January 2008 RFP
Q&A
1/28/2008

1) Does ESI anticipate having 500 MW of transmission capacity available Into Entergy for any proposals sourced outside the Entergy control area?

a. All proposals must qualify for network transmission service for the entire 5 year delivery term. Per the RFP, the seasonal load flow models posted on OASIS will be utilized to evaluate the deliverability of a proposal; however, the results of the System Impact Studies from the Independent Coordinator of Transmission ("ICT") will be the determining factor in whether transmission service is available.

2) Explain how the 5 year NYMEX settlement price will be "fixed" following regulatory approvals? For fixed heat rate proposals, how does ESI expect the Gas Price to be fixed? Will the settlement date be kept confidential? Can the date for execution of any Definitive Agreement float accordingly?

a. For resources allocated to Entergy Gulf States Louisiana, L.L.C. ("EGSL") and/or Entergy Louisiana, LLC ("ELL"), the Gas Price cannot be fixed until after regulatory approval has been obtained and the 45 day appeal period of the LPSC Order has lapsed. Thus, after execution of a Definitive Agreement, ELL and EGSL will seek regulatory approvals of the Definitive Agreement(s). For a Fixed Heat Rate proposal, regulatory approval will be sought using the Gas Price that has been determined to be available as of the date of the filing. The Companies will update the LPSC regarding changes in gas prices while the filing is pending. The Companies anticipate requesting that the LPSC approve a Definitive Agreement subject to a cap on the Gas Price to ensure that the purchase will remain economic for customers. Assuming the LPSC approves the Definitive Agreements, the Gas Price will be set after the appeal period has lapsed. Please note that EGSL and ELL retain the discretion not to move forward with a Definitive Agreement, even after approval, if there is a change in the Gas Price that renders the Definitive Agreement uneconomic for customers. Following the lapse of the appeal period. assuming the purchase is still considered economic by ESI, then ESI will notify the Bidder(s) that they will have up to 5 business days to lock in the Gas Price that will determine the $/MWh contract price. The Gas Price and resulting contract price must be equal to or less than the cap approved by the LPSC. This process should allow the settlement date to be kept confidential.

If Definitive Agreements are reached with Operating Companies other than ELL and EGSL, the Bidder will be expected to lock in the Gas Price prior to the start date for deliveries such that the contract price will be equal to or less than the price that will be agreed to by ESI and Bidder during negotiations. This process should allow the settlement date to be kept confidential. Up to the date on which the Gas Price is fixed, ESI reserves the right not to proceed with any contract that it considers to be uneconomic for customers.

3) If a transaction is approved by LPSC, will the 45-day appeal process apply?

a. ESI expects that any Definitive Agreement will not become effective until after the conclusion of the 45-day appeal period, assuming there is no appeal, unless the LPSC directs otherwise and provides full cost protection to EGSL and ELL for all costs associated with the proposed purchase.

4) Can a Bidder offer 500 MW from a single supplier or counterparty?

a. The maximum that will be considered from a single facility is 250 MW. A supplier may offer proposals from more than one facility (such as two 250 MW proposals sourced from two separate facilities), but the supplier will be subject to the credit requirements set forth in Appendix A.

5) Can a Bidder offer a total of 500 MW through mutually exclusive proposals from separate facilities?

a. Yes. However, the maximum of 250 MW sourced from a single facility will still apply.

6) The RFP notes that ESI may terminate negotiations at any time prior to execution of a Definitive Agreement. Can a proposal be rescinded by the Bidder prior to execution of a Definitive Agreement?

a. Yes. The Bidder has the right to rescind any proposal prior to execution of a Definitive Agreement.

7) Will ESI accept a proposal from a solid fuel resource? Would it possible for a solid fuel unit to be able to offer a fixed NYMEX heat rate in the same manner as a CCGT, and if not why?

a. Yes. A bidder may submit a proposal from a solid fuel technology but it must be priced as outlined in the RFP – either a fixed price $/MWh or using the Fixed Heat Rate structure tied to the defined Gas Price and conform to all other terms and conditions.

