



Entergy Texas, Inc

REQUEST FOR SOLAR PHOTOVOLTAIC
RESOURCES

BIDDERS CONFERENCE

JULY 28, 2021

Creating sustainable value for all



WE POWER LIFESM

Introduction

❖ Conference Purpose

- To give participants a high-level overview of the 2021 Entergy Texas, Inc. ("ETI") Request for Proposals ("RFP") for Solar Photovoltaic Resources ("2021 ETI Solar RFP") and related processes

❖ Questions

- Please submit all questions to the Bid Event Coordinator via email at etirfp@entergy.com (to ensure that ETI has an accurate record of each question posted)
- Please refrain from including bidder-specific or confidential information in the question
- This presentation, along with RFP questions and responses, will be posted to the 2021 ETI Solar RFP Website, <https://spofossil.entergy.com/ENTRFP/SEND/2021ETIRenewablesRFP/Index.htm>
- To the extent ETI's posted responses differ from the verbal responses given during the conferences, the written response will control

❖ Administrative

- In the event of an inconsistency between the presentation and the RFP documents, the RFP documents will control
- All phones must be on mute
- Please do not place your phone on hold
- Email the Bid Event Coordinator at etirfp@entergy.com with any technical issues or questions concerning participation in the Bidders Conference

Agenda

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- Introductions
 - RFP Overview & Scope
 - RFP Evaluation Process
 - Process Safeguards
 - Q&A Review Session

Introductions

Entergy Presenters

Staci Meyer
Marc Sawicki
Ryan Scott
Daniel Boratko
Brian Sullivan
David Batten
Eric Agana

ETI Resource Planning Team
RFP Administration Team
Viability Assessment Team
Economic Evaluation Team
Transmission Evaluation Team
Accounting Evaluation Team
Credit Evaluation Team

Additional Entergy Participants

James Miller
Carl Olson
Misty Harris
Phong Nguyen
Saundra Bradley

ESL Assistant General Counsel
ETI Regulatory Manager
RFP Administration Team
RFP Administration Team
ETI Resource Planning Team

Independent Monitor

Keith Oliver
Wayne Oliver

Merrimack Energy Group, Inc.
Merrimack Energy Group, Inc.

RFP Overview and Scope

Staci Meyer

2021 ETI Solar RFP Overview: Rationale for RFP

Four overarching considerations drive the need to proceed with the development of utility-scale solar resources

- 1 Capacity and Energy Needs
- 2 Supply Diversification
- 3 Renewable Economics
- 4 Timing of Needs

