Fall 2006
Request For Proposals (RFP)
For Limited-Term
Supply-Side Resources

Entergy Services, Inc.
October 24, 2006

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1. GENERAL INFORMATION

1.1. Introduction

Entergy Services, Inc. ("ESI"), acting as agent for one or more of the Entergy Operating Companies,[1] is issuing this Fall 2006 Request for Proposals for Limited-Term Supply-Side Resources ("Fall 2006 RFP", "Fall 2006 Limited-Term RFP" or "RFP")[2] to solicit proposals for the delivery of electric capacity, energy, and Other Associated Electric Products. This RFP represents the seventh RFP in a procurement process that began with the Fall 2002 RFP. This Fall 2006 RFP can be accessed at ESI's RFP Website: https://emo-web.no.entergy.com/ENTRFP/index.htm.

ESI categorizes resources to be acquired through its formal RFP procurement process by product category and by the time horizon for the supply of capacity and/or energy from the resource: (i) limited-term (capacity purchases of one to three years) and (ii) long-term power purchase agreements ("PPA") or ownership acquisitions.[3] Pursuant to the principles and planning guidelines set forth in the Strategic Supply Resource Plan developed for the Entergy System,[4] ESI intends to acquire the majority of the resources sought in the Fall 2006 Limited-Term RFP for Delivery Terms of one and three years. However, ESI is expanding its power purchasing strategy in this RFP to consider "intermediate term" proposals with Delivery Terms of four and five years. The specific purpose of these "intermediate term" products is to serve as a bridge between the initial delivery date specified in the Fall 2006 Limited-Term RFP and the expected start date of any long-term solid fuel projects or purchases that may result from the ongoing 2006 Request for Proposals for Long-Term Supply-Side Resources ("2006 Long-Term

[1] The "Entergy Operating Companies" are Entergy Arkansas, Inc. ("EAI"), Entergy Gulf States, Inc. ("EGS"), Entergy Louisiana, LLC ("ELL"), Entergy Mississippi, Inc. ("EMI"), and Entergy New Orleans, Inc. ("ENO"). The Entergy Operating Companies provide retail electric service to approximately 2.6 million customers in portions of the states of Arkansas, Louisiana, Mississippi and Texas, through the interconnected, coordinated electric generating and bulk transmission facilities of the Entergy Operating Companies (which facilities are referred to herein collectively as the "Entergy System"). The Entergy Operating Companies own and manage in excess of 22,000 MW of electric generation capacity in order to serve the needs of their customers. Although ENO currently is a debtor-in-possession in Docket No. 05-17697, *In Re: Entergy New Orleans, Inc., Debtor*, Chapter 11 Section "B" pending before the United States Bankruptcy Court, Eastern District of Louisiana, ENO has filed a plan of reorganization, and it may be a participant in one or more transactions entered into as a result of this Fall 2006 RFP, subject to any approvals required by the Bankruptcy Court.

[2] All references to this "RFP," the "Fall 2006 RFP," or the "Fall 2006 Limited-Term RFP" include and incorporate the Appendices to this RFP. Appendix A to this RFP contains a glossary of all capitalized terms used in this RFP that are not otherwise defined in this RFP.

[3] It should be noted that ESI also continues to procure short-term (*i.e.*, up to one year) resources to meet the Entergy System's reliability needs outside of the formal RFP processes through various methods, including, but not limited to, hourly, daily, weekly, monthly and seasonal procurement processes.

[4] The "Entergy System" or the "System" refers to the interconnected, coordinated, electric utility systems of the five Entergy Operating Companies that provide retail electric service to their customers.

RFP"). In addition, as detailed below, ESI is making an accommodation for Bidders that want to offer longer term proposals by allowing Bidders to submit proposals which include terms of six to ten years, under certain circumstances detailed in Section 1.3.1.2 below.

ESI has procured resources from proposals that have been submitted in response to each of its recent six formal RFPs, beginning with the Fall 2002 RFP. Table 1-1 summarizes the amount of capacity for which ESI has contracted on behalf of one or more of the Entergy Operating Companies as a result of these formal RFP solicitations.

Table 1-1

RFP	Short-term 3rd Party	Limited-term Affiliate	Limited-term 3rd Party	Long-term Affiliate	Long-term 3rd Party	Total
Fall 2002	0 MW	185-206 MW[a]	231 MW	101-121 MW[b]	718 MW	1235-1276 MW
January 2003 Supplemental	222 MW	n/a	n/a	n/a	n/a	222 MW
Spring 2003	n/a	0 MW	381 MW	c	0 MW	381 MW
Fall 2003	n/a	0 MW	390 MW	n/a	n/a	390 MW
Fall 2004	n/a	n/a	1,250 MW	n/a	n/a	1,250 MW
2006 Long-Term	n/a	n/a	n/a	Pending	Pending	Pending
Total	222 MW	185-206 MW	2,252 MW	101-121 MW	718 MW	3,478-3,519 MW

[a]Includes a conditional option to increase the capacity up to the upper bound of the range.
[b]The contracted capacity will increase from 101 MW to 121 MW in 2010.
[c]It should be noted that this table does not reflect (i) the River Bend 30% life-of-unit power purchase agreements totaling approximately 300 MW between EGS and ELL, and between EGS and ENO related to EGS's unregulated portion of the River Bend nuclear station, which portion was formerly owned by Cajun Electric Power Cooperative, Inc. or (ii) the EAI wholesale base load capacity life-of-unit power purchase agreements totaling approximately 220 MW between EAI and ELL and between EAI and ENO related to the sale of a portion of EAI's coal and nuclear base load resources (which were not included in retail rates) to ELL and ENO executed in 2003; or (iii) the 12 month agreements executed in 2005 between EAI and EGS and between EAI and EMI relating to the sale of a portion of EAI's coal and nuclear base load resources (which were not included in retail rates) to EGS and EMI. These resources were identified outside of the formal RFP process but were submitted as formal proposals in response to the Spring 2003 RFP, which confirmed the economic merits of these resources.

As described in more detail in the next section and in Appendix G, ESI has established protocols to ensure that (1) the Fall 2006 RFP process will be impartial and objective, (2) Bidders' commercially sensitive information will be protected, (3) all proposals are treated in a consistent fashion, and (4) no undue preference is given to proposals from any potential Bidder, including Entergy Competitive Affiliates.

1.2. Independent Monitor

In order to ensure that this RFP is conducted in a fair and impartial manner, and in keeping with the requirements of the Market-Based Mechanisms Order[5] issued by the LPSC, ESI has retained Elizabeth R. Benson and Potomac Economics, both independent consultants, as the Independent Monitors ("IMs"), in order to (1) oversee the design and implementation of the RFP solicitation, evaluation, selection, and contract negotiation process to ensure that it will be impartial and objective, and (2) provide an objective, third-party perspective concerning ESI's efforts to ensure that all proposals are treated in a consistent fashion and that no undue preference is provided to any Bidder, including Entergy Competitive Affiliates.

Ms. Benson will serve as the Process IM, and Potomac Economics will serve as the Evaluation IM. The role of each of the Independent Monitors is described in the Scope of Work Activities.[6] Bidders wishing to communicate with either of the IMs may contact Ms. Benson at erbens@aol.com or (703) 641-7948.

1.3. RFP Overview

1.3.1. Collaborative Process Overview

As a part of the Market Collaborative[7] process conducted in the second half of 2005 (the "2005 Collaborative"), ESI indicated that a limited-term RFP would be initiated in 2006. Consistent with its planning principles and objectives, ESI planned to issue the draft limited-term RFP by the end of 2006 and then to proceed with the final RFP at the conclusion of the 2006 Long-Term RFP.

However, at the request of certain market participants, the LPSC directed EGS and ELL to accelerate this schedule and to issue the draft limited-term RFP by August 31, 2006. This acceleration has caused the RFP to be issued before the Entergy Operating Companies have completed their business planning cycle and before the results of the 2006 Long-Term RFP are known, thus creating uncertainty with respect to the level of capacity to be obtained in the Fall 2006 Limited-Term RFP. Adding to this uncertainty is the effect of the LPSC Staff's Final Report issued on October 13, 2006 in LPSC Docket R-28376, which, if adopted by the LPSC, would allow Qualifying Facilities ("QF") to obtain, under certain circumstances, capacity

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[5] General Order, Docket No. R-26172 Subdocket A, *In re: Development of Market-Based Mechanisms to Evaluate Proposals to Construct or Acquire Generating Capacity to Meeting Native Load, Supplements the September 20, 1983 General Order*, dated February 16, 2004.

[6] The Scope of Work Activities is posted on the LPSC website, and on ESI's RFP Website at https://emo-web.no.entergy.com/ENTRFP/index.htm.

[7] The Market Collaborative process was conducted as a result of the Perryville certification proceeding under Docket No. U-27836, Subdocket A.

contracts from ELL and the Louisiana operations of EGS ("EGS-La") outside of the RFP process to the extent that such contracts would be for the purchase of capacity needed to meet the incremental needs of EGS-La and ELL that was not obtained through the RFP process.

The accelerated schedule also created certain concerns for ESI because of the overlapping evaluation processes in the 2006 Long-Term RFP and the evaluation of proposals received in response to this RFP. To address these concerns, while still acting consistently with the LPSC's directive to accelerate the Fall 2006 Limited-Term RFP, at the LPSC's May 2006 Business and Executive Meeting, the Commission approved a shortened time period between the issuance of the draft and final RFP. This expedited schedule included a "front-end" collaborative process that would take place prior to the issuance of the draft RFP, and would be conducted as a continuation of the 2005 Collaborative, with the LPSC Staff serving as both the facilitator and an interested party.

The purpose of the collaborative process was to allow formal discussion among ESI, the LPSC Staff, and market participants regarding the design and scope of the Fall 2006 Limited-Term RFP. The schedule called for the LPSC Staff to initiate the collaborative by issuing an outline of issues in early June 2006, with discussions by interested parties to begin in late June. The parties were to convene for follow-up discussions as deemed appropriate, and the collaborative was to conclude at the end of July 2006, with ESI filing its draft Fall 2006 RFP (reflecting agreements reached in the collaborative discussions) by August 31, 2006. As noted in the LPSC Staff's Final Report issued on July 31, 2006, "the collaborative process achieved a substantial narrowing and focusing of issues, although not a complete resolution of all issues." While multiple issues were addressed in the collaborative, ESI will highlight below certain issues that resulted in specific elements that are included in the design of the Fall 2006 Limited-Term RFP. For a more complete description of the collaborative process, please see the LPSC Staff's Final Report issued in LPSC Docket No. U-27836-B, which Report is available through the official website of the LPSC.

1.3.1.1 **<u>QF Participation in the RFP</u>**

During the collaborative process, certain QFs requested that they be permitted to submit proposals that include both a must-take component and a dispatchable component. These QFs asserted that this structure was needed because QFs must operate in a manner that allows them to meet the needs of their industrial hosts, which operation typically requires that a portion of a QF facility be operated as a baseload product, while the balance of the facility, which has more flexibility in its dispatch, would be able to meet the requirements of a call-option product.

In an effort to promote the full participation of QFs in this RFP and accommodate resources that may have certain baseload generating requirements, in this RFP, ESI will allow Bidders to propose a generating resource as a combined baseload product with a must-take requirement and a call-option product offering dispatch flexibility by linking two product categories. For the baseload portion of the product, in the event that network transmission service cannot be obtained for a given month, QFs will be permitted to deliver to the host Entergy Operating Company the energy associated with the baseload product under the QFs' then-existing rights under the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended, and applicable state law and regulation ("QF Put").

The RFP contains specific guidelines regarding how a Bidder may accomplish the linkage of a baseload and call option product, and the applicable Model Contracts set forth the provisions regarding the ability to deliver QF Put. To avoid discriminating against non-QF Bidders, ESI is not limiting the option to link proposals to QFs, although ESI has designed the linking process specifically to accommodate QF needs.

