Entergy Summer 2008 Request for Proposals (RFP) for Supply-Side Resources

Questions and Answers

Updated as of August 13, 2008

<u>Questions 1- 31 received from the LPSC Staff</u>

(1) Based on our review, we understand that the one-year bids compete <u>only</u> with one-year bids. Please confirm.

A. Yes, ESI will evaluate one-year proposals independent of proposals received in this RFP with longer delivery terms. The term of the one-year proposals is June 1, 2009 – May 31, 2010. The three-year and five-year Limited-Term and all Long-Term proposals have a start date of June 1, 2010, so there is no overlap of contract terms between one-year term proposals and other proposals with longer delivery terms. It should be noted that ESI also continues to procure short-term (*i.e.*, up to one year) resources outside of this formal RFP process to meet the Entergy System's reliability needs including seasonal, monthly, weekly, and hourly purchases.

(2) Please identify the major changes that ESI has made to its bid evaluation methodology for this RFP as compared to the 2006 RFP.

A. ESI currently expects that the proposal evaluation methodology for incremental resources used in the Summer 2008 RFP will be comparable with that used in the 2006 Long-Term RFP and 2006 Limited-Term RFP, although the inputs to the production costing evaluation model will be updated. Further, in the Summer 2008 RFP, all proposals with terms of ten years or longer will be evaluated over a 30-year period and may include consideration of benefits beyond that period if necessary. Whereas, in the 2006 Long-Term RFP, CCGT proposals were evaluated over a 20-year period and benefits beyond that period were estimated by a probabilistic terminal value model. ESI does not expect that this will materially change the evaluation results or selection of proposals. Further, ESI will be obtaining “Information Only” studies from the Independent Coordinator of Transmission (“ICT”), which is a new process but is intended to replicate the initial System Impact Studies performed in the 2006 Long-Term RFP and 2006 Limited-Term RFP and will replace the AFC “snapshot” analysis used in the initial deliverability evaluation in the 2006 Limited-Term RFP. Considering the potential for changes in law to maintain environmental compliance during the term of proposals in this RFP, the production costing model will include estimated CO_2 emission allowance costs that will be applied consistently to all existing generating units and to the proposals evaluated in this RFP and ESI intends to utilize all relevant information provided in Bidders’ proposals during the evaluation and subsequent selection process, including Environmental Change-in-Law information that can differentiate proposals.

(3) Do three-year and five-year bids compete against each other in the bid ranking? If so, how are three and five-year bids compared? For example, is the bid ranking based on a \$/kW-year savings for three years and five-years, or is a five-year time horizon used with “fill-in” resources (System energy and economy purchases) for years 4 and 5 when modeling a three-year bid.

A. Yes, limited-term proposals with three (3) and five (5) year delivery terms will be compared. All proposals will be individually evaluated and ranked based on a fundamental economic analysis, and proposals for non-peaking products also will be individually evaluated for potential net system benefits expressed as levelized $/kW-year over the term of that individual proposal, as further described in Appendix E-1 to the Summer 2008 RFP. Based on the individual proposal assessments, combinations of proposals will be evaluated simultaneously for potential net system benefits expressed as levelized $/kW-year over a five year period. No "fill-in" resources will be assumed for years four (4) and five (5) when comparing a three (3) year proposal to a five (5) year proposal. In addition to the economic assessment, the portfolio design process may consider the diversity of proposal products and proposal terms within the portfolio.

(4) What is the relationship (in terms of bid ranking and selection) between the limited-term and long-term bids? Do they compete with one another? Does ESI have preferences, targets or objectives concerning the amount of long-term versus limited-term capacity acquisitions?

A. As described in Appendix E1 on page E1-2, the evaluation will recognize three categories of proposals, which are Limited-Term one year proposals, Limited-Term three-year and five-year proposals, and Long-Term (10 year or longer) proposals. Proposals within each category will be compared; however, proposals of different categories will not be compared. ESI prefers to fill the resource need identified in this RFP for 2010 and beyond with Long-Term proposals and then Limited-Term three-year and five-year proposals will be considered.

(5) The RFP indicates that the bid evaluation model input assumptions will be provided to the IM prior to bids being submitted. Will they also be supplied to LPSC Staff at that time?