2021 ETI Solar RFP Scope

Seeking 400 MW
of solar resources

- Battery and O&M options accepted

Resource size requirements

- Max: 200 MW
- Min: 50 MW

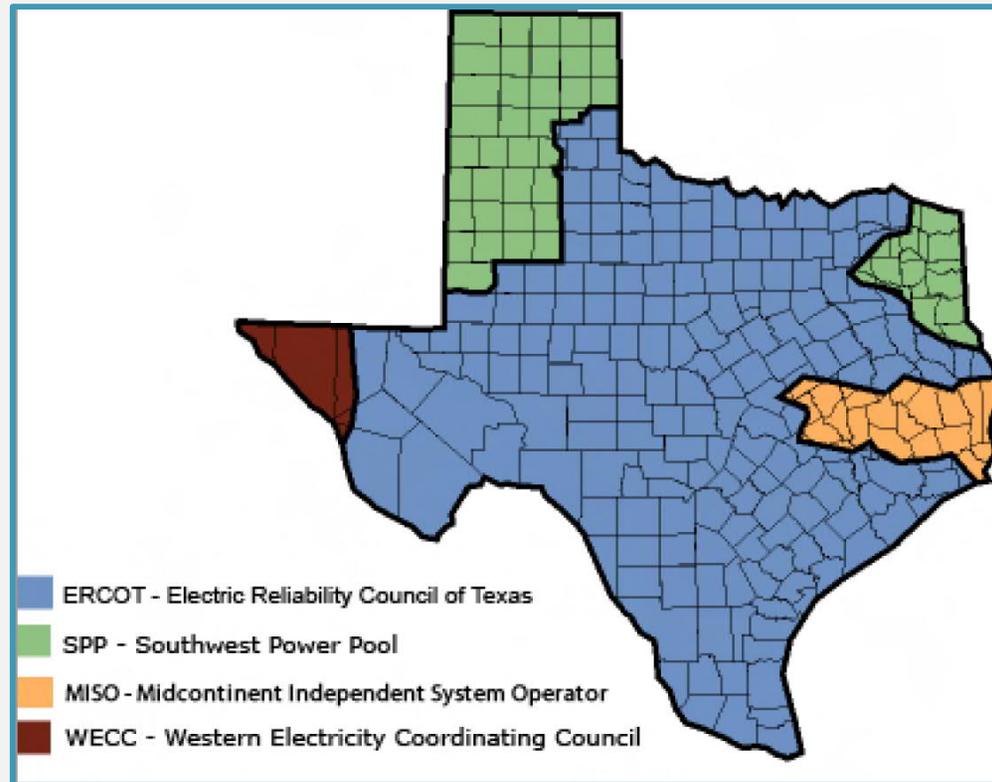
In-Service by
January 2, 2025

BOT, Self-build
and PPA
structures

Located in Texas
region of MISO
South

Executed GIA or
in the 2021 MISO
DPP or earlier
study

Location of Texas Region of MISO South

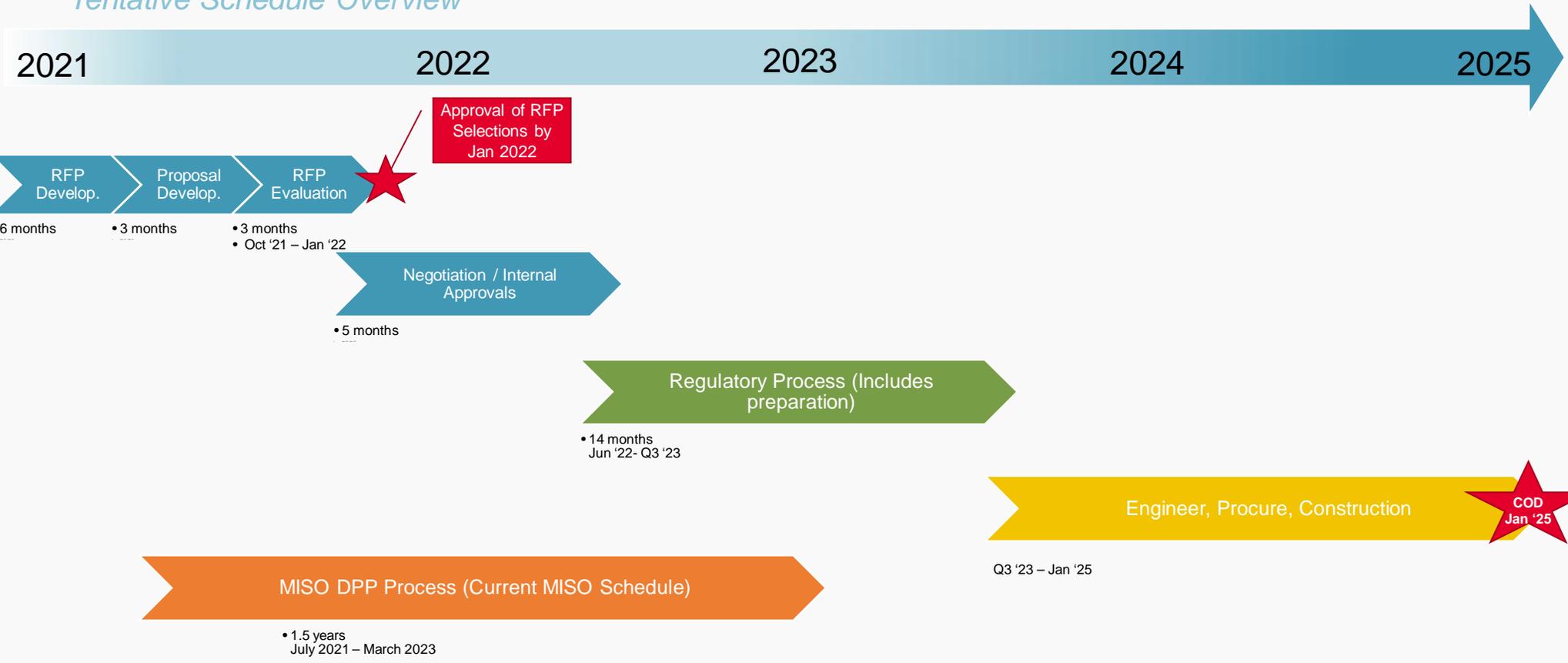


RFP Schedule & Evaluation Process

Marc Sawicki

2021 ETI Solar RFP Targeted Timeline

Tentative Schedule Overview



2021 ETI Solar RFP Timing Overview

Key Milestones

Milestone	Completion Date
RFP Documents Posted	July 15, 2021
Bidders Conference	July 28, 2021
Bidder Registration Period (8/27-9/3)	September 3, 2021*
Proposal Submission Fee Payment Deadline	September 15, 2021*
Self-Build Proposal Submission Deadline	October 8, 2021*
Proposal Submission Deadline	October 15, 2021*
Notice to Bidders of Primary and Secondary Selections	January 18, 2022*
Comprehensive ETI Due Diligence and Definitive Agreement Negotiations Begin	January 19, 2022*
Bidder(s) Remaining on Secondary Selection List Released from Proposals	April 18, 2022*
Definitive Agreements Executed	June 9, 2022*
Regulatory Approval Process Complete	August 3, 2023*
Project Complete	January 2, 2025*

**The milestone dates accompanied by an asterisk are target dates, which are subject to change.*

Bidder Registration & Proposal Submission

- ❖ **Bidder registration and proposal submission will utilize forms and templates posted to**
 - **2021 ETI Solar RFP Website**
 - Bidder Registration Form
 - **PowerAdvocate**
 - Proposal Package includes, but is not limited to:
 - Proposal Submission Template
 - Due diligence questionnaire(s) “Appendix D”, and related attachments
 - Self-Assessment Form
 - Proposal Submission Agreement