ESI has structured the proposal submittal fees to eliminate the need to submit a separate proposal submittal fee for this type of linked proposal; however, this single proposal submittal fee is available only if the Bidder does not request that the linked proposals also be considered separately.

ESI also has attempted to facilitate QF participation in this RFP in the design of its Hour-Ahead Peaking MUCCO product. As with the linked proposal, to avoid discrimination against non-QF Bidders, Bidders other than QFs may submit proposals for this product. However, the design of the product is intended to fit well with a generating unit that operates in the manner in which most QFs are required to operate, that is, a generator that must maintain its unit on-line the majority of the time and be available to meet changes in its required output level upon short notice.

The Hour-Ahead Peaking MUCCO product requires the proposal resource to provide capacity and energy upon one hour notice. This product is described in more detail in Section 1.5.6, below and in the relevant product package. The product will allow the supplier to receive a capacity payment, yet still maintain the ability to sell to a third party on a non-firm, interruptible basis.

For this Hour-Ahead Peaking MUCCO product, QFs will retain the right to deliver QF Put to the host Entergy Operating Company pursuant to the then-existing rights under PURPA and applicable state law and regulation, even though the Operating Companies typically would not agree to continue to accept QF Put associated with dispatchable capacity that an Operating Company has agreed to purchase from a QF. A QF that generates around the clock to satisfy host demand may be in a position to satisfy such a short notice dispatch request while retaining its ability to otherwise deliver QF Put or to sell any unscheduled energy on a non-firm, interruptible basis.

1.3.1.2 **Delivery Term**

Several market participants suggested in the collaborative that ESI acquire PPA resources for Delivery Terms of up to ten years in duration. As discussed during the collaborative process, the Entergy Operating Companies do not believe that it would be in the best interest of their customers to enter into contracts with Delivery Terms greater than three years, unless such contracts can serve as a bridge to the completion of a specific solid fuel project.

The System has adopted the Strategic Supply Resource Plan ("SSRP"), which seeks to balance multiple planning objectives, including reliability, production cost, and risk mitigation. As part of the supply strategy, the System seeks to obtain a portfolio that includes a mix of products with varying Delivery Terms, including long-term life-of-unit resources, whether through an acquisition or power purchase agreement, coupled with limited-term products of one to three year Delivery Terms and short-term products of one year or less. The portfolio approach provides flexibility that enables the System to respond to changing market conditions and dynamic System requirements and limits risk by diversifying contract expiration terms. The strategy has been successful and appropriately balances the System's planning objectives while providing ample opportunity for the wholesale market to participate in the System's portfolio needs over a variety of time horizons.

Although not part of its ongoing supply strategy, the System has agreed to include in the Fall 2006 Limited-Term RFP certain products that may be transacted for four and five year Delivery Terms. These contracts will serve as a bridge to deliveries from specified long-term solid fuel resources that are selected from the ongoing 2006 Long-Term RFP. Because these contracts will help facilitate the System's long-term supply strategy, they are consistent with the planning principles and guidelines embodied in the SSRP.

In addition to including Delivery Terms of four and five years in the Fall 2006 Limited-Term RFP, ESI will consider the potential to extend, on mutually agreeable terms, the Delivery Term of Definitive Agreements that are able to produce economic benefits in the form of allowing the Entergy Operating Companies to displace the operation of the Operating Companies' own generating resources in a manner that will produce cost savings to customers while still allowing the Entergy System the operational flexibility needed to meet its reliability requirements and provide electric service to customers at the lowest reasonable cost. The only circumstance in which longer-term contracts of between six and ten years may be appropriate is if such contracts could be used to displace older gas-fired generation in a manner that produces savings to customers ("Displacement Proposals"). In order to meet this test, Displacement Proposals must meet certain requirements and will be considered as detailed below:

- ESI first will complete the selection process for the resources needed to meet the incremental needs identified in the RFP. After this has been done, ESI will evaluate whether Displacement Proposals as well as other limited-term proposals that were not selected to meet the incremental needs identified in this RFP, may function as displacement proposals.

- ***Displacement Proposals, along with proposals that are not selected to meet the incremental capacity needs identified in the RFP, will be considered on a timeline separate from and later than the timeline established in the RFP to select proposals that will serve incremental capacity needs. At this time, ESI anticipates evaluating Displacement Proposals and non-selected proposals that may be able to serve as displacement resources during the first part of 2007.***

- Only the Baseload and Dispatchable MUCPA products (Product Packages A and B, described in Section 1.5, below) may be submitted as Displacement Proposals. Bidder first must submit a standard five-year proposal, and after that proposal has been evaluated, whether it is accepted or rejected as an "incremental needs" resource, it remains eligible to be selected as a displacement resource. If Bidder desires consideration of a six- to ten-year contract, it should so state in the Special Considerations section of the Proposal Submission Form and also should indicate there the pricing terms for the Displacement Proposal. For example, if Bidder desires a ten-year contract, it should so state and indicate how its pricing terms for years six to ten would differ from its five-year proposal. Both ESI and Bidder will maintain some flexibility in negotiating the appropriate contract terms for Displacement Proposals, based on the most cost-effective contractual arrangement.

- The total delivered cost of the Displacement Proposal would have to be less than the total delivered cost of the capacity and/or energy being displaced. In consultation with the Evaluation IM, ESI will develop the methodology that will be used to evaluate Displacement Proposals, as well as non-selected proposals that may function as displacement resources.

- It will be necessary for resources submitted as Displacement Proposals to qualify for long-term network transmission status prior to the effective date of any Definitive Agreement for the Displacement Proposal. Transmission risk will not be taken in the same manner that is done for at least the first year of certain products being solicited in this RFP.

- Because the Displacement Proposal resource will have to serve the same supply role as served by the capacity and/or energy being displaced, the proposal resource will be required to provide the same operational functionality as the displaced capacity and/or energy. For example, such proposal resources may be required to install Automatic Generation Control ("AGC") capability so that the unit can respond to System dispatch instructions in the same manner as the capacity and/or energy being displaced.

- In addition to the operational and economic issues that must be analyzed, the number of resources that may be considered for displacement must be limited by practical considerations regarding the number of transactions that can be undertaken at one time.

- The appropriate ratemaking treatment of resources used to displace the existing generation must be considered.

Details regarding the submission of Displacement Proposals are located in Sections 1.5.1 and 1.5.2.

1.3.1.3 **Transmission Evaluation**

During the collaborative, numerous questions were asked by market participants concerning transmission issues related to the Entergy System. Many of these questions involved issues that either were decided in the proceedings in which the Entergy System's Independent Coordinator of Transmission ("ICT") was approved or are issues that do not relate to the Fall 2006 Limited-Term RFP and that should be addressed in other forums, including the stakeholder processes conducted by the Entergy Transmission Business Unit ("TBU") and by the ICT and issues involved in the 2006 Transmission Study initiated by the LPSC.

However, in the collaborative process, certain issues were raised that have resulted in elements being included in the Fall 2006 Limited-Term RFP. The issues addressed include the provision of information to Bidders concerning transmission service through the posting of models on the RFP Website; how transmission upgrades will be included in the deliverability evaluations to be conducted by ESI's Transmission Analysis Group (which is separate and independent from the Entergy TBU); and, the provision of load flow cases when a System Impact Study results in the denial of transmission service and causes an Entergy Operating Company to exercise its right to terminate a multi-year contract. The first two issues are discussed in Appendix E-2 of this RFP, and the third issue is discussed in the descriptions of the products sought in this RFP and in the Model Contracts posted for the applicable products.

A number of questions also were asked regarding the evaluation methodology to be applied to resources that may be able to substitute for a System generating unit that is subject to directives for the Entergy TBU to operate on a reliability must run ("RMR") basis. The proposal evaluation process described below and in Appendices E-1 and E-2 sets forth how this RFP addresses a proposed resource's ability to potentially substitute for units subject to RMR directives.

1.3.1.4 Proposal Submittal Fees

At the urging of market participants, ESI agreed to charge only modest proposal submittal fees for the Fall 2006 Limited-Term RFP. It is important to note, however, that proposal submittal fees are provided for under the LPSC's Market-Based Mechanisms Order as a means to help defray the cost of employing one or more Independent Monitors to oversee the RFP. As described in Section 2.8 and in Appendix D, ESI is charging a flat fee of $1,000.00 per proposal in this RFP. In addition, as noted previously, Bidders submitting linked proposals that are to be evaluated on a combined basis only will be charged one proposal submittal fee.

1.3.1.5 Evaluation Process

In the collaborative, market participants raised a number of questions relating to the evaluation process, particularly the economic evaluation process, used to select proposals for award. One concern related to how proposals of varying Delivery Terms would be evaluated against one another. ESI agreed that proposals reflecting Delivery Terms of different lengths first would be separately ranked. However, the final selection of proposals would allow comparisons across Delivery Terms. ESI believes that a comparison across Delivery Terms is critical to ensuring that customers receive the benefit of the lowest reasonable cost portfolio of resources, including the need to maintain flexibility in the length of contract Delivery Terms in order to mitigate market price risk. The proposal comparisons and rankings will be reviewed with the Independent Monitors.

A second issue related to the role that economy purchases play in the proposal evaluation process. ESI believes that its use of economy purchases for modeling purposes is reasonable and consistent with standard resource evaluation processes. In addition, it is appropriate and accurate because the level and pricing of economy purchases reflect the Entergy System's actual purchasing experience, and the model includes a market depth component. All modeling assumptions, including the modeling of economy purchases, are reviewed by the Independent Monitors prior to the receipt of proposals.

1.3.2. Overview of the Fall 2006 Limited-Term RFP

In this Fall 2006 RFP, ESI is soliciting offers designed to satisfy limited-term capacity needs. With the exception of Displacement Proposals noted in Section 1.3.1.2, long-term power purchase agreements or long-term resource acquisitions are not sought, and will not be considered, in this RFP.

In this Fall 2006 RFP, ESI seeks to procure a portfolio consisting of a range of limited-term wholesale power products intended to satisfy multiple supply procurement objectives for 2008 and beyond. ESI's supply procurement objectives for 2008 and beyond are described below. ESI seeks a portfolio consisting of several product types to meet the Operating Companies' limited-term resource needs. The optimum portfolio resource mix (*i.e.*, the proportion of needs supplied by each product type) that actually will be procured from this Fall 2006 RFP will depend upon the results of the 2006 Long-Term RFP and the relative prices and other characteristics of the various proposals offered by Bidders in response to this RFP, and, for resources that would be procured by EGS-La and ELL in this RFP, upon the ability of QFs to demand contracts outside of the RFP process.

Assuming competitive proposals are received in response to this RFP, ESI anticipates that limited-term resources will be acquired under a variety of products, including various call option products, tolling agreements, and baseload products. ESI has modified some of the limited-term products that were solicited in previous RFPs and has created new products in an effort to provide Bidders additional opportunities to participate in this RFP process and to provide the Entergy Operating Companies with increased operational flexibility.

ESI invites proposals from all potential suppliers that are capable of meeting the conditions identified in this RFP, including proposals from other electric utilities, marketers, wholesale generators, independent power producers, Entergy Competitive Affiliates, and QFs.

Proposals from QFs, however, will not be provided any form of preference or enjoy any priority of selection in this RFP based solely on their QF status, although ESI has designed certain products or product combinations in order to better facilitate QF participation in this Fall 2006 Limited-Term RFP. Further, with the exception of the Baseload Product and/or baseload portion of a linked product and the Hour-Ahead Peaking MUCCO product, in those hours during which Buyer does not schedule and dispatch all energy associated with the quantity of capacity specified under the applicable Model Contract, a QF Seller shall not be entitled to deliver to the host Entergy Operating Company, and the host Entergy Operating Company shall not be required to accept, energy associated with the undispatched portion of the contract capacity. Instead, QFs, like other generators, will receive a capacity payment in exchange for allowing the Buyer the flexibility to dispatch the resource in accordance with the product terms. QFs should refer to the applicable Model Contracts for a description of this provision.

