

PROPOSED¹
SCOPE OF WORK ACTIVITIES
FOR INDEPENDENT MONITOR SERVICES RELATING TO
ENTERGY SERVICES, INC.'S
FALL 2006 REQUEST FOR PROPOSALS FOR LIMITED-TERM SUPPLY-SIDE RESOURCES

Elizabeth R. Benson and Potomac Economics have been selected to serve as the Independent Monitors ("IM") for Entergy Services, Inc.'s ("ESI") Fall 2006 Request for Proposals for Limited-Term Supply-Side Resources ("Fall 2006 RFP"). The IMs have been retained in order (1) to assist in the design, implementation and regulatory review of the Fall 2006 RFP solicitation, evaluation, selection, and contract negotiation process to ensure that it will be impartial and objective, and (2) to provide an objective, third-party perspective concerning ESI's efforts to ensure that all proposals are treated in a consistent fashion, and that no undue preference is given to proposals from any potential bidder, including Entergy Competitive Affiliates (as defined in the Fall 2006 RFP). Entergy Competitive Affiliates will be allowed to submit proposals in response to this RFP. This document outlines the responsibilities and activities associated with providing independent monitoring services for the Fall 2006 RFP consistent with the requirements of the Market-Based Mechanisms Order² issued by the Louisiana Public Service Commission ("LPSC").

1 This proposed Scope of Work Activities (dated August 31, 2006) will be posted publicly for comment by interested parties. Pending any changes in the Scope of Work Activities that may be adopted by the IMs after receiving and reviewing any such comments, this Scope of Work Activities is the basis for the IMs' work until such date that this Scope of Work Activities becomes final.

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

Ms. Benson will serve as the "Process IM," and Potomac Economics will serve as the "Evaluation IM." The responsibilities and activities associated with each of these roles will include oversight, review, monitoring, and reporting, and are categorized into the following RFP phases:

- 1) the overall design of the Fall 2006 RFP;
- 2) the proposal solicitation process (Fall 2006 RFP issuance, bidder registration and proposal submission);
- 3) the proposal evaluation process (including methods of evaluation);
- 4) the proposal selection process;
- 5) the due diligence and contract negotiation process; and
- 6) regulatory review, as needed and requested.

In carrying out these tasks and services, both the Process IM and the Evaluation IM shall have access to any ESI employee or employees of any of the Entergy Operating Companies or data, processes, analytic tools, and any and all other information regarding the Entergy System or this Fall 2006 RFP, which they deem necessary to ensure that the Fall 2006 RFP process is conducted in a fair and impartial manner and subject to appropriate confidentiality safeguards to protect, among other things, such data, methods, proposal information and evaluations, and the integrity of present and future RFPs. Both the Process IM and the Evaluation IM will have the ability to communicate directly with each other, and the regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process, subject to appropriate confidentiality safeguards being maintained.

A. Process IM

The scope of the Process IM's role and engagement in each of the phases of the Fall 2006 RFP process includes:

1. Fall 2006 RFP Development

- a. The Process IM will review and comment on the proposed product specifications and planning criteria to assure that they are reasonably aligned with the Entergy System's stated resource needs and to ensure that they have not been designed to provide undue preferential treatment to any potential bidder, including Entergy Competitive Affiliates.
- b. The Process IM will not evaluate or determine the Entergy System's planning criteria or its present or future resource needs.
- c. The Process IM will review, evaluate and comment on whether the technical product descriptions developed, and the types of products being solicited in the Fall 2006 RFP are reasonably designed to meet the overall and stated objectives of the Fall 2006 RFP, and to facilitate a robust response from market participants.
- d. The Process IM will review and comment on the technical product descriptions, key technical proposal evaluation criteria, and such other information as may be reasonably necessary to ensure that the products and/or the package of products have not been designed or packaged in order to provide undue preferential treatment to any potential bidder, including Entergy Competitive Affiliates.
- e. The Process IM will review and comment on draft Fall 2006 RFP documents to ensure that all Fall 2006 RFP materials, procedures, and timing support a robust and fair solicitation process.
- f. The Process IM will review and comment on the structure of the RFP evaluation teams and the processes for protection of proposal information used by the evaluation teams and will identify any issue, concern, or deficiency in such processes and will work with ESI to address and resolve any such issue.
- g. The Process IM will review and comment on the proposed processes and monitor the Fall 2006 RFP process to ensure that they are designed to comply with all applicable Codes of Conduct, Standards of Conduct, affiliate rules, confidentiality agreements, and acknowledgment forms and

agreements. The Process IM will not act as a conduit in communicating to any employees of Entergy Services, Inc. or its affiliates or others any information that, pursuant to the provisions of this Fall 2006 RFP and the relevant Codes of Conduct, agreements and documents identified herein, cannot be shared with them.