8) Will ESI consider products other than those solicited in the RFP, such as firm LD products, heat rate call options or tolls, or 7x16 only?

a. No. ESI will accept proposals only for the products solicited in the RFP.

9) If a Bidder submits a fixed heat rate in its proposal(s), can the heat rate be updated after proposal submission, but prior to execution of a Definitive Agreement?

a. No.

10) Does the RFP contemplate delisting a network resource to release transmission capacity for an otherwise economic proposal?

a. Yes, to the extent feasible, ESI will evaluate delisting or un-designating a network resource to release transmission capacity for an otherwise economic proposal to facilitate delivery of such a proposal. Any such delisting or un-designation will be subject to all applicable policies and procedures required by the ICT.

11) Does the RFP contemplate re-dispatch of network resources to facilitate deliveries?

a. This depends largely on the results of a System Impact Study and will be evaluated on a case-by-case basis.

12) How does ESI plan to submit requests for System Impact Studies during the deliverability evaluation? Will a System Impact Study request be submitted for all proposals?

a. A System Impact Study will be requested by ESI only for those proposals that ESI identifies as economically attractive proposals through the evaluation process. ESI will utilize the standard OASIS procedures for submitting any SIS.

13) Can a Bidder submit mutually exclusive proposals for a 7x24 product and a 5x16 product?

a. Yes. The Bidder is asked to state this in the Special Considerations section of the applicable Proposal Submission Forms.

14) What types of performance assurances will ESI provide?

a. ESI has identified a number of alternatives in the RFP and will consider performance assurances suggested by the Bidder other than those listed in the RFP. However, as noted, ESI will not provide Parental Guarantees.

15) Please explain/clarify how the availability requirement will work?

a. The availability penalty will be applied to the fixed energy price such that if the resource is unavailable, the energy price would be reduced by 2% for every 1% the resource is below the applicable Availability Requirement. Please note that the Seller is allowed numerous accommodations to manage availability including an allotment for forced outages based on product type and season, an allotment for Planned Maintenance hours and Force Majeure hours and the ability to provide replacement energy per the conditions described in the RFP.

16) Under what circumstances would ESI reject a proposal?

a. The primary reasons for rejecting a proposal would be because (1) ESI is unable to secure transmission service; (2) the proposal is not economic; and/or (3) the resource does not provide sufficient operational flexibility.

17) Regarding replacement energy, will ESI allow Bidders to provide replacement energy during times other than unit outages, such as when cheaper alternatives to generation are available in the market?

a. No, Bidders only may deliver replacement energy if the designated generating unit is unavailable (and the replacement energy meets the other listed conditions).

18) The LPSC Staff expressed a general interest in better understanding the evaluation process.

a. ESI indicated that it would be following up with Staff in the near future to discuss the evaluation process.

19) For fixed heat rate proposals, after the completion of the economic evaluation on or about 3/7/08, will ESI provide a not to exceed Gas Price to short list bidder's where ESI will exercise the right to terminate definitive agreements?

a. No.

20) Is it possible to expedite the RFP schedule after economic evaluation on or about 3/7/08?

a. ESI does not anticipate being able to expedite the RFP schedule due to the timing associated with the deliverability evaluation and subsequent regulatory approvals required for purchases by EGSL and ELL, but will take advantage of any opportunities to do so should they arise.

21) ESI requires "specific credit terms" from bidders or credit support providers as part of the RFP submission. Please provide the credit terms that ESI wants.

a. Bidder's should provide terms that appropriately identify how the bidder will provide credit support for the proposed transaction and any credit terms that will apply to the purchaser, inclusive of terms such as those typical to an industry standard trading agreement.

