2014 Request for Proposals for Long Term, Supply-Side Developmental Resources in Amite South

Questions and Answers

As of 11/11/2014

Q-1. Do you anticipate a pre-RFP meeting in the near term?

A-1. [Revised] Consistent with prior RFP practice, ESI held a Bidders Conference for the RFP. The date of the Bidders' Conference was August 8, 2014. A copy of the written presentation materials is available on the 2014 Amite South RFP Website (identified in the RFP documents).

Q-2. Can you post to the RFP website the following documents in Word format?

1. Appendix B-3 Term Sheet –Asset Acquisition
2. Appendix C – Preliminary Due Diligence List
3. Appendix D-Minimum Requirements

A-2. Entergy will post these forms (and any others requiring Bidders to insert information) in Word format to the RFP website once the documents are final.

Q-3. If you offer a toll and PPA from the same project is that considered two proposals?

A-3. Yes. A proposal for a tolling agreement and a power purchase agreement from the same project would be considered two separate proposals, each with its own proposal submission fee.

Q-4. MISO interconnection application asks you to select either 1)NRIS or 2)NRIS in response to a solicitation. Are you aware of what should be selected?

A-4. Yes. When submitting the MISO interconnection application for a proposed resource, Bidders should select Network Resource Interconnection Service (NRIS). This selection is required by the RFP.

Q-5. If a company creates a non-conforming proposal that saves ESI time/money or improves reliability will this non-conforming proposal be considered?

A-5. A proposal that is non-conforming is subject to potential elimination from the RFP.

Q-6. Please explain the reason for such a prescribed RFP in terms of technology (CCGT), single location, etc. as opposed to soliciting all potential solutions to meet the Amite South reliability needs?

A-6. As part of its long-term resource planning, ESI has identified the need to add new CCGT generation capability in Amite South to fulfill several important planning objectives. Many of these objectives are described in the RFP documents, including Section 2.1 of the Main Body. Additional objectives or benefits of a new resource in Amite South include risk mitigation (*e.g.*, may help lower transmission congestion price risk; is able to supply power that can be dispatched at a known heat rate, which helps to limit locational marginal prices) and optimization of the long-term supply plan for generation and transmission (allows reduction of future transmission needed for reliability in Amite South and facilitates economical management of the Entergy System). The in-region requirement recognizes that remote resources, even when coupled with additional transmission, do not have the same positive attributes as in-region generation.

ESI has identified a self-build option capable of meeting the planning objectives and considerations that led to issuance of the RFP. The RFP is soliciting resource alternatives that meet these planning objectives and considerations and are comparable to the self-build option. Several prior ESI RFPs solicited other products to meet general or other capacity needs of the Entergy Operating Companies or other planning objectives, and future ESI RFPs may do the same. This RFP, however, is limited to developmental, in-region resources comparable to the self-build option.

Q-7. Would Entergy be interested in other ownership structures not outlined in this RFP? Like a 50/50 partnership to develop or construct a new plant, or the self-build site at Little Gypsy? If so, how would Entergy like to discuss? Should we include that option in a bid or outside of the RFP?

A-7. As specified in Appendix D to the RFP, Entergy-owned sites, including the site of the self-build option, will not be made available to any third party for development of a resource that would be offered into the RFP. Joint venture, undivided interest, and partnership arrangements are not contemplated and will not be considered in the RFP. Similarly, co-ownership of individual generating units is also not allowed under the terms of the RFP. For acquisition proposals in the RFP, Bidders may offer an alternative structure to avoid the risk that a regulatory approval or expiration or termination of a waiting period under the Hart Scott-Rodino Antitrust Improvements Act (as amended) ceases to be valid and effective as of the time the closing would otherwise occur. (See item 18 in Appendix B-3.) ESI retains full discretion to determine whether any such alternative structure is acceptable.

Q-8. How will the new generation effect transmission upgrades currently in place?

A-8. As ESI interprets the question, the effects of a new generation resource arising out of the RFP on the transmission system will depend on the exact size and location of the resource, the existing transmission topology at the time the resource enters service, and other factors. While proposed resources will be evaluated based on all factors and attributes identified in the RFP documents, is it expected that resources that evaluate well will be those that positively affect, or at least do not adversely affect, the transmission system.

Q-9. Do you have any plans for transmission investments?

A-9. Yes, transmission investments are planned for the Entergy system, including the Amite South region, through the MISO Transmission Expansion Plan (MTEP)[1]. There are also investments for the Entergy transmission system, including the Amite South region, that were planned prior to Entergy's integration in the MISO RTO[2]. In addition, Entergy is also a participant in the MISO Market Congestion Planning Study process. There may be transmission upgrades in the Entergy transmission system, including the Amite South region, which may result from that process[3]. Additionally, the on-going Voltage and Local Reliability (VLR) study may result in additional upgrades, including the Amite South region, in the Entergy transmission system. The purpose of this study is to explore the possibility of identifying upgrades that may cost-effectively reduce or eliminate VLR commitments in the MISO Southern region[4].

Q-10. Any general comment on transmission development in Amite South/DSG region?

A-10. Please see response to Q-9

Q-11. Are there any specific engineering/design parameters that Entergy would like bidders to include in proposals in order to address the RFP objectives "Bolsters Amite South Storm-Restoration Capabilities" – (e.g. designing the facility so that its x feet above ground, having a gate around the facilities, etc.)