A. Yes, ESI will make the proposal evaluation model input assumptions available to LPSC Staff as highly confidential and proprietary information prior to the proposals being submitted.

(6) Will CO_2 compliance costs be reflected in the bid evaluations? If not, why?

A. Yes, the production costing model will include estimated CO_2 emission allowance costs that will be applied consistently to all existing generating units and to the proposals evaluated in this RFP.

(7) Will ProSym be used as the principal bid evaluation tool? If so, please explain how ProSym accounts for (a) System RMR constraints; (b) the operational flexibility (including dispatchability attributes) of resources that are bid.

A. The Economic Evaluation Team will assess the proposals based on Fundamental Economic Analysis, Net System Benefits, and other quantitative and qualitative analysis as necessary to identify the best proposals. The Net System Benefit analysis will reflect potential production cost savings as estimated by the PROSYM production cost model. The Economic Evaluation Team will modify existing RMR constraints modeled in the PROSYM production cost model based on the Transmission Analysis Group's assessment of each proposal's effect on the RMR guidelines. The TAG plans to evaluate whether the electrical location of a proposed resource has the potential to reduce the flow on a major interface or serve as a substitute for units subject to RMR directives issued by the Entergy Transmission Business Unit ("TBU") or the ICT. Furthermore, the proposals will be modeled in a manner consistent with existing resources, subject to proposal term limitations, in the initial assessment of operational flexibility in the PROSYM production cost model.

(8) Will the analysis of the long-term bids include a “terminal benefits” component? If so, please describe.

A. ESI recognizes that it may be necessary to consider the potential benefits that may extend beyond the defined evaluation period for certain proposals. Any such quantitative and/or qualitative assessments will be applied consistently to all applicable proposals evaluated in this RFP.

(9) Can ESI provide a sample calculation of the debt imputation cost that it will use in evaluating PPA bids? Would ESI provide Staff with bid ranking results both with and without debt imputation?

A. Yes, the following illustrative debt imputation calculation based on hypothetical financial assumptions is otherwise consistent with the computation that will be used to evaluate purchase power agreement proposals in this RFP. Yes, ESI plans to report the evaluation results with and without debt imputation, and these results will be made available to the LPSC Staff as highly confidential and proprietary information subject to confidentially protection. It should be noted that the sample calculation provided here is an illustrative debt imputation calculation based on hypothetical financial assumptions; however, the actual imputed debt calculation will be applied consistently to evaluate purchase power agreement proposals in this RFP.

Financial Assumptions:					
Equity %	20%				
Debt %	80%				
Equity Cost	10%				
Debt Cost	5%				
Weighted Cost of Capital	6%				
Tax Rate	38%				
Imputed Debt Calculations:					
Year	**1**	**2**	**3**	**4**	**5**
Annual Capacity Payment ($/kW)	$50	$50	$50	$50	$50
Beginning Year Imputed Debt	$211	$173	$134	$92	$47
Risk Factor	25%	25%	25%	25%	25%
Imputed Debt Ending Balance	$53	$43	$33	$23	$12
Calculated Equity Infusion	$11	$9	$7	$5	$2
Net Pre-Tax ROE	$1.7	$1.4	$1.1	$0.7	$0.4
Debt Offset	$0.5	$0.4	$0.3	$0.2	$0.1
Net Equity Cost of Debt Imputation	$1.2	$1.0	$0.7	$0.5	$0.3

Beginning Year Imputed Debt = Net present value of remaining Annual Capacity Payment obligations

Imputed Debt Ending Balance = Beginning Year Imputed Debt * Risk Factor

Calculated Equity Infusion = Imputed Debt Ending Balance * Equity % / (Equity % + Debt %)

Net Pre-Tax ROE = Calculated Equity Infusion * Equity Cost / (1 - Tax Rate)

Debt Offset = Calculated Equity Infusion * Debt Cost

Net Equity Cost of Debt Imputation = Net Pre-Tax ROE - Debt Offset

(10) How does ESI compare for bid ranking purposes a peaking bid with a bid that provides energy savings, e.g., a CCGT MUCPA?