 - Redlining of Applicable Model Agreement (BOT & Scope Book, PPA, and O&M Agreement as necessary)

- ❖ **All proposal-related document submissions must be made via PowerAdvocate**
 - Executed Proposal Submission Agreement
 - Complete responses to Proposal Submission Template and diligence requests
 - Proposals not delivered through PowerAdvocate will not be accepted

- ❖ **Email will be sent to bidder confirming receipt of documents**

Bidder Registration & Proposal Submission

❖ Proposal Submission Fees

- \$10,000 for each registered proposal (Solar PV)
 - Any alternative COD, price, location, or other significant feature (excluding battery and O&M options) of a proposal will trigger an additional bid fee of \$10,000
 - Bidders offering a proposal that includes a battery or O&M proposal(s) will be required to pay an incremental charge of \$1,000 for each battery or O&M proposal
- Bidder will be invoiced proposal submission fee(s) within three business days after the end of the Bidder Registration Period
- ETI must receive payment of the proposal submission fee for each registered proposal no later than 5:00 p.m. CPT on September 15, 2021 (current schedule)
- If Bidder misses the payment deadline for a proposal, the proposal may be subject to elimination

RFP Evaluation Process

- ❖ **The evaluation process is designed to be fair, impartial, and consistently applied**
 - Prior to submitting proposals, Bidders will receive sufficient information to understand the evaluation factors and general decision criteria
 - Detailed inputs and evaluation scenarios will be considered confidential and highly proprietary and will not be shared with potential bidders or the self-build team
 - To the extent practical, evaluation models and assumptions will be defined before proposals are received

