Report of the Independent Monitor

of the Entergy Services, Inc. January 2009 Western Region Request For Proposals (RFP) for Long-Term Supply-Side Resources

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I. Overview

A. Background

On January 11, 2010, Entergy Services, Inc. ("ESI"), acting as agent for Entergy Texas, Inc. ("ETI") announced that ETI had signed a Power Purchase Agreement ("PPA") with Exelon Generation Company, LLC ("Exelon") to purchase 150-300 MW of capacity and energy for a 10 year and 5 month term from the Tenaska Frontier Generating Station located in Grimes County, Texas. The PPA is subject to cost recovery approval from the Public Utility Commission of Texas ("PUCT"), a request for which has been filed as part of ETI's pending application to the PUCT for authority to change rates and reconcile fuel costs in Docket No. 37744.

ESI's announcement was the result of its January 2009 Western Region Request for Proposals ("Western Region RFP" or "RFP"), a market-based competitive procurement of power supply that resulted in the selection of the Exelon PPA. This report discusses the Western Region RFP in detail, including how ESI developed and administered it, and evaluated the proposals submitted by bidders. It also discusses the commercial negotiations with Exelon that produced the PPA contract.

ESI issued the Western Region RFP on January 15, 2009. The power supply sought by the RFP was based on the resource planning objectives of the Entergy System,[1] in particular those related to its westernmost portion known as the Western Region which is located entirely within the service territory of ETI. The RFP sought up to 550 MW of long-term load following capacity sourced from either existing or developmental combined-cycle gas turbine ("CCGT") resources, and required that generation bid into the RFP be physically located in the Western Region. The Entergy Operating Committee[2] determined that only ETI would participate in this RFP and designated the resources acquired to ETI.

[1] The Entergy System consists of the interconnected, coordinated, electric utility systems of the six Entergy Operating Companies – Entergy Arkansas, Inc., Entergy Gulf States, Louisiana, LLC, Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.

[2] The Entergy Operating Committee is composed of members designated by the chief executive officers of the six Entergy Operating Companies and by the chief executive officer of Entergy Corporation. Among other responsibilities, the Operating Committee makes RFP allocation and selection decisions.

The RFP was fully monitored by Elizabeth Benson of Energy Associates, who was retained by ESI to serve as the solicitation's Independent Monitor ("IM").[3] Since 2002, ESI has conducted competitive power supply RFPs that have procured over 6,100 MW of capacity for the Entergy System. ESI is required by regulatory rules in certain jurisdictions to retain an IM if it intends to test self-build or self-supply resources in an RFP, or if it allows Entergy competitive affiliates to participate in the solicitation. Although Texas does not require the retention of an IM for competitive power solicitations, ESI concluded that an IM would ensure that the Western Region RFP was conducted impartially and fairly.

Generally, the role of the IM in this RFP was to: 1) oversee the design and implementation of the RFP solicitation, evaluation, selection, and contract negotiation processes to ensure that they were impartial and objective; and 2) provide an objective, third-party perspective regarding whether the RFP treated all proposals consistently and did not provide undue preference to any bidder. The IM's responsibilities are described more fully in Section I.B. of this report.

In furtherance of the IM's role, this report addresses the development and administration of the RFP, bid evaluation and selection, and negotiation between ESI and Exelon to complete the PPA transaction. The report provides the IM's assessment of those activities, including whether they met ESI's obligations for fairness and impartiality, and avoided any undue preference toward any proposal.

B. IM Responsibilities

Beginning in September 2008 and continuing throughout 2009, the IM worked closely with ESI RFP team members and monitored all aspects of RFP development, administration and evaluation.

[3] Ms. Benson has served as IM for eight different power supply RFPs, all of which have been subject to state and, in some cases, federal regulatory oversight. Three of these RFPs, including the Western Region RFP, were conducted by ESI. Ms. Benson has no interest in the outcome of this or any other RFP, and has worked in no capacity other than as IM for ESI or any of the Entergy Operating Companies.

The IM's responsibilities included:[4] 1) reviewing and offering suggested changes to RFP procedures, documents, and timelines; 2) conferring with ESI on the structure and composition of RFP evaluation teams; 3) reviewing and, as needed, revising RFP confidentiality acknowledgements ("CAs"), ensuring that they were executed and adhered to by Entergy personnel participating in the Western Region RFP, and retaining copies of all signed CAs; 4) reviewing all proposal evaluation assumptions, models and procedures to ensure they would accomplish the RFP's objectives and guarantee fair treatment to all proposals; 5) participating in RFP technical conferences; 6) monitoring ESI's RFP bidder registration and proposal submission systems, including their procedures to mask the identities of bidders, generation resources, and proposals from RFP evaluators; 7) reviewing all proposals received by the RFP and overseeing and approving redaction of certain bid identifying information before releasing proposals to RFP evaluators; 8) overseeing the economic, transmission, and viability evaluations of all proposals; 9) monitoring RFP evaluators' clarifying questions to bidders and any communication between ESI and bidders; 10) monitoring all communications among RFP evaluators and participating in ESI bid evaluation and selection discussions; 11) participating in meetings between RFP personnel and PUCT staff, and providing updates to PUCT staff directly; and 12) monitoring negotiations between ESI and Exelon.

C. PUCT Staff Participation

ETI is one of four vertically integrated utilities in Texas, a state whose electricity market has largely been restructured into competitive retail electric providers and wholesale power generation companies, and regulated transmission and distribution companies. Texas does not have competitive power procurement requirements for vertically integrated utilities, although certain of the competitive RFPs that ESI has previously conducted for the Entergy System have secured capacity that has been allocated by the Operating Committee to ETI.[5]

[4] The IM's detailed Scope of Work for the Western Region RFP is posted on ESI's RFP Website.

[5] From the 2006 Fall Limited-Term RFP the following contracts were allocated to ETI: two 290 MW one year dispatchable PPAs from the Cottonwood facility; a 100 MW three year day ahead call option PPA from the Dow Pipeline facility; and one 100 MW three year day ahead call option from the Sabine River Works. From the Summer 2008 RFP, one 100 MW one year day ahead call option PPA from the Sabine River Works was allocated to ETI.

Despite the absence of formal competitive procurement rules in Texas, the IM believed it important to discuss the Western Region RFP with PUCT staff and inquired in December, 2008 how ESI and ETI planned to inform staff about the solicitation and determine what level of participation staff wished to have.

ESI and ETI believed it would be beneficial to provide staff with a thorough briefing before the RFP was released to the public. ETI organized a meeting with PUCT staff to provide information on the RFP's objectives and provisions, and to solicit staff's feedback. The meeting, which was held at the PUCT's offices in Austin on January 8, 2009, was attended by ESI RFP personnel, ETI representatives, PUCT staff, and the IM.

ESI's briefing addressed both the framework and details of the RFP. It described the resource supply objectives of the Entergy Operating Companies, and the prevailing Western Region resource profile that led to the decision to conduct the RFP. It discussed ESI's market-based approach to procuring power, and the key elements of the RFP, including the requirement that resources be located within the Western Region to be eligible. It outlined solicitation mechanics, including how bidders would be informed about and be able to ask questions about the RFP, how proposals would be submitted, and how the RFP timeline was expected to unfold. ESI noted that the RFP was seeking flexible load-following resources for either long-term PPAs or for outright acquisition. It described the proposal evaluation process, including the different analyses RFP evaluators would perform, how different parts of the evaluation would interact, and how bidders would be informed about their status. The briefing also described the role of the IM, including how the IM would oversee all aspects of the RFP's design, administration, and evaluation.

Staff responded with interest to the briefing, and indicated that it would periodically monitor the solicitation. This report will note both staff's involvement with ESI during the RFP and any progress updates the IM provided directly to staff.

D. Organization of this Report

This report has five sections. Section I is this overview. Section II discusses RFP safeguards, developing RFP procedures and documents, communicating with potential bidders, implementing the RFP, registering, receiving, reviewing, and redacting proposals, and releasing

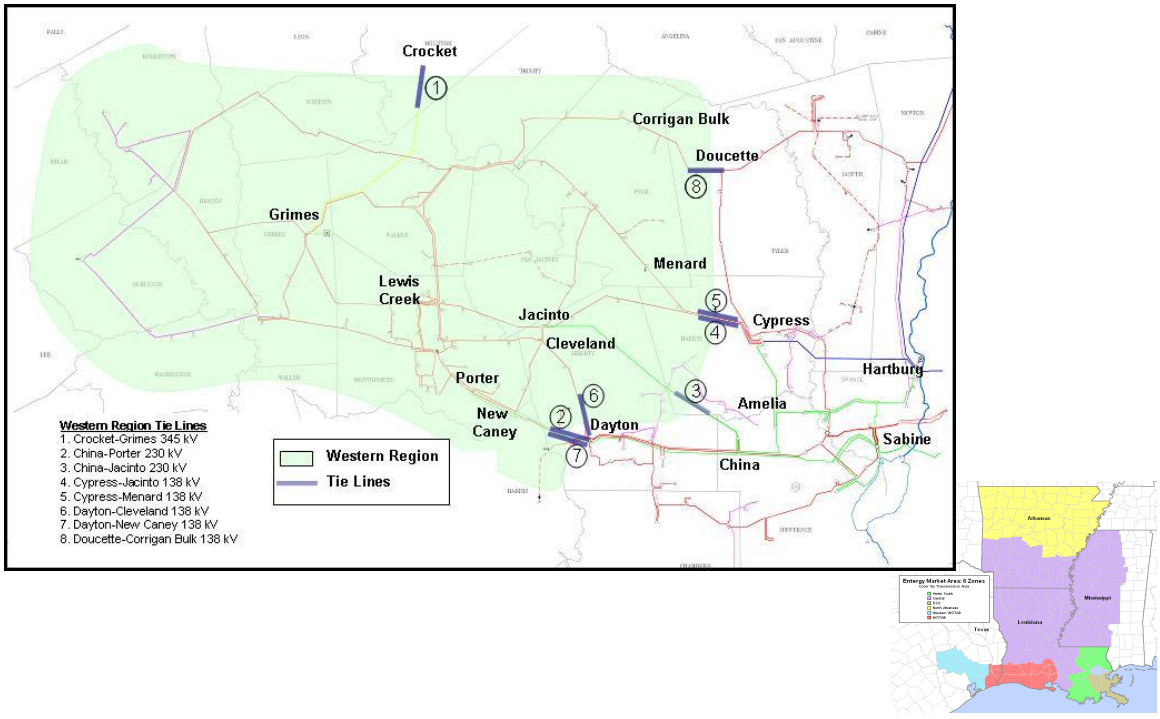
them to the RFP evaluators. Section III discusses the RFP evaluation, including its components, procedures, models, and outcomes. Section IV discusses commercial negotiations. Section V presents the IM's conclusions regarding the overall fairness and objectivity of the RFP. Throughout the report, the IM comments on her monitoring role, and on how the RFP was conducted by ESI.