A. Peaking proposals are not directly compared to non-peaking proposals because each type is expected to fill different supply roles; however, both peaking and non-peaking proposals are able to satisfy resource needs. Initially, proposals will be evaluated individually and ranked against the other proposals of similar product type. During the portfolio assessment, combinations of the highest individually ranked proposals will be assessed simultaneously. Generally, the portfolio will be filled first with proposals that offer the greatest potential for energy savings and then peaking proposals will be considered to fill remaining needs.

(11) With respect to bids from competitive affiliates, are they allowed to meet the credit requirements through a parental guarantee from Entergy Corporation?

A. No.

(12) It appears that ESI requires $2 million letter of credit (or suitable collateral) once a term sheet or letter of intent is reached. How was $2 million selected, and why not link the collateral to the size of the bid? In the event the bid collateral is forfeited, would the funds be credited to ratepayers?

A. Consistent with previous RFPs, for long-term proposals that have been selected for negotiation of a Definitive Agreement, ESI will require a Bidder to post a letter of credit in the amount of $2,000,000 upon execution of an LOI. This amount is intended to secure ESI's interests until a Definitive Agreement can be executed between the parties, at which time the performance collateral requirements as detailed in Figure F-4 of the Appendix F of this RFP would apply. These performance collateral requirements are based on the size, type and term of proposal. In the event the bid collateral is forfeited, the funds will be credited to ratepayers as an offset to the costs of the Summer 2008 RFP process.

(13) With respect to PPA credit/collateral requirements, wouldn't it make sense for those requirements to decline over the term of the PPA since ratepayer exposure to default diminishes as the remaining term declines?

A. In general, ESI agrees for longer-term proposals. ESI will consider this suggestion in the Final RFP.

(14) Does ESI have acquisition MW targets for the various capacity types (i.e., baseload, load following, peaking)? If so, what are those targets?

A. ESI is not targeting specific capacity amounts for particular resource supply roles in this RFP. Supply resources procured from this Summer 2008 RFP will depend on proposal merits relative to the Entergy System supply objectives. However, ESI has targeted up to 750 MW for 2009 proposals and up to 1,500 MW for 2010 proposals in this RFP. ESI prefers to fill the resource need identified in this RFP for 2010 and beyond with Long-Term proposals and then Limited-Term three-year and five-year proposals will be considered.

(15) Page 8 describes QF contract negotiations. If such negotiations are successful, would this reduce the 750/1,500 MW acquisition goal, or is that QF capacity in addition to the 750/1,500 MW?

A. At this time, ESI does not anticipate the need to reduce the capacity targets currently identified for this RFP based on the outcome of the QF contract negotiations described on page 8 of the RFP, but ESI reserves the right to do so should the circumstances change.

(16) For baseload CCGT capacity bids, would ESI consider a 5x16 bid instead of "all hours?" If not, please explain why a 5x16 supply offer would not be considered.

A. ESI is not considering 5x16 products in this RFP. ESI notes that 5x16 products are a standard market product that is traded regularly and that in previous RFPs, Bidders have been reluctant to propose 5x16 proposals because of the length of time needed to complete the evaluation of such proposals within the RFP process.

(17) Does ESI have model contracts that it can make available to potential bidders?

A. ESI will not post model contracts in this RFP but intends to utilize EEI Master Agreements in conjunction with the applicable product package term sheet as detailed in Appendix C of this RFP as the basis for negotiation of a Definitive Agreement.

(18) Who has the decision-making authority to reject bids as being non-conforming, the IM or ESI?

A. ESI, in conjunction with the IM, will screen all proposals received in response to this RFP to ensure that each meets the requirements of the RFP. For any proposal(s) that may not conform to the requirements of the RFP, ESI will seek to the concurrence of the IM in deciding to reject a proposal as non-conforming; however, the final decision to reject a proposal(s) as non-conforming will lie with ESI.

(19) Why is there only a primary award list for one-year bids, i.e., no secondary award list for those bids?

A. As part of the planning process for this RFP, ESI determined that in order to meet the June 1, 2009 Delivery Term Start Date which all one (1) year proposals will be expected to meet, there would not be sufficient time between notification of an award list and the deadline for regulatory filings to contemplate negotiating Definitive Agreements with any secondary award list.