- h. The Process IM will make recommendations, as needed and appropriate, throughout the Fall 2006 RFP process in order to improve it. This will include recommending, as indicated, changes to the draft RFP and commenting on changes proposed by participating regulatory staff and market participants during the RFP consultation process established in the Market-Based Mechanisms Order.
 - i. The Process IM will monitor progress on relevant issues addressed in the Final Report of the Louisiana Public Service Commission Staff in the Collaborative to Study Barriers that May Exist to Robust Competition in Wholesale Generation Markets in the Entergy Region.³
- 2. Proposal Solicitation (Fall 2006 RFP Issuance, Bidder Registration and Proposal Submission)
 - a. The Process IM will monitor the implementation of the Fall 2006 RFP to ensure that the Fall 2006 RFP process is administered in a way that is objective and impartial to all potential bidders and that no undue preference is given to any potential bidder, including Entergy Competitive Affiliates.
 - b. The Process IM will monitor questions submitted by prospective bidders either during the technical and bidders' conferences or via ESI's RFP website and work with ESI to ensure that timely, accurate responses are provided, consistent with appropriate confidentiality safeguards.
 - c. The Process IM will review Bidder Registration information from prospective Bidders and determine whether additional information is needed.

3 U-27836, Subdocket A, dated July 31, 2006.

- d. The Process IM will oversee receipt and handling of all proposals timely received during the proposal submission period.
- e. The Process IM will participate in all technical and bidders' conferences.
- f. The Process IM will have the ability to communicate with and respond to questions, issues or concerns of bidders during the Fall 2006 RFP process and will communicate these concerns, as appropriate, to both ESI and regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process.

3. Proposal Receipt

- a. The Process IM will review all proposals submitted by Bidders and determine whether the proposals meet the threshold requirements stated in the Fall 2006 RFP or whether additional information is needed.
- b. The Process IM will review the electronic data reports generated for each area of evaluation that contain proposal information that is necessary for such areas of evaluation and will distribute such reports to the respective ESI evaluation team members only after redacting such information as the Process IM concludes at the time is not specifically needed for such area of evaluation. With the consent of the Process IM, the redacted information may be made available to ESI evaluation team members at a later stage of the RFP proposal evaluation process should such evaluation team members have a need for the previously redacted information in order to complete the evaluation process.
- c. The Process IM will determine whether a non-conforming proposal should be rejected or whether, and if so how, the bidder should be permitted to cure the proposal.

4. Proposal Evaluation and Selection

- a. Although the proposal evaluation and selection process shall be under the primary responsibility of the Evaluation IM as set for the below, the Process IM will monitor the proposal evaluation and selection process in order to verify that the evaluation and selection process is objective and impartial to all bidders and that no undue preference is given to any potential bidder, including Entergy Competitive Affiliates.
- b. The Process IM will obtain and review, and may comment on, copies of all written communications concerning or relating to the Fall 2006 RFP and

between ESI and bidders in advance of ESI's issuance of such communications.

- c. The Process IM will review all written recommendations and materials to be presented to Entergy's Operating Committee and/or specific Operating Company executives concerning the evaluation and selection process associated with this Fall 2006 RFP, subject to any limitations that might arise concerning attorney/client privileged communications or attorney work product.
- d. The Process IM will review any preliminary and final proposal rankings, portfolio selections and proposal awards. The Process IM will review such rankings, selections and awards before this information is presented to the Entergy Operating Committee and/or specific Operating Committee executives. If the Process IM disagrees with such rankings, selections, and awards, and such disagreement is not resolved by ESI to the satisfaction of the Process IM, then the Process IM shall set forth the nature of the dispute and the view of the Process IM on the issue in a report that shall be presented to the Operating Committee and/or specific Operating Committee executives, as applicable.
- e. The Process IM will not make decisions regarding selection of proposals for award; rather, those decisions shall be made only by the Entergy Operating Committee and/or specific Operating Company executives.

5. Due Diligence and Negotiations

- a. The Process IM will be permitted access to the due diligence and negotiation process, in whatever form the IM deems necessary, in order to ensure that it is objective and impartial to all bidders and that no undue preference is given to any potential bidder, including Entergy Competitive Affiliates.
- b. The Process IM will participate in all elements of negotiations between ESI and Entergy Competitive Affiliates to ensure that the process is objective, impartial, and at arms-length.
- c. The Process IM will monitor negotiations with third party bidders; to the extent that the Process IM requires additional information regarding negotiations with third party bidders where she is not in attendance, ESI will provide that information.
- d. The Process IM will monitor the adequacy and thoroughness of any due

diligence performed by ESI relating to any proposals from Entergy Competitive Affiliates.

