Report of the Independent Monitor

Entergy Services, Inc.

2015 Request for Proposals

For

Long-Term Combined-Cycle Gas Turbine Capacity and Energy Resources and Limited-Term Capacity and Energy Resources for Entergy Texas, Inc.

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Table of Contents

Executive Summary

Entergy Texas, Inc. ("ETI") plans to file an application with the Public Utility Commission of Texas ("PUCT" or "Commission") for authorization to construct the Montgomery County Power Station ("MCPS"), a nominal 993 MW 2x1 combined cycle gas turbine ("CCGT") unit to be constructed at ETI's Lewis Creek plant site in Willis, Texas. The project was selected as a result of ETI's 2015 Request for Proposals ("2015 ETI RFP" or "RFP") for Long-Term Combined-Cycle Gas Turbine Capacity and Energy Resources and Limited-Term Capacity and Energy Resources.

Entergy Services, Inc. ("Entergy Services" or "ESI")[1] issued its 2015 ETI RFP for Long-Term Combined-Cycle Gas Turbine Capacity and Energy Resources and Limited-Term Capacity and Energy Resources on June 26, 2015. The RFP sought up to 1,000 MW (Summer Conditions, at full load, including duct-firing) of long-term capacity, capacity-related benefits, energy, other electric products, and Environmental Attributes (if any) from one or more qualifying generation resources in the "Western Region" to add needed incremental long-term capacity to the Western Region,[2] satisfy local reliability requirements, and help meet certain long-term planning objectives. ETI indicated it intended to market-test a self-build alternative as part of the Long-Term RFP.

In addition, the Limited-Term RFP sought from 150 MW (Summer conditions) up to 700 MW (Summer conditions) of limited-term base load, load following, or peaking capacity, capacity-related benefits, energy, other electrical products, and environmental attributes (if any) from one or more qualifying generation resources located in MISO South.

Eligible proposals for the Long-Term RFP could be in the form of Acquisitions, Power Purchase Agreement ("PPA") or Tolling Agreement ("Toll") for unit contingent products. For the Limited-Term RFP, eligible products include PPAs and Tolls for unit contingent products. The RFP is limited to resources that are RFP-Eligible Resources which include:

- For the Long-Term RFP Developmental Resources physically located in the Western Region and Developmental Resources or existing Combined Cycle Gas Turbine ("CCGT") resources that can provide generation that would be incremental to the generation in the Western Region while for the Limited-Term RFP developmental and existing resources located in MISO South are both eligible;
- Resources that 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

[1] ESI acts as agent for Entergy Texas, Inc. ("ETI")
[2] For purposes of this RFP, the "Western Region" is the portion of Texas encompassing an area from slightly west of Woodville to a few miles west of College Station and from slightly south of the Woodlands to north of Huntsville. A map showing the Western Region Transmission System is included in the RFP and is also available on the 2015 ETI RFP Website (https://spofossil.entergy.com/ENTRFP/SEND/2015ETIRFP/Index.htm).

This RFP includes the market-test of a combined-cycle gas turbine ("CCGT") self-build alternative that would be constructed at ETI's Lewis Creek site in Willis, Texas.

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

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 proposal(s). 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 on the ETI 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;
- Maintain a review, oversight, monitoring, and reporting function over several different phases of the RFP process including:
    - Overall design of the RFP;
    - The proposal solicitation process (RFP issuance, bidder registration, and proposal submission);
    - The proposal evaluation process (including methods of evaluation);
    - The proposal selection process;
    - The due diligence and negotiation process;
    - Regulatory review, as needed and requested; and
    - Review the Code of Conduct and monitor adherence to the Code of Conduct

The IM will have access to any employee of ESI or ETI, any data, process or analytical tool created or used in connection with the RFP, and any other information reasonably available to ESI or ETI related to the RFP to the extent the IM deems such access necessary for ensuring that the RFP design, processes, and reviews are developed or conducted in a fair and impartial manner and subject to appropriate confidentiality safeguards to protect the integrity of the process. The IM will also have the ability to communicate directly with the Public Utility Commission of Texas staff and members that are participating in overseeing the RFP process subject to appropriate confidentiality safeguards.

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 the first quarter of 2015 and submitted a Notice of Intent letter to interested parties on April 30, 2015 indicating its intent to issue an RFP.[3] The Notice indicated that Entergy planned to hold a Bidders Conference in late May, 2015, with proposals likely due in October, 2015. Entergy issued the Final RFP on June 26, 2015 and bids were received by October 29, 2015. A total of four proposals (representing three projects) from three bidders totaling [redacted] MW were received for the Long-Term portion of the RFP, while four proposals (representing three projects) were submitted for the Limited-Term RFP totaling [redacted] MW.[4]

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 the ESI self-build option, the Montgomery County Power Station, as a preferred resource to meet long-term power supply requirements. Based on the results of ESI's RFP evaluation process, none of the limited-term resources offered in the RFP provide sufficient benefits to merit selection.

Conclusions

Based on the review and evaluation undertaken by the IM, the IM concludes that the selection of the Montgomery County Power Station was a reasonable decision 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. The selected proposal offered a favorable combination of reasonable cost and project viability and provided economic benefits to customers relative to other proposals submitted. The decision to not select any limited-term proposals was also reasonable based on the economic results associated with the proposals submitted.

I. Introduction

A. Background

Entergy Texas, Inc. ("ETI") plans to file an application with the Public Utility Commission of Texas for authorization to construct the Montgomery County Power Station, a nominal 993 MW 2x1 combined cycle gas turbine ("CCGT") unit to be constructed at ETI's Lewis Creek plant site in Willis, Texas. The project was selected as

[3] Attached as Appendix A to the Notice of Intent was the Draft Minimum Requirements for Developmental Resources as well as a map of the Western region and ETI's service area. The Draft Minimum Requirements identified the information prospective Bidders will be required to provide in their proposals.
[4] One of the Limited-Term proposals was classified as non-conforming.

a result of ETI's 2015 Request for Proposals for Long-Term Combined-Cycle Gas Turbine Capacity and Energy Resources and Limited-Term Capacity and Energy Resources for Entergy Texas, Inc.

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 qualifying generation resources in the "Western Region" to add incremental long-term capacity to the Western Region and from 150 MW up to 700 MW of limited-term base load, load-following or peaking capacity and related benefits from one of more qualifying generation resources located in MISO South.

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 request for 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.[5] During this time, the IM worked closely with ESI's RFP Administrator, RFP Administration Team, and members of the RFP teams. 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 described later in this report.

This final report meets the requirements for the IM listed in the IM Scope of Work. 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.[6] In addition, Merrimack Energy has no other business relationship (other

[5]The IM Scope of Work Activities was posted to ETI Website for the RFP in the Reference Tab on June 26, 2015 at the time the final RFP was posted.

[6] Merrimack Energy was also retained by ESI to serve as IM for Entergy Louisiana's (ELL/EGSL) 2015 Request for Proposals for Long-Term Developmental and Existing Capacity and Energy Resources for WOTAB issued on September 29, 2015 on a similar track to the ETI RFP.

than as IM) with ETI, ESI or any of their affiliates. However, Wayne Oliver of Merrimack Energy has served in a similar role as 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 ETI competitive solicitation or RFP process, the following issues will be addressed in this report:

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

2. Discussion of the various steps or activities associated with the development of the ETI 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;

3. 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;

4. Discussions of the bid receipt process;

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

6. Evaluation and selection of the preferred proposals;

7. Conclusions associated with the ETI RFP process.

II. 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 ETI 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 criteria to ensure the process is fair and equitable for all Bidders; • Review and comment on the draft 2015 ETI 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 and monitor ESI's and ETI's compliance: • Make recommendations to improve the solicitation process throughout the RFP process; • Review and comment on ESI's evaluation methods, analytical tools and processes, data inputs and assumptions, and price and non-price criteria for the Self-Build option and RFP proposals; • Review and comment on the description of the evaluation processes to be provided in the 2015 ETI 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 ETI RFP Issuance, Bidder Registration, and Proposal Submission):

- Monitor implementation of the 2015 ETI RFP to ensure that the process is administered in a manner that is objective and impartial to all Bidders and that no undue preference is given to any potential bidder, including the Energy Self-Build;
- Participate in any Technical or Bidders conferences;
- Monitor questions submitted by prospective bidders and work with ESI to ensure timely and accurate response;
- 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 ETI RFP proposals;
- Review information submitted regarding the Self-Build option and each proposal a bidder submits in the RFP. In coordination with ESI, ensure the information provided meets the threshold requirements stated 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 and review quantitative and qualitative analyses performed in connection with such evaluation;
- 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 for the primary selection list or the secondary selection list; rather those decisions will be

made by the EOC or the President and CEO of ETI, as applicable.
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 RFP's 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 or at the appropriate point in time (for example, at the time of the filing of an application seeking regulatory approval of a contract or project arising out of the RFP) 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 application for approval. Throughout the process, the IM conducted reviews and analyses 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. The IM was also focused on ensuring that all cost information for each proposal was appropriately incorporated in the analysis and that all Bidders/proposals were treated fairly and equitably.