22) ESI mentions in the RFP that in "certain situations it may be appropriate for the purchaser to provide credit support." What are the conditions that ESI envisions that would lead the purchaser to provide credit support and what would the credit terms be? Will ESI be willing to margin according to the same formula listed in the RFP? What is the unsecured collateral threshold ESI wants? Is there a cap on the collateral postings?

a. ESI envisions not being required to provide any level of credit support but is looking to the bidder to identify these items within their submitted bid package.

23) If ESI's collateral postings have a cap - are they willing to provide the same cap to highly rated bidders/credit support providers?

a. Any proposed collateral posting caps submitted by the bidder will evaluated as part of the overall bid review process.

24) Is there a credit rating that is high enough that ESI would feel comfortable not asking for collateral from the bidder?

a. Please refer to Figure 1 of the RFP for maximum uncollateralized supplier exposure.

25) Is ESI willing to provide a corporate parental guarantee for the Operating Companies' performance?

a. No.

26) Which of the Entergy Operating Companies will be the contracting counterparty?

a. Please refer to Section 1.1 of the RFP for this information.

27) The credit provides maximum threshold amounts depending on the bidder credit. When will ESI provide the threshold that they are willing to extend to each bidder?

a. Specific thresholds will be determined as part of the overall bid review process from the information provided by the bidder in response to the Section 2.3.2 requirement that the bidder demonstrate financial security.

28) What forms of performance assurances will ESI accept?

a. Cash or Letters Of Credit are acceptable forms of performance assurance, but bidders may propose other forms of performance assurance as a part of their bid packages.

29) Does ESI think it advantageous to ratepayers to accelerate this RFP schedule by working concurrently on some of the items such as contract negotiations and regulatory approvals while the ICT studies the transmission availability in order to ensure that should an agreement be reached, the entities will be able to hedge the gas prior to June in order to minimize volatility in prices due to hurricanes?

a. To the extent possible and within the framework of this LPSC directed RFP, ESI will endeavor to take advantage of any opportunities to accelerate the RFP schedule. ESI will notify Bidders whose proposals are selected for a System Impact Study. ESI will not engage in substantive negotiations with any Bidder prior to the completion of its proposal evaluation process, which includes a deliverability evaluation. Any Definitive Agreement will be contingent on resources qualifying for network transmission service.

30) Will this RFP be consistent with previous RFP's by allowing bidders to submit indicative bids for evaluation to be used as the basis for transmission analysis by the ICT and for ESI to begin substantive negotiations toward the development of definitive agreements assuming those bids satisfy preliminary economic screening thresholds?

a. No. There is no provision in the RFP for indicative bids. As noted in Section 1 of the RFP, Bidders are expected to maintain the pricing submitted in its proposal(s) until execution and approval of definitive agreements. Also, please see Q 29.

31) Will ESI begin substantive negotiations towards definitive agreements with potential counter parties concurrent with the ICT analysis for transmission capacity?

a. Please see Q 29.

32) Upon reaching tentative agreements, subject to transmission availability, will Entergy pursue regulatory approval concurrent with the ICT transmission analysis to expedite execution of definitive agreements?

a. Please see Q 29.

33) Could you please explain what “relevant market information” you are considering on P. 7 of the RFP to be used when evaluating the results of the RFP?

a. Per the RFP, relevant market information could include similarly structured market products delivered Into Entergy, such as standard 7x24 and/or 5x16 products; and/or CCGT sourced products that provide comparable terms and conditions.

34) The 5x16 product asks for HE 0700 to 2200 CPT or “as scheduled by ESI” – how much flexibility do you anticipate from the “or as scheduled by ESI” qualifier? Let’s say you schedule HE 0900 to 2400 on day-1, is it reasonable to assume you’ll schedule the same (HE 0900-2400) the following day or at a minimum, adhere to the minimum plant downtime?

a. As noted in the questions, the phrase ”or as scheduled by ESI” is intended to give ESI flexibility to move the schedule within the day. ESI is not required to schedule for the same timeframe every day of the Delivery Term but recognizes and will accommodate the generating unit’s operational limitations, such as minimum downtime, if applicable.