B. Evaluation IM

The scope of the Evaluation IM's role and engagement in each of the phases of the Fall 2006 RFP process includes:

1. Fall 2006 RFP Development

- a. The Evaluation IM will not evaluate or determine ESI's planning criteria or its present or future resource needs.
- b. The Evaluation IM will review and comment on ESI's proposal evaluation methods, analysis tools and processes, data inputs and assumptions, and price and non-price evaluation criteria, including its methods and tools of analysis used in the evaluation process, and including specifically, but without limitation, the economic, transmission, and credit evaluation procedures. The Evaluation IM will evaluate such methods, tools, processes, data, assumptions, and criteria from the perspective of both price and non-price factors. The Evaluation IM will identify any issue, concern, or deficiency in such evaluation methods, processes, data, assumptions, and criteria and will work with ESI to address and resolve any such issue.
- c. The Evaluation IM will review and comment on the description of the evaluation process to be provided in the Fall 2006 RFP documentation to ensure that such process is accurately and appropriately described.
- d. The Evaluation IM will determine whether different inputs, scenarios and sensitivities should be analyzed by ESI in addition to those planned to be used by ESI in its own analyses. If the Evaluation IM determines that such analyses will be required as part of the evaluation process, then contemporaneously with the posting of the final RFP, the Evaluation IM will notify bidders via ESI's RFP website of any different analyses that the Evaluation IM will require.
- e. The Evaluation IM will not act as a conduit in communicating to any employees of Entergy Services, Inc. or its affiliates or others any information that, pursuant to the provisions of this Fall 2006 RFP and the relevant Codes of Conduct, agreements and documents identified herein,

cannot be shared with them.

- f. The Evaluation IM will make recommendations, as needed and appropriate, throughout the Fall 2006 RFP process in order to improve it. This will include recommending, as indicated, changes to the draft RFP and commenting on changes proposed by participating regulatory staff and market participants during the RFP consultation process established in the Market-Based Mechanisms Order.
 - g. The Evaluation IM will monitor progress on relevant issues addressed in the Final Report of the Louisiana Public Service Commission Staff in the Collaborative to Study Barriers that May Exist to Robust Competition in Wholesale Generation Markets in the Entergy Region.
- 2. Proposal Solicitation (Fall 2006 RFP Issuance, Bidder Registration and Proposal Submission)
 - a. The Evaluation IM will participate in all technical and bidders' conferences.
- 3. Proposal Receipt
 - a. The Evaluation IM has no specific role in the proposal receipt process; however, the Evaluation IM shall have access to any documentation, processes, and other information that he deems necessary to ensure that the proposal receipt process is conducted in a fair and impartial manner and subject to appropriate confidentiality safeguards to protect, among other things, such data, methods, proposal information and evaluations, and the integrity of present and future RFPs.
- 4. Proposal Evaluation and Selection
 - a. The Evaluation IM will oversee proposal evaluation and selection to ensure that the Fall 2006 RFP process is objective and impartial to all bidders and that no undue preference is given any potential bidder, including Entergy Competitive Affiliates.
 - b. The Evaluation IM will monitor the evaluation by the ESI proposal evaluation teams of the transmission-related aspects of proposals, and will review formal quantitative and qualitative analyses performed in connection with such evaluation, including any completed studies provided by the Entergy Transmission Business Unit that are directly related to such evaluation.

- c. The Evaluation IM will monitor credit evaluation of bidders and will review formal quantitative and qualitative credit analyses, as necessary, to ensure an impartial and objective process.
 - d. If the Evaluation IM previously has determined that additional analyses might need to be performed by ESI and has posted such notice to bidders as part of the Final RFP, then after bids are received, the Evaluation IM will determine whether different inputs, scenarios and sensitivities should actually be analyzed by ESI in addition to those on which ESI's own analyses are based. If the Evaluation IM determines that such a need exists, the Evaluation IM will request such analyses and review the results of them.
 - e. The Evaluation IM will review all written recommendations and materials to be presented to Entergy's Operating Committee and/or specific Operating Company executives concerning the evaluation and selection process associated with this Fall 2006 RFP, subject to any limitation that might arise concerning attorney/client privileged communications or attorney work product.
 - f. The Evaluation IM will review any preliminary and final proposal rankings, portfolio selections and proposal awards. The Evaluation IM will review such rankings, selections and awards before this information is presented to the Entergy Operating Committee and/or specific Operating Committee executives. If the Evaluation IM disagrees with such rankings, selections, and awards, and such disagreement is not resolved by ESI to the satisfaction of the Evaluation IM, then the Evaluation IM shall set forth the nature of the dispute and the view of the Evaluation IM on the issue in a report that shall be presented to the Operating Committee and/or specific Operating Committee executives, as applicable.
 - g. The Evaluation IM will not make decisions regarding selection of proposals for award; rather, those decisions shall be made only by the Entergy Operating Committee and/or specific Operating Company executives.
5. Due Diligence and Negotiations
- a. The Evaluation IM has no specific role in monitoring the due diligence and negotiations process; however the Evaluation IM shall have access to any documentation, processes, and other information that he deems necessary to ensure that the due diligence and negotiations process is conducted in a fair and impartial manner and subject to appropriate

confidentiality safeguards to protect, among other things, such data, methods, proposal information and evaluations, and the integrity of present and future RFPs.

