Questions submitted at September 11, 2006 Bidder's Conference

Q BID-1. Will you accept less than 50 MW proposals on Products E, F & G?

Yes, provided that the generating resource's total capacity is less than 50 MW, but greater than or equal to 35 MW. See footnote 9 on page 21, footnote 10 on page 22 and footnote 11 on page 23 of the RFP.

Q BID-2. Can the start date be earlier than September 2007?

No, start dates earlier than September 1, 2007 are not currently contemplated and will be considered non-conforming.

Q BID-3. If Bidder submits a proposal for a 1 year term and for a 3 year term (all other items to be identical in the proposal), does the difference in term constitute a different proposal, thus, an additional proposal fee?

Yes, proposals with different terms and conditions, such as delivery term, capacity quantity and pricing, would be considered separate proposals and require separate proposal submittal fees. See section 2.8 of the RFP for the exception related to combination proposals.

Q BID-4. During the collaborative meetings, it was mentioned that the proposal fee might be structured where additional proposals for the same facility would be charged a discounted fee. It appears in the RFP that this "volume discount" does not exist. Is that correct? Why does the proposal fee structure not include a "volume discount" format?

No "volume discount" has been contemplated as a part of this RFP. The proposal submittal fee structure for this limited term is a flat $1,000.00 fee per proposal (See Section 2.8 of the RFP for the exception related to combination proposals). Each proposal requires the same amount of processing and evaluation, even if multiple proposals are submitted from the same facility.

Q BID-5. Automatic Generation: If Bidder is to submit a proposal that will allow ESI to have AGC on a facility, how does ESI plan on operating the plant under AGC in accordance with the tagging requirements (and implicitly the GRS component of the imbalance tariff) of the Entergy Control Area? Other than trips, a plant under AGC should not incur any control area imbalances, correct?

The products for which AGC is sought are the MUCPA PPAs. For these products, ESI expects that a Definitive Agreement would be for an entire generating unit that ESI would expect to dispatch in real-time in order to meet the demands of the System.

Accordingly, ESI will request that the Entergy TBU remove the unit from the GIA. Please reference RFP Sections 1.5.2 and 1.5.4

Q BID-6. Ramp Gas: Are the proposed heat rates intended to include ramp gas?

Yes. The fixed heat rates in the PPAs include any ramp/start-up fuel.

Q BID-7. Planned maintenance hours: The RFP states that for a one year deal the availability calculation allows for 120 hours of planned maintenance. For longer term deals, the number of hours is 240 hours per year. If a facility is forecasted to undergo a hot gas path inspection (HGPI) within the time frame of the RFP, these excused planned maintenance hours are insufficient. Will ESI provide some carve-out for HGPI?

ESI recognizes the need for cyclical maintenance such as HGPI and is willing to work with the Bidder to accommodate such activity. Bidder is required to note any such exception to the planned maintenance hours in the Special Considerations section of the Proposal Submission Form.

Q BID-8. Last 2 limited term RFP's (issued in 2003 & 2004) the term for some products ends in May 2007 and June 2007. Why is the current RFP starting date September 1, 2007? Is it possible to offer/change the starting date to July 1, 2007?

See response to Q Bid-2. Also see LSPC-24.

Q BID-9. Assuming we are an unrated entity (below investment grade) and we want to submit an offer for 3 years for 100MW (Product B). What would be the collateral requirement that we will have to post? Does the term of the deal (1, 3, 5 years) change collateral requirements? How does Maximum Uncollateralized Supplier Exposure accounted in calculation of collateral requirement? Could you please take us through a simple example?

Per Figure F-1 of Appendix F, the Maximum Uncollateralized Supplier Exposure for a Non-Investment Grade Bidder is $3.0 million. For Product Package B, a 3 year 100MW Dispatchable MUCPA, the Credit Evaluation of the Performance Risk would be $3.5 million dollars (see Figure F-3 in Appendix F). The $0.5 million difference between the $3.5 million Performance Risk and the $3.0 million Maximum Uncollateralized Supplier Exposure would need to be collateralized.

As written in the Draft RFP, the Performance Risk amounts in Figure F-3 do not change based on the delivery term. ESI will evaluate this and the Final RFP will contain any changes or clarifications.

Q BID-10. IS EEI the Master Agreement for the Special Provision?

Yes, the EEI Master Power Purchase and Sale Agreement is the Master Agreement referenced in the MUCCO Model Contract.

Q BID-11. How is the Responsibility Ratio (“RR”) determined? What’s the RR now?

The Responsibility Ratio of an Operating Company is determined under the provisions of the Entergy System Agreement. The relevant provisions of the System Agreement are the following:

2.16 Company Load Responsibility shall be determined as follows:

(b) As of April 1, 2004, to be used in conjunction with Service Schedules MSS-1 and MSS-5 and in conjunction with the allocation of a purchase of capacity and energy for the joint account of all Companies under Section 4.02:

(i) The average of the sum of the Company's twelve monthly hourly loads coincident with the System's monthly peak hour load for the period ended with the current month measured in megawatts. Each demand shall represent the simultaneous hourly input from all sources into the system of a Company, less the sum of the simultaneous hourly outputs to the systems of other interconnected utilities.