(20) Will the Environmental Change in Law be factored into the bid evaluation and ranking process? If so, how?

A. ESI intends to utilize all relevant information provided in Bidders' proposals during the evaluation and subsequent selection process, including Environmental Change-in-Law information that can differentiate proposals. Also, see the response Question #6.

(21) At what point in the RFP process will intercompany allocations of the selected resources be made? Please describe the process for those decisions, including timeline. Does ESI or Entergy management currently have any preliminary plans or expectations concerning the assignment of new capacity to EGSL and ELL? Please describe.

A. ESI has not made any determination regarding allocation of any proposals and any associated new capacity that may be selected from this RFP to the Entergy Operating Companies, including EGSL and ELL. The Entergy Operating Committee makes all allocation decisions. The process for those decisions, including any timeline, will be communicated to Staff and the IM before a final decision is made by the Operating Committee.

(22) Provide a work-paper showing a buildup of the 2009 System capacity base of 23,969 MW, i.e., a listing of all System installed capacity and PPA resources summing to this amount. (Reference: Appendix H)

A. Please see the following Confidential and Highly Sensitive listing of resources.

NOTE: The following table has been provided to LPSC Staff as Confidential and Highly Sensitive and has been redacted from the publicly posted answer.

(23) Provide the actual weather-normalized "total reliability requirement" for 2007 and the projected value for 2008. (Reference, Appendix H)

A. The weather-normalized "total reliability requirement" for 2007 was 24,504 MW, and the projected weather-normalized "total reliability requirement" for 2008 is 24,283 MW.

(24) Please clarify the role of the IM in determining the Entergy System "planning criteria." (Reference: IM Scope, page 3, item A(1)(a)).

A. Determining the planning criteria for the Entergy System is an internal business process independent and outside of ESI's RFP process, and therefore the IM plays no role in making those determinations or advising individuals or bodies responsible for making those determinations. The purpose of inviting the IM to review and comment on the product specifications and planning criteria as discussed in the RFP is to ensure that neither has been designed or determined in a way that would provide preferential treatment to any potential Bidder in this RFP.

(25) Are there presently any unresolved conflicts between the IM and ESI? If so, please describe.

A. Presently, there are no known unresolved conflicts between the IM and ESI.

(26) Does the IM have any authority to require ESI to conduct additional analyses? (The IM scope only states that the IM can make such a request.)

A. ESI will work to accommodate requests by the IM to conduct additional analysis within the constraints of the overall timeline for the RFP Process and consistent with the evaluation methodology as further described in Appendix E-1 of this RFP, but reserves the right not to conduct any such analysis.

(27) Appendix E-2 states that limited-term bids will be rejected if network transmission service can only be obtained with network upgrades. What if the required upgrades are minor and can be completed quickly?

A. TAG will submit the transmission service requests based on the process prescribed by the Entergy OATT. This process requires that a System Impact Study be obtained and the Facilities Study process be completed in order to construct upgrades to alleviate constraints. The study results for either will identify if constraints can be alleviated by the upgrades identified in the ICT's Base Plan and Entergy's Construction Plan. There is no mechanism to accelerate this process nor is there any means to guaranty that even a seemingly minor upgrade could be completed in time to make a limited-term proposal deliverable, thus making is impractical to assume that any upgrade could be completed in time to make a limited-term proposal deliverable.

(28) Per Appendix E-2 methodology, if a bid is found to have RMR substitution benefits, will the evaluation methodology quantify this benefit? If so, how?

A. See response to Question #7.

(29) Staff understands Appendix E-2 to state that there would be only one TDE per resource, based on the longest term and largest capacity bid from that resource? Does this have the effect of biasing the TDE against smaller bids? For example, if there is a 100 MW and a 500 MW bid from the same resource, would ESI basing transmission requirements on 500 MW for a 100 MW bid? If so, why is this treatment reasonable?