III. Description of ETI Solicitation Process

This section of the report provides an overall description of ETI'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 ETI'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. ETI's RFP Development Process

The development process for the ETI RFP was initiated in early 2015. Merrimack Energy was retained in April 2015 to serve as Independent Monitor for the ETI RFP.

Initial Meeting

A project team kickoff meeting was held between ESI and the IM on April 23, 2015 at ESI's offices. ESI's objective was to provide an overview of the 2015 ETI RFP solicitation process to the IM. Agenda items for the meeting included:

- Overview of Entergy Texas, Inc. (ETI) need;
- 2015 ETI RFP overview;
- Key milestones and schedule;
- Project teams and staff expected to be involved in the process;
- Evaluation team roles and responsibilities;
- Discussion of the Evaluation process;
- Process safeguards;
- Independent Monitor Scope of Work;
- General discussion and next steps.

The meeting was a very interactive process designed to establish a base of information for implementing the RFP process.

Notice of Intent to Issue RFP

On April 30, 2015 Entergy Services Inc. provided a notice to interested parties indicating that it intended to issue a Request for Proposals for (1) Long-Term Combined Cycle Gas Turbine Development Capacity and Energy Resources and (2) Limited-Term Capacity and Energy Resources on behalf of Entergy Texas, Inc. For the Long-Term RFP, ETI forecasts an ongoing long-term need for capacity, energy, and local voltage support in the "Western Region" of ETI's service area. ETI plans to utilize the Long-Term RFP as part of a process to identify viable new-build CCGT capacity and energy generation resources that would help ETI meet its long-term capacity, energy, and local voltage support requirements beginning in 2021. The Long-Term RFP is anticipated to target approximately 800-1,000 MW (summer conditions) of capacity, energy, and related products located in the Western Region. The notification provided a discussion of the factors driving the need for the required generation. The Long-Term RFP would target developmental resources that will satisfy several important long-term planning objectives, including:

- Increase load-serving capability within the Western Region;
- Maintain reliability within a sub-area of the Western Region and compliance with NERC transmission planning standards;

- Serve ETI load, particularly in the Western Region, at the lowest reasonable cost;
- Reduce dependence on existing generation within the Western Region;
- Enhance power restoration capabilities after major storms or transmission service disruptions; and
- Satisfy the Companies' long-term resource adequacy requirements in the Midcontinent Independent System Operator, Inc. ("MISO") market.

The notice also indicated that based on analyses from the Entergy Transmission Planning group, new generation interconnected at the Lewis Creek, Ponderosa, Jacinto, or Porter substations is projected to be part of a least-cost, long-term solution to address ETI's combined local voltage stability and overall capacity and energy needs.

In addition to the supply and voltage support needs expected to be addressed by the Long-Term RFP, ETI forecasts other potential short-term generation needs for its customers. As a result, the RFP is also expected to target, through the Limited-Term RFP, other capacity and energy resources that would allow ETI to satisfy important planning objectives, such as serving ETI's load at the lowest reasonable cost and planning for ETI's pending exit from the Entergy System Agreement. ESI indicated it expected to seek in the Limited-Term RFP up to a maximum of 700 MW of limited term capacity and energy from eligible resources.

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 Western Region in Texas, which identifies the current boundaries of the Western Region.

Also attached to the notice was a draft document entitled Draft Minimum Requirements for 2015 Request for Proposals for Long-Term Combined-Cycle Gas Turbine Developmental Capacity and Energy Resources and Limited-Term Capacity and Energy Resources for Entergy Texas, Inc. 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 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.

ESI also notified prospective bidders that Entergy Services, Inc. on behalf of Entergy Texas planned to hold a Bidders Teleconference/Webcast for the RFP on May 27, 2015.

The objective of the Bidders Conference is to give participants a high level overview of, and other information concerning the RFP and related processes.

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.

ESI Website

ESI established a website for the ETI RFP. The website address was included in the Notice of Intent to Issue a Request for Proposals for 2015 Entergy Texas, Inc. RFP and is also included in footnote 2 of this report. The final website included the following tabs:

- Home
- RFP Documents
- Redline Documents (which contain any revisions to the RFP through the course of the process. The only change to the RFP document Main body was a revision to the schedule)
- Notification about the RFP
- Reference Information (included Bidders Teleconference presentation, IM Scope of Work, and references to the MISO website)
- 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 ETI 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 some of the evaluation teams, notably the Economic Evaluation Team. The ID numbers were used for purposes of providing 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 to oversee the process to ensure it is fair and equitable to all Bidders.

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.[7] 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. 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.[8]

RFP Project Team Roles and Responsibilities

The ESI solicitation process involves a detailed organizational 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 ETI's overall resource supply needs and requirements. Ultimately involved in making the resource selection as a

[7] 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.

[8] 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 or Guidelines adopted in a number of states. ESI's list of safeguards utilized generally exceeds industry practices.

	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 ETI'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. Final selections for recommendation will come from the RFP Administrative Team after all evaluations are completed.
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 to identify the proposal(s) submitted in the RFP that economically meets ETI's supply needs considering risk; and assesses the relative economic ranking of proposals.
Production Cost/Aurora Team	The Aurora Team will run AURORAxmp Electric Market Model (Aurora); relies on 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)	The objective of the DAT team is to assess deliverability/transmission considerations associated with each proposed resource; 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 (VAT)	The VAT team will consist of a review and assessment of the non-price attributes of the resources and corresponding proposals submitted in response to the RFP; reviews and assesses the technical, environmental, fuel supply and 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 ETI; the accounting review specifically addresses the following areas: (1) lease accounting guidance; (2) Variable Interest Entity guidance; (3) Derivative guidance.
Credit Team	Evaluates Seller's creditworthiness; determines participating Operating Company's potential exposure to Bidder's credit risk; 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.

ESI Bidders Teleconference/Webcast

ESI held a Bidders Teleconference/Webcast on May 27, 2015 for the ETI 2015 RFP. The topics addressed included:

- Role of the IM
- 2015 ETI RFP overview
- Tentative RFP schedule
- Bidder registration and proposal submission process and requirements
- Objectives of the RFP
- RFP parameters for Long-Term Developmental Capacity and Energy and Limited-Term Capacity and Energy
- RFP proposal threshold requirements
- Design features and submission of the Self-Build Option
- Commercial terms overview
- Commercial terms for PPAs and Tolls
- 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
- Selection process overview
- Economic evaluation
- Identification of the evaluation teams and their roles in the process
- Q&A period

A total of 11 participants representing six potential bidders as well as representatives from the self-build option registered for the Bidders Conference

Revision to RFP Eligibility

The Bidders Teleconference presentation reported that eligible resources for the Long-Term component of the RFP included developmental resources only. A prospective Bidder raised a question why the Long-Term RFP requested proposals only from developmental resources and excluded proposals from existing resources for comparison to the Lewis Creek new build. On June 16, 2016 the IM participated in a conference call with ESI's Administration team to discuss revisions to the eligibility requirements of the RFP to allow existing resources to bid into the Long-Term RFP if the resources are located in the Western Region. The IM was supportive of this revision to the RFP since it would potentially allow more resource options to compete in the process and result in a more robust process. ESI posted a response to the prospective Bidder's question[9] and

[9] ESI responded that "after review and discussion with the IM, the 2015 ETI RFP will be modified to allow existing CCGT resources located within the Western Region to participate in both the long-term and the limited-term segments of the RFP as long as the resource meets all the eligibility requirements listed in the

made the revision to the Draft RFP that was reviewed by the IM and subsequently the final RFP.