- ❖ **Proposals will be reviewed and assessed for the following:**
 - Economics (Net Supply Cost)
 - Interconnection/Deliverability/Transmission
 - Viability
 - Credit and Collateral Requirements
 - Accounting Treatment

- ❖ **Assessments will occur in the following stages:**
 - Phase I
 - Initial Threshold Determination
 - Preliminary Shortlist (if applicable)
 - Phase II
 - Detailed Qualitative & Quantitative Assessments

Redaction & Initial Threshold Determination

Redaction

❖ The purpose of the redaction process is to ensure that:

- Evaluation teams receive information relevant to their respective areas
- Bidder name and identifying criteria are redacted from the information provided to the Economic Evaluation Team
- Bid price is removed from the information provided to the Viability Assessment Team and the Transmission Evaluation Team (other than specified price approved by the RFP Administration Team that is needed)

❖ The RFP Administration Team will open and redact all proposals

Initial Threshold Determinations

❖ Initial threshold determinations will occur early in the proposal review process

❖ The purpose of these determinations is to identify proposals that meet certain minimum threshold requirements for participation in the RFP

❖ Proposals not meeting threshold requirements will be subject to elimination

❖ Threshold requirements include, but are not limited to, those concerning:

- Eligible Participants
- Eligible Technology
- Eligible Transactions
- Eligible Resources
- Resource Location
- Minimum and Maximum Capacity Proposal Requirements
- PPA Delivery Terms (Min 10 Years, Max 20 Years)

Phase I & Phase II Evaluations

- ❖ **Phase I Evaluation will include evaluations primarily by**
 - Economic Evaluation Team
 - Viability Assessment Team
 - Transmission Evaluation Team
 - Credit Evaluation Team

- ❖ **The purpose of the Phase I evaluation is to identify the most economic proposals and to eliminate:**
 - Proposals not meeting the RFP's threshold requirements
 - Less economic proposals
 - Proposals determined to be unacceptably high risk

- ❖ **The purpose of the Phase II evaluation is to evaluate the short-listed proposals in greater detail and develop final rankings and conclusions**

- ❖ **The output of Phase II will be a Final Report**

- ❖ **The Final Report will be sent to ETI, which will make proposal selections**

Selection

❖ Primary Selection List

- Bidder(s) with a proposal on the primary selection list will be invited to negotiate a definitive agreement
- A proposal's inclusion on the primary selection list is not acceptance of the proposal or related contract terms
- No requirement for ETI to place any proposal on the primary selection list

❖ Secondary Selection List

- Bidder(s) with a proposal on the secondary selection list may be invited to negotiate the terms of a definitive agreement or may be advised of proposal status
- Bidder(s) would proceed to definitive agreement negotiations only if a Bidder(s) on the primary selection list is removed from list
- Bidder(s) must hold offers open for three months after notification of secondary selection

Commercial Terms

Ryan Scott

Commercial Terms Overview

❖ Model contracts are included in the RFP

- In proposals, Bidders may propose exceptions to terms
 - ETI is under no obligation to agree to any exception
 - Significant requested changes could affect viability ratings or eligibility

❖ BOT Structure

- Seller will own, develop, design, build, commission, test, and commit to sell the proposed project to ETI at a fixed price
- This hybrid transaction incorporates EPC principles and generation asset acquisition terms

❖ PPA Structure

- ETI will be entitled to all energy, environmental attributes, capacity, capacity-related benefits, and other electric products from the proposed project
- Energy will be scheduled by Seller to ETI's Load Node in MISO

❖ Interconnection

- Seller will be responsible for (and required to account for in its proposal(s)), ALL costs and schedule risks associated with transmission and interconnection of the proposed resource

❖ Credit Support

- Seller will be required to provide liquid credit support, in the form of an acceptable letter of credit or cash
- Bidders are encouraged to review thoroughly Appendix F to the 2021 ETI Solar RFP