A. For proposals within each TDE category (i.e. those proposals with a Delivery Term Start Date of June 1, 2009 or June 1, 2010), if a Bidder submits more than one proposal originating from the same resource, the Transmission Analysis Group will take the proposal representing the largest Capacity Quantity (and longest Delivery Term in the case of proposals with a June 1, 2010 Delivery Term Start Date) and submit a single "information only" TDE request to the ICT for further analysis within each of those Delivery Term Start Date categories. The information only studies will provide the level of detail necessary to evaluate the availability of transmission service for the total capacity requested for study from a particular resource as well as any service available for corresponding lower capacity levels, especially those at which any constraint is triggered. In this process, ESI limits the number of information study requests necessary to conduct the TDE for each proposal but ensures that there is no bias against proposals of any size.

(30) For one-year bids, why is ESI not using the AFC process for transmission service assessments?

A. Based on the limitations of the AFC process, ESI has decided to submit the transmission service requests through the long term transmission service queue. The monthly AFC process requires that all power contracts be executed within 4 days of receiving the acceptable results. Also, the AFC process does not allow the undesignation of network resources or redispatch mitigation strategies to be utilized as potential options to obtain transmission service.

(31) In conducting long-term evaluation analyses using ESI's planning or dispatch model, please indicate how Entergy Arkansas, Inc. (EAI) is treated after 2013. Is it included or excluded from the model? What assumption is made concerning Entergy Texas loads and resources in the evaluation of long-term bids?

A. For purposes of the economic evaluation of proposals submitted in response to this RFP, the present representation of Entergy System will be used through 2013 (EAI has given notice of its intent to terminate participation in the Entergy System Agreement effective December 18, 2013). For the period of time after 2013, ESI is considering the appropriate modeling assumptions to use in the evaluation of proposals with terms that extend beyond 2013. ESI will make these modeling assumptions available for review by the Independent Monitor and the staffs of interested regulatory commissions overseeing the Summer 2008 RFP process.

(32) Is there any flexibility in the preset values for variable O&M and start costs, or are those values negotiable?

A. For limited-term proposals submitted in response to this RFP (except for the Baseload Product – Product Package A), ESI does not intend to alter the pre-set values for Variable O&M, Start-up Payment, and Fixed Heat Rate. For long-term proposals, these parameters are open for bid.

(33) Will displacement analysis of high heat rate units be considered in addition to incremental supply requirements?

A. Without concurring with the assumption in the question that the Entergy System operates so-called high heat rate units to the detriment of customers, ESI responds as follows: After first meeting the incremental needs identified in the RFP, ESI may consider the ability of remaining proposals to displace existing generating resources owned by the Entergy Operating Companies. Proposals that allow the Entergy Operating Companies to displace the operation of the Operating Companies' owned generating resources in a manner that will produce cost savings to customers while still affording the Entergy System the operational flexibility needed to meet its reliability requirements may be considered in the displacement analysis. As noted previously, a proposal term of at least three years is required and proposals that provide flexible capability will be preferred in the displacement analysis. ESI is in the process of receiving feedback from the Louisiana Public Service Commission Staff and stakeholders regarding the displacement analysis performed in the Fall 2006 Request for Proposals for Limited-Term Supply Side Resources. Additional information regarding the displacement analysis is expected to be provided in the Final RFP.

(34) Is the specific methodology for debt imputation available? If so, will you provide?

A. See response to Question #9.

(35) On slide 35, the bar graph depicting requirements has a red box at the top which is not included in the legend. What does it represent?

A. The segment identified represents the Entergy System's 2008 reserve requirement, which is 16.8% of the annual firm peak load requirement.

(36) In submitting a proposal…should we choose to combine two of the packages as one (for example D&E), is that permitted?

A. No, for the above example each product package would constitute a separate proposal and require a separate proposal submittal fee. Also, please note that only product packages A and C may be combined.

(37) Will ESI consider a generation facility that is not physically located in an Entergy service region?

A. Yes, ESI will consider all conforming proposals, including those originating from resources not physically located within the Entergy Control Area; however, Bidders should note that for resources located outside of the Entergy Control Area, Bidders are responsible for securing firm transmission service required to deliver the Capacity Quantity to a designated point on the Entergy System.

(38) Are the heat rates referenced in the product packages lower heating value numbers?

A. No, as noted in the RFP, all heat rates referenced in this RFP represent higher heating value (HHV).

(39) From the perspective of a QF bidder, can a bid for a baseload product (Package A) be considered "must-take" for energy by the buyer? (i.e. Can a QF that is a must-run for steam, bid product A?)