Draft RFP Documents

ESI provided draft versions of the RFP documents to the IM for review and comment prior to posting the documents on the website. This included the Minimum Requirements document, Bidders Conference presentation, the Main Body Document, Term Sheets and other documents and Appendices. The IM submitted comments to ESI and then participated in conference calls with the ESI Administration Team to review and discuss the comments. The IM found that ESI was generally receptive to the comments provided.

Notice of Release of Final RFP

On June 26, 2015, ESI issued a notice to prospective bidders that ESI has released what are expected to be the final documents for the 2015 Request for Proposals for Long-Term Combined-Cycle Gas Turbine Capacity and Energy Resources and Limited-Term Capacity and Energy Resources for Entergy Texas, Inc. The notice also indicated that the documents are available on the website for the RFP. ESI also indicated that the RFP documents reflect consideration of feedback received to date on the RFP from potential bidders and interested parties. The notice informed prospective bidders of the requirements for completing Bidder Registration in order to participate in the 2015 ETI RFP. The documents posted to the website on June 26, 2015 included the following:

- Main Body – RFP Instructions[10]
- Appendix A (Glossary)
- Appendix B-1 (Term Sheet PPA)
- Appendix B-2 (Term Sheet Toll)
- Appendix B-3 (Term Sheet for Asset Acquisition)
- Appendix B-4 (Term Sheet – Limited Term RFP (PPA and Tolls)
- Appendix C-1 Due Diligence - Developmental
- Appendix C-2 Due Diligence - Existing
- 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)
- Bidder Registration Agreement
- Form of Confidentiality Agreement
- Proposal Submission Agreement
- Viability Self-Assessment (Long-Term and Limited Term RFPs)[11]

RFP. The documents posted on the RFP website and the final RFP documents currently in development will be updated to reflect this change to the RFP".

[10] The Main Body document was later revised and posted on September 9, 2015 with revisions to the project schedule.

[11] This document was posted originally on June 26, 2015 and revised and re-posted on October 19, 2015

- Proposal Submission Template[12]

A few of these Appendices are worth elaborating on given their importance in the proposal development and evaluation process. For example, Appendices C-1 and C-2 (Due Diligence List) contain 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

[12] Originally posted on June 26, 2015 and revised and re-posted on October 15, 2015.

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.

Final RFP

The 2015 ETI RFP documents, including the Main Body, were posted on the website by ESI on June 26, 2015. In addition to posting the 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.

A summary of the key parameters and requirements for the products solicited in the RFP is provided in Table 3. Also included in this section of the report is a further description of the components of the RFP, including requirements of Bidders, eligibility requirements, evaluation process, and other important provisions included in the Main Body document.

Table 3: Summary of the Products Solicited

Scope Item	Long-Term Developmental Capacity and Energy	Limited-Term Capacity and Energy
Products Solicited	PPAs and Tolls (Unit Contingent); Acquisitions[13]; proposals for tolls may be offered for only natural gas-fueled resources.	PPAs and Tolls (Unit Contingent); Acquisitions are not being solicited in the Limited-Term RFP.
Target Start Date	On or before June 1, 2021	On or after June 1, 2017, but no later than June 1, 2021; ETI prefers start dates coinciding with the start of the MISO planning period.
Eligible Resources	• Developmental Resources that will be physically located in the Western region; • Developmental Resources or existing CCGT resources that can provide generation that would be incremental to the	• Developmental resources or Existing Resources; • Resources physically located in MISO South; • Single integrated resource

[13] The specific asset acquisition opportunities solicited are asset purchases of an Eligible Long-term RFP resource and related assets. The purchase price must be expressed as a single fixed payment for the proposed acquisition

	generation in the western region at the start of the delivery term; • Will be a single integrated resource; • Acquisition: Full Facility	
Eligible Technology	CCGT technology with operating parameters that include a maximum heat rate of 7,000 Btu/kWh (HHV); 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. GE 7HA or Mitsubishi JAC technology not eligible.	Generation technologies permitted for proposals offered into the Limited-Term RFP include (i) Combustion Turbine (CT) technology, (ii) CCGT technology; (iii) solid fossil fuel technologies with specified environmental controls; and (iv) conventional biomass-fueled technology. 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 Limited-Term RFP technology.
PPA Delivery Term	10-20 consecutive years	3-5 consecutive years
Location	Resource must be located and interconnected to ETI in the Western Region – incremental generation	Resource must be located in MISO South
Capacity Sought – (ICAP)	Up to 1,000 MW (Summer conditions at full load, including duct-firing) of Capacity, capacity related benefits, energy, other electric products, and environmental attributes; Resource should be fully dispatchable.	From 150 MW (Summer conditions) to 700 MW (Summer conditions) of limited-term base load, load-following, or peaking capacity via PPA and/or Toll products from Eligible Limited-term RFP resources with 3-5 year delivery terms. Proposals offering less than the full capacity of the facility are permitted.

A summary of the important eligibility requirements and other provisions of importance included in the 2015 ETI RFP are identified below:

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 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 May 7, 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. 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.

Other Eligibility Requirements – Other Eligibility requirements include:

- The allowable pricing provisions and requirements are also listed in the RFP documents;
  - For PPAs pricing will be based on:
    - Capacity rate which will be fixed, defined annually, or indexed to CPI or PPI;
    - Energy price based on a guaranteed heat rate;
    - Variable O&M rate;
    - Start charge for natural gas resources;
    - Start fuel charge for natural gas resources
  - For Tolls (natural gas resources only), pricing will be based on:
    - Capacity rate (as above);
    - Variable O&M rate;
    - Start Charge
- For Toll proposals and PPA proposals based on specific generating units or offering dispatch flexibility, a heat rate curve will be applied. The guaranteed heat rate curve is expected to be provided by the Bidder;

- 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. The threshold requirements are listed in the RFP:
  - Delivery assessment threshold requirements
    - The proposed resource must be eligible to qualify as a Long-Term Network Resource of ETI under the MISO OATT;
    - The proposed resource must be capable of providing the offered amount of Capacity, energy, and other electric products to Buyer at the Electric Interconnection Point;

- If the proposed resource is a Developmental Resource or an IS Deficient Existing Resource, Bidder, Seller, or a third party must complete and submit to MISO the interconnection service application for the resource required by this RFP by no later than the first day of the Proposal Submission Period;

- Viability assessment threshold requirements in addition to the requirements listed in Table 3:
  - Bidder must be an Eligible Participant;
  - For Developmental proposals, Bidders must meet the applicable Minimum Requirements for Developmental Resources as set forth in Appendix D;
  - For Developmental Resource proposals, the resource must be free of fatal design flaws and/or non-standard operational or permitting restrictions that would reasonably be expected to prevent it from meeting the requirements of this RFP.
- Accounting Assessment Threshold Requirements
  - If a Bidder offers a proposal for a PPA or toll, Bidder must include in the Proposal package the accounting certification required.
- Credit Assessment Threshold Requirements
  - Bidder must provide the most recent Published Credit Rating of Bidder, or, if different from Bidder, Seller (from S&P and Moody's) to the extent such a rating exists;
  - Bidder must provide the annual audited financial statements for the past two years and the current year quarterly financial statements;
  - If a Bidder proposes a Credit Support Provider, the above information requirements apply to the Credit Support Provider.

- Any resource supporting a proposal submitted into this RFP must be directly interconnected to and located within the Western Region (the Long-Term RFP) or within Entergy's Transmission System or, if located outside Entergy's Transmission System, within MISO South (the Limited Term RFP).

- 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.

Evaluation Process – Section 6 of the ETI RFP provides a description of the evaluation process. Section 6 states that the evaluation for the Long-Term RFP will be conducted apart from the evaluation for the Limited-Term RFP. The Long-Term and Limited-Term RFP will have separate selection lists.