The primary objective of this RFP is to solicit competitive proposals to provide the Entergy Operating Companies with flexible and cost-effective generating resources to meet their retail customers' needs in a reliable and economical manner. This RFP primarily seeks incremental baseload, load-following, and peaking resources that are needed to meet the reliability needs of the Entergy Operating Companies. The level of incremental resources sought in order to meet the reliability needs of the Operating Companies will be based on the identified capacity need set forth in Appendix H.

Once these reliability needs are met, ESI will consider proposals that allow the Operating Companies to displace some of their existing gas- and oil-fired generating resources in a manner that results in a reduction of total system production costs to the customers of the Operating Companies. The displacement of these units can take place through one or more of the following methods:

Energy Substitution

First, the economic evaluation methodology analyzes all proposed resources for their ability to substitute for energy generated by the Entergy Operating Companies' existing gas- and oil-fired units ("Energy Substitution"). The production costing modeling described in Appendix E-1 is used to evaluate a proposed resource's ability to substitute for the energy production of an existing owned unit and/or economy energy.

Capacity Substitution

The economic evaluation methodology also will analyze the ability of a proposed resource to allow certain existing gas- and oil-fired units to shift unit roles ("Capacity Substitution"). For example, a unit may be moved from a peaking role into a reserve role. The Capacity Substitution analysis, described in Appendix E-1, will be used to evaluate the inclusion of additional resources beyond the reliability needs of the Entergy Operating Companies after the Portfolio Evaluation has identified sufficient resources to meet the planning reliability target and to evaluate the Displacement Proposals. The Capacity Substitution analysis will be developed further in consultation with the Evaluation IM.

In this Fall 2006 Limited Term RFP, the Capacity Substitution analysis will focus on the ability of a proposed resource to allow an existing unit to shift its role from an operational role to a non-operational role, including, but not limited to, extended reserve shutdown, inactive reserve and/or retirement. The Capacity Substitution analysis also will be considered in determining the total production cost benefits that may be achieved for a resource that also offers a benefit through Energy Substitution.

Enabling Transmission Service

The overall evaluation also assesses the potential for the Entergy Operating Companies to delist existing network transmission service associated with existing gas- and oil-fired generation units in order to enable transmission service for proposed resources ("Enabling Transmission Service"). This evaluation is described in detail in Appendix E-2.

Over the past several years, the Entergy System has decreased its reliance on its existing gas- and oil-fired generation. The System successfully has displaced capacity and/or energy for some of its existing gas- and oil-fired generation using one or more of the three methods detailed above and will continue to do so to the extent the resources provided by the market are economical and offer the same operational flexibility and reliability as the existing gas- and oil-fired generation resources owned by the Operating Companies. In this RFP, ESI has attempted to design products that will provide dispatch flexibility, thereby facilitating opportunities for potential Bidders better to meet the needs of the Entergy System. However, in order to displace a System unit through Energy Substitution and/or Capacity Substitution, a resource must be able to function in the same supply role as the System unit.

As discussed, ESI seeks proposals that provide the Entergy Operating Companies with increased operational flexibility, such as resources that operate in a load-following or peaking role. In order to function in a load-following or peaking role, the following factors will be evaluated:

Access to flexible and dependable fuel supply – it is critical that units operating in a load-following or peaking role have access to a flexible and dependable fuel supply that can be varied on an intra-hour and intra-day basis. Many of the existing gas- and oil-fired generating units owned by the Operating Companies offer dual fuel capability, are interconnected with multiple pipelines, and/or have access to firm transportation and/or fuel storage.

Load-following capability – it is critical that units operating in a load-following or peaking role have the ability to be scheduled or dispatched on an intra-hour and intra-day basis in order to provide the System with the ability to meet the continuous variations in load that occur on the Entergy System. Many of the existing gas- and oil-fired generating units owned by the Operating Companies provide AGC and have high turn-down ratios. These attributes are essential to providing load-following capability. Therefore, proposals are preferred that will allow resources to operate in a load-following role, including offering AGC and intra-hour or intra-day dispatch flexibility. As described in E-1, the Economic Evaluation Team will develop a quantitative assessment of the benefit associated with a proposed resource's ability to offer AGC, and proposals offering AGC will be credited with this benefit.

Location of resource – a number of the gas- and oil-fired units owned by the Operating Companies are subject to periodic directives by the Entergy TBU to operate on an RMR basis. An RMR directive means that a unit performs a critical role in maintaining the reliability of the System based on its *electrical location and interconnection.* Units subject to RMR directives cannot be shut down unless their dispatch can be replaced by another unit in a similar electrical location and point of interconnection and with the appropriate operational characteristics. For these reasons, only a limited number of merchant units may be able to provide the same or similar local area support as existing units that are subject to RMR directives. Further, the displacement of a unit subject to an RMR requirement must be approved by the Entergy TBU and/or the ICT prior to allowing such a unit to be displaced by a merchant resource. If TBU does not confirm that the resource may serve as an RMR substitute, SPO may terminate the remaining term of the purchase power agreement, in SPO's sole and absolute discretion, as discussed in section 6 of Appendix E-2 and as provided for in section 8.2 (b) of the MUCCO and Baseload Model Contracts and section 15.3 (b) of the MUCPA Model Contract.

ESI has provided the foregoing description of the System's operational requirements in order to assist market participants to understand more fully the System's supply needs and the reasons for the types of products being sought.

There is a misperception among some market participants that the Entergy System should engage in a large-scale retirement of its existing gas- and oil-fired generating units. To the contrary, given the dispatch requirements of the Entergy System, it is neither functionally practical nor in the best interest of customers that the Operating Companies retire a large quantity of existing gas- and oil-fired generation. The System's existing gas- and oil-fired generating units provide a range of operational functions that must be replaced before these units can or should be retired. Thus, even if a proposed resource can displace an existing RMR unit, it does not necessarily make sense to retire and shut down that unit entirely. However, it may make sense to shift the role of that unit and still maintain the operational flexibility needed to meet the ever-changing demands of the System.

1.4. Overview of Resource Planning Objectives

The following summarizes key planning considerations that have resulted in the issuance of this RFP and the design of the particular products being requested. Further detail on the Entergy Operating Companies' resource planning considerations and objectives may be found in Appendix H.

The Entergy Operating Companies' resource planning objectives have identified a need for baseload, load-following and peaking resources. The supply needs that determine the resource requirements of the Entergy Operating Companies are driven by six basic resource supply objectives: providing reliable power, economically supplying baseload energy, economically supplying load-following energy, enhancing the portfolio through resource additions, limiting exposure to volatility in fuel and purchased power prices, and limiting exposure to other systematic risks such as locational capacity concentration.

In order to meet these planning objectives over the upcoming planning period, ESI will seek to: (1) secure a "balanced and diversified portfolio" of generation resources matched to the load shape needs of both the Entergy System and the Entergy Operating Companies; (2) add resources, such as solid fuel baseload generation, that improve the overall price stability of the Entergy System; and (3) add efficient load-following CCGT and combustion turbine generation to complement and/or replace existing conventional gas generation. The products sought in this RFP, baseload, load-following and peaking resources, are intended to address these objectives.

Appendix H identifies the capacity need by supply role and Operating Company as well as on a System basis. As indicated in Appendix H, the total requirements of the Entergy Operating Companies reflect the need for up to 800 MW of limited-term capacity to contribute to the satisfaction of anticipated peak period reliability requirements for 2008. As noted previously, the anticipated reliability requirements reflected do not account for resources that will be acquired through the 2006 Long-Term RFP, the uncertainties related to the current business planning cycle, the opportunity for short-term purchases, and the uncertainties created by the possible implementation of recommendations contained in the LPSC Staff's Final Report regarding the ability of QFs to demand capacity contracts outside of the RFP process. This target of up to 800 MW of products provides ESI with the flexibility to (1) procure such amounts of additional resources through this Fall 2006 RFP if the proposals are sufficiently attractive, (2) procure these amounts of resources in short-term markets (*i.e.*, not through this Fall 2006 RFP) if those resources appear to offer more attractive pricing and/or other characteristics, or (3) wait to acquire capacity through future procurements if the proposals received in response to this Fall 2006 RFP are not sufficiently attractive.

Although the Entergy Operating Companies desire the addition of baseload, load-following, and peaking resources to their respective portfolios, they are not committing to any minimum amount. Additionally, depending on the attractiveness of the proposals received, ESI may acquire more than the targeted amount of resources as part of this RFP.

The proposal price and the resulting benefits to the Entergy System are the key considerations for selecting a potential resource as part of the resource portfolio. While cost minimization is the most important criterion, as discussed previously, resource location, operating flexibility, and other planning objectives and constraints also must be considered in the development of a reasonable supply plan. The ultimate portfolio of resources resulting from this Fall 2006 RFP likely will consist of a range of contract Delivery Terms, product types and unit locations. ESI will select those resources that, as a result of the proposal evaluation process, represent the lowest reasonable cost in meeting the resource planning requirements of the Entergy Operating Companies and their retail customers, consistent with ESI's planning objectives and constraints. The manner in which proposals will be evaluated based on these factors is described in detail in Appendices E-1 and E-2.

1.5. Summary Descriptions of Products Sought and Associated Term Sheets

ESI plans to procure resources to meet its objectives through several types of limited-term and intermediate-term products, as described below, including baseload, load-following, and peaking products. This Fall 2006 RFP includes several products that are similar – although not identical – to limited-term products procured in previous RFPs. ESI has modified some of the limited-term products that were solicited in previous RFPs and has created new products in an effort to provide Bidders additional opportunities to participate in this RFP process and to provide the Entergy Operating Companies with increased operational flexibility.

In this Fall 2006 RFP, ESI, as agent for one or more of the Entergy Operating Companies, is seeking proposals for the following types of products, each of which is described in more detail in the Product Packages included in Appendix C:

- Baseload Product (Product Package A);
- Dispatchable Multiple-Year Unit Capacity Purchase Agreement ("Dispatchable MUCPA") (Product Package B);
- Low Heat Rate Multiple-Year Unit Capacity Call Option ("Low Heat Rate MUCCO") (Product Package C);
- Peaking Multiple-Year Unit Capacity Purchase Agreement ("Peaking MUCPA") (Product Package D);
- Peaking Multiple-Year Unit Capacity Call Option ("Peaking MUCCO") (Product Package E);
- Hour-Ahead Peaking Multiple-Year Unit Capacity Call Option ("Hour-Ahead Peaking MUCCO") (Product Package F); and
- Three-Year Reserve Capacity Multiple-Year Unit Capacity Call Option ("Three-Year Reserve Capacity MUCCO") (Product Package G).

Although these products are similar to products solicited in previous RFPs, each contains some new or modified characteristics. Bidders are advised to review carefully the relevant term sheet ("Term Sheet") and Model Contract included in this Fall 2006 RFP for each product for which the Bidder intends to submit a proposal. The Term Sheets establish certain key terms and requirements for each product.

Bidders should be aware that ESI will not negotiate any material terms for these products unless (a) a resource is otherwise attractive but not physically capable of meeting a requirement specified in the applicable Term Sheet and Model Contract; *and* (b) the Bidder has explained the fact of and basis for this situation in the Special Considerations section of its proposal. Bidders are responsible for reviewing all terms and conditions specified in the relevant Term Sheet and Model Contract and taking these terms and conditions into consideration in developing their proposal(s) in response to this RFP.