A-11. The RFP has not established minimum design criteria in this regard (other than the design criteria in the RFP documents that have inherent storm-restoration capability benefits). However, the evaluation process will seek to assess each proposal's relative contribution to storm restoration capabilities by considering resource characteristics that may enhance or diminish those capabilities, such as, for example, a proposed resource's susceptibility to damage

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[1] Transmission upgrades that are currently under consideration in the 2014 MTEP may be found here: https://www.misoenergy.org/_layouts/MISO/ECM/Redirect.aspx?ID=160389

[2] The status of such projects (also called 'pre-planned projects), along with the rest of the projects currently being considered in the MISO MTEP process may be found here: http://www.oasis.oati.com/EES/EESdocs/Construction_Plan.htm

[3] Please see the following link for the latest update on the transmission projects under consideration in the MCPS study process: https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/Workshops%20and%20Special%20Meetings/2014/Market%20Congestion%20Planning%20Study%20-%20S%20Region/20140717/20140717%20MCPS%20South%20Item%2006%20Prelim%20Holistic%20Trans%20Solution%20Eval.pdf

[4] Please see the following link for the latest update on the VLR study: https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/PSC/2014/20140729/20140729%20PSC%20Item%2002%20VLR%20Planing%20Study%20Update.pdf

or impairment stemming from storm surges or rises in sea level, ability to start without off-site power, and location of interconnections and electrical equipment and systems.

Q-12. Would Entergy consider a PPA or Toll for longer than 20 years (e.g., 25-30)?

A-12. The RFP is not soliciting, and ESI does not expect to receive in the RFP, proposals for power purchase or tolling agreements having a delivery term greater than 20 years. Indeed, a threshold requirement of the RFP is that the delivery term offered in a proposal be not more than 20 years. (See, *e.g.*, Section 2.3 of the Main Body.) ESI has determined that the 20-year maximum delivery term for PPA and Toll proposals reasonably balances the risks to customers under longer-term PPAs and Tolls and ESI's interest in encouraging bidders with PPA and Toll proposals to participate in the RFP. The risk profile of PPAs and Tolls differs fundamentally from that of Entergy Included Operating Company-owned resources or acquisitions because PPAs and Tolls involve a commitment that provides the purchaser with less flexibility and control in responding to changing conditions. The longer the term of a PPA or Toll, the more significant this risk becomes. If a proposal with a delivery term of greater than 20 years is received in the RFP, the proposal will be non-conforming and subject to potential elimination from the RFP.

Q-13. Will you provide a more detailed map of DSG?

A-13. ESI does not anticipate providing a more detailed map of the Downstream of Gypsy (DSG) region. The map provided in the documents and on the website (https://spofossil.entergy.com/ENTRFP/SEND/AmiteSouthRFP/Documents/AMS_Map.pdf) is believed to provide satisfactory guidance to Bidders. Should a Bidder be uncertain whether a proposed resource would be located within Amite South or the DSG region, Bidder may request – on a confidential basis – that ESI, through the RFP Administrator, determine whether Bidder's proposed resource is within the boundaries of Amite South or the DSG region. After receipt of such a request, the RFP Administrator will provide a response as to whether the proposed resource is within such boundaries.

Q-14. Please provide further details on Self-Build:

1. Status? Who is generating the proposal for Entergy?
2. Configuration/Technology?
3. Will self-build price be based on term beyond 20 years?

A-14. 1. The self-build option is being developed by a team that is completely separate from the RFP and any RFP team. The individuals on the team responsible for developing and preparing the self-build option and associated cost estimates are identified on a list that has been provided to the Independent Monitor (IM) but is not publicly available.

2. Please see the answer given in A-16 below.

3. The evaluated cost of the self-build option, as well as all acquisition proposals, will reflect the cost expected to be incurred over the life of the resource.

Q-15. If IM recommends a third party project (i.e. not Self Build) will Entergy proceed to contract with that 3rd party project?

A-15. The IM's role does not include recommending resource selections. As described in the RFP documents, in general, the IM monitors the design and implementation of the RFP solicitation, evaluation, selection, and contract negotiation processes to ensure their impartiality and objectivity and provides an objective, third-party perspective on ESI's efforts to ensure that all proposals are treated consistently and without undue preference to any Bidder. The IM's Scope of Work, which describes the IM's responsibilities in detail, is posted to the 2014 Amite South RFP website. If the evaluation process results in a Bidder proposal (and not the self-build option) being selected for the Primary Selection List, negotiations between that Bidder and Buyer towards a definitive agreement would be expected to commence in accordance with the RFP documents.

Q-16. Will the information on the self-build bid be made public?

A-16. The self-build option is a cost-based backstop to meet the utility's obligation to serve load at the lowest reasonable cost if the RFP does not identify a more viable and cost effective resource comparable to the self-build option. Public disclosure of the self-build cost estimate would provide an unfair advantage to third party bidders and may harm customers because third-party bidders would have no incentive to price offerings aggressively if they know the self-build cost estimate. Therefore, the cost estimate for the self-build option (which will include other materials required to be provided by Bidders in the RFP) will not be made public, but will be required to be submitted to the RFP Administrator and the IM prior to the receipt of proposals from all other Bidders, and no later than 5 p.m. CPT on the Friday before the proposal submission period begins.

The self-build option is generally described in Section 3 of the Main Body. Like any proposal from a third-party bidder, the self-build option will be required to meet the Design and Operating Considerations described in Section 2.7 of the Main Body. ESI does not intend to disclose further details unless the self-build option is selected and disclosure is necessary or appropriate in connection with any regulatory approval of the self-build option. The RFP evaluation teams do not have further details.