II. Developing and Implementing the RFP

A. Resource Needs

ESI required all proposals bid into the RFP to be sourced from generation that was physically located in the Western Region of the Entergy System. The Western Region is generally located west of the Trinity River in Texas, and is entirely within the service territory of ETI. Western Region boundaries and their location within the Entergy System are illustrated in Table 1.

Table 1: Western Region of the Entergy System



ESI limited resources in this RFP to the Western Region in response to a number of issues. The Western Region has experienced above average load growth, and, because it is located in the

Houston area, that growth is expected to continue. There is limited existing generation in the region to serve growing load – ETI's Lewis Creek Facility and Tenaska's Frontier Station were the only units on line early in 2009, while the East Texas Electric Cooperative was scheduled to bring the San Jacinto peaking facility into commercial operation in 2009. The Western Region relies heavily on resources imported from other parts of the Entergy System and the Eastern Interconnection, but those resources are not always available due to limitations in import capability. The Western Region is surrounded on the south, west, and north by the Electric Reliability Council of Texas ("ERCOT"), but supply options are not available from ERCOT due to its separation from the Eastern Interconnection.

Sourcing power from generation located in the Western Region would, in ESI's view, increase overall system reliability, reduce transmission losses by limiting the need to import power from other regions, improve voltage support through the use of a local resource, and improve the economics of power supplied to ETI customers.

The IM sought confirmation of these facts and additional detail in a separate discussion with ESI and was satisfied based on this discussion that ESI's analysis of conditions leading it to limit the RFP to generation located in the Western Region was well documented and reasonable.

To address Western Region needs, the RFP sought up to 550 MW of load following, flexible capacity sourced from either existing or developmental CCGT generation. The RFP stated a preference for a delivery term of from 20 years to the life of a unit, but also indicated that a shorter delivery term would not be considered non-conforming with RFP specifications. The RFP also stated a preference for long-term tolling PPA or ownership acquisition products to enhance Entergy operational control and commercial flexibility, but welcomed other CCGT products.

ESI prohibited Entergy competitive affiliates from participating in this RFP, but otherwise invited proposals from all suppliers able to meet the needs identified in the RFP. This included electric utilities, and unaffiliated wholesale generators, independent power producers, marketers, and Qualifying Facilities ("QFs").

Because of limited existing generation resources in the region, ESI believed it likely that some bidders would submit proposals sourced from developmental resources. To accommodate that expectation and the time it would take to permit and construct a CCGT resource, the RFP targeted a proposal start date of June 1, 2014. At the same time, the RFP stated that it would give full consideration to proposals with an earlier start date.

B. Self-Build Option

To ensure it would have an option to address Western Region needs for reliability, availability, and cost-effective supply, ESI announced its intention to propose a self-build generation option in this RFP and compare it to proposals from third-party suppliers.

The self-build option was a new CCGT unit located at ETI's Lewis Creek site in Willis, Texas. The new unit would join two existing Lewis Creek units and would consist of two "F" class combustion turbines, two heat recovery steam generators, and one steam turbine generator and associated auxiliary equipment. If constructed, the unit would be scheduled to come on line by June 1, 2014.

ESI identifies self-build generation concepts as part of the resource planning activities it performs for the Entergy System in its Strategic Supply Resource Plan ("SSRP"). That is, self-build concepts are the result of analyses identifying overall needs for generation to address economic, reliability, availability and other Entergy System requirements. Depending on the outcome of a competitive RFP, these needs may or may not be met by a self-build project, but it is ESI's practice to preserve the potential that a self-build option can be implemented if market proposals prove not to be successful.

Actual self-build proposals are developed and sponsored by a Self-Build Commercial Team ("Self-Build Team"), a group of employees who operate as a development team within ESI and are functionally separated from the RFP. Self-build proposals are subject to RFP protocols to ensure that they are developed separately from the RFP, and that they are given no undue preference in the RFP or the RFP evaluation. It is the IM's responsibility to oversee compliance with these protocols throughout the RFP.

C. Notifying Potential Bidders

ESI announced its intention to conduct the Western Region RFP on September 15, 2008 in a notice to all interested parties that was posted on its RFP Website, published in Platts *Megawatt Daily*, and sent electronically and by first class mail to several hundred power suppliers doing business in Texas and the south central region.[6]

The notice, which was published approximately three months before ESI planned to issue the RFP, informed interested parties that ESI would require proposals to originate from CCGT resources located in the Western Region and was intended to provide adequate time for a bidder proposing a new resource to prepare its proposal. In that regard, the notice directed developers to a list of questions posted on Entergy's RFP Website that addressed a new resource's economic, operational, transmission, fuel, environmental and project status. ESI stated that it would use bidders' responses to these questions as part of the RFP evaluation. The notice informed developers that they would be required to initiate Large Generator Interconnection Procedures ("LGIP") through an interconnection application, and submit confirmation of a valid interconnection request from Entergy's Independent Coordinator of Transmission ("ICT") with their bids.

The notice also provided information on RFP products and term, resource volume and operating requirements, and announced ESI's intention to propose a self-build option.

The IM strongly supported this notice. It gave developers reasonable lead time to consider whether to bid a new CCGT construction project into the RFP, informed them of essential transmission interconnection requirements over six months before proposals were expected to be due, and directed them to information that the RFP would use to measure their project's developmental status. The IM reviewed both the notice and the list of questions for developers. She suggested clarifications and several edits, all of which were accepted by ESI and published in the notice.

[6] ESI provided direct notice to a lengthy list of potentially interested parties. In addition to wholesale developers and suppliers active in the region, the list included all Retail Electric Providers then doing business in Texas.

As it turned out, there was an approximate one month delay in posting the full RFP due to considerations related to the Fall 2008 national financial crisis, but the delay had no material effect on the RFP's requirements or schedule.

D. RFP Safeguards

The Western Region RFP put in place important safeguards to protect commercially sensitive information, and to ensure that all proposals would receive fair and impartial treatment. These safeguards applied to all RFP participants and were closely monitored throughout the RFP by the IM. They were specified in detail in published RFP documents and, as pertinent, discussed with bidders, RFP personnel, and regulatory staff during the course of the solicitation. The safeguards included both procedures to ensure confidential treatment of RFP information and protocols defining who would have access to which information, how information would be handled, and how bidders would interface with the RFP. Key RFP safeguards are described briefly below.[7]

1. Confidentiality Acknowledgements

All Entergy personnel involved with the Western Region RFP signed confidentiality acknowledgements ("CAs") that governed their access to and uses of RFP proposal information. The CAs were tailored to different groups in accordance with their RFP responsibilities and related requirements for information. For example, proposal evaluators signed CAs acknowledging their obligation to protect the confidentiality of non-public information they would receive in connection with the RFP, while the Self-Build Team and its designated technical support team signed CAs acknowledging that they were restricted from participating in the RFP's development, administration, and evaluation.

The IM reviewed each different CA form and suggested certain clarifications and edits – all of which were adopted by ESI and incorporated into the CAs. After the CAs were executed, the IM received and retained copies of all participants' signed documents.

[7] All safeguards and information protections are described in detail in the RFP documents.

2. Information Protocols

To control how information was received and used, ESI designated an "RFP Administrator" to manage most RFP communications. With limited exceptions,[8] bidders were required to direct all RFP questions, requests, and other inquiries to the RFP Administrator in writing. The RFP Administrator was the only ESI employee authorized to receive and handle RFP communications from bidders throughout most of the RFP and, exclusively, from the date RFP documents were published in January, 2009 until the preliminary shortlist was selected in June, 2009.

The RFP Administrator also managed a public RFP Website that was used for most general inquiries and other communications with bidders. The RFP Website provided an easily accessible and transparent forum which ensured that RFP questions and answers pertinent to all parties would be simultaneously and equally available to them, while keeping inquirers' identities confidential.

The RFP Administrator was responsible to ensure that bidder, resource, and proposal identifying information was appropriately redacted before releasing information to evaluators. During proposal evaluation, the RFP Administrator managed all proposal clarification communications between RFP evaluators and bidders and ensured that identifying information was appropriately redacted.

The IM worked closely with the RFP Administrator throughout the RFP. She ensured that all proposal information, questions, and requests for information between the parties were appropriately redacted, reviewed and commented on responses before they were posted on the RFP Website or communicated to evaluators, and ensured that communications with bidders were handled at arms length and all commercially sensitive information was protected.

Before the RFP was published, the IM reviewed the employees designated by ESI to work on the RFP and the self-build proposal to ensure that these individuals were separate and different, that they did not possess material non-public information that could provide an undue advantage to

[8] For example, bidders with inquiries about the Entergy transmission system were required to communicate directly with the functionally separate transmission organization through its OASIS website as required by the Federal Energy Regulatory Commission. Bidders were also able to communicate directly with RFP personnel during a technical conference, and free to communicate with the IM at all times about any RFP issue.

any RFP proposal, including the self-build proposal, and that their participation in the RFP complied fully with their CAs, Texas affiliate rules, and Federal Energy Regulatory Commission ("FERC") Codes of Conduct and Standards of Conduct, as applicable.

RFP evaluation teams focused on different aspects of each individual bid and each team received only the information it needed to do its job. For example, economic evaluators received a confidential report containing only bid economic information, while transmission evaluators received only bid transmission information. Finally, the information evaluators received masked the identity of bidders, generation resources, and proposals by replacing names with randomly generated identification numbers that bidders received when they registered their RFP proposals, and that were used in all proposal documents and communications throughout the RFP.

E. RFP Documents and Procedures

In mid-December, 2008, the IM met with ESI to discuss and provide initial feedback on all proposed administration and evaluation procedures for the Western Region RFP. After this meeting, ESI sent draft copies of all RFP documents to the IM for detailed review and comment. The purpose of this review was to ensure documents and procedures were fair, thorough and clear, and that they provided no undue preference to any bidder. The documents fully described all aspects of the RFP including: 1) Western Region's resource needs and the products ESI was seeking to address those needs; 2) detailed bid forms and a summary of principal commercial terms for each product; 3) the timeline for RFP activities; 4) the different RFP evaluation teams and the economic, production cost, transmission, viability, and credit evaluations each team would perform;[9] 5) the self-build option ESI would consider and the protocols in place to wall it off from the RFP; and 6) information on RFP bidder registration and proposal submission processes.

The documents also described procedures to protect both commercially sensitive information and the identity of bidders and proposals during the evaluation. They described the role of the IM and how bidders could reach the IM if they chose to do so. They discussed RFP procedures to safeguard against preferential access to information, or unfair or improper advantage in

[9] The details of these evaluations are described later in this report in Section III. Proposal Evaluation.