Bidders also are advised that during the Delivery Term of any PPAs entered into as a result of this RFP, there is a possibility that changes in the wholesale market structure could occur as a result of the transition to the ICT and by other possible regulatory actions that may affect the wholesale generation market. As part of the terms required under any such PPAs, ESI will require that its purchase of capacity and energy thereunder also will include any applicable Other Associated Electric Products.

ESI seeks proposals that will provide the Entergy System operational control and flexibility to meet retail customers' needs in a reliable and economical manner. ESI prefers tolling agreements for dispatchable/load-following resources, provided the proposed generating unit has sufficient, flexible fuel supply and separate fuel and electric metering. Such tolling agreements must be for an entire generating unit. With respect to Product Packages B and D, a dispatchable/load-following resource should have scheduling or operational flexibility to respond to changing load requirements, and must be capable of cycling (*i.e.*, start-up and shut-down) on a day-ahead and intra-day basis and operating across a range of utilization and output levels. Intra-hour scheduling capability would be considered to be a benefit for such resources. The resource is expected to dispatch between the unit minimum (typically 30-40% of unit capability) and unit maximum in a timely manner based on short notice changes (with the notice period to be specified in the Definitive Agreement), including hourly swings, start-ups and shutdowns. The ability of a unit to be placed on AGC is considered to contribute to the load-following capability of the resource and will be assigned as a quantitative benefit to resources offering AGC, although AGC is not required (except perhaps for Displacement Proposals, as detailed above). In addition, the resource must have sufficient fuel supply arrangements in order to meet the dispatch requirements of a load-following resource. ESI also prefers proposals that include firm gas transportation and access to fuel supply backed by storage, as well as flexibility both on an intra-day and day-ahead basis, and a quantitative benefit will be assigned to proposals offering such arrangements.

1.5.1. Baseload Product

The Baseload product consists of a purchase of Capacity, energy and all Other Associated Electric Products from a baseload generating unit with output to be delivered to a designated Delivery Point on the Entergy System. This product may be from a CCGT or a baseload technology that is expected to run in all hours of the Delivery Term, subject to the availability requirements defined in Product Package A.

Pricing for this product will be based on (i) an Option Premium, proposed by the Bidder and expressed in $/kW-year (the Option Premium must be a minimum of $12.00/kW-year), (ii) an energy payment based on (x) a Fixed Heat Rate proposed by the Bidder, expressed in Btu/kWh, multiplied by (y) the Fuel Price, expressed in $/MMBtu, and (iii) a Variable O&M Payment proposed by Bidder and expressed in $/MWh.

The Bidder may elect to propose the pricing for this product to be based on (i) an Option Premium, proposed by the Bidder and expressed in $/kW-year (of at least $12.00/kW-year), and (ii) a guaranteed energy payment proposed by the Bidder and expressed in $/MWh, and (iii) a Variable O&M Payment proposed by Bidder and expressed in $/MWh.

This product can be offered for a one (1), three (3), four (4) or five (5) year delivery period, with delivery beginning September 1, 2007.

In addition, Bidders should include costs of any services provided by a transmission entity other than Entergy's Transmission Business Unit or successor organization ("Third-Party Transmission Services") in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

ESI is seeking proposals for a minimum of 50 MW. ESI prefers generating units that do not have any restrictions or limitations imposed on them as a result of other generation assets at the site.

In an effort to accommodate resources that may have certain baseload generating requirements, in this RFP, ESI will allow Bidders to propose a generating resource as a combined baseload product with a must-take requirement and a call-option product offering dispatch flexibility by linking two product categories. The baseload portion should be offered as the Baseload Product (Product Package A), and the remaining portion should be offered as the Low Heat Rate MUCCO product (Product Package C). The Delivery Term for a linked proposal is limited to one (1) or three (3) years. The Bidder should specify in the Proposal Submission Form that the two proposals are linked and required to be procured together. If two proposals are specified to be linked and required to be procured together, they will not be considered separately. If a Bidder wishes to have proposals considered separately as well as linked, it will be necessary to submit additional and separate proposals for each product and to pay a separate proposal submittal fee for each proposal. As described in Appendix E-1, combination proposals will be evaluated on a combined total cost/benefit perspective.

Term Sheet A of Appendix C summarizes the specific requirements for the Baseload product, which are generally described herein. The Baseload Model Contract details specific terms and conditions for this product; and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the Baseload Model Contract. Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller's offer of re-supply on a case-by-case basis.

As described in Section 1.3.1.2, Bidders may submit Displacement Proposals for Delivery Terms of between six and ten years. In order to submit a Displacement Proposal, Bidder must first submit a standard five-year proposal. Regardless of whether that proposal is accepted as an "incremental needs" resource, the Displacement Proposal will remain eligible to be selected as a displacement resource. If Bidder desires to submit a Displacement Proposal, Bidder should so state in the Special Considerations section of the Proposal Submission Form and should indicate there the pricing terms for the Displacement Proposal. For example, if Bidder desires a ten-year contract, it should so state and indicate how its pricing terms for years six to ten would differ from the five year proposal. ESI and Bidder will retain some flexibility in negotiating the appropriate contract terms, based on the most cost-effective contractual arrangement, for the Displacement Proposal; however, Bidders should recognize that the terms and conditions of any Definitive Agreement for a Displacement Proposal will be substantially similar to those detailed in the applicable Term Sheet for the Baseload Product.

1.5.2. Dispatchable Multiple-Year Unit Capacity Purchase Agreement (Dispatchable MUCPA)

The Dispatchable MUCPA product consists of a purchase of Capacity, energy and all Other Associated Electric Products from a load-following CCGT generating unit with output to be delivered to a designated Delivery Point on the Entergy System. Buyer must have the ability to Schedule and dispatch energy and all Other Associated Electric Products from a specific CCGT generating unit on a day-ahead and/or intra-day basis with no minimum annual energy dispatch requirements, and also the ability to start-up and shut down the generating unit at Buyer's discretion based on the capabilities of the generating unit specified. Buyer will provide the fuel supply.

Pricing for this product will be based on (i) an Option Premium, proposed by the Bidder and expressed in $/kW-year, (ii) a Variable O&M Payment of $1.00/MWh, and (iii) a Fixed Start-up Payment of $12,500.00 per CT per Start. Bidder will propose a Guaranteed Heat Rate curve that shall be guaranteed within a band width of plus or minus 3%. Buyer may dispatch the generating unit anywhere between the minimum and maximum operating levels subject to the operating limitations of the generating unit.

In addition, Bidders should include costs of any Third-Party Transmission Services in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

This product can be offered for a one (1), three (3), four (4) or five (5) year delivery period, with delivery beginning September 1, 2007.

ESI is seeking proposals for the full Capacity of the specified CCGT generating unit (*e.g.*, one entire 2x1 CCGT train totaling approximately 450 MW to 650 MW, or one entire 1x1 CCGT train totaling approximately 250 MW to 400 MW).

In the event that the proposal is for less than 100% of the output of the facility, Bidders submitting proposals for this product must have (1) sufficient revenue quality fuel metering equipment in place to separate fuel inputs to each generating unit and (2) sufficient revenue quality metering for all electrical output associated with the generating unit or portion of the facility that is being proposed by the Bidder. If Bidder cannot fully comply with these requirements, Bidder's proposal may be rejected as non-conforming.

Term Sheet B of Appendix C summarizes the specific requirements for this Dispatchable MUCPA product, which are generally described herein. The MUCPA Model Contract details specific terms and conditions for this product; and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCPA Model Contract. Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller's offer of re-supply on a case-by-case basis.

As described in Section 1.3.1.2, Bidders may submit Displacement Proposals for Delivery Terms of between six and ten years. In order to submit a Displacement Proposal, Bidder must first submit a standard five-year proposal. Regardless of whether that proposal is accepted as an "incremental needs" resource, the Displacement Proposal will remain eligible to be selected as a displacement resource. If Bidder desires to submit a Displacement Proposal, Bidder should so state in the Special Considerations section of the Proposal Submission Form and should indicate there the pricing terms for the Displacement Proposal. For example, if Bidder desires a ten-year contract, it should so state and indicate how its pricing terms for years six to ten would differ from the five year proposal. ESI and Bidder will retain some flexibility in negotiating the appropriate contract terms, based on the most cost-effective contractual arrangement, for the Displacement Proposal; however, Bidders should recognize that the terms and conditions of any Definitive Agreement for a Displacement Proposal will be substantially similar to those detailed in the applicable Term Sheet for the Dispatchable MUCPA.

1.5.3. Low Heat Rate Multiple-Year Unit Capacity Call Option (Low Heat Rate MUCCO)

The Low Heat Rate MUCCO product would provide ESI with unit-contingent call option rights to Capacity, energy and all Other Associated Electric Products from a specifically-designated generating unit, and the ability for ESI to pre-schedule energy from the unit for a minimum of eight to sixteen hours (depending upon the Schedule and corresponding Fixed Heat Rate as outlined below) on a day-ahead and intra-day basis.

Offers for this product must include a proposed Option Premium (expressed in $/kW year) to be specified by Bidder. Other terms for this product include the following pre-

The statements contained in this RFP are made subject to the Reservation of Rights set forth in this RFP and subject to the terms and acknowledgements set forth in the Proposal Submission Agreement.

established elements, which are not subject to modification by the Bidder: a variable O&M payment of $1.00/MWh; a Fixed Start-Up Payment of $50.00 per MW per Start; a Fixed Heat Rate of (a) 7,500 Btu/kWh for an 8-hour through 11-hour dispatch Schedule, (b) 7,300 Btu/kWh for a 12-hour through 15-hour Schedule, or (c) 7,200 Btu/kWh for a 16-hour or longer Schedule; and, a Gas Price that will be determined based upon next-day or intra-day scheduling notification. Such Fixed Heat Rate shall be deemed to include all applicable adders, taxes, and start-up fuel payments, and Bidders should take this and all other pre-established product elements into account in developing and offering their proposed Option Premium.

In addition, Bidders should include costs of any Third-Party Transmission Services in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

This product can be offered for a one (1) or three (3) year delivery period, with delivery beginning September 1, 2007. ESI encourages Bidders to offer Contract Quantities of Capacity of between 50 MW and 350 MW, as specified by Bidder, but will consider any amount above 50 MW.[8]

To the extent that ESI does not Schedule or dispatch energy from the specified generating plant for the next day, the Seller would have the ability to sell this energy on a *non-firm, interruptible* basis to other markets or utilize it to serve its own load, subject to Buyer's rights which include the right to submit a dispatch schedule on a real time basis with four (4) hours prior notice (including start-up time).

To accommodate resources that may have certain baseload generating requirements, in this RFP, Bidders may propose a generating resource as a baseload product (including a must-take option) and as a call-option product by combining two product categories. The baseload portion should be offered as the Baseload Product (Product Package A), and the remaining portion should be offered as the Low Heat Rate MUCCO product (Product Package C). The Delivery Term for a linked proposal is limited to one (1) or three (3) years. The Bidder should specify in the Special Considerations section of the applicable Product Packages that the two proposals are linked and required to be procured together. If two proposals are specified to be linked and required to be procured together, they will not be considered separately. If a Bidder wishes to have proposals considered separately as well as linked, it will be necessary to submit additional and separate proposals for each product and to pay a separate proposal submittal fee for each proposal. As described in Appendix E-1, combination proposals will be evaluated on a combined total cost/benefit perspective.

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[8] If the generating resource's total Capacity is less than 50 MW, but greater or equal to 35 MW, ESI will consider proposals for the resource's total Capacity.

Term Sheet C of Appendix C summarizes the specific requirements for this Low Heat Rate MUCCO product, which are generally described herein. The MUCCO Model Contract details specific terms and conditions for this product; and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCCO Model Contract. Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller's offer of re-supply on a case-by-case basis.