(ii) Less the power supplied to others as sales for the joint account of all Companies.

(iii) Less loads served under interruptible tariffs or contracts, where the interruptible load excluded at the time of the system’s monthly peak hour load (which does not include the excludable interruptible load determined herein) is to be that load that, pursuant to said tariff or contract, is subject to interruption. To the extent practical the determination of what loads are interruptible shall be based on actual data and if it is not practical, shall be based on reasonable estimates.

2.17 System Load Responsibility:

(a) To be used in conjunction with Service Schedules MSS-2 and MSS-6 shall be the arithmetical sum in megawatts of the individual Company Load Responsibilities derived pursuant to Section 2.16(a).

(b) As of April 1, 2004, to be used in conjunction with Service Schedules MSS-1 and MSS-5 and in conjunction with the allocation of a purchase of capacity and energy for the joint account of all Companies under Section 4.02 shall be the arithmetical sum in megawatts of the individual Company Load Responsibilities derived pursuant to Section 2.16(b).

2.18 Responsibility Ratio of a Company shall be the ratio obtained by dividing the load responsibility of that company by the System Load Responsibility.

Currently, the Responsibility Ratio for each Operating Company is the following:

EAI - .2432
ELL - .2332
EMI - .1474
ENOI - .0356
EGSI - .3406

As indicated in the RFP, Entergy New Orleans, Inc. ("ENO") will not participate in this Fall 2006 RFP. Thus, if a contract is to be allocated among the four Operating Companies participating in this RFP on the basis of their load responsibility shares, the allocation methodology will be based upon the responsibility ratio of each Operating Company calculated without including the load share of ENO

Q BID-12. How often will the RR be adjusted? How soon is such adjustment communicated to the Seller?

See section 11.6 of the MUCCO Model Contract and section 24.13 of the MUCPA Model Contract.

Q BID-13. Do sellers have any access to the System Agreement were the R.R. is filed?

Yes. The System Agreement is a tariff on file with the Federal Energy Regulatory Commission. For the convenience of the bidders, a copy will be posted on the RFP web site.

Q BID-14. What is the definition of Delivery Period?

Delivery Period shall have the meaning stated in the EEI Master Power Purchase and Sale Agreement.

Q BID-15. What type of Credit Assurance may be provided by Entergy Operating Companies?

Entergy is offering the financial strength, agency ratings and public financial information on the Entergy Operating Companies as Credit Assurance. In addition, ESI may take into consideration a portion of the Bidder's exposure to Buyer as incurred in the proposal as an offset to collateral.

Q BID-16. Does a QF have to designate a specific generation unit or could use the whole generation facility which may comprise of multiple generation units in bidding for the Hour-Ahead MUCCO product?

For the Hour-Ahead Peaking product, a Bidder may source the proposal from an entire facility; however, if this is the case, the Definitive Agreement will provide that the priority of sale will be associated with the entire facility.

Q BID-17. Are all terms and conditions of the model contract subject to negotiation? Will Entergy consider Sellers Special Provisions?

As stated in the RFP and the applicable Product Packages, ESI will not negotiate any material terms unless (a) a resource is otherwise attractive but not physically capable of meeting a requirement specified in the applicable Term Sheet and (b) the Bidder has explained the fact of and basis for this situation in the Special Considerations section of the Proposal Submission Form.

BID-18 Q. Matt Kahal mentioned that Potomac is "replicating the proposal evaluation process"---- is Potomac actually going to duplicate the entire production cost analysis of the bids?

It is ESI's understanding that Potomac will oversee the production cost analysis, but will not duplicate the production cost analysis.

Q BID-19. Fuel Feasibility: Is ESI able to bring its own storage to enhance the fuel flexibility of a proposal?

ESI will not utilize its own storage for MUCCO or Baseload products as Bidders are required to provide the fuel under these contracts. ESI will provide the fuel for MUCPA PPAs and may elect to utilize existing storage or contract for fuel storage for these resources. Fuel storage is not a requirement for any Product Package. However, ESI is interested in understanding if the Bidder's proposed resource has access to storage and the ability to meet the dispatch requirements of the specified product.

Q BID-20. Would ESI be able to contract for fuel storage that ESI would combine with a proposal?

See response to Q Bid-19.

Q BID-21. If Bidder currently does not have any fuel storage, would ESI be able to discuss with Bidder what type of fuel storage that ESI would need? Bidder would then pass those costs to ESI as is.

See response to Q Bid-19.

Q BID-22. Can new documents posted to the website be tagged with a date when those documents are posted?

Yes, ESI will place an 'update' date tag when new and/or updated documents are posted to the RFP website.

Q BID-23. Will there be a redline version of the Final RFP to highlight all changes?

Yes. It has been ESI's practice to provide "redlined" documents when the Final RFP is posted.