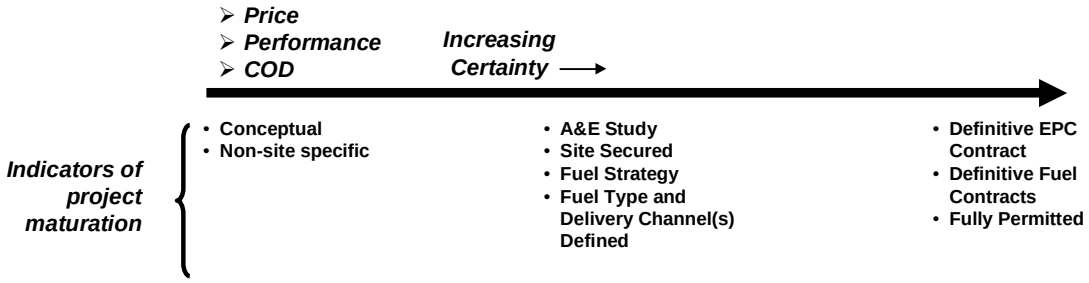
consideration of any bid, including the self-build proposal. They included a confidentiality agreement that would be available to ESI and bidders in the event they determined they needed to share highly sensitive information that went beyond the confidentiality protections already provided by RFP procedures.

Many of the procedures in the Western Region RFP had been vetted in previous competitive procurements and were updated or adapted to address Western Region requirements. However, unique to this RFP was the relative lack of generation in the region, which made it more likely that bidders would submit developmental proposals. This consideration required close attention and influenced the RFP in several important ways.

First, ESI added a section to the RFP that addressed special considerations for developmental resources. For example, it described interconnection and other transmission requirements for new resources and informed bidders that their proposals would be non-conforming if they failed to initiate LGIP interconnection procedures through the ICT and submit confirmation of that fact with their bids. It also discussed unit operational and performance requirements and preferences to ensure that new generation would be able to provide load following flexibility. These included cycling capabilities, utilization and output levels, fuel supply components, and other attributes that would enhance a proposal's usefulness to the Entergy System.

Second, ESI recognized that new resources from different bidders were unlikely to be at the same stage of development, and that differences in development would influence how firm cost, performance, and commercial operation date ("COD") estimates would be. This range of development was illustrated in the RFP and is reproduced here in Table 2.

Table 2: Range of Development



Recognizing that resources at a more advanced stage of development would likely provide greater price and performance certainty, the RFP also made it clear that developmental uncertainty would not necessarily disqualify them from consideration.

Given the likelihood of developmental uncertainty, a remaining issue was how evaluators could determine each resource's development status and track changes in that status throughout the RFP. Both ESI and the IM had had experience dealing with developmental resources in previous RFPs, and both believed that it was important for evaluators to be able to assess developmental status fairly, accurately, and at different stages of their review. In the language of the RFP this came to be known as a "viability" assessment. The key practical impact of the viability assessment would be its ability to help evaluators determine whether resources with attractive economics could, in fact, deliver on those economics.

For developmental resources, the viability assessment would determine the resource's likely ability to meet the June 1, 2014 COD, and how well its fuel, environmental, technical, and commercial plans were aligned with the requirements and preferences of the Entergy System. For existing resources, the viability assessment would conduct a due diligence review to evaluate how well their operating capabilities and experience conformed with Entergy System requirements and preferences.

Because evaluating the viability of both developmental and existing generation required considerable professional expertise and judgment across a range of disciplines, ESI proposed codifying the assessment into a new RFP evaluation team, the Viability Assessment Team ("VAT"). The VAT would be composed of ESI experts who would assess both developmental and existing resources in two different phases of the RFP evaluation and combine their work with that of the other evaluators to identify the proposal that best addressed the needs of the Western Region.[10] The IM would monitor and, as needed, provide input to the VAT's work to ensure an objective and impartial review. After careful consideration of ESI's VAT proposal and how she would be oversee its implementation, the IM recommended several clarifications – that were adopted by ESI – and agreed to the amended text and procedures.

[10] The VAT's responsibilities are described more fully later in this report in Section III. Proposal Evaluation.

Overall, the IM conducted two full reviews of all RFP documents, discussing all aspects of the solicitation's implementation and evaluation with ESI, suggesting certain edits and clarifications, and, as noted, working with ESI to establish the VAT's role as a new and integral part of the RFP evaluation.

ESI posted complete and final RFP documents to the RFP Website on January 15, 2009, and notified its list of interested parties electronically about the posting. Platts *Megawatt Daily* followed the posting with full RFP coverage.

F. RFP Technical Conference and Bidder Questions

On February 18, 2009, approximately four weeks after the RFP was posted, ESI held a technical conference by telephone to review the RFP with potential bidders and respond to their questions. Representatives from eleven (11) power suppliers participated in the teleconference. The PUCT staff also attended the teleconference and monitored the discussion.

ESI provided a detailed briefing on Entergy System needs, proposal terms and conditions, the RFP evaluation process, the RFP timeline, and bidder registration and proposal submission processes. The IM discussed her role in the RFP, and outlined the RFP safeguards that were in place to ensure fair treatment of all proposals. Following the briefings, potential bidders asked questions about the RFP. ESI responded to all questions during the technical conference, but also posted each question and answer, as well as all conference presentation materials, to the RFP Website to ensure that all parties would have equal, complete, and ongoing access to the information.

Starting with the RFP's mid-January RFP Website posting, and continuing through the technical conference in mid-February and the beginning of bidder registration at the end of March, potential bidders submitted thirty-one (31) questions about the RFP. The RFP Administrator handled each according to the RFP's confidentiality, transparency, and IM protocols, secured answers, and posted all questions and answers to the RFP Website.

G. Bidder Registration and Proposal Fees

Between March 30 and April 2, 2009, all bidders, including the Self-Build Team, registered their proposals by accessing a designated RFP web portal and providing required contact, company,

plant, and product proposal information. Successfully registered bidders received three sets of randomly generated numbers identifying them ("the bidder ID"), the generation plant or plants they intended to bid ("the resource ID"), and each of their proposals ("the proposal ID"). These numeric identifiers replaced bidder names and other identifying information in all RFP documents and communications used by evaluators beginning with bidder registration and continuing throughout most of the RFP.[11]

ESI invoiced market bidders[12] a $5,000.00 submittal fee for each of their registered proposals, and required that all fees be paid before bidders could submit their proposals. All market bidders submitted the proper fees without difficulty and on time.

Beginning with proposal registration and continuing through proposal submission, the RFP Administrator maintained an RFP Hotline to respond to bidders' technical questions on how to register proposals, pay proposal submittal fees, and submit proposals. The Hotline was a useful backup safeguard for any bidder uncertain about submittal procedures, or experiencing difficulty submitting registration or proposal information through the web portal.

H. Proposal Submission, Review, and Redaction

Because of the presence of the self-build proposal, the RFP handled proposal submission in two steps. The RFP required that self-build proposal information be submitted through the web portal prior to the receipt of any market proposals. This was a matter solely of timing, not content; the self-build proposal was required to submit the same information using the same forms as any market bidder. The procedure was put in place to ensure that the self-build proposal could neither in fact nor in appearance be able to benefit from proposal information that would be provided later by market bidders. The IM established April 10, 2009 as the due date for the self-build proposal, ahead of the April 13-16, 2009 proposal submission dates for market proposals.

Using its numeric ID numbers, the Self-Build Team submitted detailed project information to the RFP web portal on April 10, and, separately and confidentially, sent the same information to the

[11] Although RFP protocols allowed certain evaluators to learn the identity of bidders at different stages of the RFP evaluation, numeric IDs were used in all communications throughout the evaluation.

[12] ESI did not collect a submittal fee from the self-build proposal.

IM, the RFP Administrator and to ETI counsel. Self-build proposal information was held securely in the RFP proposal database to await proposal information submitted by market bidders. It was not seen by any RFP evaluator until it was released along with all other proposal information following redaction and IM review and approval.

Market bidders submitted their proposals through the RFP web portal beginning April 13, 2009 and concluding at 5:00 p.m. on April 16, 2009. The information from each proposal populated an RFP proposal database, which contained separate reports for the economic, transmission, viability, and credit evaluation teams, each of which held only the proposal information each team was authorized to receive. The database also created a report containing special considerations noted by bidders in their proposals. This report provided clarifications or additional information bidders wished to provide about their proposals, or, in accordance with RFP protocols, exceptions they wished to take to RFP term sheet requirements. A separate report containing complete and unredacted information from all proposals, including the identity of each bidder, was created for the IM and the RFP Administrator only. All proposal information was held securely in the database until the IM and RFP Administrator accessed it following the April 16 proposal deadline.

By the same deadline, bidders provided documents to the RFP Administrator via email attachment or express mail that addressed the RFP's clarifying questions for developmental resources and preliminary due diligence questions for existing resources.

Immediately after the proposal submission deadline, the IM and RFP Administrator conducted a review of the threshold requirements for each proposal that were stated in the RFP. As part of this review, they submitted each proposal to RFP transmission evaluators for verification that all proposals were sourced from generation located or under development in the Western Region. The transmission evaluators determined that one bidder had submitted a proposal from a resource located outside the Western Region. Following consultation with the IM, ESI declared the proposal non-conforming with RFP requirements and rejected it from consideration. The RFP Administrator notified the bidder of its rejection and refunded the bidder's submittal fee. With this one exception, all proposals met the RFP's threshold requirements, including that each

developmental proposal had initiated the required LGIP interconnection application and submitted confirmation of that fact.

The IM and the RFP Administrator reviewed all proposal information submitted by bidders and, as needed, redacted each report and document to remove unauthorized identifying information. The review included all web portal reports, special considerations, clarifying question responses, and due diligence documents from developmental and existing resources. The IM and RFP Administrator also determined whether certain special considerations and/or clarifying or due diligence information needed to be provided to RFP evaluators at that time or held for review later in the RFP.[13]

At the end of this review, the IM authorized the RFP Administrator to release redacted proposal information from the conforming proposals to each designated RFP evaluation team. On April 19, 2009, evaluators received proposal information for the first phase of the evaluation. A brief summary of all conforming proposals[14] appears immediately below in Table 3.

Table 3: Conforming Proposals

Number of Bidders	**4**
Number of Generation Resources	[redacted]
• **Developmental Resources**	[redacted]
Number of Proposals	**7**
• **PPAs**	[redacted]
• **Ownership Acquisition**	[redacted]

[13] Special considerations containing pricing or other information relevant to the first phase of the evaluation were provided to the appropriate RFP evaluator. Other information on, for example, proposed commercial terms, or certain detailed developmental or due diligence responses, was held for review later in the evaluation.

[14] This summary includes both self-build and market proposals.