1.5.4. Peaking Multiple-Year Unit Capacity Purchase Agreement (Peaking MUCPA)

The Peaking MUCPA product consists of a purchase of Capacity, energy and all Other Associated Electric Products from a peaking CT generating unit with output to be delivered to a designated Delivery Point on the Entergy System. Buyer must have the ability to Schedule and dispatch energy and all Other Associated Electric Products from a specific CT generating unit on a day-ahead and/or intra-day basis with no minimum annual energy dispatch requirements, and also the ability to start-up and shut down the generating unit at Buyer's discretion based on the capabilities of the generating unit specified. Buyer will provide the fuel supply.

Pricing for this product will be based on (i) an Option Premium, proposed by the Bidder and expressed in $/kW-year, (ii) a Variable O&M Payment of $2.00/MWh, and (iii) a Fixed Start-up Payment of $12,500.00 per CT per Start. Bidder will propose a Guaranteed Heat Rate curve that shall be guaranteed within a band width of plus or minus 3%. Buyer may dispatch the generating unit anywhere between the minimum and maximum operating levels subject to the operating limitations of the generating unit.

In addition, Bidders should include costs of any Third-Party Transmission Services in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

This product can be offered for a one (1) or three (3) year delivery period, with delivery beginning September 1, 2007.

ESI is seeking proposals for the full Capacity of the specified CT generating unit.

In the event that the proposal is for less than 100% of the output of the facility, Bidders submitting proposals for this product must have (1) sufficient revenue quality fuel metering equipment in place to separate fuel inputs to each generating unit and (2) sufficient revenue quality metering for all electrical output associated with the generating unit or portion of the facility that is being proposed by the Bidder. If Bidder cannot fully comply with these requirements, Bidder's proposal may be rejected as non-conforming.

Term Sheet D of Appendix C summarizes the specific requirements for this Peaking MUCPA product, which are generally described herein. The MUCPA Model Contract details specific terms and conditions for this product; and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCPA Model Contract.

1.5.5. Peaking Multiple-Year Unit Capacity Call Option (Peaking MUCCO)

The Peaking MUCCO product would provide ESI with unit-contingent call option rights to Capacity, energy and all Other Associated Electric Products from a specifically designated generating unit and the ability for ESI to pre-schedule energy from the unit for a minimum of four hours on a day-ahead or intra-day basis.

Offers for this product must include a proposed Option Premium (expressed in $/kW year) to be specified by Bidder. Other terms for this product include the following pre-established elements, which are not subject to modification by the Bidder: a variable O&M payment of $2.00/MWh, a Fixed Start-Up Payment of $75.00 per MW per Start, a Fixed Heat Rate of 10,500 Btu/kWh, and a Gas Price that will be determined based upon next-day or intra-day scheduling notification. Such Fixed Heat Rate shall be deemed to include all applicable adders, taxes, and start-up fuel payments, and Bidders should take this and all other pre-established product elements into account in developing and offering their proposed Option Premium.

In addition, Bidders should include costs of any Third-Party Transmission Services in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

This product can be offered for a one (1) or three (3) year delivery period, with delivery beginning September 1, 2007. ESI encourages Bidders to offer Contract Quantities of Capacity of between 50 MW and 500 MW, as specified by Bidder, but will consider any amount above 50 MW.[9]

[9] If the generating resource's total Capacity is less than 50 MW, but greater or equal to 35 MW, ESI will consider proposals for the resource's total Capacity.

To the extent that ESI does not Schedule or dispatch energy from the specified generating plant for the next day, the Seller would have the ability to sell this energy on a *non-firm, interruptible* basis to other markets or utilize it to serve its own load, subject to Buyer's rights which include the right to submit a dispatch schedule on a real time basis with two (2) hours prior notice (including start-up time).

Term Sheet E of Appendix C summarizes the specific requirements for this Peaking MUCCO product, which are generally described herein. The MUCCO Model Contract details specific terms and conditions for this product; and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCCO Model Contract. Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller's offer of re-supply on a case-by-case basis.

1.5.6. Hour-Ahead Peaking Multiple-Year Unit Capacity Call Option (Hour-Ahead Peaking MUCCO)

The Hour-Ahead Peaking product would provide ESI with unit-contingent call option rights to Capacity, energy and all Other Associated Electric Products from a specifically designated generating unit and the ability for ESI to pre-schedule energy from the unit for a minimum of two (2) hours on an hour-ahead basis.

Offers for this product must include a proposed Option Premium (expressed in $/kW year) to be specified by Bidder. Other terms for this product include the following pre-established elements, which are not subject to modification by the Bidder: a variable O&M payment of $2.00/MWh, a Fixed Heat Rate of 12,500 Btu/kWh, and a Gas Price that will be determined based upon next-day or intra-day scheduling notification. Such Fixed Heat Rate shall be deemed to include all applicable adders, taxes, and start-up fuel payments, and Bidders should take this and all other pre-established product elements into account in developing and offering their proposed Option Premium.

In addition, Bidders should include costs of any Third-Party Transmission Services in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

This product can be offered for a one (1) or three (3) year delivery period, with delivery beginning January 1, 2008. ESI encourages Bidders to offer Contract Quantities of Capacity of between 50 MW and 200 MW, as specified by Bidder, but will consider any amount above 50 MW.[10]

Definitive Agreements for the Hour-Ahead Peaking product will be contingent on Transmission Service Study Results from TBU being received by and being acceptable to ESI in its sole and absolute discretion no later than thirty (30) days prior to commencement of the Delivery Term. Such proposals are intended to be utilized on a real-time basis by the Entergy System and require that ESI obtain firm transmission service in order to allow for the operational flexibility sought through this product. Firm transmission service may be approved only by the Entergy TBU.

To the extent that ESI does not Schedule or dispatch energy from the specified generating plant for the day, the Seller would have the ability to sell this energy on a *non-firm, interruptible* basis to other markets or utilize it to serve its own load, subject to Buyer's rights which include the right to submit a dispatch schedule on a real time basis with one hour, or less to the extent possible, prior notice (including start-up time).

Term Sheet F of Appendix C summarizes the specific requirements for this Hour-Ahead Peaking product, which are generally described herein. The MUCCO Model Contract details specific terms and conditions for this product; and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCCO Model Contract. Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller's offer of re-supply on a case-by-case basis.

1.5.7. Three-Year Reserve Capacity Multiple-Year Unit Capacity Call Option (Three-Year Reserve Capacity MUCCO)

The Three-Year Reserve Capacity MUCCO product would provide ESI unit-contingent call option rights to Capacity, energy and all Other Associated Electric Products from a specifically designated generating plant and the ability for ESI to pre-schedule energy, with a three-day notice period, for a minimum run time of four hours. ESI encourages Bidders to offer Contract Quantities of Capacity of between 50 MW and 500 MW, as specified by Bidder, but will consider any amount above 50 MW.[11]

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[10] If the generating resource's total Capacity is less than 50 MW, but greater or equal to 35 MW, ESI will consider proposals for the resource's total Capacity.

[11] If the generating resource's total Capacity is less than 50 MW, but greater or equal to 35 MW, ESI will consider proposals for the resource's total Capacity.

Offers for this product must include a proposed Option Premium (expressed in $/kW year) to be specified by Bidder. ESI expects that the proposals will be compared to estimated forward costs for the Entergy Operating Companies' own similarly operated reserve units, with those estimates tied to the Entergy Operating Companies' expected non-fuel O&M costs and capital costs for the majority of these particular units. These cost estimates will be subject to review by the IMs.

Other terms for this product include the following pre-established elements, which are not subject to modification by the Bidder: a variable O&M payment of $2.00/MWh, a Fixed Start-Up Payment of $75.00 per MW per Start, a Fixed Heat Rate of 15,000 Btu/kWh, and a Gas Price that will be the daily Henry Hub Index. Such Fixed Heat Rate shall be deemed to include all applicable adders, taxes, and start-up fuel payments, and Bidders should take this and all other pre-established product elements into account in developing and offering their proposed Option Premium.

Heat Rate shall be deemed to include all applicable adders, taxes, and start-up fuel payments, and Bidders should take this and all other pre-established product elements into account in developing and offering their proposed Option Premium.

In addition, Bidders should include costs of any Third-Party Transmission Services in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

This product can be offered only for a three (3) year delivery period, with delivery beginning January 1, 2008.

Definitive Agreements for the Three-Year Reserve Capacity MUCCO product will be contingent on Transmission Service Study Results from TBU being received by and being acceptable to ESI in its sole and absolute discretion no later than thirty (30) days prior to commencement of the Delivery Term. Such proposals are intended to displace existing capacity on the Entergy System and thus may require that ESI be allowed to substitute such existing capacity and rely on the proposed capacity instead in order to realize any savings. This capacity exchange can only take place if approved by TBU.

To the extent that ESI does not Schedule or dispatch energy from the specified generating plant by the required notice period, the Seller would have the ability to sell this energy to other markets or utilize it to serve its own load, subject to Buyer's rights.

Term Sheet G of Appendix C summarizes the specific requirements for this Three-Year Reserve Capacity MUCCO product, which are generally described herein. The MUCCO Model Contract details specific terms and conditions for this product; and, as part of its proposal, the

Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCCO Model Contract. Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller's offer of re-supply on a case-by-case basis.

1.6. Demand Response Programs/Services

Although ESI will evaluate the appropriateness of including demand response services in future RFPs, due to the extensive work that would be necessary to revise the Fall 2006 Limited-Term RFP and the timeline of the current RFP, ESI is not amending the Fall 2006 Limited-Term RFP to specifically include demand response products/programs. Nevertheless, ESI is interested in learning more about demand response products or services. While ESI is not committing to any potential arrangements or evaluation considerations regarding demand response services, ESI encourages parties providing demand response products or services to submit technical and operational specifications of such products or services outside of the RFP process. Those parties should submit details of their products or services to the RFP Administrator (using the contact information listed in Section 2.5). Parties should recognize that ESI is not committing to review any such responses on the same timeline as the Fall 2006 RFP but will use this information to assess the potential attributes and benefits of such products and services for possible consideration in future procurement efforts.

1.7. Planning Regions

For resource planning purposes, the area served by the Entergy Operating Companies is divided into four major planning regions which are determined based on characteristics of the Entergy System including the ability to transfer power between regions as defined by the available transfer capability, the location and amount of load, and the location and amount generation. The four planning regions are described generally as follows:

- North Arkansas - that certain area of northern Arkansas serviced by one or more of the Entergy Operating Companies and other utilities (generally north of Sheridan, Arkansas);

- WOTAB - the region in southwestern Louisiana and southeastern Texas that is west of the Atchafalaya Basin and that is serviced by one or more of the Entergy Operating Companies and other utilities (generally west of the Baton Rouge, Louisiana metropolitan area, to the westernmost portion of EGS's service territory in Texas);

- Amite South - the region of Louisiana south of the Amite Substation that is serviced by one or more of the Entergy Operating Companies and other utilities (generally from east of the Baton Rouge, Louisiana metropolitan area to the Mississippi state line and south to the Gulf of Mexico); and

- Central - that certain area of southern Arkansas, northern Louisiana and western Mississippi serviced by one or more of the Entergy Operating Companies and other utilities (generally south of the North Arkansas region and north of the WOTAB and Amite South regions, but includes the Baton Rouge, Louisiana metropolitan area).

In this Fall 2006 RFP, preference will be given to resources located in the Amite South and WOTAB planning regions. Factors influencing this preference include:

- The System seeks to achieve a geographic dispersion of resources with generation located proximate to load.
- The SSRP anticipates the addition of CCGT resources in each planning region to address load-following needs.
- The SSRP anticipates the addition of CT resources to address regional peaking supply needs.
- Recent additions of capacity have been in the Central region.
- Existing Solid Fuel resources are located primarily in the northern part of the System.