Q-17. Entergy makes clear it will not accept certain accounting treatment for long term PPAs and Tolling Agreements (For PPA and Tolling Agreement proposals, Buyer will not be accepting the risk that long-term debt associated with the contract will be transferred to its books (via capital lease, "VIE," or other accounting treatment). However, Entergy does not appear to provide any guidance on how it evaluates this concern or what 'triggers' such adverse accounting treatment. Can Entergy please provide specific guidance on the items that would prevent them from entering into a long term agreement for a proposed Facility? Specifically, would Entergy be able to enter into a 20 year tolling agreement (where Entergy provides the fuel), for 100% output of the proposed Facility? If not, why not (i.e., what would prevent them from doing so vis-à-vis the concern about adverse accounting treatment?)

A-17. Please refer to no. 10 in item 35 of Appendix B-1 (PPA Term Sheet) and Appendix B-2 (Toll Term Sheet). As indicated, this provision of the term sheets is in draft form and could be modified in the final version of the RFP documents. The subject matter expert(s) on the RFP evaluation team responsible for accounting aspects of proposals (the Viability Assessment Team) intend to rely on their interpretation of applicable accounting rules, guidelines, practices, and laws to determine whether a proposal raises any material accounting concerns. Accounting SMEs on the VAT may consult with other experts to assist with the identification and evaluation of any such concerns. As of the date of this response, the main RFP-related accounting concerns are the potential recognition by the buyer or its affiliates of long-term liabilities due to a PPA or Toll being accounted for as a capital lease and the consolidation of the PPA or Toll counterparty under the "variable interest entity," or VIE, accounting rules. Since each proposal must be analyzed individually, including through certain qualitative assessments, to determine whether the proposal raises any capital lease, VIE, or other accounting issues, it is not feasible for ESI to provide a comprehensive listing of elements of a proposal that would or would not be acceptable from an accounting perspective. Bidders will be responsible for accurately assessing whether its proposal(s) raise any material accounting-related issues. For informational purposes only and not as guidance with respect to any potential proposal that may be offered into the RFP, ESI believes that Bidders should be able to develop proposals for PPAs and Tolls that do not trigger the accounting treatment described above under the current accounting rules.

Q-18.
1. How will the bids be evaluated in relation to each other?
2. What is the process or equation?
3. Will you provide assumptions?
4. Discount rate?
5. Flat or escalating pricing?
6. What is included in capital cost build up? (Apples to apples comparison)
7. Looking to evaluate on NPV, 30 yr cost, etc.?

A-18. 1. The overarching objective of the RFP evaluation and selection is to procure a resource that meets resource planning objectives of the Included Entergy Operating Company and provides reliable power at the lowest reasonable cost considering risk. Broadly speaking, the RFP seeks to achieve three planning objectives:

- First and foremost, serve customers' power needs reliably.
- Second, provide power at the lowest reasonable cost considering reliability.

- Third, mitigate the effects of production cost volatility that can result from risks such as fuel price uncertainty, purchased power cost uncertainty, and possible supply disruptions.

In addition, the RFP is being undertaken to achieve certain supply objectives for the Amite South region. (Please see the response to Q-6 for additional information.) The evaluation process will assess each proposal's ability to meet those objectives.

Accordingly, the RFP evaluation will be conducted in the following manner:

- Resources will be evaluated in relation to the planning objectives.
- Cost will be assessed from the perspective of the customer (*i.e.*, the effect on total supply cost).
- Resources will be evaluated over the relevant planning horizon, which, for purposes of the RFP, is a long-term planning horizon.
- Resources will be evaluated on a consistent basis using consistent assumptions and methods. Assumptions and methods will vary among proposals only to the extent necessary to reflect actual differences in proposals.
- To the extent reasonably possible, the evaluation will seek to measure the effect of each proposal on total supply cost. Qualitative approaches, such as, for example, criteria rankings, will also be used where appropriate to reach effective decisions. The economic evaluation will consider all costs and projected market revenues, as applicable, that ultimately affect customers' total supply cost, including, but not limited to:
    - Return of and on capital investment,
    - Operating and maintenance expense,
    - Capacity premiums,
    - Fuel expense,
    - Projected energy margins, and
    - Projected capacity value.

As described in section 6.1.2 of the Main Body, the economic evaluation will rely on at least two evaluation approaches to assess the relative economics of proposals: a fundamental evaluation and a total supply cost evaluation. Within either approach, the economics of proposals will be compared based on a consistent figure of merit. The fundamental evaluation will assess all proposals on a $/MWh cost basis. The total supply cost evaluation will measure the effect on customer total supply cost when the subject resource is included in the company's generating portfolio.

2. Please see the answer given in A-18(1) above.

3. Assumptions used in the evaluation of proposals will be provided to the IM. Bidders will not be provided evaluation assumptions.

4. The discount rate(s) used in the evaluation of proposals will be provided to the IM. Bidders will not be provided the discount rate(s) used in the evaluation of proposals.

5. The pricing terms of the RFP (including those relating to "flat" and "escalating" pricing) are addressed in the RFP documents. (See, *e.g.*, Section 2.2 of the Main Body and Appendices B-1, B-2, and B-3.)

6. Please see the answer given in A-18(1) above.

7. Please see the answer given in A-18(1) above.

Q-19. Are there any specific engineering/design parameters that Entergy would like bidders to include in proposals in order to address the RFP objectives "Bolsters Amite South Storm-Restoration Capabilities" – (e.g. designing the facility so that its x feet above ground, having a gate around the facilities, etc.)