I. Comments

During the RFP's development and implementation, it was the IM's responsibility to ensure that it accurately represented the needs of the Entergy System, encouraged a robust response from the competitive wholesale market, included procedures to ensure objective analysis of all proposals, and provided adequate information to bidders on how their proposals would be evaluated. Based on my close oversight of all development and implementation activities, I conclude that the RFP adequately addressed these issues. The following observations support this conclusion:

- The Western Region RFP was aligned with the resource needs of the Entergy System and made information on those needs available to bidders. The RFP adequately demonstrated that the Western Region required resources to support reliability, load, and voltage requirements, and to improve the economics of power supply by decreasing dependence on existing, older generation. The RFP described these needs and provided bidders access to additional regional and system resource planning information from Entergy's Summer 2008 SSRP, which was posted to the RFP Website.

- The RFP described Entergy System operating requirements and requested different product options to address those requirements. The RFP described the Entergy System's requirement for flexible capacity to enhance load following, and its preference (although not requirement) for units equipped with Automatic Generation Control ("AGC"). It requested both PPA and ownership acquisition products sourced from load following CCGT generation. It requested up to 550 MW of capacity and a preferred delivery term of 20 years to the life-of-a-unit, but allowed bidders to exercise reasonable flexibility in both capacity amounts and proposed delivery term.

- Potential suppliers received early notice about the RFP and had the opportunity to get meaningful information about it. ESI sent a substantive RFP notice directly to a large number of potential suppliers six months before proposals were expected to be due. The notice was also posted on a public RFP Website and reported in the energy trade press. When RFP documents and procedures were published, potential suppliers were encouraged to ask questions about the documents, and to attend an RFP technical

conference that provided a full briefing on all aspects of the solicitation and another opportunity to ask questions about it.

- The RFP's requirement that proposals be sourced from in-region generation was reasonable and well documented. The related expectation that a number of proposals would be sourced from developmental resources was supported with information to help developers prepare their bids. ESI documented the reasoning behind its resource eligibility requirements in the RFP and discussed it during the RFP technical conference. Because of the relative lack of existing in-region generation and the expectation that bidders sponsoring developmental projects would bid into the RFP, ESI provided early notice of the RFP to potential bidders and included detailed information on bid requirements for developmental projects in the notice and, later, in the RFP.

- ESI organized and staffed the RFP to safeguard data and ensure a fair and arms length consideration of all proposals. All RFP participants signed CAs requiring them to protect proposal information and the integrity of the RFP process. Although it was not completely possible to mask identity in all cases, bidder, resource, and proposal names were replaced by numeric identifiers, and other identifying information was carefully redacted. Evaluators performed discrete and separate functions and were provided only with the information they needed to do so. The IM reviewed all evaluators designated to participate in the RFP to ensure that they did not possess material non-public information about any proposal, and that they would otherwise maintain the protocols and safeguards of the RFP.

- The self-build proposal was described and self-build proposal submission and evaluation protocols were identified. The Self-Build Team was walled off from participating in any aspect of RFP development, administration, and evaluation and was required to submit its proposal to the RFP ahead of any market proposal. Other than these modifications designed to protect market bids, the self-build proposal was treated like any other proposal, including that its identity was masked from evaluators, and that it was evaluated at the same time using the same models and procedures as the market bids.

- Bid registration and submission procedures were fair and described fully. All bidders complied with the same procedures, with the exception that the Self-Build Team was required to submit its proposal several days before other bidders submitted theirs. All bidders successfully complied with RFP registration and bid submission procedures. The RFP Administrator provided backup support through the RFP Hotline.

- The RFP documents described the proposal evaluation clearly. The evaluation process, the different evaluation procedures, and the evaluation timeline were described in detail in written documents posted on the RFP Website, and during the RFP technical conference. Evaluation model assumptions and inputs were discussed with the IM but were otherwise confidential and proprietary. The evaluation process itself was substantially transparent and disclosed to bidders how and when price and non-price factors would be considered in the review of their proposals.

III. Proposal Evaluation

A. Evaluation Process

The goal of the Western Region RFP evaluation was to identify and select the proposal that best addressed the Entergy System's reliability and resource objectives at the lowest reasonable cost. The evaluation was carefully structured to accomplish that goal and to treat all proposals fairly and objectively. The evaluation was conducted in two phases, which are described briefly here and in greater detail below.

Phase I was a preliminary assessment of all proposals. It included fundamental economic and net system benefit analyses performed by the Economic Evaluation Team ("EET"), a resource location analysis performed by the Transmission Analysis Group ("TAG"), and a resource "fatal flaw" analysis performed by the VAT. At the end of the Phase I analysis, ESI selected proposals to a preliminary shortlist, a designation of those proposals that would remain under consideration and be subject to additional analysis based on their economic attractiveness and viability.

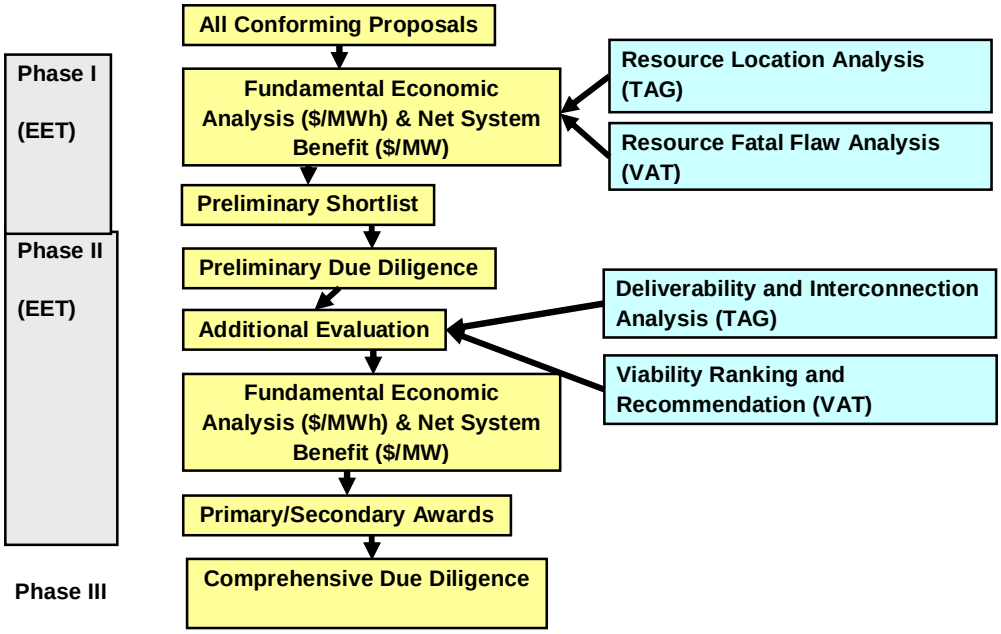
Phase II evaluated proposals selected to the preliminary shortlist in detail. During Phase II, the TAG performed interconnection and deliverability analyses, which integrated information received from two independent third parties. The VAT performed a viability assessment of the

four developmental resources and a due diligence assessment of the existing resource, and ranked all the resources. Using updated proposal information provided by shortlisted bidders, the EET refreshed its fundamental economic and net system benefit analyses and integrated information from the transmission and viability analyses of the TAG and the VAT to provide a comprehensive assessment of how each proposal was projected to satisfy the supply requirements of the Entergy System. At the end of the Phase II analysis, ESI selected the Exelon proposal for award because it best met those requirements.

Phase III of the evaluation was reserved for comprehensive due diligence and contractual negotiations between ESI and the proposal selected for award. In this RFP, Phase III consisted of an arms-length negotiation of commercial terms between ESI and Exelon.

The RFP proposal evaluation process is illustrated in Table 4.

Table 4: Proposal Evaluation Process



The following subsections describe the responsibilities of the EET, TAG, and VAT evaluation teams more fully, and discuss the role of the Credit Evaluation Team ("CET").

1. Economic Evaluation Team

In both Phases I and II of the RFP, the EET was responsible to provide a quantitative estimate of the economic benefits of each proposal and to rank the proposals based on those benefits. In the Phase I screening evaluation, the EET performed two economic analyses – a fundamental economic analysis and a net system benefit analysis. In the Phase II detailed evaluation, the EET incorporated cost and operating information from the TAG and the VAT into its refreshed economic analyses and ranked proposals according to how well they addressed the system objectives of reliability, operating flexibility, and lowest reasonable cost.

To ensure consistency, EET models used what ESI terms point-of-view ("POV") assumptions for certain model inputs. POV assumptions included fuel commodity price, emissions, and inflation factors that were based on Entergy System internal forecasting and planning information. POV assumptions were not static in all cases; they could be replaced by proposal information early in the evaluation if that information was compelling and documented, and if the IM agreed, and later in the evaluation as specific information about each proposal became available and was verified by evaluators.[15] The IM discussed all POV assumptions with the EET before bidders submitted their proposals, and concluded that they were reasonable, in line with independent third party sources, and, as appropriate, based on current industry norms.

For its core analyses, the EET used cost information from bidders' proposals, and from bidders' responses to clarifying questions they received from RFP evaluators communicating through the RFP Administrator. For PPAs, cost information included option premium, fixed operations and maintenance ("O&M"), fuel, variable O&M, emissions costs, and start charges. For acquisitions, costs included the acquisition price and associated revenue requirements, fuel, fixed and variable O&M, emissions and start charges.

The EET separately received information on the delivered cost of gas from a fuel expert who was a member of the VAT. The fuel expert reviewed pipeline, hub, and resource location information for each proposal that the EET did not have, and calculated a natural gas delivery cost factor for

[15] For example, a POV heat rate assumption was used for Phase I ownership offers. PPA heat rates were modeled "as bid." Phase II contemplated that heat rate estimates could be updated based on the VAT's in depth evaluation.

each proposal that the RFP Administrator provided to the EET. Similarly, the VAT informed the EET whether resources were located in attainment or non-attainment areas, a designation that affected environmental costs.

The EET's fundamental economic analysis used a spreadsheet model to compare the fixed and variable cost of each proposal on a $/MWh basis to reflect its levelized cost over the 30 year period being evaluated. The model used "as bid" information from each proposal, POV assumptions, and certain operating assumptions (e.g., capacity factor and number of starts) to determine the levelized cost of each proposal over the term. The model added estimated pre- and post-delivery costs to the stream of costs for proposals whose term did not completely overlap the 30 year study period so all proposals would be evaluated over the same term. The pre- and post-delivery costs were based on market forecasts and simulated the costs ESI would expect to incur if it bought power from the market before the term of the proposal and if it constructed a replacement CCGT resource after the term of the proposal.

The IM met with the EET on February 19, 2009 to review the spreadsheet model and discuss how it would handle assumptions, forecasts, and proposal information, and concluded that it would assess all proposals fairly and objectively. The model was straightforward, flexible, and treated all proposals consistently, including those offering different terms and products.