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 ETI's Lewis Creek site in Willis, Texas;
- 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.[14]

The RFP also describes each of the Evaluation Teams and their roles.[15]

While a summary of the roles of each team was initially included in Table 2 based on initial discussions between ESI and the IM, the roles of each team are provided in more detail below based on the description of the teams included in the 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 Administration team will act to ensure that each Evaluation Team has the information needed to perform its analysis and act to facilitate the evaluation of proposals by all Evaluation Teams so that the evaluation process results in the proper assessment of the economics and other relevant elements of the proposals. The RFP Administration Team will also determine which proposals (if any) will be placed on the Primary Selection list and the Secondary Selection list. Each of the Evaluation Teams, the RFP Administration Team, and the RFP Administrator will have the right to ask Bidders clarifying questions or request additional information that it believes may help the evaluation process.

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.

[14] The evaluation process, methodology, criteria and selection process are described in more detail later in this report.
[15] 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.

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 meet ETI'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 economic evaluation estimates the all-in economic cost and benefit to the Company's 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[16]; (2) Commitment Cost calculation; and (3) Other tools as needed.

Deliverability Assessment Team

The DAT is responsible for conducting the deliverability evaluation process in this RFP. The deliverability assessment process is used to assess interconnection, deliverability, and transmission considerations associated with a resource offered in a proposal, including resource location, electric interconnection, network deliverability, and status of interconnection, transmission, deliverability service requests or applications, and the pricing in Bidder's proposal with respect to ERIS-related costs, NRIS-related costs, and other costs for interconnection, transmission, and deliverability service for the resource. As part of the Deliverability Assessment for the Long-Term RFP, ESI's Transmission Planning Group will evaluate the transmission upgrades and related costs associated with each proposed resource. The DAT will review and assess generator interconnection and deliverability or transmission service requests and applications associated with a resource offered in a proposal. Without limiting the foregoing, the DAT will screen proposals for compliance with the Deliverability Assessment threshold requirements.

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

[16] 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.

areas.[17] The subject matter expert in a specific area 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;
- VAT will review proposals to determine if the proposal meets the VAT assessment threshold requirements;
- 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;
- 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 (CET) analyzes each proposal (except the self-build) to assess potential credit risks and attendant credit requirements. The CET's evaluation seeks to assure that the credit quality of the Bidder (or, if different, Seller), when considered in light of its RFP proposal(s), complies with Entergy's corporate risk management standards. 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 such proposal, including, lease 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 provided by an accounting officer).

[17] 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.

The Accounting team raised the possibility that they may have to reach out to Bidders to assess whether the Bidder's assumptions and assessment regarding accounting treatment of its proposal are consistent with ESI's analysis.

Although the majority of the RFP documents were not revised, ESI did make revisions to the Viability Self-Assessment form and the Proposal Submission Template in October 2015 and posted the revised documents on the Website in mid-October prior to submission of proposals. ESI also made minor revisions to the schedule in the Main Body document for the 2015 ETI RFP and posted the revised document in early September, 2015.

Self-Build Option

In its RFP document, 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 ETI's Lewis Creek site in Willis, Texas. 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 not have dual-fuel capability and will be sized at no less than 800 MW (Summer Conditions, at full load, including duct firing) and no more than 1,000 MW. The Self-Build option is expected to utilize existing infrastructure and resources at the Lewis Creek site, including existing natural gas infrastructure (for gas transportation and related services). Generation from the resource is expected to interconnect with the MISO System at a 138 kV and/or 230 kV transmission switchyard located at or near the Lewis Creek site.

The Self-Build option will be considered an alternative to, or in conjunction with, third-party proposals submitted into the Long-Term RFP. If selected in the RFP, the self-build facility is expected to be placed into commercial service by no later than June 1, 2021.

From a safeguards perspective, the team that prepared the self-build option was comprised of 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, October 23, 2015, prior to the scheduled submission period for other Bidders of October 26 - 29, 2015. The IM received the Self-build proposal as required prior to submission of other proposals.

Evaluation Team Meeting with IM

ESI organized a meeting for the IM and ETI Project team on July 22, 2015. One of the objectives of the meeting was to introduce the IM to the roles and responsibilities of the evaluation teams and members of each team organized to conduct the evaluation process in preparation for review and evaluation of proposals. The agenda for the meeting included:

A. Overall Evaluation Process
B. Economic Evaluation
C. Viability Assessment
D. Deliverability Assessment
E. Accounting Evaluation
F. Credit Evaluation
G. Wrap Up/Next Steps

The evaluation teams identified above described their roles and responsibilities in the evaluation process. 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. In addition, each team also presented a status report on preparation of their evaluation methodologies to date. This was particularly focused on the status of the economic and project viability assessments. The Economic Evaluation team was in the process of developing its Economic Evaluation model in coordination with the Aurora team while the Project Viability team was preparing a "scorecard" for purposes of review and evaluation of proposals. The IM had the opportunity to review and comment on the methodologies and tools used for the evaluation process from early on in the development phase. The IM was provided with a preliminary version of the model for review and comment. The objective of all the teams was to "lock-down" the methodologies prior to receipt of proposals.

The economic evaluation methodology was one of the focuses of the discussion. ESI team members discussed the proposed methodology, the metrics that will be used for the evaluation and the suggested normalization approach to ensure all proposals are evaluated over a consistent timeframe. With regard to normalization, one of the key

issues discussed was the approach proposed for backfilling the term of a shorter term resource to ensure all resources can be fairly compared.[18]

Questions and Answer Period

Questions were submitted during and after the Bidders Conference. ESI posted responses to questions as they were submitted. The final Questions and Answers were posted on 10/14/2015, although ESI did post drafts of the Q&A's as they were being processed. A total of 22 Q&A's 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;[19] (2) deliverability and interconnection cost estimates; and (3) the utilization of the Lewis Creek existing resource in light of the proposed self-build.

In July, 2015 the IM received a call from a prospective Bidder who wanted to raise a concern about the RFP. The specific concern identified by the prospective Bidder was the evaluation of PPAs (with shorter terms, such as 20 years) relative to a 30-year life for the self-build, and specifically the methodology used and assumptions about replacement power costs. The prospective Bidder sent an email to the IM describing its concerns and the basis for the concern. The IM suggested that the prospective Bidder submit questions through the RFP website and informed the prospective Bidder that this issue was common in other solicitations and the IM would address this issue with ESI. The

[18] As an example, for comparing the evaluation results of a 20 year PPA, (which is a common term for PPA Bidders to submit proposals) with a utility self-build option that may have a 30 year project life, it is typical industry practice for a utility in conducting its economic evaluation to either include the cost of the next generic resource that would be added as part of its Integrated Resource Planning process or to select the expected type of generation technology that would replace the 20 year PPA for the next 10 years and add those costs into its evaluation to ensure both resources are evaluated over a constant 30 year time horizon. The methodology used and cost of the resources selected can have implications for the economic evaluation results when comparing a PPA and self-build option with different project terms.

[19] For example, Entergy explained its proposed methodology for comparing and evaluating proposals with different terms. Questions and Answers 8-12 addressed this issue. In response to Question A-10, ESI stated "The RFP will allow Bidders to include in their proposals for long-term PPAs and tolls offered into the RFP an option for ETI 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 ETI 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 ETI in its sole and absolute discretion. Any deadline for ETI to exercise the extension option must be readily determinable at the time of bid submission and evaluation. Bidders are cautioned that ESI is not soliciting – and will not accept – PPA or toll proposals with base delivery terms that are longer than 20 years and inclusion of an extension option in a proposal may or may not have adverse accounting implications for the proposal. It should be noted that inclusion of an extension option in a proposal for a long-term PPA or toll will not negate the need for an assumption regarding replacement power. To the extent that the evaluation methodology requires the use of replacement power cost for the post-contract termination period, the assumption will be needed regardless of whether the bidder supplies a valid fixed price offer for the post-contract termination period. At the least, ESI will assess the bidder's firm offer for replacement power (i.e. the extension option pricing) relative to ESI's assessment of replacement power."

responses to Questions 8-12 specifically addressed the issue raised by the prospective Bidder.

With regard to responses to the questions submitted, 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 generally 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 and submission of the required Interconnection Application to the MISO was scheduled to be September 14, 2015. Bidders who submitted registrations for the RFP during the Bidder Registration Period (September 28 – October 1, 2015) were also required to submit their Proposal Fee Payment by October 13, 2015.