A. QF status of a resource notwithstanding, the Baseload Product is expected to run in all hours of the Delivery Term, subject to the availability requirements which are based on the technology of the generating unit as defined in the applicable term sheet, and therefore would be considered "must-take" by Buyer during those hours when the unit was available for dispatch. Yes, a QF with certain steam and electrical host demands can submit a proposal for a Baseload Product.

(40) Does a QF give up its "put" right for the term if the transaction or forever?

A. QFs submitting a proposal for any product package other than the Short-Notice Peaking MUCCO (Product Package F) must agree not to put energy to the Entergy System only for the term of the transaction and for the energy associated with the capacity that is purchased in the RFP, i.e., the Contract Capacity as defined in the Term Sheet for each product.

(41) Can a QF give up its "put" right for a portion of its capacity currently eligible for QF status?

A. Based on ESI's understanding of the question, for all products except product package F, the requirement for a QF to agree not to put energy to the Entergy System applies only to the Contract Capacity.

(42) Can you bid a 1 year with June 1, 2009 start date and 3 year with June 1, 2010 start?

A. Yes, Bidders may submit any number of proposals within each Delivery Term Start Date category. Each separate proposal will require a separate proposal submission fee.

(43) For long-term product, would you consider a 6/2011 or 6/2012 start date?

A. No. ESI is only soliciting proposals for either a June 1, 2009 or June 1, 2010 Delivery Term Start Date in this RFP.

(44) How will ETR and the IM weigh and evaluate environmental costs (if bidder A bears all costs and bidder B passes all through). What model legislation, if any, will be used to determine risk levels?

A. See responses to Question #20 and #6.

(45) Will ESI consider collateral posting upon approval by LPSC (instead of upon execution of Definitive Agreement)?

A. No. The purpose of requiring a Bidder to post collateral upon execution of any Definitive Agreement is to secure ESI's interests prior to the Delivery Term Start Date, which includes the period of time required to seek all necessary regulatory approvals.

(46) Have the final set of upgrades to qualify Ouachita as a network resource on the Entergy system been identified?

A. At this time, the final set of upgrades has not been identified.

(47) For supplemental upgrades identified for third-party proposals, how will Entergy value the supplemental upgrade, specifically in terms of future revenue from other transmission usage?

A. For transmission upgrades identified by the ICT as part of the process outlined in Appendix E-2 and that are required to qualify a proposal as a network resource, the annual revenue requirement will be estimated and will be included in the fixed cost of that proposal during the term of that proposal. The cost and any potential associated benefits of the transmission upgrades that extend beyond the term of the proposal will not be included in the economic evaluation.

(48) If a long-term third-party PPA proposal requires supplemental upgrades, will the year by year 30-year revenue requirement be used in the economic evaluation?

A. See response to Question #47.

(49) What consideration (risk mitigation) will be given to third-party proposals from existing generation facilities versus a new build or self build alternative?

A. ESI is not soliciting any development projects or market testing any self-build or self-supply alternatives in this RFP.

(50) What treatment will be assumed for self-build or asset acquisition regarding existing and future environmental compliance costs? That is, will Entergy assume these costs are passed through to consumers?

A. ESI is not market testing any self-supply or self-build alternative in this RFP. For purposes of the evaluation process, with regard to Bidders that submit an Ownership Acquisition (Product Package G) proposal, ESI will use its internal estimate of future environmental compliance costs developed prior to the receipt of proposals in response to this RFP to evaluate the effect any such outcome would have on the economics of the proposed resource. The same future environmental compliance costs will be applied consistently to all existing owned resources, as well as the proposals evaluated in the RFP. While ESI expects the applicable Operating Company(ies) to seek recovery from customers of all prudently incurred costs ultimately incurred under a proposal that is selected through the RFP, the potential for the recovery of the costs of a particular proposal from customers is not a basis on which proposals are evaluated in the RFP.

(51) Will Entergy assume long-term economic purchases to displace RMR or other less efficient generation when comparing a third-party proposal to displacing/replacing Entergy's legacy fleet (for long-term proposal)? If yes, how far out into the future does Entergy project an economy market and how does the economy market compare or relate to capacity replacement costs for PPAs less than 30 years?