A-19. The RFP has not established minimum design criteria in this regard (other than the design criteria in the RFP documents that have inherent storm-restoration capability benefits). However, the evaluation process will seek to assess each proposal's relative contribution to storm restoration capabilities by considering resource characteristics that may enhance or diminish those capabilities, such as, for example, a proposed resource's susceptibility to damage or impairment stemming from storm surges or rises in sea level, ability to start without off-site power, and location of interconnections and electrical equipment and systems.

Q-20. Section 1.1 – Are the capacity requirements of 650 MW (ISO-rating, at full load, including duct firing) to 1,000 MW (ISO-rating, at Full Load) output net or gross?

A-20. The capacity requirements stated are net of auxiliary load.

Q-21. Section 1.1 – Does the maximum capacity requirement of 1,000 MW (ISO-rating, at Full Load) include duct firing?

A-21. Yes, the maximum capacity requirement includes duct-firing capacity.

Q-22. Please specify the minimum development requirements for a proposal without having to provide supplemental security prior to executing the letter of intent. We see Appendix D is very extensive and looks more like a middle to late stage development project that would be ready for COD in 2018, not mid-2020.

A-22. Appendix D contains the minimum development requirements determined by Entergy to be appropriate to ensure that projects are sufficiently developed to support the companion proposals (including the proposed commercial operation date) and to lower the risk that Bidder (or Seller) will fail to honor the terms of Bidder's proposal. In the event a proposal does not meet the minimum development requirements, ESI, in consultation with the IM, may require Bidder to provide security for such proposal, as set forth in Section 6.2 of the Main Body and Appendix F. Whether Bidder is required to post security and, if so, the amount of supplemental security Bidder must post would be determined on a case-by-case basis. The assessment is expected to take into account the minimum development requirement(s) not satisfied, the severity of the deviation(s), and other factors that ESI, in consultation with the IM, deems relevant.

Q-23. Is the execution of the definitive agreement subject to regulatory approval? Is it only subject to Buyer's regulatory approval? Or does it refer to the Project's regulatory approvals as well?

A-23. The execution of the definitive agreement will not be subject to Buyer or Seller regulatory approval; however, Buyer's receipt of certain regulatory approvals will be a condition precedent to the commencement of the delivery term for a PPA or Tolling Agreement and to the closing of an acquisition. The project's achievement of commercial operation will be subject to Seller having obtained all necessary material permits and authorizations for the project. In addition, in connection with the negotiation of a definitive agreement and as appropriate given the applicable project, the parties may negotiate a Seller condition precedent regarding Seller's receipt of certain specified Seller regulatory approvals.

Q-24. Section 2.1 – One of the objectives of the RFP is to bolster Amite South storm-restoration capabilities. Is there a quantitative time start up requirement associated with this objective?

A-24. Please see the response to Q-19.

Q-25. Section 2.4.1 – Should seller be applying for a) NR interconnection service or b) NRIS in connection with a resource solicitation process? (MISO interconnection application)

A-25. Please see the response to Q-4.

Q-26. Section 2.4.1 – The RFP states that the long-term network resource will have full deliverability throughout MISO. Is this requesting firm transmission? The assumption is that the generation was for local load. In order to secure firm transmission rights, the delivery node will need to be specified and priced accordingly.

A-26. Yes. The resource interconnection service required for this RFP is network resource interconnection service or NRIS. NRIS allows full deliverability of the resource throughout MISO and qualifies the resource to be designated a Long-Term Network Resource.

Q-27. Section 2.4.3 – Will the financial settlement CP node or nodes be released prior to the release of the final RFP documents?

A-27. No. The specific financial settlement CP node(s) that would apply to a PPA or Toll arising out of the RFP will not be released before issuance of the final RFP documents. The determination of the applicable financial settlement CP node(s) will be a function of the allocation of the resource among the Entergy Included Operating Companies. The allocation may occur after the deadline for proposal submissions in the RFP. In the final RFP documents, ESI intends to specify the general methodology for financial settlements using the financial settlement CP node(s).

Q-28. (Term Sheet-35) Conditions Precedent, #10 – Has Buyer performed an assessment or can you provide a conclusion?

A-28. The referenced condition addresses Buyer's requirement that it not be transferred long-term debt associated with a power purchase or tolling transaction arising out of the RFP (via capital lease, VIE, or other accounting treatment). The assessments required to determine whether a proposed transaction could satisfy the referenced closing condition or the related RFP requirements have not been performed. Such assessments are fact-specific and will be conducted after PPA or tolling transaction proposals are presented. Bidders are advised to review proposed transactions with its accounting and other experts to determine compliance with the accounting-related requirements of the RFP. For additional information, please see the response to Q-17.

Q-29. (Term Sheet -2) Buyer – Term sheet notes that there may be multiple buyers. Are all buyers creditworthy? The obligations of the buyers are several, not joint. How will a default by one of the buyer's be handled? Will there be an inter-creditor agreement among the Buyers and Seller?

A-29. [Revised] Of the potential Buyers, Entergy Louisiana, LLC, Entergy Gulf States Louisiana, L.L.C., and Entergy New Orleans have investment grade ratings from Moody's and S&P as their long-term issuer ratings. If multiple Buyers will be party to a definitive agreement, the parties would be expected to negotiate the terms regarding treatment of a default by one or more Buyers as part of the negotiation of the definitive agreement. While it is not expected that Buyers and Seller would enter into an inter-creditor agreement, the rights and obligations of Buyers and Sellers with respect to each other would be expected to be addressed in the definitive agreement and/or a related ancillary agreement.

Q-30. (Term Sheet -36) Completion, (l) – Why must seller provide to Buyer copies of major design drawings under a PPA or tolling agreement?

