Confidentiality Agreement requirements, Code of Conduct and communication protocols were well developed and clearly identified in the RFP and were taken very seriously by ELL/EGSL team members. The IE was not aware of any violations of ELL/EGSL's Confidentiality Agreements, Code of Conduct and communication protocols. The Company appeared to diligently follow these guidelines and did not deviate from the requirements.

- The proposal evaluation models and methodologies were appropriate and reasonable for the cost and risk analysis undertaken by ELL/EGSL. While ELL/EGSL's analysis was based on a fixed supply plan, such an application is common for such an analysis.

- Merrimack Energy has concluded that the models and methodologies used are sufficiently detailed and comprehensive, accurately accounting for all costs associated with the evaluation. The Aurora model, a well-regarded production cost model, which provides input to the overall economic evaluation, is a standard industry production cost model which allows the utility to model broad geographical power markets at a detailed level. For this analysis, ELL/EGSL modeled existing and proposed resources at the nodal level for the MISO market, incorporating operational information about each unit within the MISO market. This analysis allows ELL/EGSL to evaluate the impacts of each proposal on total system cost.

- The level of documentation supporting the resource evaluation and selection process was very detailed. The IM had access to the inputs and outputs of the Aurora and EET models in a timely manner and also had opportunities to meet with the ELL/EGSL and Aurora evaluation teams on multiple occasions to review and question the results. The Company provided the detailed back-up documentation to the IM during the evaluation process.

- The RFP took several important steps in the right direction in moving toward comparability for third-party power purchase agreements and cost of service options. In particular, ESI appropriately responded to one prospective Bidder's concerns about evaluation of bids/resources with different terms. ESI's approach included the option for Bidders for PPAs and Tolls who were required to offer 20 year contracts to also offer up to a 10-year extension of the contract to ensure comparability of term between the self-build option and third-party proposals. For those entities who chose not to offer a contract extension, ESI developed two approaches for assessing the cost of backfill options to put all bids on an equal footing. The preferred approach used by ESI was to fill in the remaining term years with the cost of a combined cycle resource but with the cost based on the real levelized cost of a combined cycle. This meant that bidder would not be

burdened with higher costs associated with evaluation based on levelized cost or a revenue requirements approach assuming utility ownership of the resource;

- ELL/EGSL's analysis included imputed debt costs in the evaluation of third-party PPAs. However, the inclusion of imputed debt had no impact on proposal ranking.

- While there were few bids submitted, the potential for competition led to competitively priced projects;

- One of the most contentious and uncertain issues festering in the RFP process was the accounting issues associated with capital lease treatment for third-party PPAs and tolling agreements and their implications. While this issue was of considerable concern to ESI, the Company took steps in conjunction with the Bidders to attempt to resolve these issues rather than eliminate any proposals from consideration.

- The inclusion of an Independent Engineer ("IE") with extensive practical market experience with the costs and risks associated with designing, constructing and operating a large scale combined cycle project was very valuable, particularly since there was only one developmental resource proposed. The IE added valuable insight into the cost structure for similar projects which allowed the Administration team to establish a reasonable range of costs and assess the self-build around that range. Furthermore, even if the self-build is the lowest cost option, there is always the risk that actual costs could exceed projected costs. The IE stated in its report that it believes the costs submitted by self-build team for the project reasonably represents current market probable costs, with 50% confidence that final project costs will not exceed the estimate.

- ELL/EGSL followed the established process throughout the competitive solicitation. This included strict application of the threshold requirements, a detailed price and non-price assessment, follow-up questions to bidders to ensure consistent information was provided, and documentation of the decisions in the process. In essence, ELL/EGSL's process proved to be a disciplined and detailed bidding process.

- ELL/EGSL went to extraordinary measures to ensure the process was not biased in any way toward favoring its self-build option. ELL/EGSL separated its RFP team from the self-build team at the very beginning of the RFP development process to eliminate any concerns over self-dealing or bias in the process. ELL/EGSL developed and applied its CA, Code of Conduct and affiliate rules throughout the process. The IM monitored adherence to these requirements. No violations were found. Also, the identity of the Bidders and projects were not made available to any of the evaluation teams. The non-price team and price team undertook their evaluations separately and no information was shared about the evaluation results generated by each team.

- The IM was given access to all project information and was actively involved in meetings and conference calls. ESI never refused to provide information requested by the IM.

- Bidders had full access to the IM and LPSC Staff throughout the process in the event of problems, questions or disputes.

- The reason why competition was limited was not clear to the IM. While there may be a market perception that ESI has a competitive advantage associated with the self-build option, that has not been raised by any bidder. Some of the limited feed-back from bidders received by the IM during the solicitation process is that somehow the process favors the self-build. This is contrary to the IM's experience with the solicitation.

B. Recommendations

There were several recommendations for future solicitations which emanated from implementation of the process. These are articulated below:

- The MBM Order and its implementation by ESI provided prospective bidders a valuable opportunity to actively participate in the development and implementation of the competitive bidding process. Unfortunately, only one participant chose to participate through written comments about the RFP. The IM was disappointed by the lack of participation and the failure of bidders to contact the IM about any issues, particularly during the development of the RFP and related documents. For future processes, the IM would encourage prospective bidders to actively participate in the process to ensure their views and comments are heard.

- The IM recommended to the VAT team that they may want to consider expanding the resolution of the viability scorecard to include four categories for scoring as opposed to three. The IM's view based on his independent scoring of proposals using the evaluation criteria was that there was no room in the process to distinguish average from above average projects or below average from above average projects. The VAT team agreed with the IM and is expanding the resolution of the scorecard for future RFPs.

Independent Engineer Review of Lake Charles Power Station (LCPS) Self-Build Estimate

HIGHLY SENSITIVE
PROTECTED MATERIALS
INTENTIONALLY OMITTED