A. Long-term economic purchases will not be included in the economic evaluation; however, a representation of the economy market will be included for the duration of the evaluation period. Economy market assumptions are confidential and highly sensitive competitive information and therefore will not be disclosed. Also see response to Question #7.

(52) For self-build, repowering or acquisitions, will Entergy include (explicitly in the model) major maintenance overhaul costs that occur on NGCC technology every 3 to 5 years, depending on operating characteristics? If yes, what cost will Entergy assume?

A. ESI is not market testing any self-build or self-supply alternative in this RFP. For any Ownership Acquisition (Product Package G) proposal submitted in response to this RFP, the Economic Evaluation Team will make certain assumptions regarding the cost and frequency of major maintenance costs consistent with the resource technology and standard industry practice. These assumptions are confidential and highly sensitive competitive information and therefore will not be disclosed.

(53) For self-build, repowering or acquisitions, what assumptions will be made regarding property tax impacts? Will Entergy assume any property tax abatements?

A. ESI is not market testing any self-build or self-supply alternative in this RFP. For any Ownership Acquisition (Product Package G) proposal submitted in response to this RFP, the Economic Evaluation Team will make certain assumptions regarding property taxes. If the existence of property tax abatement is disclosed by the bidder, that fact will be taken into consideration in the evaluation of that proposal.

(54) For self-build or repowering, how much of the cost for these alternatives will be locked in and not at risk for over runs or escalation?

A. ESI is not market testing any self-build or self-supply alternative in this RFP.

(55) When looking at RMR replacements (long-term), will transmission upgrades coupled with delisting be considered in the economic evaluation?

A. The question contemplates analysis that is beyond the scope of this RFP. Please see the RFP main body, page 3, section 1.3 Overview of the Summer 2008 RFP for a description of the scope of this RFP. Also refer to question #7.

(56) What capital costs and environmental compliance cost will be included when looking at RMR replacement (long-term) opportunities?

A. The Economic Evaluation Team will apply the internal estimates of future environmental compliance costs consistently to all existing owned resources, as well as, proposals identified by the Transmission Analysis Group as capable of satisfying or relieving an RMR requirement placed on an existing network resource.

(57) If a bidder is actively in the process of getting set up to provide regulation/ load following service with an in-service date prior to 6/2009, can the bidder include this capability in a proposal?

A. If a Bidder is proposing to make available certain operational services as of the Delivery Term Start Date that are not currently available on the generating unit prior to that date, Bidder may include such service in its proposal and note such in the special considerations section of the proposal.

(58) Will Entergy consider short-term, mid-term and long-term benefits of long term PPAs as compared to Entergy ownership? That is, consider 5, 10, 15, …30 year NPV of a PPA versus ownership?

A. See the response to Question #4.

(59) Are the proposals required to be binding? If so, how long?

A. ESI realizes that some Bidders cannot submit irrevocable and binding offers of the sort and magnitude solicited in this RFP due to customary business requirements for internal approvals. Internal approvals notwithstanding, ESI requests that Bidders submit their good faith best offer in response to this RFP and expects such offers to be honored and the basis for a Definitive Agreement were a proposal(s) selected to any shortlist.

(60) Can the proposals be completely withdrawn without penalty?

A. ESI realizes that certain elements are outside the control of a Bidder and therefore, assuming a Bidder whose proposal is selected for inclusion on a primary or secondary award shortlist is subsequently withdrawn prior to the execution of any Definitive Agreement, then the proposal(s) can be withdrawn from this RFP without penalty subject to the conditions described on page D-4 of the Appendix D to this RFP. Circumstances other than those outlined in Appendix D will not result in a refund of any Proposal Submission Fee(s).

(61) When does a bidder first post collateral?

A. As noted in Appendix F, ESI will require that collateral be posted upon execution of a Definitive Agreement to secure ESI's interests up to the Delivery Term Start Date. After that point, the performance credit and collateral requirements described in Appendix F will apply.

(62) Can you bid an 800+ MW CCGT for less than 10 years?