A-30. Seller's provision to Buyer of copies of major design drawings and electrical specifications is a condition to achieving the Commercial Operation Date because Buyer has an interest in knowing the design and electrical specifications of the Facility, including, for example, in connection with the exercise of any applicable rights available to Buyer (*e.g.*, potential step-in rights) in the event of a Seller default or otherwise under the contract (*e.g.*, inspections).

Q-31. Were the proposal submission agreement, proposal submission template and VAT self-assessment released with the draft documents?

A-31. a. The proposal submission agreement was posted to the 2014 Amite South RFP Website on August 19, 2014.
b. The proposal submission template will be posted shortly following issuance of the final RFP documents.
c. The VAT-self assessment will be posted on or before issuance of the final RFP documents.

Q-32. Will the following be released on the RFP website?

a. Bidders conference participant list
b. Bidder list
c. List of proposals that meet the threshold requirements
d. Short list

A-32.

a. No.
b. No.
c. No.
d. Each Bidder of a proposal included on the short list will be notified of their proposal's inclusion, but a shortlist of the shortlisted proposals will not be made public.

Q-33. What determines the specification of the Financial Settlement CP Node, which apparently may be different than the Interconnection CP Node? Is it a function of the designated Buyer? If the designated buyer consists of multiple Included Entergy Operating Companies, will there be more than one Financial Settlement CP Node?

A-33. For all three questions, please see the response to Q-27 above.

Q-34. Is Entergy adding any kind of implied debt for a PPA or tolling agreement? If so, how is that calculated/modeled?

A-34. The Economic Evaluation Team will develop a debt imputation evaluation methodology that would apply to all PPA and tolling agreement proposals. If it deems appropriate, the

Economic Evaluation Team may adjust the methodology, after consultation with the IM, depending on the nature of the proposals received and debt imputation practices.

Q-35. Will the self-build have debt in the model, if so how much? And at what discount rate?

A-35. The economic evaluation will consider debt impacts consistently for the self-build option and all proposals, to the extent relevant. Assumptions used in the evaluation of proposals will be made available or provided to the IM. Bidders will not be provided evaluation assumptions.

Q-36. Is pricing of the self-build firm or can it be different when going for regulatory approval and rate recovery?

A-36. Please see the response to Q-16. If the self-build option is selected, regulatory approvals and rate recovery will be requested based on the then current cost estimate for the project. However, the IM will review and monitor the self-build cost estimate to verify that it reasonably approximates the expected cost to build the facility. Please refer to the IM "Scope of Work Activities" posted on the Amite South RFP website under the Reference tab for additional information on this review.

Q-37. (Term Sheet -6) Electric Interconnection; Transmission; ARRs and FTRs – Please clarify the reasoning behind the seller reimbursing Buyer's efforts to qualify the Facility as a firm designated network resource of Buyer?

A-37. ESI expects for Buyer to designate any resource selected from this RFP as a Long-Term Network Resource of Buyer. The RFP requires the resource to able to obtain and, if selected and contracted for, have network service, specifically, NRIS service. (See the responses to Q-4 and Q-26.) The incremental requirement that the resource be designated as a network resource of Buyer at Seller's expense is not expected to be burdensome or costly and should result in the resource having network deliverability comparable to Buyer's other long-term generation resources. It may also enable Buyer to obtain auction revenue, financial transmission, and other rights that may provide customer benefit.

Q-38. Credit Assessment Threshold Requirements – [REDACTED] will provide parent company audited financial statements.

A-38. As provided in Section 2.3 of the Main Body, Bidder may have a person serve as a Credit Support Provider for Bidder's proposal. If a Bidder proposes to have a Credit Support Provider, Bidder must provide (i) the most recent Published Credit Rating of Credit Support Provider and (ii) the annual audited financial statements for the past two years and the current-year reviewed quarterly financial statements (and accompanying notes) of Credit Support Provider.

Q-39. (Term Sheets B-1 & B-2) Article 30. Force Majeure – last paragraph allowing the buyer to terminate without damages is not reasonable.

A-39. ESI believes this Buyer termination right is appropriate and reasonable in the context of a long-term, continuing Force Majeure event. If Bidder is unwilling to accept this term, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal.

Q-40. (Term Sheets B-1 & B-2) Article 31. Replacement Products - Seller shall have the right to provide replacement products at its discretion.

A-40. ESI believes Buyer, and not Seller, should have the right to determine whether replacement products will be permitted to replace capacity, capacity-related benefits, energy, environmental attributes, and/or other electric products that are unavailable from the Facility. The PPA and Toll Term Sheets are structured such that the capacity, capacity-related benefits, energy, environmental attributes, and/or other electric products under contract to Buyer relate to a specific Facility or specific generating units at a Facility. They are also structured so that a crediting mechanism for Seller may apply if replacement products are considered provided by MISO or another Balancing Authority through the imbalance or real-time market. If Bidder is unwilling to accept these terms, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal.

Q-41. (Term Sheets B-1 & B-2) Article 40. Termination Rights - If Buyer terminates the definitive agreements for convenience, Seller's remedy is recovery of costs according to the pre-agreed amount in a schedule. The Seller shall be entitled to reasonable compensation beyond actual out-of-pocket costs.

A-41. ESI believes it is appropriate for such termination damages to be limited to actual, direct out-of-pocket costs, due in part to the fact that Commercial Operation has not been achieved. If Bidder is unwilling to accept this term, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal.