The net system benefit analysis used PROSYM software, a production cost modeling product, to estimate the fuel and variable cost impact of each proposal on the Entergy System over the term of the RFP. PROSYM simulates the commitment and dispatch of utility generation and projects the production cost of meeting the utility's load on an hourly basis given system operating and delivery characteristics. PROSYM estimated the impact of each proposal on the Entergy System by comparing its proposed fuel and variable costs during each year of its term to the projected fuel and variable costs of the Entergy System over the same period and determining the benefit of the proposal, if any. Projected Entergy System costs were based on a system base case[16] developed by ESI that included existing Entergy System generation, units under construction and

[16] Due to the projected exit from the Entergy System of Entergy Arkansas and Entergy Mississippi, the base case included 6 operating companies until 1/1/2014, and 4 operating companies beginning 1/1/2014 and continuing through the end of the 30 year term being studied.

projected to be in service, third-party power contracts that were in place during the period being evaluated, and the forecasted cost of energy purchased from third parties on an hourly basis or in daily, weekly, and monthly blocks.

On March 26, 2009, the IM met with the EET to discuss the PROSYM evaluation and review Entergy assumptions built in to the PROSYM model. She concluded that the assumptions were reasonable and that the model appropriately accounted for projected changes in the configuration of the Entergy System beginning January 1, 2014.

The EET also computed a cost to PPA proposals due to their potential effect on Entergy System capital costs. This so called "imputed debt" cost stems from the treatment of PPA costs by credit rating agencies.[17] EET calculated the potential effects of PPA proposals on the Entergy System, but provided the results of its analysis to the IM both with and without the effects of imputed debt. The potential impact of imputed debt was used neither to screen out any proposal for consideration nor to determine proposals selected for the preliminary shortlist.

It was the EET's responsibility to rank all proposals at the conclusion of the RFP. During Phase II, the EET integrated evaluation results from the TAG and the VAT into its overall analysis to develop its ranking. From the TAG this included annual cost estimates for investments in transmission assets that would be required for resources to obtain network service, and any reduction in those costs due to projected annual transmission benefits the resources provided to the Entergy System. The TAG provided these estimates following its detailed analysis of transmission interconnection and service costs during Phase II of the evaluation. The TAG's work is discussed more fully in Section III.A.2. of this report. The VAT provided its viability assessment of developmental resources and its due diligence review of existing resources to the EET after meeting with bidders during Phase II of the evaluation. VAT evaluations are discussed more fully in Section III.A.3. of this report.

[17] According to Standard & Poor's, a PPA is considered to be a debt of a certain percent of the PPA obligation. If a utility were to enter into a long-term PPA, its total debt would increase. Because a credit rating could decline when debt increased, entering into a PPA could decrease the utility's credit rating and increase its cost of capital. The utility accounts for these increased costs by measuring the equity it would have to issue to maintain the same capital structure and credit rating.

RFP safeguards and information protocols were designed to ensure to the maximum degree possible that the EET's conclusions would be based on the objective results of its analyses. They were in place and fully enforced during all phases of the evaluation. The EET did not meet with or otherwise have direct access to bidders during the RFP. It conducted all evaluations and received evaluation inputs from the TAG and the VAT using numeric IDs that masked the identity of bidders, resources, and proposals. The EET communicated with bidders throughout the RFP solely through the RFP Administrator and the IM. During approved discussions and communications between the EET and TAG and/or VAT evaluators, bidders and proposals were referred to by their numeric IDs, and all such discussions and communications were fully monitored by the IM.

2. Transmission Analysis Group

The TAG had two responsibilities during the Western Region RFP: a) to verify the location of all resources bid into the RFP; and b) to evaluate the transmission costs and potential benefits for all conforming proposals.

At the beginning of Phase I, the TAG reviewed all resources to determine whether each was located in the Western Region as required by the RFP. The result of this review constituted the TAG's Phase I "deliverable" to the RFP and was provided to the IM and the RFP Administrator.

The TAG also initiated a Generation Interconnection Evaluation ("GIE") and a Transmission Deliverability Evaluation ("TDE") of each conforming proposal. The GIE and TDE were conducted with the assistance of Ampirical Solutions, LLC ("Ampirical") and the ICT. Due to the complexity and time[18] associated with evaluating transmission issues, these evaluations were initiated during Phase I, but completed during Phase II.

The GIE's purpose was to identify the type and the cost of transmission facilities required to interconnect a developmental resource to the Entergy transmission system. The TAG retained Ampirical to perform GIE "information only" studies that were separate from official FERC LGIP requirements and the ICT's active generation interconnection queue, but that used similar

[18] The transmission evaluations took approximately four months to complete.

methods to estimate costs and construction timelines for the required facilities. With information from bidders' LGIP applications and proposals provided to it by the TAG, Ampirical developed a preliminary design of each proposed resource's interconnection facilities and estimated the cost and time it would take to construct them.

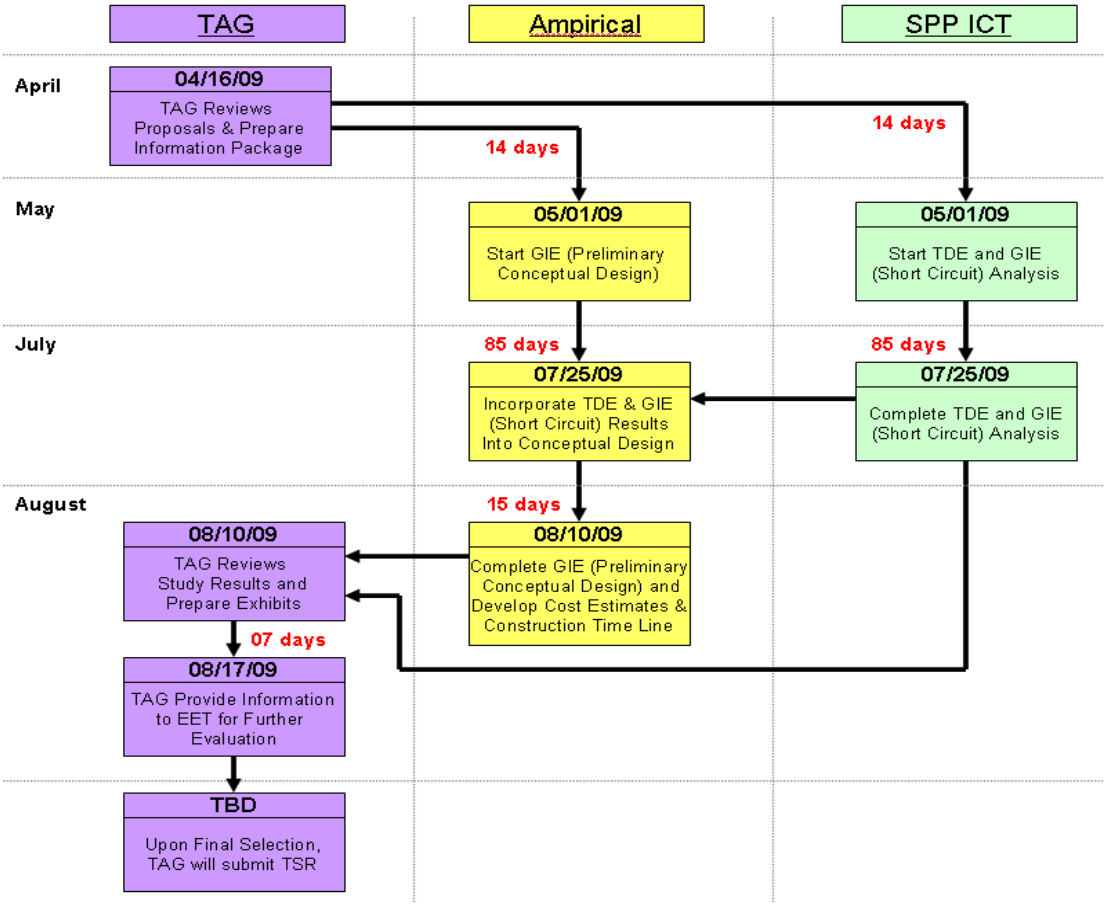
The ICT also provided critical inputs to the GIE analysis. Using information provided by the TAG, the ICT conducted an "information only" short circuit analysis for each proposed resource to determine whether, based on the design of the resource, there were breakers at or near its location that were underrated and that would need to be replaced to ensure reliable delivery of power from the resource into the transmission grid. The ICT provided the results of its short circuit analysis to the TAG who then request that Ampirical estimate the costs and time required to replace any breakers identified in the analysis.

The TDE's purpose was to identify transmission constraints that might limit deliveries from each resource, and to estimate costs required for upgrades to minimize or eliminate constraints and qualify the proposal as a network resource under the Entergy OATT. Using proposal information provided by the TAG, the ICT conducted "information only" transmission availability studies that were performed outside the ICT's active transmission reservation queue, but that used the same basic models and approach as the active transmission reservation process. The studies identified deliverability requirements needed to sink power both into the Entergy System as a whole and into the Western Region as a separate load pocket. If any resource being studied had previously conducted a formal ICT Facilities Study, the ICT provided the cost of required modifications to the transmission system identified by that study. Ampirical provided any remaining cost estimates and construction time required to alleviate constraints identified in the ICT studies.

The TAG provided GIE and TDE analysis results to the EET for integration into its economic model as a key input to its final proposal rankings.

The RFP transmission analysis process and estimated timeline are illustrated below in Table 5.

Table 5: Transmission Analysis Process



The TAG also analyzed whether the location of a resource bid into the RFP might alleviate constraints on the Western Region interface and be able to substitute for existing generation units subject to what are known as Reliability Must Run ("RMR") guidelines. RMR guidelines are issued by the Entergy Transmission Business Unit ("TBU"), the separate organization within ESI that plans, constructs, and operates the Entergy transmission system. The TBU designates certain existing Entergy System units as RMR, a designation that requires them to run to ensure transmission reliability regardless of their economics. The TAG's RMR analysis sought to identify resources whose presence could lead to changes in RMR designation, although any actual change in that designation would remain the responsibility of the TBU. Each RFP resource's ability to relieve Western Region constraints was compared to existing RMR units. To

qualify as an RMR substitution unit, an RFP resource needed to provide MW relief equivalent to that provided by existing RMR units at minimum state. The TAG provided the results of its RMR analysis to the EET.

The TAG also evaluated whether resources could provide cost savings to the transmission system by delaying transmission projects. If an RFP resource was located where it might relieve a constraint on a transmission facility that was scheduled for an upgrade, the upgrade might be delayed, which would provide a benefit to the system.

During Phase II of the evaluation, the TAG joined the VAT to meet with bidders to discuss interconnection and other transmission issues with them directly. These meetings are discussed in Section III.C. of this report.