Commercial Terms Overview – BOT

Agreement Structure

- Bidders will develop, design, construct, and test according to requirements in the BOT Agreement (App B-1) and the technical requirements of the Scope Book (App B-2)
- ETI will purchase the asset at Closing (after mechanical completion and prior to facility energization), at which point title and risk of loss transfer to ETI; project care, custody, and control will remain with Seller through the Substantial Completion Payment Date

Purchase Price

- Bidders are required to provide an all-in purchase price
- Purchase price will be paid only at the Closing, Substantial Completion, and Final Completion; no progress payments will be made

Substantial Completion

- Guaranteed Substantial Completion Date Required to be no later than January 2, 2025; the contract includes provisions on delay damages, force majeure extensions, capacity re-sizing or buy-down, and ETI termination rights for extended completion delays
- Guaranteed Substantial Completion may be adjusted back with a reduction in total Force Majeure days allowed
- Testing requirements include availability, capacity, BESS, energy yield.

ITC and In-Service Requirements

- Bidder generally will bear risk of loss related to ITC benefits due to schedule delays
- Modified contract terms will apply to projects that start construction for ITC purposes in 2019 and 2020 (e.g., earlier GSCD, lost ITC LDs, potential incremental credit support)

Project Warranties

- Seller not required to provide a "wrap" warranty
- At the Closing, all warranties will transfer to ETI, including the project warranty from the prime EPC Contractor(s)
- EPC-related contracts will not transfer

Commercial Terms Overview - PPA

Agreement Structure

- ETI will receive all energy, capacity benefits, other electric products, and environmental attributes from the resource
- ETI will pay for delivered energy only, fixed or variable pricing, no indexing

COD and Delivery Requirements

- COD requirements – Linked to delay damages, capacity re-sizing, termination right for long delays
- ITC - Resource must be placed in-service no later than January 2, 2025; Bidder wears ITC risk
- Annual Guaranteed Energy Quantities (AGEQ) - LDs assessed for delivery below AGEQ (P90), 50% price for delivery over 115% of AEEQ (P50); annual shortfall termination rights

Financial Settlement

- PPAs will be required to settle financially at the ETI Load Node
- Sellers will be responsible for imbalance charges, including transaction fees, scheduling charges, revenue sufficiency charges, integration fees, etc.
- ETI will not accept negative price risk

Accounting Treatment

- The PPA may not result in the recognition of long-term liabilities to ETI's balance sheet, including lease treatment, derivative accounting, or VIE (variable interest entity) liabilities

Regulatory Disallowance

- Sellers will be required to absorb the risks of regulatory disallowance (e.g., disallowance of replacement energy costs), excluding certain limited cost recovery risks that remain with ETI (e.g., disallowance due to active buyer fault)

Updated Commercial Terms

Reliability Requirements

- It is key for PPA resources to be reliable and resilient as they become an increasing part of ETI's portfolio
 - Recent large-scale weather events, including the 2020 hurricane season and Winter Storm Uri, demonstrate the importance of ensuring ETI's sustainable resource additions are reliable and resilient
 - ETI and its customers expect ETI will obtain reliable, low cost, renewable power supplies in this and subsequent resource procurements
- Attachment B-1 to the Model PPA lists reliability requirements for PPA resources participating in the RFP
 - They include design and equipment sourcing requirements intended to help protect the facilities and customers from risk associated with wind, hail, flood, fire, and freezing conditions
 - The list is a measured set of requirements taken from select portions of the BOT Scope Book (and thus also apply to BOT resources participating in the RFP)
 - PPA bidders are encouraged to review the list and related contract terms

Viability Assessment

Ryan Scott

Viability Assessment

❖ **The Viability Assessment Team (VAT) includes subject matter experts from the following focus areas:**

- Commercial
- Environmental
- Insurance and Risk Engineering
- Investment Tax Credits (ITC)
- Operations and Maintenance (O&M)
- Plant & Equipment
- Real Estate
- Other disciplines, as appropriate