Although regional location will be a consideration, regional location will not exclude any proposal from consideration. The primary factor in the selection of resources will be the relative economic benefit provided by each proposal.

2. RFP SOLICITATION AND PROPOSAL SUBMISSION PROCESS

This Fall 2006 RFP will use a multi-phase process consisting of: (1) Solicitation; (2) Electronic Bidder Registration; (3) Electronic Proposal Submission; (4) Proposal Receipt and Screening; (5) Review and Evaluation; and (6) Notification and Contract Negotiations.

Phases 1, 2, 3 and 4 will be processed electronically via the RFP Website and electronic mail. Bidders should note that ESI will accept only electronic proposal submissions, similar to the format that was developed and utilized in previous RFPs. The electronic submission process has been implemented to automate submission, receipt, and processing of Bidder proposals, to help streamline the RFP process, and to support ESI's efforts to protect the confidentiality of proposal information and ensure that all proposals are consistently, accurately and fairly evaluated by the RFP Evaluation Team.

This RFP and all appendices and forms will be available on the RFP Website. As further described in Appendix D, Bidders will be able to download the required forms and complete the forms in Microsoft Word format. Bidders must submit properly completed forms via electronic mail to the RFP Submission Email Address by the specified deadline.

Each proposal must be signed by an officer (or similarly situated representative) of the Bidder who is authorized to sign and submit the proposal.

If a Bidder wishes to submit a proposal contingent on the results of ESI's 2006 Long-Term RFP or another company's request for proposals, the Bidder may do so provided that it indicates such conditions and reasons in the "Special Considerations" section of its electronic Proposal Submission Form.

Phase 5 (Review and Evaluation) is detailed in Appendices E-1, E-2, and F and Phase 6 (Notification and Contract Negotiations) is discussed in Section 6 of this RFP. The schedule for this Fall 2006 RFP is presented below.

2.1. Schedule

This timeline is representative only and is subject to change. ***This timeline does not apply to Displacement Proposals or to the evaluation of proposals for displacement opportunities that were not selected to meet incremental resources needs identified in this RFP. A separate evaluation timeline will be established for such proposals and will be posted on the RFP Website. At this time, ESI anticipates evaluating such proposals in the first part of 2007.***

Phase 1 — Solicitation

Draft RFP and Model Contracts issued	August 31, 2006
LPSC Technical & Bidders' Conference	September 11, 2006
Final RFP issued	October 24, 2006

Phase 2 — Bidder Registration

Bidder Registration Process begins	October 30, 2006 at 8:00 a.m. CPT
Bidder Registration Process completed	November 2, 2006 at 5:00 p.m. CPT
Deadline for payment of Proposal Submittal Fees	November 9, 2006 at 5:00 p.m. CPT

Phase 3 — Electronic Proposal Submission

Proposal Submission Process begins	November 13, 2006 at 8:00 a.m. CPT
Deadline for electronic submission of proposals	November 16, 2006 at 5:00 p.m. CPT

Phase 4 — Proposal Receipt and Screening for Conformance

Proposals received and proposal data reports for Proposal Evaluation Team members are reviewed by the Independent Monitor. Proposal data reports subsequently forwarded to Proposal Evaluation Team members.	On or about November 16, 2006

Phase 5 — Review and Evaluation Process

Evaluation of proposals begins	As early as November 16, 2006, but not prior to completion of the process for reviewing and segregating proposals.

Phase 6 — Notification and Contract Negotiations

Bidders notified of their inclusion on either the primary award list or the secondary award shortlist or notified of a proposal's elimination from further consideration as an incremental resource	On or about February 2, 2007
Initiate contract negotiation(s) with Bidders on primary award list and additional due diligence, as appropriate	On or about February 5, 2007
Notify secondary award shortlist Bidders of ESI's intent to proceed with negotiations	On or before March 2, 2007
Execute and deliver Definitive Agreement(s) for incremental resources	On or about May 4, 2007

ESI will require that all proposals are the Bidder's ***best and final offer***. ESI does not intend to contact any Bidder to clarify its proposals, although ESI reserves the right to do so in accordance with Section 2.5. In addition, no proposals may be modified and each proposal must be signed by an officer (or similarly situated representative) of the Bidder who is authorized to sign and submit the proposal. If a Bidder wishes to submit a proposal contingent on a prior sale or commitment (for example, another company's request for proposals), the Bidder may do so provided that it indicates such conditions and reasons in the "Special Considerations" section of its electronic proposal submission form.

2.2. Cancellation, Modification or Withdrawal of the RFP

ESI reserves the right to cancel, modify or withdraw this RFP and to revise the schedule specified above in order to meet its objectives after appropriate consultation with the IMs and staffs of regulatory commission(s) participating in overseeing the Fall 2006 RFP process. ESI will endeavor to notify all participants who have completed a Bidder Registration Form of any such cancellations, modifications or schedule changes that are made prior to the applicable deadline for submission of proposals. However, ESI will have no responsibility for failing to do so.

2.3. LPSC Staff Technical Conference and ESI Bidders' Conference

The LPSC Staff will host a Technical Conference in conjunction with ESI's Bidders' Conference on September 11, 2006. These conferences are open to all interested parties for purposes of discussing and clarifying issues relating to the RFP. ESI personnel, the Process IM, and the Evaluation IM will be available at the Bidders' Conference to answer specific questions about the Bidder registration process, electronic proposal submission process, evaluation process, technical issues, product terms and conditions and to respond to other pertinent information requests.

All questions regarding the RFP, whether they arise before, during or after this conference, must be submitted in writing to the RFP Administrator (using the contact information provided in Section 2.5). In order to provide all interested parties with access to information elicited through the submission of questions, ESI intends to provide written responses to all written questions, and to post the questions and answers on the RFP Website. While ESI personnel may orally address written questions submitted during the conference, the written response may contain information that is different from or in addition to information that has been provided orally, and the written response shall be deemed to supersede the oral response. Bidders are encouraged to submit written questions to the RFP Administrator prior to the Bidders' Conference.

LPSC Staff Technical Conference and ESI's Bidders' Conference

Time:	10:00 a.m. CPT (lunch will be provided)
Date:	Monday, September 11, 2006
Place:	Houston Airport Marriott at George Bush Intercontinental 18700 John F. Kennedy Blvd., Houston, TX

Bidders are strongly encouraged to attend the Bidders' Conference, but are not required to attend. ESI will post on the RFP Website the materials presented at the Bidders' Conference. Bidders are advised that those materials cannot be expected to provide or explain all of the information that is provided or explained at the Bidders' Conference.

By no later than September 6, 2006, Bidders are requested to notify ESI by electronic mail to the RFP Administrator of the names of all of the individuals representing the Bidder who are planning to attend the Bidders' Conference, said notice specifying the company name of the prospective Bidder, as well as names and telephone numbers of all individuals representing the Bidder who are planning to attend the Bidders' Conference.

There may be additional technical conferences hosted by various regulatory commission(s) (or their staffs) participating in overseeing the Fall 2006 RFP process. If any such Technical Conferences are scheduled by those commissions (or their staffs), then the date, time, and location will be posted on the RFP Website.

Beginning September 1, 2006, ESI will accept written feedback from market participants and other interested parties on the Draft Fall 2006 RFP, provided that such comments are provided to the RFP Administrator by no later than September 29, 2006.

ESI encourages comments on the Draft Fall 2006 RFP from regulatory agencies, with a goal of obtaining any such comments by no later than October 6, 2006 in order for those comments to be taken into consideration by the time of publication of the final Fall 2006 RFP on or about October 24, 2006. ESI has been informed that the Louisiana Public Service Commission will offer a separate comment process wherein interested parties may express their views directly to LPSC Staff.

2.4. Final Fall 2006 RFP Issuance

ESI will issue the final Fall 2006 RFP after the completion of the Bidders' Conference and upon consideration of written feedback received in a timely fashion (as set forth in the previous paragraphs) from the various market participants, regulatory agencies and other interested parties. After taking into consideration comments from stakeholders and the IMs, ESI will reflect any changes in the final Fall 2006 RFP that it, in its sole discretion, determines will enhance or improve the proposed supply procurement process described herein. ESI will post the final Fall 2006 RFP to the RFP Website on or about October 24, 2006.

2.5. Contacts with ESI and RFP Questions

Consistent with previous RFPs, ESI has a designated "RFP Administrator." The multi-purpose role of the RFP Administrator is described in Appendix G. Except as described in the next section with respect to transmission matters and in Appendix D with respect to the RFP Hotline, all questions and requests and any other inquiries or contact about the RFP must be directed in writing to:

Ms. Laura Berryman, RFP Administrator
Entergy Services, Inc., T-PKWD-3A
10055 Grogans Mill Road
The Woodlands, TX 77380
Email: lberrym@entergy.com
Fax: 281-297-3937

A direct link to Ms. Berryman's email address is available on the RFP Website.

Beginning August 31, 2006, unsolicited contact or communication between market participants and personnel or employees of ESI or any of the Entergy Operating Companies (**other than the RFP Administrator or those employees within Entergy's Transmission Business Unit as described in Section 2.6, below**) concerning the Fall 2006 RFP, without the specific, prior written consent of the RFP Administrator after consultation with the Process IM, is not allowed and may, depending on the circumstances, constitute grounds for disqualification of a Bidder.

All questions regarding the RFP, whether they arise before, during or after the Bidders' Conference, must be submitted in writing to the RFP Administrator. The Process IM will obtain, review, and may comment on copies of all written communications between ESI and Bidders in advance of ESI's issuance of such communications.

Subject to ESI's consideration of confidentiality concerns as described in the next two paragraphs below, ESI intends to post all questions submitted by Bidders, as well as ESI's responses to these questions, on the RFP Website. Such questions, therefore, must be submitted in writing. ESI will not identify the name of the party submitting questions unless such party is a regulatory agency, and such regulatory agency has requested that it be identified (the LPSC already has made such a request). ESI's objective in posting these questions and answers is to ensure that all Bidders have equal access to information that potentially may be relevant to their proposals. Bidders are urged to submit questions as early as possible, in consideration of the proposal submission deadlines set forth in Section 2.1. During the proposal submission period, ESI expects to provide answers only to questions that are specific to an actual proposal submission issue.

ESI does not expect that it will be required to provide information that is confidential to ESI or any of the Entergy Operating Companies in response to Bidder questions. If, however, ESI determines that (1) a Bidder's question calls for an answer that would contain such confidential information and (2) the provision of such confidential information is necessary and appropriate, then, ESI will notify the Process IM and will respond to that question in writing via certified mail to all Bidders who have timely executed and returned to ESI the confidentiality agreement that is posted on the RFP Website.

Similarly, ESI does not expect any questions Bidders may submit to contain information that the Bidder considers to be confidential. If a Bidder believes that certain information contained in a question the Bidder intends to submit should be treated as confidential, the Bidder is strongly urged, first, to attempt to exclude from the question all of the information the Bidder believes to be confidential, whether by redaction or other means, and then to submit the question. Alternatively, if the Bidder believes that it is necessary or advisable to submit the question without redacting confidential information, then the Bidder should, without providing any confidential information, notify the RFP Administrator in writing of the purpose of the question and the nature of the confidential information contained therein, such that ESI can determine whether the Bidder's question requires the disclosure, either by the Bidder or by ESI, of confidential information, or whether such disclosure is unnecessary or can be avoided for purposes of the RFP process.

If ESI determines that the disclosure of information confidential to the Bidder is necessary and appropriate, ESI will notify the Process IM and the confidentiality agreement that is posted on the RFP Website will be executed between ESI and such Bidder so that such question may be submitted. In the event that a question containing information that the Bidder considers to be confidential is submitted timely to ESI, ESI will send a copy of the question and answer to that Bidder by express mail.