35) The availability penalty (2% for every 1%) only speaks to shortfall? Do we get paid for actual above the min. availability requirements – deliver 99% gets paid accordingly, 102% gets paid accordingly?

a. Provided a Seller meets the applicable availability requirements, they will be paid the full contract energy price agreed to in a Definitive Agreement for all MWhs delivered, but in no event will a Seller be paid an energy price above or in excess of the contract energy price, for availability above the minimum availability requirement or otherwise (i.e. there is no availability bonus concept). Also see the Company’s response to Question No. 15.

36) We have a WSPP agreement with ESI that governs our transactions. Will this transaction also be governed by the WSPP or will it be governed by an independent contract?

a. No. As noted in Section 1 of the RFP, ESI intends to utilize EEI-based agreements.

37) What publication will the gas price be taken from on the date that the fixed heat rate proposal is converted to a fixed $/MWh energy price?

a. The final settlement prices for the New York Mercantile Exchange (NYMEX) Henry Hub natural gas futures contacts in $/MMBtu will taken be from NYMEX as quoted in WSJ.com or other data feed from NYMEX.

38) Also, in the bidder conference call I understood that all the questions voiced and the corresponding answers would be published on the web site. I can't find where that is – is it published yet?

a. Yes, the questions are posted herein on the ESI January 2008 RFP Website.

39) In the 2008 RFP there is a limit to the amount of capacity from a single source of 250 MW. During the call on January 17, there was some discussion regarding the basis for the 250 MW as representing one train of a typical CCGT. [REDACTED] CCGT is a 2x1 utilizing Frame G machines and has a nominal capacity of 700 MW. Based on this, is it possible for Entergy to accept a response from [REDACTED] for 300 MW?

a. ESI is willing to accept proposals for more than 250 MW if the capacity proposed represents a single CCGT train, and the proposal can meet the terms and conditions of the product being bid.

40) The explanation of the Availability Penalty in Question 15 in the January 2008 RFP Q&A 1/23/08 may preclude [REDACTED] as well as other Suppliers from submitting proposals that conform with the January 2008 RFP. Typically, Entergy RFPs and others have an Availability Penalty based on a capacity payment. The Availability Penalty in the January 2008 RFP is based on the fixed energy price (which inherently includes an equivalent capacity payment along with the variable cost of producing the energy). As you can see in the attached example, a 93% actual availability compared to a contract availability of 95% for a 7x24 product not only eliminates the entire capacity payment for the month but results in an shortfall in the variable cost of producing the energy of $182k. A 93% actual availability is the equivalent of the facility not being available for approximately 2 days out of 31 days in a month. The potential damages in the Availability Penalty are punitive and will require [REDACTED] and other Suppliers to either submit non-conforming Availability Penalty language or include a high risk premium as part of our proposal. Please consider an Availability Penalty that limits the discount to no more than the equivalent capacity payment per month and is more representative of past Entergy RFPs and others in the industry. Thanks for your consideration.

Current RFP Availability Calc.

Example #1 - 7x24 proposal per the Entergy January 2008 RFP for Supply-Side Resources delivers at 93% Availability

Capacity		250	MW
Supplier Price	$	80.00	$/MWh
Supplier Energy Cost ($/MWh)	$	78.00	$/MWh
Supplier Margin ($/MWh or $/MMBtu if using the Fixed Gas Basis Adder)	$	2.00	$/MWh
Capacity Quantity/Month		186000	MWh
Contract Availability Requirement		95%	
Actual Capacity/Month @93% Availability		172980	MWh
Monthly Energy Revenue @93% Availability	$	13,492,440	$
Monthly Margin Revenue or equivalent Capacity Payment @95% Availability or greater	$	372,000	
Monthly Payment Discount 2% for 1% @93% Availability	$	(554,578)	$
Total Monthly Revenue after Availability discount	$	13,309,862	$
Monthly Margin Payment or equivalent Capacity Payment @93% Availability	$	357,120	$
Monthly Supplier Energy Cost @93% Availability	$	13,492,440	$
Monthly Energy Shortfall @93% Availability	$	(182,578)	$
Monthly Margin Payment or equivalent Capacity Payment @93% Availability	$	-	$
Actual Supplier Monthly Margin	$	(182,578)	$