❖ **The VAT's key objectives are to:**

- Perform a review and assessment of the non-price attributes of the proposals
 - The review will be based on information bidders provided in response to the RFP and include the due diligence questionnaires, proposal summary, and clarifying questions

❖ **Two-phased analysis**

- Phase I: A minimum requirements review for each proposal and an equivalent standard validation across all proposals
- Phase II: An assessment of the individual projects on the risk associated with key aspects, including, but not limited to, bidder experience, technological specifications, site environmental conditions, real estate terms and requirements, and exceptions to the terms of the agreement

Viability Assessment – Phase I

- ❖ **Phase I will consist of an initial VAT assessment that includes confirmation of Bidder-provided self-assessments, such as the following:**
 - Proposal is for an eligible technology by an eligible participant from an eligible resource
 - Proposal meets MW minimums & maximums and delivery term requirements
 - Proposal is for years for which ETI is seeking resources in the RFP
 - Resource meets the appropriate design and operating specifications
 - Resource is free of fatal flaws and operational or permitting restrictions
 - Proposal aligns with all RFP requirements, including Threshold Requirements
- **Self-assessment is required for each proposal**
- ❖ **The VAT will confirm to each of the other evaluation teams that a Bidder’s proposal meets the thresholds (or notify them of discrepancies)**

Viability Assessment – Phase II

- ❖ **During Phase II, the VAT will provide a more detailed evaluation and assessment**
- ❖ **The Phase II VAT assessment will include:**
 - Evaluating a key list of attributes associated with each of the focus areas identified for the viability assessment
 - Also confirming the Bidder information provided is reasonable and credible, including operating parameters, deliverability, project timeline, and permit feasibility
 - The attributes will be assessed in a pre-defined detailed scorecard, ultimately leading to a total viability rating for each proposal (High Risk, Medium Risk, Low Risk, etc.)

Economic Evaluation

Daniel Boratko

Economic Evaluation

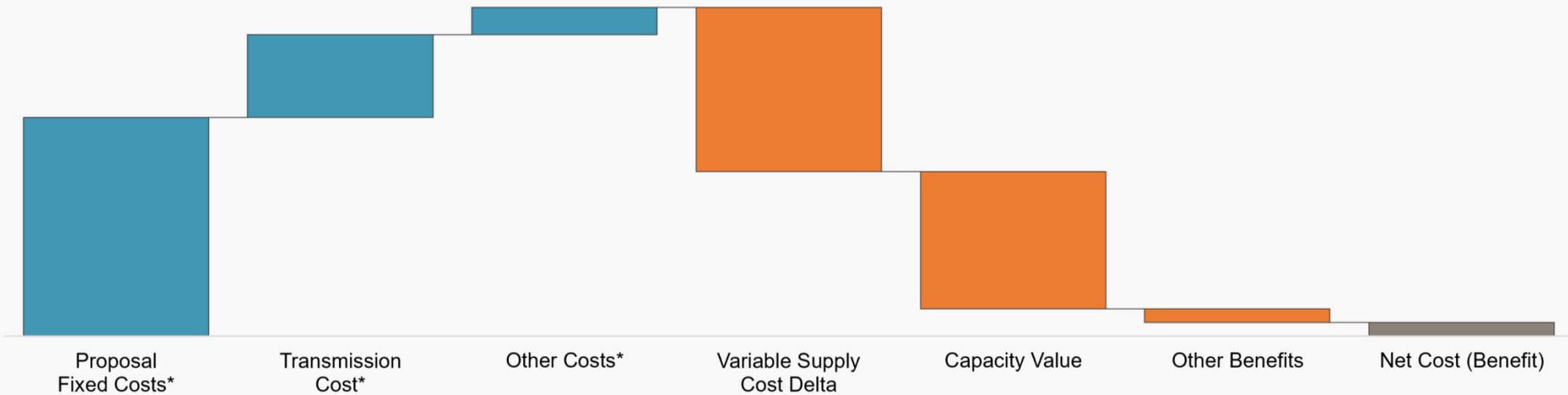
- ❖ **The Economic Evaluation Team (EET) will conduct an economic evaluation of proposals from the perspective of ETI's customers**
- ❖ **The economic evaluation will identify proposals that meet the RFP requirements and rank them based on relative economics**
- ❖ **The EET will utilize tools and methods ETI commonly uses for long-term planning and resource evaluations, including:**
 - Variable supply cost analysis within the context of the MISO markets based on simulations using the Aurora production cost modeling software
 - Pricing based on proposal submissions and responses to clarifying questions issued to bidders
 - Estimated property tax expense, considering obtained or identified property tax abatements or similar tax benefits, if applicable
 - Transmission cost estimates, if applicable, from the TET for expected required projects
 - Long-term avoided capacity value
 - Alternative structures, such as a tax equity partnership
 - Terminal value, if applicable
 - Lease accounting treatment, if applicable
 - Imputed debt, if applicable
 - Any other applicable economic benefits, taxes, or costs
 - Include qualitative risk considerations and sensitivity analysis (e.g., scenarios around natural gas and carbon prices) if needed
 - Other tools and methods if and as required or appropriate for the economic evaluation of a proposal