ESI, its agents and representatives, and the IMs will treat as confidential all proposals submitted by Bidders. Bidders shall submit their proposals with the knowledge and understanding that, regardless of confidentiality, any information submitted by Bidders is subject to disclosure to regulatory commission(s) and their staffs or any other governmental authority or judicial body with jurisdiction relating to these matters and may be subject to legal discovery. The process for protection of proposal information is further described in Appendix G.

2.6. Contacts with Entergy's Transmission Business Unit

The Entergy Operating Companies' transmission system is managed and operated by Entergy's Transmission Business Unit ("TBU"), which is functionally separate from the wholesale merchant functions of ESI and the Entergy Operating Companies, as required by Orders 888 and 889 issued by the FERC. Any inquiries about the Entergy Operating Companies' transmission system must be directed only to Entergy's Transmission Business Unit through the Entergy OASIS website http://oasis.e-terrasolutions.com/OASIS/EES.

2.7. Bidder Registration

Each Bidder must electronically submit a properly completed Bidder Registration Form, which must include the number of proposals and product type of each proposal that the Bidder intends to submit in response to this RFP, by no later than 5:00 p.m. CPT on November 2, 2006 in order to be eligible to participate in the solicitation process. Upon receipt, Bidder Registration Forms will be automatically screened for completeness, and the Bidder will be automatically notified whether the form has been confirmed as received by ESI. All proposals submitted without prior registration will be rejected. See Appendix D for detailed instructions on the Bidder registration process.

2.8. Proposal Submittal Fees

Consistent with the provisions of the LPSC's Market-Based Mechanisms Order, ESI will require all Bidders to pay a proposal submittal fee ("Proposal Submittal Fee") for each registered proposal. Within two (2) Business Days of receiving the executed Bidder Registration Form, ESI will invoice Bidder, by Proposal Identification Number, the Proposal Submittal Fee that is due for each registered proposal in the amount of $1,000.00 for the each registered proposal. Bidder will be required to remit wire payment(s) of the required Proposal Submittal Fee for each individual registered proposal by no later than 5:00 p.m. CPT on November 9, 2006 per the instructions in the invoice. **Failure to submit the Proposal Submittal Fee(s) by this deadline will cause the registered proposal(s) to be rejected as non-conforming and Bidder shall not be permitted to submit a Proposal Submission Form for such registered proposal(s).** See Appendix D for detailed instructions on the Proposal Submittal Fee process.

As noted in Section 1.3 above, ESI has structured the Proposal Submittal Fees to eliminate the need to submit a separate Proposal Submittal Fee for resources offered as a combination proposal. This single Proposal Submittal Fee is available only if the Bidder does not request that the combination proposals also be considered separately. Details may be found in Appendix D.

2.9. Other Bidder Requirements

ESI is making every reasonable effort to maximize fair and impartial competition and prevent or avoid collusion by any parties in this RFP process. Proposals determined by ESI, after consultation with the Process IM, to have been made with the intent or effect of creating artificial prices, terms, or conditions will be rejected. ESI expects all Bidders to comply with all the terms and conditions and conform to all of the requirements of this RFP in order to be eligible to participate in the solicitation process. The requirements to be eligible to participate include the requirement that each Bidder submit a Bidder Registration Form.

Bidders that are comprised of more than one Person may enter into contribution or indemnity arrangements or agreements among themselves to allocate their respective obligations, but no such agreements or arrangements will affect the rights of ESI or any of the Entergy Operating Companies without the express written agreement of ESI or the affected Entergy Operating Companies, which agreement will be negotiated upon the execution of a Definitive Agreement. Any Entergy Operating Company may agree to be affected by such agreements or arrangements only as to it, and no such agreement shall be effective as to any other Entergy Operating Company or as to ESI. When proposals are submitted, all such contribution, indemnity, allocation, sharing and similar arrangements, agreements and understandings must be fully disclosed to ESI. Bidders may accomplish such disclosure by completing the appropriate section of the Bidder Registration Form in Appendix B or by sending a written disclosure to the RFP Administrator prior to Proposal Submission.

Pursuant to the terms of the Proposal Submission Agreement (contained in the Product Packages in Appendix C), unless otherwise agreed to by ESI, Bidders may not disclose to any other Person (except for those participating in the same proposal, as described above, the thermal host of a cogeneration facility being offered by a Bidder, the IMs, the RFP Administrator and staffs of regulatory commission(s) participating in overseeing the Fall 2006 RFP process) their participation in the RFP process (other than by attendance alone at the Bidders' Conference described above or any similar meeting to which more than one participant is invited by ESI, which attendance in and of itself shall not violate this provision of the RFP), and Bidders also may not disclose, collaborate on or discuss with any other Person (except for those participating in the same proposal, as described above, the IMs, and staffs of regulatory commission(s) participating in overseeing the Fall 2006 RFP process) bidding strategies or the substance of proposals, including without limitation, the price or any other terms or conditions of any contemplated, indicative or final proposal. Such disclosure, collaboration or discussion would violate this RFP and the Proposal Submission Agreement.

Unless and until ESI announces or otherwise notifies a Bidder that the RFP process is terminated or concluded, or that its proposal has been rejected, that Bidder will be expected to make available, upon reasonable notice, its duly authorized officers, representatives, and advisers for the purpose of questions, negotiations, and execution and delivery of Definitive Agreements. Any Bidder who is invited to finalize one or more Definitive Agreements will be expected to use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or appropriate to finalize, execute, and deliver such Definitive Agreements as promptly as possible.

2.10. Proposal Submission

In Appendix C, ESI has provided electronic Proposal Submission Forms that ESI will require Bidders to complete and submit to the RFP Submission E-mail Address and which will provide the information that ESI needs in order to evaluate proposals. These forms, along with Appendix D, provide detailed proposal submission instructions. The forms are grouped in individual Product Packages that correspond to the particular products requested by this RFP. A Bidder may submit one or more proposals, which may be alternatives to each other, but each alternative will be considered a separate proposal and will require the payment by Bidder of an additional Proposal Submittal Fee (except for combination proposals as described in Section 2.8 above).

Proposals will be accepted electronically from Bidders only between 8:00 a.m. CPT on Monday, November 13, 2006 until 5:00 p.m. CPT on Thursday, November 16, 2006. At the time of their submission, Proposal Submission Forms will be automatically screened for completeness and the Bidder will be notified automatically when the form has been received by ESI, including whether some required fields were incomplete or missing when the form was received.

3. PROPOSAL REVIEW AND OVERALL EVALUATION PROCESS

ESI intends to utilize a multi-step evaluation process, further detailed in Appendices E-1 and E-2 of this RFP, conducted in a carefully controlled manner, to review and select proposals that meet ESI's resource planning objectives at the lowest reasonable cost. The Evaluation IM will oversee the evaluation process to support ESI's efforts to ensure that the process is fair and objective. In addition, the Process IM will monitor the proposal evaluation and selection process in order to verify that it is objective and impartial to all Bidders, which will include monitoring the precautions taken to restrict access to proposal information only to appropriate members of the evaluation teams in order to preserve the confidentiality of information contained in the proposals. The process for protection of proposal information is further described in Appendix G.

Upon receipt of the proposals, the Process IM and the RFP Administrator, under the oversight of the Process IM, will review and assess each proposal to ensure that it conforms with the following **threshold requirements**:

- The Bidder must have completed properly an electronic Bidder Registration Form, which must have been submitted successfully by the Bidder and received electronically by ESI between 8:00 a.m. CPT on October 30, 2006 and 5:00 p.m. CPT on November 2, 2006.

- The Bidder must have paid all applicable Proposal Submittal Fees by 5:00 p.m. CPT on November 9, 2006.

- The Bidder's proposal(s) must be completed properly on the electronic submission forms provided and submitted successfully and confirmed as received by ESI between 8:00 a.m. CPT on November 13, 2006 and 5:00 p.m. CPT on November 16, 2006.

- The proposal must contain clear and complete pricing information as specified in the applicable Product Package (see Appendix C).

- The proposal must be signed by an officer or other similarly situated representative of the Bidder who is duly authorized to sign and submit the proposal.

- Each Bidder acknowledges that ESI will not negotiate any material terms in the applicable Model Contract unless (a) a resource is otherwise attractive but not physically capable of meeting a requirement specified in the applicable Model Contract, *and* (b) the Bidder has explained the fact of and basis for this situation in the Special Considerations section of its proposal.

Proposals that meet all of these threshold requirements shall move to the applicable proposal evaluation process.

ESI reserves the right either to (1) reject incomplete, non-conforming or unclear proposals from further consideration, or (2) communicate with Bidders to clarify proposal terms or request additional information. ESI will consult with the Process IM regarding any decisions it makes to reject proposals as incomplete, non-conforming or unclear and will do so before such decisions are final and communicated to the Bidders. ESI also will consult with the Process IM before communicating with any Bidder to seek clarification regarding the terms of a proposal or to request additional information. The Process IM will obtain and review copies of all written communications between ESI and Bidders in advance of ESI's issuance of such communications.

ESI expects that clarifications will be the exception and that Bidders will properly complete the electronic Proposal Submission Forms. In the event that ESI believes that it would be appropriate to contact a Bidder to obtain clarification or request additional information, the question will be submitted to the RFP Administrator, who will transmit the question in writing to the Bidder. The Bidder will then submit its written response to the RFP Administrator, who will consult with the Process IM regarding the redaction of identifying information and thereafter will submit the requested clarification to appropriate members of the evaluation teams. When such exchanges of information include confidential information, such exchanges will be conducted in accordance with the procedures described in Appendix G.

4. TRANSMISSION SERVICE AND TRANSMISSION DELIVERABILITY EVALUATION

The Deliverability Evaluation of the Fall 2006 RFP evaluation process seeks to analyze the potential for utilizing the generation and bulk transmission facilities of the Entergy System to deliver a balanced and diversified portfolio of resources resulting in the highest overall value to customers without materially degrading supply reliability. The methodology for the Deliverability Evaluation is intended to identify whether any transmission constraints exist for any proposals submitted in response to the Fall 2006 RFP.

For all products with the exception of the Three-Year Reserve Capacity MUCCO products, the Delivery Term will be evaluated in two parts separately: (i) the first year of the contract; and (ii) the remaining Delivery Term of the contract (consisting, when applicable, of the second year and beyond). The Three-Year Reserve Capacity MUCCO products will be evaluated based on the merits of the entire three-year Delivery Term of the contract. After the proposals initially are evaluated individually, select proposals will be evaluated in combination with other proposals that are grouped to form one or more proposal portfolios. The Deliverability Evaluation is described in more detail in Appendix E-2.

For Three-Year Reserve Capacity MUCCO products, a partial Deliverability Evaluation will be performed, as discussed in more detail in the latter part of this section. As part of that analysis, the Transmission Analysis Group ("TAG") will conduct the Individual Deliverability Analysis described in Appendix E-2. However, any Definitive Agreement for this product will be contingent upon the results of a System Impact Study to be performed by the Entergy TBU (or ICT, as applicable).[12]

For Displacement Proposals and for proposals that were not selected to meet the incremental resource needs identified in the RFP but that will be considered for displacement opportunities, any Definitive Agreement will be contingent upon the results of a System Impact Study to be performed by the Entergy TBU (or ICT, as applicable).

The Deliverability Evaluation generally utilizes publicly available transmission load flow model information posted on TBU's OASIS website (http://oasis.e-terrasolutions.com/OASIS/

[12] As ESI has discussed in previous RFP documents, the FERC has approved certain changes proposed by TBU to its Open Access Transmission Tariff ("OATT"), whereby TBU will contract with an independent entity, the Independent Coordinator of Transmission ("ICT") to oversee the administration of Entergy's OATT and undertake certain functions under that tariff. Those changes will have the ICT conduct certain studies for TBU, such as System Impact Studies. Throughout this RFP and its Appendices, Term Sheets, and Model Contracts, reference will be made from time to time regarding certain transmission studies that will be requested by ESI from TBU associated with proposals, and it may be the case that the ICT conducts certain of those studies for TBU notwithstanding any indication otherwise in this RFP and its Appendices, Term Sheets and Model Contracts.