Bidder Registration Period

The Bidder registration period was scheduled for September 28, 2015 to October 1, 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 would be required to complete a Bidder Registration Agreement.[20] Only Registered Bidders would be permitted to submit proposals into the RFP. Following submission of its completed Bidder Registration Agreement, Bidders would be issued a unique Bidder ID number. Also, each registered resource and proposal would 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 identification of the Bidder or project name is designed to ensure that there is no or only a 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.[21]

[20] 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).

[21] 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.

Five Bidders, including the Self-Build option submitted Bidder Registration Agreements for a total of five projects and nine prospective proposals overall. A summary of the Registration information is included in Table 4. This included five proposals for the Long-Term option and four proposals for the Limited-Term option.

Table 4: Summary of Registered Bidders

Bidder Number	Number of Proposals	Proposal Type
Bidder 2 (Resource 509)	3	Toll – 1 proposal for the Long-Term RFP and 2 proposals for the Limited Term RFP from the same resource
Bidder 16 (Resource 265)	1	PPA – Limited-Term RFP
Bidder 20 (Resource 279)	1	Acquisition – Long-Term
Bidder 32 (Resource 128)	3	Toll – Long-Term
Bidder 57 (Resource 358)	1	Toll – Limited-Term

ESI also established an "RFP Hotline" for 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 ETI RFP process.

Meeting With ESI Project Teams

A meeting was held at Entergy's offices on September 28, 2015 to present to the IM an update by each project team and to prepare for receipt of proposals. The initial part of the meeting involved a discussion with the Administration Team regarding the process for redacting information in the proposals and to distribute only the applicable information to each team. The Administration team prepared a slide deck which described the proposed process and identified the information that would be provided to each team.[22]

The IM met individually with each project team to review the latest updates to the evaluation methodology for each team. In particular, the Viability Assessment team provided its proposed final Scorecard to the IM with a few proposed changes. As previously noted, the IM and Project Viability team had reviewed and exchanged comments on several iterations of the Scorecard and the team had previously incorporated several of the IM's suggested changes. Therefore, one of the objectives of the meeting was to finalize the VAT Scorecard in preparation for the bid evaluation process.

[22] As previously noted, one of important issues was to ensure that no economic or pricing information was provided to teams that did not have a need to view any pricing information.

The VAT team also informed the IM that the fuel team within VAT prepares a separate report that is provided to EET and the IM which provides information on pipeline requirements and pipeline tariff rates and charges necessary to deliver fuel to the plant.

The IM met with the Economic Evaluation Team to review the latest draft of the model and address any remaining questions by the IM. The IM had reviewed other versions of the model and requested clarification of a few items, notably the incorporation of inputs provided by Aurora and the VAT team for purposes of conducting the economic evaluations. The IM's focus was to fully understand the operations of the model and interaction among the model files to allow for review of the evaluation results once proposals were submitted and evaluated. 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.[23]

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.

In conjunction with the meeting with the EET team, the IM also met with members of the Aurora team to familiarize himself with the Aurora outputs and "hand-offs" to the EET 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 ETI 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

[23] 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 Company's 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 over the evaluation period. The Net Supply Cost analysis may also include a portfolio evaluation that compares the Company's generation portfolio with multiple resources from proposals offered into the 2015 ETI RFP, as applicable.

[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 ETI 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

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 IM also met with the Accounting Team, DAT team and Credit Team to solicit any additional information or clarification of information previously provided. Each team discussed its role in the solicitation process, its evaluation methodology, and role in the overall evaluation.

B. Proposal Submission Period

Proposal Submission

ESI received four proposals from three Bidders for Long-Term resources and four proposals from three Bidders for Limited-Term resources. One proposal for Limited-Term resources was classified as non-conforming because the proposal size was lower than the 150 MW (summer conditions) minimum threshold capacity size requirement listed in the RFP Main Body document. As a result, seven proposals were subject to the evaluation process.[26]

The Self-build proposal was submitted to ESI and the IM on October 23, 2015 as required. The remaining proposals from third-parties were submitted between October 26, 2015 and October 29, 2015. The proposals submitted for Long-Term Resources are summarized in Table 5.

Table 5: Summary of Long-Term Proposals Submitted

Bidder ID	2	20	32	32
Proposal ID	5355	2714	1501	7167
Resource Type	Existing	Developmental	Developmental	Developmental
In-Service Date	10/1/2020	6/1/2021	6/1/2021	6/1/2021
Term (years)	10	Life of Unit	20	20
Product Type	Toll	Acquisition	Toll	Toll
Capacity Offer (MW)	775/825	923	923	461
Mutually Exclusive	2529, 9131	N/A	7167	1501

The proposals submitted for Limited-Term Resources are summarized in Table 6.

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] All conforming proposals for Limited-Term resources and one proposal for Long-Term resources (i.e. proposals offered by Bidder 2 and Bidder 16) were linked to the same generating facility.

Table 6: Summary of Limited-Term Proposals Submitted

Bidder ID	2	2	16	57
Proposal ID	2529	9131	8034	4399
Resource Type	Existing	Existing	Existing	Existing
In-Service Date	10/1/2020	10/1/2020	6/1/2017	6/1/2019
Term (years)	5	5	3	5
Product Type	Toll	Toll	PPA	Toll
Capacity Offer (MW)	260	550	530	73
Mutually Exclusive	5355, 9131	5355, 2529	N/A	N/A

As noted in the tables above, Bidder 2 offered three mutually exclusive proposals from the same resource, including one proposal submitted into the Long-Term Resources category and two submitted into the Limited-Term Resources category, with different proposal sizes and terms.

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. The ESI Administration team redacts the information necessary for each project team;
- The ESI Administration team then places the redacted proposal information in separate files for each project 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 considered for redaction 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 ETI RFP, the ESI Administration team and IM were able to resolve all issues associated with the redaction process;

- Once agreement is reached, the ESI Administration team distributes the proposal information to each evaluation team based on the information required by each team for undertaking their 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 unintended access to pricing information. Since the qualitative evaluation can be somewhat subjective, a qualitative team member could potentially include some unintentional bias toward a proposal if the team member realizes that a particular project 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, enhance the information base, or confirm 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 could suggest revisions to the questions 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 prior to submitting the responses to each project team. The ESI Administrator sent the redacted responses to the team's questions to the IM for review prior to distribution of the answers 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 a several month period following submission of proposals.

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.[27]

Burns and McDonnell was contacted by ESI and the IM in November, 2015 to prepare a Scope of Work and budget to serve as IE for the 2015 ETI RFP. Burns & McDonnell provided its Scope of Work in November and was retained shortly thereafter.[28] 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.

IE Site Visit

The first task in the IE scope of work was a site visit to the Lewis Creek Power Plant site, the shared site for the self-build Montgomery County Power Station project. The site visit took place on January 12, 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 few 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 project technology, a range of environmental considerations, site conditions, permitting, water issues, noise, 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.

[27] 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.

[28] 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.

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 associated with submission of follow-up questions from the IE and responses to questions from the self-build team as part of the IE 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.

Meetings With Bidders

ESI and the IM had several discussions regarding the existing and proposed lease accounting standards and the implications on the evaluation of each of the proposals submitted. The IM was concerned about ESI's statement in the RFP Main Document that ESI 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 ETI (or any of its Affiliates), whether the long-term liability is due to lease accounting, the accounting for a Variable Interest Entity ("VIE"), or any other applicable accounting standard. ESI informed the IM that it did not intend to eliminate any proposals for a PPA or Toll that ESI felt would be included on ETI's financial statements as a long-term liability but attempt to work with the Bidder to resolve potential accounting issues, if possible. ESI indicated that it would evaluate eligible proposals in any case but would also conduct its assessment of the accounting implications.

In late December, 2015 ESI contacted the Bidders to notify the Bidders that ESI wished to schedule a meeting with each eligible Bidder to discuss aspects of its proposal. In addition to specific issues about each proposal, ESI identified three issues for discussion that was common to all third-party proposals. These included:

- Accounting issues primarily involving capital lease/lease analysis and related considerations;
- Special Considerations identified by the Bidders as part of their proposals;
- Regulatory disallowance

Meetings were scheduled for January 18 and 19, 2016. ESI distributed the meeting agendas to each of the Bidders on January 11, 2016. In the email conveying the agenda, ESI encouraged the Bidders to review the relevant terms of the RFP and their proposals, including provisions addressing Special Considerations and the evaluation of proposals. ESI also reminded the Bidders that the scheduled meeting is part of the evaluation process in the RFP and is intended to provide an interactive forum for ESI and Bidders to discuss matters related to the proposals. Along with the agenda items, ESI submitted a list of questions to the Bidders for discussion, including a two-page discussion of accounting issues that ESI wished to address. Meetings were scheduled for 3 hours with each Bidder.