Q-42. (Term Sheet B-2) Article 6 Electrical Interconnection; Transmission; ARRs and FTRs:

Seller understands and appreciates the need for an appropriate level of emphasis being placed on locating a proposed facility in a cost effective point on the transmission system; however, developing definitive estimates for transmission upgrade costs (as required by the RFP) is not possible without fully completing the MISO electrical interconnection process. Given the timeframe of the RFP, (i.e. Notice of RFP-July, 2014 – Bids Due November 20, 2014), it is impossible to obtain definitive results from MISO related to these transmission upgrade costs (even with the 90 day 'refresh' contemplated in section 6). To that end, Seller suggests that a modification must be made to the RFP as follows:

- Seller should be responsible for requesting and associated with the direct interconnection facilities (and costs) of interconnecting the Facility to the grid (i.e., energy only interconnection service, ERIS);
- Buyer should be responsible for requesting and the costs associated with long-term firm transmission service or NRIS;
-The RFP and PPA should contain a provision that contains a threshold (both dollar amount and

timing for completion of any required upgrades) that Buyer and Seller would acknowledge are acceptable results (presumably Buyer will perform some estimates of such costs for both self-build and third party proposals in order to shortlist and make a selection);
Otherwise, the RFP should be modified to allow Seller to adjust their proposal upon completion of the MISO interconnection process (subject to a threshold).

A-42. ESI recognizes that the MISO process for obtaining electrical interconnection service will not allow Bidders to obtain definitive transmission upgrade costs by the time proposals are due or by the end of the 90-day pricing refresh period. However, ESI believes the timeframe for submitting proposals and refreshing pricing is reasonable in order to meet the RFP's objective of building, acquiring or procuring a resource to serve Amite South by June 1, 2020 and is fair, as all proposals, including the self-build option, will be subject to the same MISO process with the attendant uncertainty surrounding definitive transmission upgrade costs.

Q-43. (Term Sheet B-2) Article 8 Pricing:

Term Sheet and Proposal Submission Form should provide for a Fixed O&M Rate in addition to the Capacity Rate; this should be allowed to provide Seller ability to provide pricing more similar to how the Buyer will evaluate self-build costs (i.e. declining revenue requirement) and allow escalation to be applied to only the FOM Rate.

A-43. ESI intends to evaluate the costs, benefits, risks, and other elements of all proposals on a comparable basis. The Proposal Submission Template will provide for both a Capacity Rate and a Variable O&M Rate. Bidder will have the ability to offer a fixed rate or a base rate subject to escalation for the Variable O&M Rate in Bidder's proposal.

Q-44. (Term Sheet B-2) Article 9 Dependable Capacity:

Dependable Capacity measurement should reflect MISO mechanics and requirements for determining capacity (UCAP); there should not be an avenue for disconnect between PPA and MISO

A-44. ESI believes that it is appropriate for capacity payments to be based on the UCAP Rating for the Dependable Capacity Allocated to Buyer and for the Dependable Capacity Allocated to Buyer to be used for Monthly Availability purposes, among other things. If Bidder is unwilling to accept this term, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal.

Q-45. (Term Sheet B-2) Article 11 Capacity Rate:

See comment in article 8) Pricing; Term Sheet and Proposal Submission Form should allow for both a FOM Rate and a Capacity Rate.

A-45. Please see response to Q-43

Q-46. (Term Sheet B-2) Article 12 Monthly Available Requirements:

Capacity Payment Discount should only be 1% for each 1% shortfall down to 85% monthly availability requirement; then 2% for each 1% of shortfall. There should not be any Capacity Payment Discount for Force Majeure; that's the reason for FM; FM hours (and other 'Delivery Excuse' such as Buyer not performing and directives from Reliability Coordinator) should be excluded from availability calculation.
Is ETR saying that if its own units suffer a FM that they do no ask regulators for recovery of costs for that time period?

A-46. ESI believes the terms are appropriate and reasonable. If Bidder is unwilling to accept these terms, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal.

Q-47. (Term Sheet B-2) Article 13 Capacity Related Benefits:

Is the Minimum UCAP Requirement provision a penalty in addition to the Capacity Payment Discount? It should not be. The CPD should be the only penalty applied to any shortfall. Imbalance is handled elsewhere. Also, Seller should not be penalized for Buyer failure to perform or directives from Reliability Coordinator.

A-47. The Minimum UCAP Requirement sets a floor on the amount of capacity credits and other capacity-related benefits to be derived from the Dependable Capacity Allocated to Buyer. If the Minimum UCAP Requirement is not met, Seller would be required to make payment to Buyer for such shortfall as described in Appendix B-2. The Capacity Payment Discount is separate from the Minimum UCAP Requirement and is given effect when the Monthly Availability for a month falls below the applicable Monthly Availability Requirement. If Bidder is unwilling to accept these terms, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal. Please see the response to Question 28 regarding the treatment of imbalances.

Q-48. (Term Sheet B-2) Article 27 Fuel Supply and Transport:

In addition to imbalance, failure of Buyer to perform (deliver fuel) shall be a Delivery Excuse and Seller should not be subject to any penalties associated with CPD or other.

A-48. In the event Buyer fails to provide fuel supply as required under the Toll (and assuming such Buyer failure is not due to an act or omission of Seller), Seller would not be subject to any penalties, including a Capacity Payment Discount, in connection with such Buyer failure to provide fuel supply.

Q-49. (Term Sheet B-2) Article 28 Imbalance:

Buyer controls dispatch decisions for this Facility as well as across its portfolio; therefore Buyer should be responsible for all imbalance charges except to the extent Seller does not follow Buyer dispatch instructions; provided however, the penalty for non-availability is only the CPD.