EES), namely the Available Flowgate Capacity (AFC) and the seasonal load flow models. The various models and input files that will be used by the TAG in its analysis will be posted on the RFP Website prior to proposal submission. When sensitivity studies are performed to include certain identified upgrades, as discussed in more detail in Appendix E-2, these AFC models and seasonal cases also will be used to determine the effects of the changes to the transmission system contemplated in those sensitivity studies.

Upon execution of a Definitive Agreement,[13] ESI will request network transmission service for the awarded proposals from TBU. For proposals with one-year Delivery Terms, ESI will submit (a) monthly network transmission requests for each month of the Delivery Term for which transmission service can be requested through the AFC submittal process, and (b) a long-term request to obtain service for all remaining months of such Delivery Term.

For three-year, four-year and five-year Delivery Terms, ESI will submit (a) monthly network transmission requests for each month of the Delivery Term that transmission service can be requested through the AFC submittal process, and (b) a long-term request for the remaining years of the Delivery Term.

For the Three-Year Reserve Capacity MUCCO product, only a three-year request for network transmission service will be submitted. Definitive Agreements for both the Three-Year Reserve Capacity MUCCO product and the Hour-Ahead Peaking MUCCO product will be contingent on Transmission Service Study Results from TBU being received by and being acceptable to ESI in its sole and absolute discretion, no later than 30 days prior to the commencement of the Delivery Term.

5. CREDIT/COLLATERAL REQUIREMENTS

In addition to the economic evaluation of the proposals, each conforming proposal will be analyzed by the Credit Evaluation Team ("CET") to assess potential credit risks and collateral requirements. The credit evaluation seeks to assure that the Bidder's credit quality, combined with its proposal to ESI, complies with ESI's corporate risk management standards, and that any requirements for additional collateral or security associated with the proposal are identified. The critical credit risk management issue will be protecting the Buyer from the risk of a Bidder's non-performance over the duration of the contract. This risk is tied to the necessity to replace power and/or capacity from higher cost resources than the contracted-for resources should a supplier become unable to perform.

[13] Some long-term network transmission requests may be submitted to TBU in anticipation of the execution of a Definitive Agreement.

ESI has revised its credit risk management process and limits for exposure in this Fall 2006 RFP as detailed in Appendix F. This process is summarized below:

Bidder Requirements – ESI will evaluate all proposals on an economic basis and will not exclude or prohibit a potential Bidder from participating in the RFP on the basis of credit.

Maximum Uncollateralized Supplier Exposure – The CET will determine a Maximum Uncollateralized Supplier Exposure for each Bidder. The Maximum Uncollateralized Supplier Exposure will be a function of the Bidder Credit Rating. For example, a Bidder with a Bidder Credit Rating of AAA may be assigned a $100 million Maximum Uncollateralized Supplier Exposure limit, whereas a Bidder with a non-investment grade Bidder Credit Rating may be assigned a Maximum Uncollateralized Supplier Exposure of $3 million.

Collateral Requirements Upon Execution of a Definitive Agreement – In an effort to mitigate risks such as performance risk, construction risk, and the risk of replacing the contracted services at higher market prices, ESI is requiring all Bidders to provide acceptable collateral upon execution of a Definitive Agreement for specific product types as described in Appendix F. In this Final RFP, Figure F-3 has been revised to reflect that collateral requirements vary according to the Delivery Term of the Definitive Agreement. ESI will consider a variety of traditional forms of collateral as well as some non-traditional collateral such as liens on assets and step-in rights on a case-by-case basis and portions of Bidder's exposure to ESI as an offset to Performance Collateral Requirements.

Bidders should understand that the above mentioned collateral requirements are meant to help reduce the Buyer's credit exposure and that additional Seller representations, warranties, and indemnifications, and credit support to secure a Bidder's obligations with respect thereto, will be addressed in the Definitive Agreement. The credit and collateral requirements in Appendix F apply only to Bidders and are designed to protect the Buyer from the risk of a Bidder's non-performance.

6. NOTIFICATION OF EVALUATION RESULTS AND NEGOTIATIONS

ESI intends to select a mix of proposals for further consideration. Pursuant to the schedule presented in Section 2.1 above, ESI will contact each Bidder to notify it of the status of its proposal and whether additional discussions or negotiations are warranted.

The Process IM will participate in all elements of negotiations, if any, between ESI and Entergy Competitive Affiliates to ensure that the process is objective, impartial, and at arms-length. The Process IM also will monitor negotiations with third party Bidders, and ESI will hold regular meetings with the Process IM to inform her of the progress of such negotiations. To the extent that the Process IM requires additional information regarding negotiations with third party Bidders when she is not in attendance, ESI will provide that information.

Placement of a proposal on an award list or a shortlist does not indicate acceptance by ESI of any proposed contract terms. ESI shall not be bound to any obligations unless and until a Definitive Agreement is executed between the parties.

ESI intends to separate proposal awards for incremental resources into three categories:

- Primary award list for the incremental proposals – Each Bidder selected for the primary award list will be advised that its proposal has been selected based on its benefit to the Entergy System, and that ESI intends to begin discussions and negotiations immediately to procure the resource offered by that proposal. ESI will be prepared to contract for all of the proposals on the primary award list subject to successful negotiation of Definitive Agreements by the parties, consistent with the offered terms of the proposals.

- Secondary award shortlist for the incremental proposals – Bidders included in the secondary award shortlist will be advised that should ESI be unable to reach agreement with the Bidders included in the primary award list, ESI may contact Bidders included in the secondary award shortlist to begin discussions and negotiations. When notified of inclusion on the secondary award shortlist on or about March 2, 2007, Bidders will have the option of agreeing (in writing) to keep their pricing and all other terms and conditions of their original proposals open until March 30, 2007. Bidders that decline to do so will be removed from the secondary award shortlist. Bidders that agree will be notified on or before March 23, 2007, as to whether ESI intends to proceed with negotiations.

- Proposals that have not been selected for further consideration as an incremental resource due to proposal economics. Bidders with proposals in this category will be advised on or about March 2, 2007.

In consultation with the Process IM, ESI will develop and post on the RFP Website the process for awards for Displacement Resources and for proposals that were not selected to meet the incremental resources needs identified in the RFP but that will be considered for displacement opportunities.

7. REGULATORY APPROVALS, AND OTHER PERMITS, LICENSES, AND/OR APPROVALS

Certain of the capacity and/or energy resources selected as a result of this RFP process may require certification or other approval from the retail regulators of one or more of the Entergy Operating Companies, or may require authorization from the FERC under applicable law or regulations. Thus, the Definitive Agreement(s) with the selected Bidder(s) may be conditioned on, or provide a termination right with respect to the failure to obtain, any such Regulatory Approvals. Bidders should refer to applicable Product Packages for specific provisions regarding Regulatory Approvals. In addition, ESI reserves the right to require appropriate ratemaking treatment for Displacement Proposals and for proposals that were not selected to meet the incremental resources needs identified in the RFP but that will be considered for displacement opportunities.

Bidders will be responsible for having or obtaining all necessary permits, licenses, and/or approvals associated with their proposals, other than any necessary Regulatory Approvals involving regulatory jurisdiction over a purchasing Entergy Operating Company.

8. RESERVATION OF RIGHTS

A Bidder's proposal will be deemed accepted only when a Definitive Agreement has been executed and delivered by ESI (on behalf of one or more of the Entergy Operating Companies) or by any of the Entergy Operating Companies and by the chosen Bidder. Although ESI intends to enter into Transactions for resources that offer sufficiently attractive economic and/or reliability benefits to the Entergy System, ESI has no obligation to accept any proposal, whether or not the stated price in such proposal is the lowest price offered in the RFP process, and may reject any proposal, in its sole discretion, for any reason.

By participating in the RFP process, each Bidder agrees that (a) except to the extent of any representations and warranties contained in a Definitive Agreement, any and all information furnished by or on behalf of ESI or any of the Entergy Operating Companies in connection with this RFP is being or will be provided without any representation or warranty, express or implied, as to the accuracy or completeness of such information, and (b) except as otherwise provided in a Definitive Agreement, neither ESI, any Entergy Operating Company, nor any of their representatives or advisors shall have any liability to any Bidder or its representatives relating to or arising from the use of or reliance upon any such information or any errors or omissions therein.

This RFP does not commit ESI or any Entergy Operating Company to pay any costs incurred by the Bidder in the preparation of a proposal in response to this RFP, or to procure or contract for any products or services. ESI reserves the right to modify or withdraw this RFP, to negotiate with any or all qualified Bidders to resolve technical or contractual specifications, or to reject any or all responses and to terminate negotiations at any time. ESI, the Entergy Operating Companies and their representatives and advisors may, and expressly reserve the right to, at any time and from time to time, without prior notice and without assigning any reason therefor:

- cancel, modify or withdraw this RFP, reject any and all responses, and terminate negotiations at any time during the RFP process;

- discuss with any Bidder and its advisors the terms of any proposal submitted by the Bidder and obtain clarification from any Bidder and its advisors concerning the proposal (this will be done under the oversight of the Process IM as set forth in Appendix G);

- consider all proposals to be the property of ESI, subject to the provisions of this RFP relating to confidentiality, and subject to any confidentiality agreement that may be executed in connection with this RFP process, and destroy or archive any information or materials provided in the proposal submission process (currently, ESI intends to retain all proposal information until any related regulatory approval processes to which that information relates have been completed);

- request from any or all Bidders information that is not explicitly detailed in this RFP but which is necessary for evaluation of the proposal;

- determine which proposals to accept, pursue or reject;

- evaluate and consider opportunities to acquire resources offered outside the formal RFP process from parties who are not Entergy Competitive Affiliates, as such opportunities arise and which are compelling in terms of economic benefit to its rate payers, with the understanding that any decision to commit to these resources would be fully subject to any applicable review and approval by the appropriate regulatory bodies;

- reject any proposals that are not complete or contain irregularities, or waive irregularities in any proposal that is submitted;

- elect to not accept proposals that provide the lowest cost based on the criteria and analyses described in this RFP and Appendices E-1 and E-2, if a proposal review identifies issues detrimental to the Entergy System not specifically identified in the criteria and analyses described and after discussion of these circumstances with the Process IM and the Evaluation IM;

- determine which Bidders to allow to participate in the RFP process, including disqualifying a Bidder due to a change in the qualifications of the Bidder or in the event that ESI determines or believes that the Bidder has failed to conform with the requirements of this RFP;

- after consultation with staffs of regulatory commission(s) participating in overseeing the Fall 2006 RFP process and the Process IM, invite further submissions of proposals from all eligible RFP participants;

- conduct negotiations with any or all Bidders or other Persons; or

- sign one or more Definitive Agreements with any Bidder who submits a proposal or with any other Person or sign no Definitive Agreements related to this RFP.

If at any time ESI determines that there is a defect in the RFP process or a deviation from the requirements of this RFP, or that collusive or fraudulent bidding has occurred or appears to have occurred, ESI may suspend the RFP process in whole or in part as to any Bidder or Bidders. Prior to doing so, ESI will notify the staffs of regulatory commission(s) participating in overseeing the Fall 2006 RFP process and the IMs.

Under all circumstances, each Bidder is responsible for all costs and expenses it incurs in connection with the RFP process. Under no circumstances, including ESI's termination of the RFP process at any time, will ESI or any of the Entergy Operating Companies be responsible for any costs or expenses of any Bidder incurred in connection with the RFP process.