Economic Evaluation Process

- ❖ A net cost / benefit calculation will be performed for each proposal
- ❖ The net cost / benefit will be presented in \$M, levelized real \$/kW-year, and levelized real \$/MWh to account for differences in proposal size and expected energy production

ETI Customer Total Relevant Supply Cost

Illustrative



Notes:

*Proposal Fixed Costs, Transmission Costs, and Other Costs will be included as part of the all-in energy pricing provided for PPA proposals.

Transmission Evaluation

Brian Sullivan

Transmission Evaluation Team

- ❖ **The Transmission Evaluation Team's (TET) evaluation objective is to:**
 - Ensure that with the addition of any resource, adequate area reliability is maintained
 - Identify any upgrades associated with maintaining adequate reliability
 - Assess costs of all transmission infrastructure-related improvements required to incorporate each studied resource

- ❖ **Interconnection requirements and deliverability**
 - Bidder will be responsible for and bear all costs associated with the proposed facility's electric interconnection to the grid
 - Interconnection costs should be included in Bidder's proposed pricing
 - Bidders need to identify separately the estimated interconnection costs
 - A proposal that omits these costs or takes "special exception" to this requirement will be considered non-conforming and may be eliminated on that basis
 - Bidder's facility must have an existing GIA or be included and remain in the 2019, 2020 or 2021 MISO DPP Queues
 - Resource must be located within the Texas Region of MISO South and interconnect to the MISO South transmission system
 - Resource must remain in the interconnection queue until the resource is eliminated or interconnection service is obtained

Transmission Evaluation Team

- ❖ **The Transmission Evaluation Team will perform standard analyses to ensure each proposal does not negatively impact the reliability of the transmission system**

- ❖ **Analysis may include, but is not limited to:**
 - NRIS deliverability analysis
 - ERIS deliverability analysis
 - Standard steady state power flow analysis to identify potential projects based on ESL's annual TPL-001-4 analysis and ESL's Local Planning Guidelines and Criteria
 - Transient Stability, Voltage Stability, and Short Circuit analyses per TPL-001-4 and ESL's Local Planning Guidelines and Criteria
 - Cost estimating and scheduling analysis for interconnection and transmission facilities
 - Fault Induced Delayed Voltage Recovery (FIDVR) analysis