C. Interaction among the Process IM, the Evaluation IM, Regulatory Commission Staff(s) and ESI

1. The Process IM and the Evaluation IM may communicate with one another without restriction relating to this Fall 2006 RFP process. Such communications may be confidential as needed and do not require the participation of ESI.
2. The Process IM and the Evaluation IM may communicate with regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process without restriction relating to this Fall 2006 RFP process. Such communications may be confidential as needed and do not require the participation of ESI.
3. The Process IM and the Evaluation IM will prepare formal written reports and updates, which shall be provided both to ESI and to those regulatory commission staff(s) that request or require such reports. If such reports or updates contain information that is highly sensitive or otherwise protected, they shall be provided only pursuant to a Protective Order or confidentiality agreement acceptable to the entity(ies) whose confidential or otherwise protected information would be revealed.
4. If during the Fall 2006 RFP process, there are disagreements with ESI or the bidders that the Process IM and/or the Evaluation IM is unable to resolve to his satisfaction, the Process IM and/or the Evaluation IM will communicate such disagreement to the regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process.
5. At the conclusion of the Fall 2006 RFP process or at the appropriate point in time (for example, at the time of the filing of a contract for which regulatory approval is sought by the utilities), the Process IM and the Evaluation IM shall prepare one or more joint reports stating their conclusions regarding the Fall 2006 RFP process, including any suggestions for improvement. This report shall constitute the final joint report of the Process IM and the Evaluation IM, but before it is provided to any third parties (including regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process who have not signed a confidentiality agreement acceptable to ESI or otherwise made public, the Process IM and the Evaluation IM shall submit the joint report to ESI for the sole

purpose of redacting its confidential information in order to prepare a public version of the joint report. ESI will then provide the confidential version of the joint report to regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process and will post the public version of the report on ESI's RFP web site.

- a. The joint report is to be prepared independently by the Process IM and the Evaluation IM with no party (including any regulatory commission staff) entitled to review or comment upon any draft thereof prior to its publication and with no party having any right to edit or alter in any way such joint report (except for the redaction process identified above). During the preparation of the joint report, the Process IM and the Evaluation IM will not discuss any report findings or recommendations with any market participant, interested party (including regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process), or ESI prior to publication, nor will any of the above entities be given an opportunity to review a pre-publication draft (except for the redaction process identified above). At their discretion, the Process IM and the Evaluation IM may discuss Fall 2006 RFP issues and request information from each other, regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process, market participant(s), and/or ESI, as may assist the Process IM and the Evaluation IM in report preparation and/or in response to comments on the joint report.
- b. After a joint report is filed, ESI, regulatory commission staff(s) participating in overseeing the Fall 2006 RFP process, market participants, and interested persons may submit comments on the joint report. At their discretion, the Process IM and the Evaluation IM may submit a revised joint report and/or prepare a response to those comments as to which the Process IM and/or the Evaluation IM believe a response would be appropriate. Any party in a regulatory proceeding, whether or not before the LPSC, may offer the joint report (and any response to comments prepared by the Process IM and/or the Evaluation IM) into evidence in lieu of or in addition to pre-filed testimony. Any party also may call the Process IM and/or the Evaluation IM as a third party witness to testify regarding the joint report, the response to comments, and the Fall 2006 RFP process.

D. Additional Procedures

1. The Process IM and the Evaluation IM will have the right, in their discretion, to maintain any documents they deem necessary regarding the Fall 2006 RFP processes, subject to maintaining the confidentiality of such documents in accordance with the terms of the Confidentiality Agreement to be entered into by the Process IM and the Evaluation IM with ESI.
2. The Process IM and the Evaluation IM will establish within their firms such ethical guidelines and appropriate screening procedures as are necessary to ensure that no present or future conflict of interest will arise in connection with their responsibilities under this Scope of Engagement. If any such issues arise, those issues will be brought promptly to the attention of ESI and any regulatory commission staff that has requested such information or notification, or that is directly and actively involved in the Fall 2006 RFP process.