A-49. As described in Appendix B-2, Buyer will be responsible for BA Penalties incurred solely as a result of compliance by Seller with a dispatch notice issued by Buyer that requires Seller to violate (only if Buyer is serving as market participant) either a directive or other instruction communicated by the Balancing Authority to Buyer in its role as market participant that has not been communicated to Seller or a Balancing Authority requirement to generate (or not generate) a product expressly scheduled, offered, and/or bid by Buyer that is triggered solely by Buyer's schedules, offers, and/or bids. In the event Seller fails to provide energy that was scheduled by Buyer, Seller could be subject to both imbalance charges and an Energy Payment Discount (depending on the Monthly Availability).

Q-50. (Term Sheet B-2) Article 30 Force Majeure:

Buyer should not be able to terminate without liability for its own event of FM. If Buyer's own unit suffers same FM event, would Buyer agree not to recover any costs associated with the project?

A-50. Please see response to Q-39.

A-51. (Term Sheet B-2) Article 34 Disallowance:

Seller assumes this provision is to address the reality that there is a significant time frame that Seller is required to keep its proposal price open and valid (from Nov 2014 for proposal submission to January 2017 for regulatory approval, thereby providing an 'effective' contract) and provide accommodation. Seller agrees that there has to be a recognition that the price offered in November of 2014 should be able to be modified, subject to certain formulas and/or indices, up to some point prior to January 2017 (when an approved contract would allow Seller to meet is financing Condition Precedent and execute an EPC contract). Allowing Seller the ability to propose such modification formulas and/or indices in its proposal is appropriate.

If this provision is to suggest that that Buyer desires changes or 'outs' after Buyer has satisfied or waived the Condition Precedent related to regulatory approval and cost recovery (which is in Buyer's 'sole and absolute discretion'); this would be a non- starter, as there can be no 'out' related to future regulatory actions; no third party development project could get financing if such a provision was in the PPA.

A-51. Please see Section 2.5 of the Main Body. This provision pertains to regulatory disallowance risk or exclusion of Buyer costs during the term of the agreement for reasons other than Buyer's fault, and the extent to which bidder's proposal pricing includes such disallowance risk. The provision does not pertain, as assumed in the bidder's question, to modifications to proposal pricing following proposal submission. As reflected in paragraph 2(b) of the Proposal Submission Agreement, if a proposal is selected, the bidder is expected to enter into a definitive agreement providing for the transaction contemplated by such Proposal on substantially the same terms and conditions set forth in such Proposal.

Q-52. (Term Sheet B-2) Article 35 Conditions Precedent:

Clarify Seller will be entitled for day-to-day extension of the Guaranteed Commercial Operation Date to the extent Buyer CPs not met by [date].

A-52. ESI believes the terms are appropriate and reasonable. If Bidder is unwilling to accept these terms, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal.

Q-53. (Term Sheet B-2) Article 39 Events of Default:

Delete indebtedness cross-default; this is generally non-financeable
EODs related to GCOD, subject to extensions as may be applicable
EOD for less than 85% availability for rolling 12 month period is too high; suggest 65% over rolling 12 months period. If ETR units were below this threshold would ETR no longer seek recovery of costs or include these costs in rate cases?

A-53. ESI believes the terms are appropriate and reasonable. If Bidder is unwilling to accept these terms, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal.

Q-54. (Term Sheet B-2) Article 43 Right of First Refusal:

Right of First Refusal should be deleted; if Buyer wants an option to buy the facility that should be addressed in the definitive agreement prior to execution.

A-54. ESI believes the terms are appropriate and reasonable. If Bidder is unwilling to accept these terms, Bidder has the opportunity to take exception in the "Special Considerations" section of its proposal.

Q-55. (Term Sheet B-2) Article 46 Accounting:

Seller cannot be held liable (including Buyer termination) for changes outside of its control (i.e., changes to GAPP methodology) during the course of the contract; initial certification is handled in section 35

A-55. Please see response to Q-17.

Q-56. Please clarify what is meant by "environmental impact study" in Appendix C item 6.1.3. Is this referring to a NEPA EIS?

A-56. Appendix C item 6.1.3 does not require an environmental impact study but if one was performed, bidders are requested to provide a copy of the study. An environmental impact study can include a NEPA EIS or any study performed that evaluates the site, including any study that evaluates potential environmental impact for the proposed use of the site.

Q-57. Please clarify the requirement for Phase I ESA: in Appendix C, item 6.2.2 states Bidder must provide a Phase I ESA, but Appendix D page 6 states Bidder must provide reasonably detailed plans to complete a Phase I ESA.

A-57. Appendix C item 6.2.2 is not requiring a Phase 1 Environmental Site Assessment ("ESA"), but is requesting that a Phase 1 ESA be provided if it has been performed. At a minimum, item 6.2.2 asks the Bidder to provide documentation that due diligence was performed on the proposed site that is sufficient to support a Phase 1 ESA (e.g., documentation of work necessary to meet the primary components required under Phase I according to ASTM E1527). Item 6.2.2 of Appendix C is consistent with Appendix D page 6 which states: "Bidder must provide reasonably detailed plans to complete a Phase I ESA". Bidder must show that due diligence has been completed and action plans have been established to a level sufficient to support all permitting activities.

Q-58. At what point is a signed and executed Confidentiality Agreement due to Entergy?

A-58. A Bidder would be expected to execute a confidentiality agreement with ESI if, but not until (except in rare situations described in Section 6.1 of the RFP's Main Body document), Bidder's proposal(s) is (are) selected for negotiation of a definitive agreement. During the Bidder Registration, Proposal Submission, and Proposal Evaluation periods of the RFP, Bidder's confidential information is protected under the terms described in detail in Section 7.3 of the Main Body and in Appendix G, Process for Protection of Proposal Information.