At the end of the RFP, it was the TAG's responsibility to submit a formal transmission service request to the ICT on OASIS for the selected proposal.

The IM met with the TAG on December 17, 2008 to discuss the transmission evaluation, and followed up with additional discussions early in January, 2009. The TAG's fundamental approach to its transmission evaluation was sound and had been used in previous RFPs. In this RFP, the TAG's use of Ampirical and the ICT provided the opportunity for independent assessments of transmission costs, construction requirements, and construction timelines while offering procedural transparency to bidders through the use of "information only" processes that were similar to active generation interconnection and transmission reservation procedures. Due to complex transmission interconnection and transmission service procedures and often costly system upgrade requirements, the IM saw the use of third parties and the opportunity for greater procedural transparency as benefits to the RFP and supported the TAG's approach.

At the beginning of the evaluation, the TAG needed to know the exact location of all resources and to receive valid interconnection requests for proposed resources. As with past RFPs, this meant that the TAG needed to know the identity of the resources to do its work. TAG members were prohibited by RFP protocols from disclosing this information outside the TAG until they participated in joint meetings with the VAT during Phase II of the evaluation. Throughout the RFP, TAG communications and evaluation documents used bidder, resource and proposal

numeric IDs in place of names or other identifying information. At no time did the TAG have access to fundamental proposal cost information directed to the EET, or to information from the EET's evaluation models, or to any proposal's overall economic ranking.

3. Viability Assessment Team

The VAT was responsible to evaluate the overall viability of all CCGT resources bid into the RFP and to provide its recommendations on how effectively each resource would support Entergy System needs for flexible and reliable generation. During both Phases I and II of the RFP evaluation, the VAT assessed [redacted] proposed resources to determine their stage of development and overall viability, and conducted a preliminary due diligence review of [redacted] existing resource to assess how well it addressed Entergy System requirements.

The VAT was staffed by subject matter experts ("SMEs"), all experienced ESI employees. SMEs evaluated the plans for and/or the status of each resource in the following areas: a) project development and operations, including plant, equipment and O&M issues; b) environmental issues, including the status of permits and compliance history; c) fuel, including supply, pipeline, and transportation issues; d) transmission, including cost and upgrade issues; and e) commercial considerations, including business and risk issues.

The VAT's Phase I preliminary assessment was an analysis, termed the "fatal flaw" analysis, of the [redacted] developmental resources to determine whether they were capable of meeting the RFP's required June 1, 2014 COD. The VAT also considered the merits of the existing resource during Phase I, but since it was already in commercial operation it was not subject to COD concerns. The VAT was interested principally in whether there were conditions related to developmental projects that could create substantial barriers to their plans for construction. To determine this, the SMEs reviewed redacted responses to the developmental questions bidders submitted with their proposals and issued follow-up questions through the RFP Administrator to clarify aspects of each proposal.

The VAT Phase I assessment summarized SME views on development, construction, site, engineering, fuel, environmental and transmission issues for the [redacted] developmental resources, and discussed the status of all [redacted] resources in a written report. The IM communicated the

VAT's Phase I conclusions to the EET who incorporated them into its Phase I preliminary shortlist recommendations.

Phase II of the VAT's evaluation dug more deeply into the developmental status of each new resource and conducted a more thorough due diligence review of the existing resource. To accomplish this, the VAT met directly with all bidders to review their resources in detail. The TAG joined the VAT for all bidder meetings and follow-up assessments.

The VAT's Phase II assessment of developmental proposals was organized around six focus areas that together created a scorecard for each resource. Each proposal was scored based on the importance of the focus area and on the status of each proposal in each focus area sub-category. The scorecard was based on a similar tool that had been used in a previous RFP, but its topics, weightings and sub-categories were all reevaluated to ensure that they addressed the needs of the Western Region RFP. The focus areas, their sub-categories, and weightings are illustrated below in Table 6.

Table 6: Developmental Resource Focus Areas

Focus Area	Weighting	Focus Area	Weighting
Project Status	**25%**	**Transmission**	**20%**
Status of Detailed Engineering Analysis		Magnitude of Unavoidable Upgrade Costs	
Status of EPC Contracting Process		Electrical Metering/GIA	
Status of Project Construction		Impact on RMR Guidelines	
		Impact of Construction on Deliverability	
		Ability to Defer Planned Construction Projects	
Operations	**10%**	**Environmental**	**10%**
Fit with Functional Objectives and Products		Status of Air Permit	
Plan in Place to Deal with Common Facility Issues		Status of Water Permits	
Plant Operator Experience/Knowledge		Status of Waste Permits	
Operational Control/Governance		Compliance History	
Flexibility of Effective Operating Range		Land or Environmental Issues	
Strategy for Long-Term Equipment Maintenance		Potential for Operating Restrictions or Concerns	

Focus Area	Weighting	Focus Area	Weighting
Commercial	**15%**	**Fuel**	**20%**
Product Delivery Term		Expected Gas Supply Rating	
Deviation from Key Proposal Guidelines		Expected Gas Pressure Rating	
Proposal Pricing Structure		Expected Swing Capability Rating	
Business Model Fit as Long-Term Supplier		Availability of Regional Gas Storage	
Pre-Commercial Financial Guarantees for Non-Performance		Pipeline Interconnection	
		Type of Transportation Available (Firm/IT)	
Proposal Price Risk Sharing		Fuel Metering for Allocation to Power Blocks	
Status of Easements/ROWs/Site Control		Alternative or Dual Fuel Capability	
Status of Project Financing and Structure			

The weightings for each focus area were based on SMEs' expert opinion of its relative contribution to the overall viability of a developmental project and were, in the IM's view, a reasonable way to measure that contribution.

The scoring system for each sub-category followed a three point scale with 1 as low, 5 as medium, and 10 as high. For example, with respect to environmental permits "1" indicated no application had been filed, "5" indicated that an application had been filed, and "10" indicated that the resource was permitted. The score for each focus area was established by determining the simple average of the scores for each of its sub-categories.

The VAT also wrote a final viability assessment report that addressed the same six topics. The report provided a more in depth review of each developmental resource than was possible to accomplish by using the scorecard alone and added an equally detailed discussion of the VAT's preliminary due diligence review of the existing resource. The report ranked all [redacted] resources according to their overall viability and potential to support Entergy System requirements for reliability and flexibility within the Western Region and recommended the resource the VAT concluded best addressed those requirements.

The IM provided the VAT's final scorecard and report to the EET for its consideration in recommending a proposal for selection in the RFP. The IM also monitored two VAT/TAG/EET meetings that discussed the scorecard and the report, and that generated additional clarification requests to some bidders.

The IM worked closely with the VAT throughout the evaluation because RFP procedures required the VAT to seek the IM's concurrence with its assessments, and because the VAT met directly with bidders during Phase II of the evaluation and the IM's presence was required for all meetings and communications. The IM discussed VAT viability conclusions with the team during both Phases I and II to ensure that they fairly represented the information that the team had received and verified for each resource. While recognizing that it is a challenge to assess information that is subject to considerable uncertainty and change over what was in this case a full five years between the RFP and the requested COD for developmental resources, the IM concluded that the VAT's approach to measuring viability was thorough and objective.

The VAT did not have access to bidders' identities during its initial evaluation, but met with all bidders during its detailed evaluation and discussed a wide range of developmental and operating issues with each of them. VAT members were prohibited by RFP protocols from disclosing this information outside the VAT until they participated in joint meetings with the TAG during Phase II of the evaluation. Throughout the RFP, all VAT communications and evaluation documents used bidder, resource and proposal numeric IDs in place of names or other identifying information. The VAT discussed and validated certain cost-related estimates[19] for the EET during its discussions with bidders, but did not have access during the RFP to proposal cost information directed to the EET, to information from the EET's evaluation models, or to any proposal's overall economic ranking.

4. Credit Evaluation Team

The RFP established a Credit Evaluation Team ("CET") to assess whether a bidder's credit quality combined with the proposal(s) it offered adequately addressed Entergy corporate risk management standards. The CET was responsible to identify collateral or other forms of security in the event the supplier failed to perform and ESI was required to replace energy and capacity, likely at a higher cost, during the term of the contract. ESI described its approach to credit in a detailed appendix to the RFP, which discussed, among other information, how the CET would review a bidder's credit rating and how and when collateral requirements would be applied to different products. Although the credit and collateral requirements were designed to protect the buyer and applied only to bidders, the RFP acknowledged a potential for credit support from an Entergy Operating Company in certain circumstances and noted that, as appropriate, it would discuss this issue during contract negotiations.

The IM discussed credit and collateral requirements with ESI during the development of the RFP documents in January, 2009, and met with the CET on February 18, 2009 to review its credit evaluation protocols and when it would implement them. She concluded that they were fair and thoroughly disclosed.

[19] The VAT reviewed bidders' variable O&M and heat rate estimates during its Phase II evaluation.

The CET, which functioned separately from any other RFP evaluation team, received information on the identity and organizational structure of each bidder it needed to perform its credit evaluation. It also received information on each proposal's capacity amount and delivery term, but did not receive any information on proposal cost, transmission, or operations. No bidder was excluded from participating in the RFP due to its credit position, and the CET's credit evaluation had no effect on either Phase I or Phase II of the evaluation. Instead, credit issues were considered only for the proposal selected for award when the successful bidder and ESI conducted direct commercial negotiations.

B. Phase I

The goal of the Phase I evaluation was to determine which proposals would be candidates for the preliminary shortlist. Phase I began on April 19, 2009 when the RFP Administrator provided bid information to evaluators, and was completed when bidders were notified of their shortlist status on June 12, 2009.

The TAG determined at the beginning of Phase I that one proposal was sourced from generation located outside the Western Region. Following consultation with the IM, who concurred with TAG's determination, ESI declared the proposal non-conforming with RFP requirements and rejected it from consideration. This action left seven proposals sponsored by four bidders in the bid pool. [redacted]

EET, TAG and VAT evaluators reviewed proposal information they had received and submitted clarifying questions to bidders through the RFP Administrator. Clarifying questions – often several rounds of clarifying questions – are a routine and expected part of any RFP, and are monitored by the IM. Clarifying questions can address any issue related to a proposed bid. They can request factual confirmation of a bid point, ask for additional information on any proposal term, request clarification of a special consideration attached to a proposal, or ask for more information on an option a bidder proposes. For example, if a bidder were to indicate an interest in starting a proposal earlier or bringing a resource on line before June 1, 2014, TAG evaluators

would want to determine whether power flowing from an earlier start could deliver, improve reliability, and/or delay proposed transmission investments; EET evaluators would want to know how the earlier start date was priced; and VAT evaluators would want to know how realistic an accelerated new resource COD was.