Q BID-24. Baseload product: Why is there a minimum level for the capacity payment of $12/kw-yr?

In order for the availability provisions to be effective, a certain amount of a Bidder's compensation must be tied to the capacity payment as an incentive for the Seller to deliver.

Q BID-25. Credit: Are the amounts in Appendix F final? *e.g.* maximum collateral exposure and credit requirement for each product.

The Final RFP is scheduled to be posted on or about October 24, 2006. As noted in the response to Q Bid-15, ESI is evaluating the credit requirements for each product and the Final RFP will contain the final amounts.

Q BID-26. Baseload: Can this product be provided for only selected months or seasons?

No, this product is expected to be delivered in most hours of the Delivery Term. Bidders interested in monthly or seasonal offers should contact Entergy's Energy Management Organization ("EMO") for participation in the shorter term RFPs/processes.

Q BID-27. Regulatory timeline: If regulatory approval is received after the intended start date, what term will the PPA cover? The remaining months of 1-yr or 3-yr from the actual start? Is there an opportunity to re-price if the start date is delayed by regulatory approval?

All agreement start dates are September 1, 2007, with the exception of the Three-year Reserve Capacity MUCCO, which starts January 1, 2008. Regardless of the timing of regulatory approval, delivery and pricing terms will not change unless Buyer exercises its right to terminate the contract in the event regulatory approval is not received by December 31, 2007.

Q BID-28. Credit: Are the credit support requirements the same regardless of term?

Yes. Please see the response to Q Bid-15.

Q BID-29. Collateral: What is the schedule for rolling off the collateral that is required?

The schedule would be developed and defined during the negotiation of a Definitive Agreement.

Q BID-30. Economy energy modeling: Are any transmission constraints modeled?

In the production costing simulation, transmission constraints are modeled as transfer limits between planning regions. The ability of economy energy to serve loads within constrained regions may be limited by these constraints. In addition, transmission constraints between regions, both internal and external to the Entergy System, are modeled in the development of the economy energy price curves used in the production cost analysis.

Q BID-31. IM's: Have you made any changes or recommendations on the Intermediate RFP given what you have seen in the Long-Term RFP?

<u>Response from Process IM, Elizabeth Benson and Evaluation IM, Potomac Economics</u>

In general, ESI agreed to make numerous changes proposed by the IMs to improve the process and evaluation. Both IMs were involved extensively with Entergy Services, Inc. ("ESI") as the Fall 2006 RFP was developed – reviewing all RFP documents and providing input to make them clearer and more comprehensive and make substantive changes when appropriate. The review by the IMs included detailed discussions on economic and transmission evaluations and modifications to those processes in certain instances, review and modification of model contracts, discussion of all products, including a new product requested by a QF, assessment of timelines, review of bid handling procedures, and an expansion of the information to be provided to Bidders.

Following these discussions, ESI, among other things, sharpened its analysis of when and how it would evaluate displacement of certain existing gas- and oil-fired generating resources through both energy and capacity substitution analyses. In another area, ESI highlighted the communication channels open to Bidders, in addition to the Q&A stakeholder process during the RFP's draft period. These include Bidder access to the Process IM and the RFP Administrator throughout the RFP, a separate RFP comment process available to Bidders from LPSC Staff, and inquiries on issues related to Entergy's transmission system available only from the Entergy Transmission Business Unit through the Entergy OASIS website.

Beyond these examples, the IMs have not tracked all the changes in the RFP documents that may have been the result of something seen in the Long-Term RFP. Certainly changes made to the Long-Term RFP that were the result of IM suggestions would carry-over to the Fall 2006 RFP to the extent applicable, e.g., clarifying language with respect to how the transmission evaluation feeds into the economic evaluation. It is important to note that many of the important changes recommended by the IMs are incorporated into the details of the evaluation methods and are not necessarily enumerated in the RFP documents.

<u>Response during September 11, 2006 Technical Conference</u>
Following the receipt of bids, the Process IM prepares limited distribution reports summarizing the proposals received. The reports contain no bid identification or pricing information, but, rather, convey high level summary information to selected ESI and Operating Company senior executives on the number and kinds of bids received. The reports are also provided to the Evaluation IM and to LPSC Staff on a confidential basis.

During the Long-Term RFP, the information in these reports was limited to: 1) the actual number of bidders submitting proposals; and 2) the number of proposals submitted for each product category.

During the Fall 2006 RFP, these reports will be expanded slightly to provide the total number of resources for which proposals have been submitted. This is being done to ensure that ESI can adequately plan for all aspects of bid evaluation.

In addition, the Process IM will prepare an Executive Report for the Entergy Operating Committee and the Group President of Utility Operations. This report will contain the same information as the summary report, but will also provide the states in which resources are located. If Executives request other high level summary information, the Process IM must agree that the requested information is appropriate to provide.

Information on these reports and on the broader Process for Protection of Proposal Information can be found in Appendix G of the Draft Fall 2006 RFP.