	Supplier Margin (in 000's)			
Availability	Current		Recommendation	
95%	$	372	$	372
93%	$	(182)	$	357
91%	$	(713)	$	342
89%	$	(1,222)	$	327
87%	$	(1,707)	$	312
85%	$	(2,168)	$	297

Recommendation

Example #1 - 7x24 proposal per the Entergy January 2008 RFP for Supply-Side Resources delivers at 93% Availability

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Supplier Price	$	80.00	$/MWh
Supplier Energy Cost ($/MWh)	$	78.00	$/MWh
Supplier Margin ($/MWh or $/MMBtu if using the Fixed Gas Basis Adder)	$	2.00	$/MWh
Capacity Quantity/Month		186000	MWh
Contract Availability Requirement		95%	
Actual Capacity/Month @ 93% Availability		172980	MWh
Monthly Energy Revenue @ 93% Availability	$	13,492,440	$
Monthly Margin Revenue or equivalent Capacity Payment @95% Availability or greater	$	372,000	$
Monthly Payment Discount 2% for 1% @ 93% Availability	$	(14,880)	$
Total Monthly Revenue after Availability discount	$	13,849,560	$
Monthly Margin Payment or equivalent Capacity Payment @93% Availability	$	357,120	$
Monthly Supplier Energy Cost @ 93% Availability	$	13,492,440	$
Monthly Energy Shortfall @93% Availability	$	-	$
Monthly Margin Payment or equivalent Capacity Payment @93% Availability	$	357,120	$
Actual Supplier Monthly Margin	$	357,120	$

a. This RFP seeks from qualified bidders a unit-contingent fixed price product on a 5x16 and/or 7x24 basis. ESI expects the product to be reliable and developed the RFP's availability requirements associated with the product to encourage reliability of supply. ESI has mitigated Seller's product availability risk in important ways, including the following:

   i. ESI is not requiring 100% availability of the product (availability requirements are less than 100% in each month of the delivery period);

   ii. The product is not considered unavailable for availability calculation purposes to the extent the unavailability is due to Planned Maintenance or Force Majeure, and Seller has not exceeded its contractual allotment of permitted Planned Maintenance or Force Majeure hours; and

iii. Importantly, ESI has given Sellers replacement energy rights, something it has not offered bidders in prior RFPs. The replacement energy option for these products in this RFP gives bidders a powerful new tool to manage availability risk. A Seller will have the right under certain circumstances to substitute power from another resource if Seller's resource specified in the Definitive Agreement is unavailable. If the substitute resource performs as and when required, Seller will not accrue unavailability hours in the hours when its original resource was unavailable.

For these and other reasons, ESI believes the availability requirement levels and energy price discount multipliers set forth in the RFP are reasonable.

41) In calculating the energy payments to be received by the bidder under the Fixed Heat Rate product, will the [FLD 37] Btu/kWh Fixed Heat Rate be multiplied by the sum of (1) Gas Price [in NYMEX Henry Hub] and (2) [FLD 38] $/MMBtu Fixed Gas Basis Adder? Or, will the Fixed Heat Rate be multiplied by the Gas Price excluding the Fixed Gas Basis Adder?

a. A. Yes, the Fixed Heat Rate will be multiplied by the sum of Gas Price and the Fixed Gas Basis Adder to calculate the fixed $/MWh energy price.

42) Can the [FLD 38] $/MMBtu Fixed Gas Basis Adder be updated when the Gas Price is updated considering that the Fixed gas Basis Adder includes sales tax which is based on the Gas Price?

a. No, similar to the Fixed Heat Rate, the Fixed Gas Basis Adder proposed by Bidders will remain fixed