1. TAG Evaluation

In addition to determining whether all proposals were sourced from generation located in the Western Region, the TAG's Phase I work analyzed proposal information and bidders' LGIP applications to set in motion the GIE and TDE evaluations and the RMR and transmission project delay analyses that would be completed in Phase II. These analyses were described in Section III.A.2. of this report.

2. VAT Evaluation

VAT SMEs analyzed the redacted information they had received for both developmental and existing resources, but focused principally during Phase I on whether plans for newly proposed resources contained fatal flaws. The VAT's Phase I Viability Summary topics and sub-categories for developmental resources are illustrated below in Table 7.

Table 7: VAT Phase I Viability Summary Topics

Developmental Status	Construction Cost Estimate	Site Assessment	Engineering	EPC Contract Status	Fuel Supply and Transportation	Permits	Transmission Rights-of-Way
• preliminary design study • detailed engineering study • detailed construction schedule	• preliminary estimate • detailed +/- 25% cost estimate	• site control • risk assessment	• estimates for fixed & variable O&M • design basis established	• proposals requested • defined pricing structure	• multiple pipes • firm transportation • flexible source of supply	• air permit application • pollution control equipment	• secured

In addition to completing this summary matrix, each SME group contributed to a written report discussing its review of plant and equipment, O&M, environmental, and fuel issues for both developmental and existing resources.

Based on its Phase I assessment, the VAT concluded that the [redacted] proposed resources were at different stages of development, but that none contained any fatal flaw that would keep it from reaching commercial operation by June 1, 2014. Each bidder reported significant activity and progress in at least some of the sub-categories. One resource appeared to be at a relatively advanced stage of development and proposed an earlier start date. In the VAT's view, there was adequate evidence to conclude that all developmental resources could be planned, permitted, and constructed in time to meet the required COD.

The VAT sought and received the IM's concurrence with its conclusion that all [redacted] resources were viable and should remain under consideration in the RFP. The IM provided the VAT's conclusions and viability report to the EET for it to consider when it prepared its Phase I proposal rankings.

3. EET Evaluation

The EET performed both a fundamental economic analysis and a net system benefit analysis during Phase I.

The EET's Phase I fundamental economic analysis used the bid information and POV assumptions described earlier in this report to estimate a stream of costs for each proposal. During Phase I, these costs did not include transmission interconnection or delivery costs, or any supplemental cost-related information from the VAT. The present value of the stream of costs determined the levelized cost of each proposal over the 30 year term being evaluated and provided the initial basis for the EET to rank the proposals.

Phase I levelized costs of the seven proposals are shown below in Table 8. Resource and proposal numbers are provided so the reader can track resources and proposals across evaluation reports in this IM report.

Table 8: EET Phase I Proposal Levelized Cost

Resource	Proposal	Product	Levelized Annual Total Proposal Cost ($/MWh)
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

The EET's Phase I net system benefit analysis compared the fuel and variable cost impact of each proposal to the system base case to estimate the benefit or detriment of the proposal to the Entergy System. During Phase I, the net benefit analysis did not include transmission interconnection or deliverability costs or RMR impacts.

It did estimate levelized imputed debt costs for PPAs. These costs were shown separately and not used to determine whether any proposal was selected to the preliminary shortlist.

Phase I estimated net system benefits of the seven proposals, including the impact of imputed debt for PPA proposals, are shown below in Table 9.

Table 9: EET Phase I Net System Benefits

Resource	Proposal	Product	Levelized Production Benefit ($/kW year)	Levelized Imputed Debt ($/kW year)	Levelized Net System Benefit ($/kW year)
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Resource	Proposal	Product	Levelized Production Benefit ($/kW year)	Levelized Imputed Debt ($/kW year)	Levelized Net System Benefit ($/kW year)
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Combining the results of its Phase I economic analyses with the viability assessment from the VAT, the EET recommended that all seven proposals be selected to the RFP preliminary shortlist. The Phase II evaluation would enable more in depth assessment of each proposal's up-to-date economics and viability, and would integrate transmission interconnection and deliverability costs and benefits when they became available. The IM concurred with EET's recommendation.

The RFP Administrator notified all bidders on June 12, 2009 that their proposals had been selected to the Western Region RFP preliminary shortlist, and that ESI would contact them to set up face-to-face meetings with the VAT to discuss their proposals in greater depth and to conduct additional due diligence.

At the conclusion of Phase I, the IM discussed the status of the RFP with PUCT staff – including Phase I outcomes, upcoming Phase II activities and the role of VAT bidder meetings, and the expected Phase II timeline. Staff concluded that it did not require additional information at that time, but wanted a full briefing before ESI accepted or rejected any proposal at the conclusion of Phase II.

C. Phase II

Phase II was a detailed evaluation of all shortlisted proposals. The VAT met with bidders and conducted in depth viability and due diligence assessments of each resource. The TAG completed transmission interconnection and deliverability evaluations and assessed the impact of each proposal on RMR requirements. The EET integrated VAT and TAG results into its own refreshed fundamental economic and net system benefit analyses to form a comprehensive

assessment of each proposal. The results of these combined analyses drove ESI's final RFP award decision.

1. VAT Evaluation

At the beginning of Phase II, the RFP Administrator provided the VAT with complete, unredacted copies of all developmental and due diligence proposal information submitted by bidders with their original proposals. This included a substantial amount of previously withheld documentation such as engineering studies and schedules, and fuel, site, and environmental information. The RFP Administrator also disclosed the identity of each bidder, but withheld any cost information that provided the basis for economic evaluation and ranking. The IM worked closely with the RFP Administrator and reviewed all information before it was provided to the VAT.

VAT SMEs reviewed the unredacted material to flesh out their knowledge of each resource and develop tailored requests for additional information that went to each bidder approximately two weeks ahead of its meeting.

The VAT held separate meetings with each of the four bidders on July 28-29, 2009. The IM opened each meeting with a review of RFP confidentiality and safeguard protocols and reminded bidders that they would not be able to discuss cost information for their proposals.

During each two- to three-hour meeting, bidders presented an overview of the capabilities, status, and merits of their resources, and discussed a wide range of topics with the VAT/TAG regarding, as pertinent, resource location, design, development, operations, fuel, environmental, commercial, and transmission issues. At the conclusion of each meeting, the VAT offered bidders the opportunity to update their proposals to address issues discussed during the meeting and provide the latest price and non-price information.

The opportunity for bidders to update proposals was built into the RFP to reflect potential changes in circumstances that could affect ESI's evaluation of proposals and was based on ESI's experience in past RFPs, particularly, although not exclusively, with developmental proposals. The IM's experience in previous RFPs confirmed that time and changing circumstances can

materially impact proposals and supported the opportunity for bidders to update their proposals, provided that all had the chance to do so.

By August 14, 2009, each bidder provided the RFP Administrator substantial additional information in official response to issues discussed during its VAT meeting. The RFP Administrator and the IM reviewed and, as necessary, redacted the information before it was provided to the VAT, the TAG, and the EET.

[redacted] The RFP Administrator provided updated information to the VAT, the TAG, and the EET, as appropriate.

The VAT conducted three additional rounds of follow-up questions with bidders before it concluded its Phase II review and formulated its recommendations. A number of final questions originated with the EET, which was seeking to confirm information that could affect its Phase II modeling. At the request of the EET, the VAT reviewed variable O&M ("VOM") costs and heat rate characteristics. The objective was to determine whether the EET would use "as bid" or generic factors in its Phase II modeling.

Based on these discussions, the VAT determined that the EET's generic VOM costs appeared reasonable. In response to the VAT's heat rate inquiry, one bidder provided heat rate evidence that supported its "as bid" heat rate and resulted in a slight downward adjustment (i.e., improvement) from the EET's original generic measure. Another bidder supplied evidence of a pending upgrade that would improve turbine efficiency to support its "as bid" heat rate. The evidence originated from the original equipment manufacturer ("OEM") and was later substantiated by OEM public announcements. The IM looked at this evidence very closely and concluded, after discussing it with the VAT, that it was solid and could be used as a substitute for the EET's generic heat rate factor.

The VAT held the first of two meetings with the EET to discuss these issues, and to update the EET on the timing of its Phase II report.

As the VAT neared conclusion of its Phase II evaluation, it met a second time with the EET to review the results of its scorecard, and to discuss the final report that would accompany the scorecard. This in depth Viability Assessment report addressed both developmental and existing resources, and provided the VAT's final resource ranking and recommendation to the EET. The scorecard and the report continued to mask the identity of each resource by using its numeric IDs.

On September 9, 2009, the IM provided the final Viability Assessment Report and scorecard to the EET. The scorecard provided a snapshot of each developmental resource based on information bidders provided in their proposals and during the VAT/TAG meetings. No site visits were conducted during this review.

Accompanying the scorecard was a key that described how the 1 (low), 5 (medium), and 10 (high) scores applied to each sub-category, and a background summary that provided a brief rationale for each actual score.

In general the scorecard reinforced the VAT's Phase I conclusion that the proposed new resources were at different stages of development, but that all were capable of meeting a June 1, 2014 COD. All resources were sponsored by bidders who were experienced developers and all had made notable progress in at least some of the areas measured by the scorecard. [redacted]

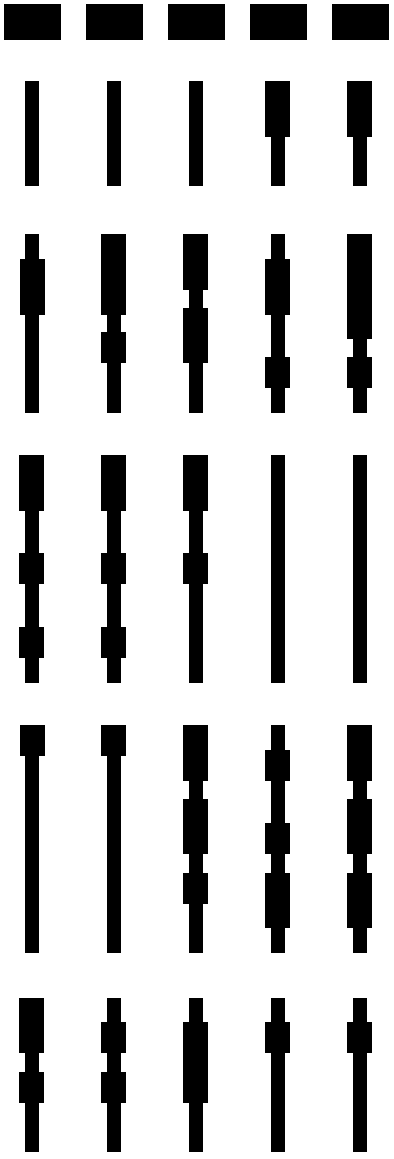
Overall, the total and weighted average scores for the [redacted] developmental resources were close, although the focus area scores revealed that some resources were in a better position to address

Entergy System requirements for operational reliability and flexibility that had prompted the Western Region RFP.