Accounting Evaluation

David Batten

Accounting Evaluation

- ❖ **The Accounting Evaluation Team (AET) will assess potential accounting effects of PPA proposals, including:**
 - Whether the proposal contains a lease resulting in the recognition of a long-term liability for ETI or its affiliates under the rules in effect during the term of the proposal (ASC 842 analysis)
 - Whether the legal entity owning the proposed generating asset is a variable interest entity (“VIE”) and, if so, who will consolidate the VIE throughout the term of the agreement (ASC 810 analysis)
 - Whether the proposal is or includes a derivative and, if so, the appropriate accounting for the derivative (ASC 815 analysis)
 - Other accounting impacts from the proposal
- ❖ **The Accounting RFP requirements include:**
 - ETI will not accept proposals that result in the recognition of a long-term liability by ETI or its affiliates (“on-balance sheet accounting”)
 - If requested, Bidder will certify that it has determined that, to the best of its knowledge, the proposed PPA will not require on-balance sheet accounting for ETI or its affiliates
 - Bidder will be required to make available all information required to verify and/or independently determine the accounting treatment associated with a proposal

ETI will not accept the risk of any transfer to its books of any long-term liability associated with a PPA arising out of the RFP

Credit Evaluation

Eric Agana

Credit Evaluation

- ❖ **The Credit Evaluation Team (CET) will evaluate Bidder's credit and other credit-related matters**
- ❖ **Information to be provided at bidder registration:**
 - Bidder may elect to nominate a parent guarantor for consideration for liquid credit support offset; limited to one nominee
 - Public credit ratings, if available, for Bidder and, if applicable, the proposed parent guarantor
 - Financial statements for Bidder and, if applicable, the proposed parent guarantor
- ❖ **The Credit RFP requirements include:**
 - Specific liquid credit support amounts, available parent guaranty-based offsets to liquid credit postings, and credit events (which can eliminate credit offsets) are set out in the credit appendix to the RFP (Appendix F)
 - Forms of acceptable incremental credit support are letters of credit from qualified banks and cash holdbacks
 - Special exceptions to core credit terms are not permitted
 - Bidder must submit with its proposal(s) a credit compliance certification acknowledging its familiarity with the terms of the credit appendix and certifying that the proposal(s) (including proposal pricing) reflect and comply with credit appendix requirements

Credit Evaluation

- ❖ **Two-phased process for credit evaluations**
- ❖ **During Phase I, CET will assess bidder and, if applicable, proposed parent guarantor for a potential offset to the liquid credit support requirements**
 - The CET will assign a Bidder credit rating (or Bidder's parent guarantor credit rating) based on, among other things
 - S&P and Moody's ratings
 - 10K/10Q/8K evaluation
 - If SEC reports unavailable, two years of audited financial statements provided by Bidder
 - Financial statements include balance sheet, income statement, cash flow statement, notes to the financials, as should include the auditor's opinion
 - If financial information is consolidated with other entities, all data related solely to the offering entity will be extracted and submitted as separate documents by Bidder
 - Credit-related diligence materials provided by Bidder
 - The CET will provide Bidder with details regarding the liquid credit support offset prior to proposal submission
- ❖ **During Phase II, CET will review each proposal to determine the credit support amount required for each milestone**

Process Safeguards

Marc Sawicki

Process Safeguards

Code of Conduct, Protocols, Design, Stakeholder Participation

Code of Conduct

- All employees of ESL, any Entergy Operating Company, or any Entergy Competitive Affiliate must adhere to the applicable Affiliate Rules and Codes of Conduct
- Links are provided on the 2021 ETI Solar RFP website

Additional Protocols

- Each 2021 ETI Solar RFP Proposal Evaluation Team is made up of designated personnel
 - Team composition is overseen by the IM
- ESL personnel involved with the 2021 ETI Solar 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
- Additional protocols will be specified in the 2021 ETI Solar RFP

RFP Process Design and Implementation

- RFP process has been designed to assure fair and impartial treatment of all Bidders
- Self-build proposal will be finalized and “locked down” with oversight from the IM prior to the receipt of third-party bids

Stakeholder Participation

- The RFP will be posted on ESL’s public 2021 ETI Solar RFP website and is publicized to encourage robust market participation
- Bidder Conference
- Potential Bidders will be provided opportunities to ask questions about the RFP and seek clarification on the RFP process

Q&A Session

ETI requests that Bidders submit all questions to the Bid Event Coordinator at etirfp@entergy.com