The issue that raised the most attention was the lease accounting issue and whether ETI would be required to record the lease as a long-term liability on its balance sheet. For example, as a threshold requirement in the RFP, if a Bidder offers a proposal for a PPA

or Toll into the RFP, the Bidder must include in its proposal package a certification from the Bidder that, to the best of Bidder's knowledge, the proposed PPA or Toll will not result in, under the accounting standards in effect at the time of the certification or that will be in effect at any time during the contract term of the proposed PPA or Toll, the recognition of a long-term liability by ETI or any of its Affiliates on its books. In light of the new Lease Accounting Standards[29] voted out by the Financial Accounting Standards Board ("FASB") on November 11, 2015, with the expectation of final standards to be issued in early 2016.[30] ESI wished to engage the Bidders in discussion regarding the basis for the Bidders to support their view as included in the certification. If the Bidder believes that its proposal would not trigger capital lease accounting, ESI wished to have the Bidder support the basis for that conclusion.

ESI also asked Bidders to consider what it would mean in terms of an increase in the bid price for the Bidder to remove all Special Considerations.

On January 26, 2016, following the meetings with Bidders, ESI sent follow-up letters to Bidders. The letters stated that after considering Bidder's feedback and consulting with the IM, ESI has decided to provide Bidders with the opportunity to supplement the terms of their Proposals for the purpose of addressing the items identified regarding the proposal as identified in the pre-meeting agenda and during the meetings. ESI provided 14 days for the Bidders to submit updated proposals. Based on discussions about contract structures that could affect accounting treatment, ESI also elected to remove the RFP requirement limiting the generating capacity offered into the RFP to whole integrated generating units.

On February 3, 2016 ESI sent another letter to Bidders with additional information about the submission of the refreshed proposals including directions for submission of the proposals to ESI.

The Bidders that chose to do so submitted their refreshed proposals on February 9, 2016. Two Bidders submitted refreshed proposals to address the issues discussed at the January meetings and subsequent communications. One Bidder expressed a general willingness to work with ESI on the issues discussed.

Subsequent to the meetings two Bidders contacted the IM directly raising the concern that their proposals would be eliminated from consideration due to the accounting issues even though ESI representatives indicated during the Bidder meetings that it had no intention to eliminate any proposals at this time. The IM affirmed his view based on discussions with ESI and the statements made during Bidder meetings that ESI had no intention to eliminate proposals at this time but to provide Bidders the opportunity to conform its proposals to address accounting considerations. However, this did not

[29] According to the press release announcing the vote on the new standards, the new accounting standard would require companies and other organizations to include lease obligations on their balance sheet.
[30] The new Accounting Standard was issued by FASB on February 25, 2016, with the new standard set to become effective no later than January 1, 2019.

necessarily mean that the Bidder would be guaranteed receiving a contract. The proposals would still have to go through the established 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 IM to review all the key proposal inputs relative to the proposal information submitted by the Bidder. The term sheets prepared by the IE 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 preliminary bid evaluation assessment conducted by EET. 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 to support its evaluations;
- The IM also reviewed the EET model to ensure the equations would accurately calculate the key evaluation metrics 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 as applied in the industry based on comparison to the imputed debt methodologies used by other 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 in the RFP and responses to Bidder questions and answers.
- 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 meets 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 were five evaluation teams that were responsible for evaluating each proposal. The compilation of information and analysis developed by each team would be used in the resource selection process. The selection of the preferred resource(s) 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 designed as a single phase process. While some solicitation processes include a multi-stage evaluation 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 [31]
- 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

[31] 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.

Administration team which combines the assessments 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 team 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,[32] inputs provided by the Aurora model, input assumptions and forecasts prepared by ESI, internal financial input assumptions for ETI[33] and information provided by VAT and DAT team members. The EET model is a large scale spreadsheet model with several tabs which includes input data and Aurora results.

The details of the EET Economic Evaluation model ("EET Model") was initially discussed with the IM at the July 22, 2015 project team meeting. The IM was provided a preliminary copy of the model in September, 2015. The IM reviewed the model and provided comments and suggestions for highlighting the evaluation results and inputs. On September 28, 2015 ESI held a meeting of the project teams with the IM to review the latest draft of the model, describe the interaction between the teams providing inputs to the model, and answer any questions from the IM about the models. The EET model was essentially locked down at the end of October, 2015, prior to receipt of proposals.

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.[34] The Net Present Value of all costs and benefits

[32]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.
[33] This would include debt and equity ratio and costs, tax rates, allowed Rate of Return, etc.
[34] 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 – 2051) by assuming replacement cost or backfill once the proposed contract term is up. EET conducts potentially three cases for

are calculated for each proposal over the evaluation period from 2017 through 2051. ETI's 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.[35] 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 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 ETI RFP reference case is the RFP locked down base case. The Base Case includes all system resources, including a 2021 Western CCGT (923 MW), which is in the 2016 Business Plan.[36] The Reference Case is based on assumed market purchases to meet requirements

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evaluating proposals over equivalent terms. The Reference Backfill case assumes a real 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 projected cost of a new build 2x1 501G CCGT based on generic pricing 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 ETI 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 ETI in its sole and absolute discretion (response to A-10 and A-11 in the Q&A responses). As a note, one Bidder proposed such an option in its proposal and was evaluated based on the pricing proposed for the ten-year contract extension.

[35] 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.

[36] Transmission projects associated with the 2021 Western CCGT will also be removed from the reference case.

as the basis for calculation of total system cost for the Reference Case. The 2021 Western 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. 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 the monthly capacity price proposed and the contract capacity offered. If applicable, Fixed O&M 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 ETI 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, ETI 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. [37]

[37] Imputed debt is calculated as the present value of the fixed (capacity) portion of annual payments, 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. ETI retained an expert consultant to provide recommendations regarding the consideration in the economic evaluation of cost associated with imputed debt and potential

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 as well as the IM.

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 of the attributes identified. Essentially, the VAT team, with review and input provided by the IM[38] developed a "scorecard" that pre-determined the characteristics of the evaluation, 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.[39] 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

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on-balance sheet accounting. The recommendations provided by the consultant included: (1) In the evaluation of all such PPAs, apply 25% debt imputation as the base case (i.e. 25% risk factor); (2) Apply a sensitivity case of 50% debt imputation (i.e. 50% risk factor); and (3) For those PPAs proposed to ETI that have the characteristics of leases under the new to-be-issued FASB lease accounting standard, apply an additional sensitivity case with 100% debt imputation. As a result, based on the consultant's assessment, if a PPA or Toll is classified as a lease, the inclusion of 100% of the imputed debt cost serves as a basis for calculating the economic impact associated with the lease treatment in the evaluation.

[38] 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.

[39] 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.

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 7.

Table 7: 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	
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[40]	10%		
Reliability			
Flexibility			
Location			
Total	100%		100%

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

[40] 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, black start 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, number of 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 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 ETI 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 for 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 October, 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.[41] 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 the proposal information, location of the project, and pipeline access to determine if fuel adders are reasonable and prepares a matrix of the fuel commodity and transportation costs for each proposal which is provided to EET and the IM.

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.

[41] 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 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 meetings between the project teams for the ETI RFP and the IM on March 21 and March 22, 2016 to review the preliminary results for the ETI RFP developed to date and to provide 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 IM met with the VAT, DAT, CET and Accounting teams on March 21st and the Aurora and EET teams on March 22nd.

The VAT team provided the results for its scorecards for developmental projects (3 proposals) and existing resources (4 PPA/Toll proposals) and walked through the scoring for each proposal and the basis/justification for the scores.

The DAT provided its review of the proposals submitted. The DAT concluded that all proposals met the threshold requirements. In addition, the DAT team also provided the results of its transmission upgrade assessment for each proposal including the total system upgrade costs associated with each proposal.[42] The DAT team outputs (total cost of transmission upgrades and year the costs are incurred) are provided to EET for its evaluation.