The scorecard focus area summary for developmental resources is shown below in Table 10. One resource received two sets of rankings to reflect that the bidder offered different proposal options from the same resource.

Table 10: VAT Phase II Developmental Resource Scorecard Summary

Focus Area	Weighting
Project Status	**25%**
Status of Detailed Engineering Analysis	
Status of EPC Contracting Process	
Status of Project Construction	
Average	
Operations	**10%**
Fit with Functional Objectives and Products	
Plan in Place to Deal with Common Facility Issues	
Plant Operator Experience/Knowledge	
Operational Control/Governance	
Flexibility of Effective Operating Range	
Strategy for Long-Term Equipment Maintenance	
Average	
Fuel	**20%**
Expected Gas Supply Rating	
Expected Gas Pressure Rating	
Expected Swing Capability Rating	
Availability of Regional Gas Storage	
Pipeline Interconnection	
Type of Transportation Available (Firm/IT)	
Fuel Metering for Allocation to Power Blocks	
Alternative or Dual Fuel Capability	
Average	
Commercial	**15%**
Product Delivery Term	
Deviation from Key Proposal Guidelines	
Proposal Pricing Structure	
Business Model Fit as Long-Term Supplier	
Pre-Commercial Financial Guarantees for Non-performance	
Proposal Price Risk Sharing	
Status of Easements/ROWs/Site Control	
Status of Project Financing and Structure	
Average	
Transmission	**20%**
Magnitude of Unavoidable Upgrade Costs	
Electrical Metering/GIA	
Impact on RMR Guidelines	
Impact of Construction on Deliverability	
Ability to Defer Planned Construction Projects	
Average	



Focus Area	**Weighting**	[redacted]
Environmental	**10%**	
Status of Air Permit		
Status of Water Permits		
Status of Waste Permits		
Compliance History		
Land or Environmental Issues		
Potential for Operating Restrictions or Concerns		
Average		
Total Weighted Average	**100%**	

The Viability Assessment Report provided an in depth evaluation for each resource that addressed each of the following topics: a) plant and equipment; b) operations and maintenance; c) environmental; d) transmission interconnection and service; and e) commercial issues. The report provided the VAT's final ranking of both developmental and existing resources, and recommended the resource the VAT concluded was in the best position to support Entergy System requirements for flexibility and reliability within the Western Region.

Based on its evaluation, the VAT ranked the existing resource bid into the RFP, referred to in this report as [redacted], as the most viable resource. The VAT reached this conclusion due to [redacted]

The IM concurred with the VAT's conclusions.

2. TAG Evaluation

The TAG focused on five issues in its Phase II evaluation of each resource:[20] a) transmission upgrade costs that must be incurred to deliver the proposed power; b) ability to separate the proposed capacity from other plant capacity; c) impact of required transmission construction time on deliverability; d) impact on RMR guidelines; and e) ability to defer planned construction projects.

The TAG discussed its Phase II analysis with the EET and IM on August 31, 2009. The analysis described the costs and benefits of each proposal, which are briefly summarized here.

[redacted] of the eight proposals required transmission upgrade expenditures to deliver the proposed power. These costs ranged from a low of $[redacted] to a high of $[redacted] did not require any transmission upgrades due to [redacted]

All proposals met metering standards either because the bidder was offering the full plant output, or because the power would be separately metered.

For [redacted] of the eight proposals it appeared that any required transmission upgrades could be completed before their proposed June 1, 2014 COD. [redacted] required upgrades that would delay full delivery of some of its proposed capacity during part of its proposed term. [redacted] as noted, required no transmission upgrades.

While all eight proposals relieved at least some Western Region RMR constraints when compared to the existing RMR units, [redacted] of the eight proposals also increased loadings on other constraints. Because they did not provide more relief than the existing units, they did not qualify as RMR substitutes. The [redacted] remaining proposals provided equivalent levels of RMR relief ranging from [redacted] for a MW by MW substitution and qualified as RMR substitutes for purposes of the RFP evaluation.

[20] [redacted]

[redacted] of the eight proposals appeared able to defer proposed transmission construction projects for a least one year, while the remaining [redacted] proposals were not able to defer any project.

The TAG concluded that a proposal from resource [redacted], provided the most attractive combination of transmission viability and financial benefit when compared to all other proposals. The IM concurred with the TAG's conclusion. The TAG provided its analyses and conclusions to the EET for its use in its Phase II economic evaluations.

3. EET Evaluation

The EET added to and refreshed both its fundamental economic and net system benefit analyses during Phase II. [redacted] This refresh changed the number of proposals under consideration in the RFP from seven to eight. [redacted]

The EET modeled these changes and the transmission expenses provided by the TAG to arrive at its final economic analysis of all proposals and its final proposal ranking.

Phase II levelized cost of all eight proposals is show below in Table 11.

Table 11: EET Phase II Proposal Levelized Cost

Resource	Proposal	Product	Levelized Annual Total Proposal Cost ($/MWh)
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

The Phase II net system benefits analysis was updated to include the latest information for all eight proposals and is shown below in Table 12. The analysis introduced the levelized transmission cost for all eight proposals. The levelized imputed debt calculation affected all PPA proposals, but did not did not affect ESI's final decision in this RFP.

Table 12: EET Phase II Net System Benefits

Resource	Proposal	Product	Levelized Production Benefit ($/kW year)	Levelized Transmission Cost ($/kW year)	Levelized Imputed Debt ($/kW year)	Levelized Net System Benefit ($/kW year)
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Resource	Proposal	Product	Levelized Production Benefit ($/kW year)	Levelized Transmission Cost ($/kW year)	Levelized Imputed Debt ($/kW year)	Levelized Net System Benefit ($/kW year)
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Based on the results of the combined analyses of the VAT, the TAG, and its own economic evaluation, the EET recommended proposal [redacted] for award in the Western Region RFP because it showed the greatest cost, transmission, and viability benefits over the evaluation term. The IM concurred with the EET's recommendation. Proposal [redacted] is the offer from Exelon for 150-300 MW over a 10 year and five month term sourced from the Tenaska Frontier Generating Station.

4. PUCT Staff Briefing

On September 15, 2009, ESI and ETI briefed the PUCT Staff on the RFP's results, and on ESI's plans to begin commercial negotiations. The IM participated in the briefing.

The discussion revisited Western Region needs and RFP evaluation process and safeguards, but focused principally on a review of the resources and proposals bid into the RFP and on the proposal evaluation and its outcomes. ESI recommended moving forward with the Exelon proposal because it provided the greatest net system benefit when compared to the seven other RFP proposals and provided long term resource and reliability benefits to the Western Region load pocket and to the Entergy System generally.

5. Notifying Bidders

Following the PUCT briefing, ESI informed Exelon that its proposal had been selected for award, and proposed that ESI and Exelon begin negotiations. ESI also notified the other bidders

that their proposals would no longer be considered in the Western Region RFP, although it did retain the option to pursue the second most attractive proposal, [redacted], in the event negotiations with Exelon were not successful. ESI later terminated this option when it completed negotiations with Exelon.

D. Comments

The success of the RFP depended on whether proposal evaluation was thorough, objective, impartial, and free of undue preference toward any bidder. Based on my close oversight, I conclude that the evaluation met these standards. My conclusion is supported by the following observations:

- The evaluation was consistent with the description and the protocols laid out in the RFP. All evaluators adhered to the safeguards in place to ensure fair and objective treatment of all proposals. At the end of Phase I, all proposals were short listed based on their viability and potential for positive economic impacts on Entergy System production costs. During Phase II, VAT and TAG evaluators communicated directly with bidders to assess developmental and existing proposals, but did not have access to fundamental economic evaluation costs, EET analyses, or overall economic rankings. The EET did not participate in any bidder meeting at any time during the RFP or, otherwise, have any direct contact with bidders. All facets of the evaluation were overseen by the IM, who worked closely with the VAT, the TAG, and the EET.

- The Phase I and Phase II economic and transmission evaluations conferred no undue advantage on any proposal and identified the proposal that provided the greatest overall benefits to the Entergy System. Bid evaluation procedures and models were consistent with industry standards. The RFP evaluated all proposals, including the self-build proposal, at the same time and using the same models and procedures. The economic evaluation of all bids was fair and objective. Debt imputation was used in the evaluation, but its impact on PPA bids did not change the outcome of the RFP. Transmission evaluations fairly assigned responsibility for transmission costs and benefits.

- The new evaluation team, the VAT, played an important role in the RFP in its review of both developmental and existing resources. During Phase I, the information the VAT reviewed demonstrated that each developmental proposal had the potential to reach commercial operation by the required COD. During Phase II, the VAT's extensive review and discussions with each bidder provided information that helped align operational and commercial issues with the projected economic benefits of each proposal, and helped identify the proposal that best addressed the needs of the Entergy System.

IV. Commercial Negotiations

Because commercial negotiations were conducted between two unrelated parties operating at arms-length, the IM did not participate in discussions between ESI and Exelon. Instead, the IM monitored progress through discussions with ESI that started with the beginning of negotiations in September, 2009 and concluded in December, 2009.

The IM was principally interested in whether Exelon's proposal to address key objectives of the RFP and the price of its offer were converted from bid language to binding contractual terms.

As with any complex negotiation, ESI reported areas of give and take between the parties. However, the key provisions of Exelon's RFP proposal were preserved in the negotiation. Exelon's pricing remained constant and will ensure a cost effective resource for the Entergy System for the next 10 and one half years. The operating and fuel flexibility of the Frontier station will support critical load following needs. Its location in the Western Region will improve reliability, may relieve certain RMR constraints, and may delay certain transmission upgrade projects. ETI's existing transmission service rights will minimize the cost of transmission upgrades. The parties negotiated and agreed on mutually acceptable credit support conditions.

The many other contractual provisions of the PPA between ESI and Exelon are important to an effective commercial relationship, but are separate from the RFP and not part of the IM's monitoring responsibilities.

V. Conclusion

During the RFP, the IM monitored RFP activities closely and had access to all RFP information and all ESI personnel. ESI cooperated fully with the IM, was responsive to her suggestions, sought her input on open or unclear issues, provided timely and complete responses to her requests for information, and involved her in its thinking and decisions during each step of the solicitation.

The Exelon proposal was selected following a carefully managed process that attracted proposals from [redacted] resources, [redacted] of which were under development. The RFP evaluation concluded that the Exelon proposal for 150-300 MW best met Entergy System and Western Region requirements for reliability and operating flexibility at the lowest cost to rate payers when compared to all other proposals.

Overall, it is the IM's conclusion that the proposed 150-300 MW PPA from Exelon was selected by ESI as the result of an objective and fair RFP that showed no undue preference toward any proposal. This conclusion is supported by evidence regarding the development and administration of the RFP and the evaluation of RFP proposals, all of which have been described in detail in this report.

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