Q-59.

a. What is the evaluation period (in number of years) for the RFP economic evaluation?

b. If the evaluation period is longer than 20 years, how will the economic evaluation model the capacity that is being supplied by a third-party proposal for any remaining years of the evaluation?

c. The concern here is that if the evaluation period is longer than the maximum PPA term allowable for third-party proposals, there is potential for the economic evaluation to structurally prejudice third-party proposals. By way of example, if a 30-year evaluation period is assumed but third-party proposals are limited to 20 years, the economic evaluation team will have to replace that capacity following the PPA term (i.e., years 21-30 of the study horizon). This new capacity may come in the form of a new build or market purchases – ignoring the fact that the third-party resource would be available to continue to serve Entergy load at a significantly reduced overall cost, being a fully depreciated asset. Conversely, a self-build would presumably be permitted to continue to serve Entergy load throughout the economic study period without replacement of the corresponding capacity in years 21-30. As such, we request confirmation that third party proposals will be allowed to provide an offer for the same period as the self-build to avoid a structural bias for the self-build.

A-59.

a. See response A-59c below
b. See response A-59c below
c. Entergy has determined that PPAs of terms longer than twenty years result in unacceptable risks for customers. Accordingly, as described in the RFP documents, Entergy will not accept PPA proposals with terms longer than twenty years. The planning horizon used within the RFP evaluation will extend beyond twenty years and the evaluation will recognize that PPAs terminating prior to the end of the planning horizon will require replacement. In establishing the assumption to be used for post-PPA termination replacement power cost Entergy sets the assumption at a level that reflects the long-term economic cost of replacement power and neither inappropriately favors nor inappropriately disfavors PPAs with shorter terms. The evaluation approach used in this RFP has been used in prior RFPs. Entergy notes that the RFP allows third parties to offer acquisition proposals. PPA proposals will be evaluated against all acquisition proposals, not only the self-build. For that reason regardless of the assumption used for post-PPA termination replacement power cost, the RFP evaluation does not result in a structural bias in favor of the self-build.

Q-60. Confirm that the requirement for inclusion of duct burners applies to a facility capable of meeting the required MW range without duct burners. (Section 2.7-Design and Operating Considerations: Question regarding the 3rd bullet on page 17, subject of duct burners for supplemental firing)

A-60. As ESI interprets the question, ESI is unable to confirm. The RFP requires that the resource have a ISO-rated capacity of at least 650 MW and no more than 1,000 MW at "Full Load" conditions, including duct firing. The design and operating considerations section of the RFP requires that proposed resources include duct burners. A resource that would not meet the RFP's 650 MW capacity requirement without duct-firing but would meet the criteria with duct-firing is an Eligible Resource (assuming all other Eligible Resource criteria have been met).

Q-61. Please confirm that a generating resource which does not require on-site natural gas compressors to achieve ISO rating Full Load capacity would be exempt from the requirement for dual gas compressors. (Section 2.7-Design and Operating Considerations: Question regarding the last bullet on page 18, subject of redundancy of the on-site natural gas compressors)

A-61. If two or more natural gas pipelines would each be delivering gas to the resource at pressures required for full load operation of the resource, then redundant on-site gas compression would not be required.

Q-62. Please confirm that the prohibition of the use of "high-fogging equipment" applies only to non OEM high pressure inlet fogging systems. (Section 2.7-Design and Operating Considerations: Question regarding the paragraph after the bullet list, subject high-fogging equipment)

A-62. High-fogging equipment is not allowed, regardless of whether it is OEM or non-OEM.

Q-63. Please confirm that backup oil firing capability with onsite storage would be evaluated as being equivalent to a second gas pipeline or otherwise evaluated favorably regarding the fuel supply flexibility. (Section 2.6-Fuel Supply)

A-63. Oil firing capability with onsite storage would not be evaluated as being equivalent to a second gas pipeline serving the resource, but would be evaluated favorably regarding the fuel supply reliability.

Q-64. Is there a date mentioned anywhere in the RFP regarding how long Entergy would like our proposals to remain effective through?

A-64. Yes, the guidelines for the effective dates of the proposals are referenced in Paragraph 6.2 of the Main Body.

Q-65. On the submission template, the only performance data requested is for Summer Max capacity and heat rate, Summer Min capacity and heat rate, and the Summer Supplemental capacity and heat rate. Please confirm that these are the only performance data that is required of submissions. If it is not, please describe all of the required operational performance data that are required of submittals.

A-65. The Operational Information section of the submission template contains all of the operational information needed to evaluate the proposals.

Q-66. Please describe what information is being requested on the submittal template's tab entitled "Guaranteed Heat Rate". Is there an expectation that performance for multiple dispatch levels be described? If so, specifically which dispatch levels are being requested? Is this tab applicable for PPAs, tolls, and acquisitions?

A-66. The "Guaranteed Heat Rate" tab of the submittal template has been updated to clarify which information is being requested. Guaranteed Heat Rate information is required for PPA, Toll, and acquisition transactions. However, it should be noted that in the acquisition context (i) the Guaranteed Heat Rate information is only relevant with respect to plant performance testing for heat rate that is performed prior to the closing of an acquisition transaction and does not establish a performance standard that must continuously be met, as in PPA and Toll transactions, and (ii) each point on the Guaranteed Heat Rate curve provided by bidder may not be subject to such plant performance testing for heat rate.