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

The Accounting Team provided an update of its assessment regarding the accounting implications of each proposal and whether it would be recognized as a long-term liability on the books of ETI. AET identified which of the proposals submitted by each Bidder would contain a capital lease and which would not contain a capital lease based on the original proposals submitted by the Bidders as well as the refreshed proposals submitted after the meetings between ESI and the Bidders. While many of the original proposals submitted by Bidders would be classified as long-term liabilities because they contain a lease, most of the updated refreshed proposals were classified as not triggering lease treatment. ESI also reached a preliminary conclusion that none of the proposals would require ETI to consolidate the proposal as a Variable Interest Entity ("VIE") or would be classified as a derivative.

[42] Although MISO will ultimately determine the required deliverability (NRIS) upgrades for any selected developmental resource, such cost information would not be completed in detail for the evaluation. The transmission upgrades identified by the DAT team for each proposal are assumed to make the respective resource fully deliverable as a Network Resource in MISO and enable the transmission system to maintain compliance with applicable NERC reliability standards. These project costs estimates are based on the best planning level estimations available at the time of the evaluation given information completed to date.

The EET team presented its preliminary evaluation results for three scenarios: reference Gas/medium CO2, low gas/no CO2, and high gas/high CO2 as well as a case which included reference Gas/medium CO2 with Backfill sensitivity, including Market Price Backfill sensitivity and Bidder Supplied Extension (if applicable), 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 the Total Supply Cost metric for each scenario.

After the meeting and presentation of the preliminary results, the IM conducted a detailed review of the evaluation results and submitted a number of clarifying questions to the EET team. The EET team submitted responses to the questions and the parties also scheduled calls to review the responses. The IM found that the EET team provided prompt and detailed responses to all questions and was able to accurately address all inquiries regarding the evaluation methodology and results.

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 draft[43] and final reports and shared the 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.

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 and any additional costs recommended by the IE to ensure that all proposals, including third-party and self-build options reasonably included all potential costs for evaluation purposes. In its report, the IE concluded that the estimated cost submitted by the self-build team for the project reasonably represents current market probable costs, with 50% confidence that the final project costs will not

[43] The IM provided feedback on the draft report and also submitted a few clarifying questions to the IE regarding the draft report.

exceed the estimate. The IE also found that the preliminary project definition and estimating methodology is consistent with the IE's recommended approach to develop a reasonably accurate cost estimate, with recommended cost adjustments. The IE also recommended that ESI should consider performing several cost budget cost overruns on all proposals, including the self-build team's proposal, to assess the impact on project selection.[44]

Based on the results of the IE report and a request by the IM to include a higher contingency cost case based on the IE's recommendations, the RFP Administration Team created four capital cost scenarios and provided the cost results for the four cases to EET for assessment. The IM was in agreement with the capital cost sensitivities evaluated with the highest cost case representing a very high contingency case with an expected low probability of being exceeded.

The final IE report is included as Attachment 1 to the IM Confidential report.

5, Final RFP Evaluation Results

The Evaluation process for the 2015 ETI RFP was nearly a seven-month process, initiated after receipt of proposals in late October and completed on April 28, 2016 with a Notice of Final Results of the 2015 ETI 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 - 22, 2016 meeting at which the RFP teams provided preliminary results to the 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 in late March, 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 ETI RFP Final Results were presented by the Administration team to the ETI Operating Committee on April 21, 2016. The purpose of the presentation was to present the results of the 2015 ETI RFP process and based on the results to recommend (1) selection of Proposal 2714, the Montgomery County Power Station self-build option as the alternative that best meets the supply objectives identified in the long-term portion of the 2015 Western Region (i.e. ETI) RFP at the lowest supply cost.[45] In addition, based on the results of ESI's evaluation process, ESI concluded that none of the limited-term

[44] The IE identified several cost adjustments that should be included in the cost of the self-build option for sensitivity purposes including: (1) cost of emission credits; (2) EPC cost increases; (3) additional owner's scope change contingency; and (4) consideration of planning for a P70 confidence level for project contingency.

[45] Proposal 2714 provides the lowest supply cost of the competing long-term proposals and should positively impact locational marginal prices. Relative to other proposals, Proposal 2714 consistently ranks as the lowest cost resource (lower supply cost) under every sensitivity evaluated in ESI's RFP evaluation process.

resources offered in the RFP provide sufficient net benefits to merit selection. Two proposals provide negative net benefits under the reference case, meaning that they have the effect of increasing customer's total supply costs. The other proposal has a slight net positive benefit but high fixed cost exposure.

The final results from the economic assessment is provided in Table 8 below. Table 8 provides a high level summary of the characteristics of the Long-Term proposals evaluated along with the final results. The Table reflects the Reference Gas and Medium CO2 case. In the evaluation of all PPA/Tolling proposals, EET applied a 25% debt imputation as the reference imputed debt assumption as well as a 50% debt imputation as a sensitivity case. For PPAs and Tolls that were assessed to have the characteristics of leases under the new FASB lease accounting standard, EET applied an additional sensitivity case of 100% debt imputation.

Four capital cost cases were evaluated for Proposal 2714. The first case illustrated in the table below includes the Reference Capital Investment case based on the bidder's initial capital cost estimate plus incremental capital cost recommended by the IE. The High Contingency and Emissions Cost case reflects the sensitivity case which includes all the cost adjustments suggested by the IE plus contingency cost adjustments to reflect a P70 Contingency cost estimate. The capital cost in the High Contingency and Emissions case for Proposal 2714 is higher than the Reference case by [redacted].

Table 8: Summary Economic Assessment Results for Each Long-Term Proposal

Proposal	5355	2714	1501	7167
Bidder	2	20	32	32
Resource	509	279	128	128
Type	Toll	Acquisition	Toll	Toll
Term (yrs)	10	N/A	20	20
In Service Date	10/1/2020	6/1/2021	6/1/2021	6/1/2021
Capacity Offered (MW)	775/825	923	923	923
Total Supply Cost (NPV $2017 $Million)	[redacted]	[redacted]	[redacted]	[redacted]
Rank	*3*	*1*	*2*	*4*
Acquisition Price or Equivalent $/kW	[redacted]	[redacted]	[redacted]	[redacted]
Rank	*1*	*2*	*3*	*4*
Total Supply	[redacted]	[redacted]	[redacted]	[redacted]

Cost Savings (NPV $2017 $Million)				
Rank	*3*	*1*	*2*	*4*
Commitment Cost Break-even year	[redacted]	[redacted]	[redacted]	[redacted]

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 2714 has an economic advantage over the other proposals. [redacted]

The IM assessed the results of the evaluations for each of the proposals, including the refreshed proposals, imputed debt cases, and lease classification to determine if there are any cases in which the economic ranking of proposals may change. The only scenario in which Proposal 1501 would have a slight advantage [redacted] would be the case in which the Bidder provided contract extension price is used as the basis for replacement costs, and there is no imputed debt included in the evaluation. However, under this case, Proposal 1501 would be classified as a lease.

Table 9 provides similar summary information for the Limited-Term proposals.

Table 9: Summary Economic Assessment Results for Each Limited-Term Proposals

Proposal	2529	9131	8034
Bidder	2	2	16
Resource	509	509	265
Type	Toll	Toll	PPA
Term (yrs)	5	5	3
In Service Date	10/1/2020	10/1/2020	6/1/2017
Capacity Offered (MW)	260	550	530
Total Supply Cost Savings (NPV $2017	[redacted]	[redacted]	[redacted]

[46] [redacted]

$Million)			
Rank	*2*	*1*	*3*

As previously noted, although [redacted] a slight Supply Cost savings, ESI indicated that the fixed cost commitment associated with this proposal was the reason for not selecting the proposal for the limited-term portion of the RFP.

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 resources.

Table 10: Viability Assessment Score – Developmental Resources

Developmental Resources		**Bidder 20**	**Bidder 32**	**Bidder 32**
Evaluation Criteria	Weight	**Prop 2714**	**Prop 1501**	**Prop 7167**
Project Status	20%	[redacted]	[redacted]	[redacted]
Status of Engineering		[redacted]	[redacted]	[redacted]
Status of EPC Contracting Process		[redacted]	[redacted]	[redacted]
Adequacy of Project Timeline		[redacted]	[redacted]	[redacted]
Operations	20%	[redacted]	[redacted]	[redacted]
Proposed Technology		[redacted]	[redacted]	[redacted]
Overall Condition of Major Equipment		[redacted]	[redacted]	[redacted]
Fit with Functional Objectives and Products		[redacted]	[redacted]	[redacted]
Plan in Place for Dealing with Common Facility Issues		[redacted]	[redacted]	[redacted]
Planned Operator Experience/knowledge		[redacted]	[redacted]	[redacted]
Operational Control/Governance		[redacted]	[redacted]	[redacted]
Flexibility of Effective Operating Range		[redacted]	[redacted]	[redacted]
Strategy for Long-Term Equipment Maintenance		[redacted]	[redacted]	[redacted]
Fuel - Gas	20%	[redacted]	[redacted]	[redacted]
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]
Dual Fuel Capability		[redacted]	[redacted]	[redacted]
Business Experience with Pipelines		[redacted]	[redacted]	[redacted]
Commercial	15%	[redacted]	[redacted]	[redacted]
Deviation from Key Guidelines		[redacted]	[redacted]	[redacted]
Viability as Long-Term Supplier		[redacted]	[redacted]	[redacted]
Pre-Commercial Financial Guarantees for Non-Performance		[redacted]	[redacted]	[redacted]
Project Financing Plan		[redacted]	[redacted]	[redacted]
Plan in Place for Obtaining Easements/ROWs/Site Control		[redacted]	[redacted]	[redacted]
Environmental	15%	[redacted]	[redacted]	[redacted]
Status of Air Permits		[redacted]	[redacted]	[redacted]
Status of Water Permits		[redacted]	[redacted]	[redacted]
Compliance Plan		[redacted]	[redacted]	[redacted]
Land or Environmental Issues		[redacted]	[redacted]	[redacted]
Potential for Operating Restrictions/Concerns		[redacted]	[redacted]	[redacted]
Long-Term Planning	10%	[redacted]	[redacted]	[redacted]
Reliability				
Flexibility				
Location				
Total	100%	[redacted]	[redacted]	[redacted]
Weighted Sum		[redacted]	[redacted]	[redacted]

Although the project viability scores were higher overall for proposal 2714, the IM and ESI's Administrative team agreed that both proposals overall were very viable. The IM concluded that one of the factors explaining the differences in the evaluation results is the different approaches to project development generally followed by utility self-build options and third-party project developers.

There were four proposals from existing resources. Table 11 presents the results of the final scoring for the existing resources. While the scores are fairly similar, proposal 8034 was ranked the highest from a project viability perspective.

Table 11: Viability Assessment Score – Existing Resources

Existing Resources		Bidder 2	Bidder 2	Bidder 2	Bidder 16
Evaluation Criteria	**Weight**	**Prop 5355**	**Prop 2529**	**Prop 9131**	**Prop 8034**
Operations	30%	[redacted]	[redacted]	[redacted]	[redacted]
Overall Status and Condition of Major Equipment		[redacted]	[redacted]	[redacted]	[redacted]
Fit with Functional Objectives and Products		[redacted]	[redacted]	[redacted]	[redacted]
Issues Associated with Common Facilities		[redacted]	[redacted]	[redacted]	[redacted]
Key Plant/Support Personnel Experience and Knowledge		[redacted]	[redacted]	[redacted]	[redacted]
Reliability of Equipment/Design Configuration		[redacted]	[redacted]	[redacted]	[redacted]
Flexibility of Effective Operating Range		[redacted]	[redacted]	[redacted]	[redacted]
Status of Any Equipment Service Agreements		[redacted]	[redacted]	[redacted]	[redacted]
Maintenance Program		[redacted]	[redacted]	[redacted]	[redacted]
Availability of Spares/Storage		[redacted]	[redacted]	[redacted]	[redacted]
Fuel - Gas	25%	[redacted]	[redacted]	[redacted]	[redacted]
Access to Supply Areas		[redacted]	[redacted]	[redacted]	[redacted]
Gas Pressure Rating		[redacted]	[redacted]	[redacted]	[redacted]
Swing Capability Rating		[redacted]	[redacted]	[redacted]	[redacted]
Availability of Regional Gas Storage		[redacted]	[redacted]	[redacted]	[redacted]
Pipeline Interconnection		[redacted]	[redacted]	[redacted]	[redacted]
Type of Transportation Available (Firm/IT)		[redacted]	[redacted]	[redacted]	[redacted]
Fuel Metering for Allocation to Power Power Blocks		[redacted]	[redacted]	[redacted]	[redacted]
Dual Fuel Capability		[redacted]	[redacted]	[redacted]	[redacted]
Business Experience with Pipelines		[redacted]	[redacted]	[redacted]	[redacted]
Commercial	25%	[redacted]	[redacted]	[redacted]	[redacted]
Product Delivery Term		[redacted]	[redacted]	[redacted]	[redacted]
Deviation from Key		[redacted]	[redacted]	[redacted]	[redacted]

Proposal Guidelines					
Viability as Long-Term Supplier		[redacted]	[redacted]	[redacted]	[redacted]
Environmental	20%	[redacted]	[redacted]	[redacted]	[redacted]
Status of Critical Permits		[redacted]	[redacted]	[redacted]	[redacted]
Environmental Compliance		[redacted]	[redacted]	[redacted]	[redacted]
Operating Restrictions/Concerns		[redacted]	[redacted]	[redacted]	[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 projects scored fairly well. The VAT team did not identify any fatal flaws with any of the proposals.

IV. Conclusions

Following are the conclusions reached by the IM regarding ETI's 2015 solicitation process:

- The 2015 ETI 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 Montgomery County 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 based on a number of scenarios considered;

- Although there are no formal competitive bidding requirements in Texas, ETI undertook a competitive procurement process with oversight by an Independent Monitor designed to ensure all Bidders were treated fairly and equitably. The process was designed based on previous ESI solicitation processes implemented in other states which have implemented formal competitive rules or guidelines;

- The ETI solicitation process contains a number of safe-guards[47] 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 ETI solicitation process was designed to be a very active role. Essentially, all communications between the ETI Administration Team, RFP Administrator 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;

- 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. ESI utilized the input provided by the Independent Engineer to evaluate a range of capital cost scenarios for the self-build option;

- 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 ETI 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

[47] The safeguards included in the ETI 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.

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 ETI's website for the RFP. In addition, a total of 22 questions and answers posted to ETI's website for this solicitation;

- 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 ETI team members. The IM was not aware of any violations of ETI's Confidentiality Agreements, Code of Conduct and communication protocols. The Company appeared to diligently follow these guidelines and did not deviate from the requirements. ESI's Administrator also notified the IM of any additions or changes to the various project teams;

- The proposal evaluation models and methodologies were appropriate and reasonable for the cost and risk analysis undertaken by ESI. While ESI's analysis for the ETI RFP 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, ESI 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 ESI 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 ESI 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;

- ESI's analysis for proposals offered into the 2015 ETI RFP included imputed debt costs in the evaluation of third-party PPAs. ETI sought input from a financial expert regarding the appropriate application of imputed debt amounts related to lease accounting treatment in applying imputed debt in its evaluation. However, the inclusion of imputed debt did not have a primary impact on the overall ranking of proposals;

- 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 lease treatment and its implications for utility accounting for third-party PPAs and tolling agreements. While this issue was of considerable concern to ESI, the Company took important steps in conjunction with the Bidders to attempt to resolve these issues prior to selection of the preferred proposals 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 for assessing the costs of the self-build option. 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.

- ESI followed the established process for the 2015 ETI RFP 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, ESI's process proved to be a disciplined and detailed bidding process.

- ESI went to extraordinary measures to ensure the process was not biased in any way toward favoring its self-build option. ESI 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. ESI 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 the EET, which was responsible for the economic evaluation of each proposal. 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 during the solicitation process.

- Bidders had full access to the IM throughout the process in the event of problems, questions or disputes. Several Bidders did contact the IM during the solicitation process to raise issues of concern.

- 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, this view that has not been raised by any bidder. The IM did not experience any instances where it appeared that the self-build option was treated any differently from any other proposal.

HIGHLY SENSITIVE PROTECTED MATERIAL

ATTACHMENT A TO EXHIBIT WJO-3