A. Bidders can submit a proposal originating from any resource capable of meeting the requirements as specified in the applicable product package for the Delivery Terms solicited in each respectively. This includes CCGT technology and delivery terms of 1, 3, and 5 and 10 years or longer.

(63) Can you propose changes to the master agreement and/or PPA?

A. ESI intends to utilize the EEI Master Agreement coupled with the Term Sheet within each applicable product package as the basis for negotiation of any Definitive Agreement. Any changes that Bidder would require to the Master Agreement must be discussed in the Special Considerations section of the proposal.

(64) For the limited term product in Product Packages C, D, and F, will ESI consider proposals with VOM payments, start-up payments and heat rates different than those specified in the RFP document?

A. See response to Question #32.

(65) Will ESI consider purchasing a heat rate call option with specifics as outlined for Product Packages C, D, and F but as a firm LD call option with Delivery Point "into Entergy," as opposed to coming from a particular unit?

A. No. ESI is soliciting unit contingent products with the flexible scheduling provisions detailed in those product packages.

(66) Once a proposal is submitted in August 2008, may bidders subsequently adjust their offer price to account for changes in the market between bid submission in August 2008 and contract execution in March 2009? Is there any mechanism for or allowance of price adjustment once a bid has been submitted?

A. ESI will require that all proposals are the Bidder's good faith best offer for all material terms of the applicable product package. In addition, except under extraordinary circumstances and with the concurrence of the IM, no proposal may be modified. However, if a Bidder wishes to submit an acquisition proposal with pricing based on different closing dates, the Bidder may do so provided that it indicates such terms in the "Special Considerations" section of its electronic proposal submission form.

(67) What sort of credit support would ESI envision providing to a winning bidder in the RFP after contract execution?

A. The credit and collateral requirements in Appendix F of this RFP apply only to Bidders and are designed to protect the Buyer from the risk of a Bidder's non-performance. In consideration of the fact that this RFP seeks long-term resources, however, ESI recognizes the potential need for credit support from the appropriate Entergy Operating Company(ies) in certain situations, and will discuss any required parameters in connection with Bidder notification that a proposal(s) has been selected for further negotiations.

(68) For products capable of meeting the System's flexible capability needs, what is the desired response rate for Bidder's to consider when developing a proposal?

A. In order to serve the flexible capability role, a generation resource must be capable of being started on short notice or must be committed and operating at least at its minimum level and be physically capable of changing its output up or down, at the direction of the System Dispatcher, in response to real-time changes in load. There is no specific response rate requirement but ESI expects response rates consistent with the modern technology of the resource proposed. The resource must also have a source of fuel that is flexible enough to match the flexibility of the generator.

(69) For product packages A – C and D – F, can ESI confirm that the capacity payment discount as specified in the applicable term sheet is 2% for every 1% availability is below the contractual requirement for product packages A – C, and 20% for every 1% for product packages D – F?

A. Yes. Product packages A – C are for non-peaking proposals, and therefore the capacity payment discount is 2% for every 1% availability is below the contractual requirement. Product packages D – F are for peaking proposals, and therefore the capacity payment discount is 20% for every 1% availability is below the contractual requirement.

(70) Will Bidder's be able to try out the new RFP Web Portal prior to the start of Bidder Registration on August 4, 2008?

A. Yes. ESI has posted notice of the dates over which it will host limited functionality testing of the RFP Web Portal. As noted on the RFP Website, during the first phase Bidders are invited to test the Bidder Registration Process and submit questions or comments over the period July 1 through July 3. During the second phase, Bidders who registered during the first phase of testing are invited to test the Proposal Submission Process and submit questions or comments over the period July 8 through July 10. Bidders are instructed to submit those questions and comments to the RFP Administrator.

(71) If a bidder wants to submit more than one proposal for the same product package, will they be charged a proposal submission fee for each?

A. Yes. Bidders who want to submit more than one proposal for the same product package will be charged a separate Proposal Submission Fee for each individual proposal submitted (except when linking a Low Heat Rate MUCCO- Product Package C, with a Baseload Product – Product Package A which will be charged one Proposal Submission Fee for the combined products.) Please note that a linked A-C proposal will be evaluated as a single proposal and that it will be awarded or rejected in its entirety.

(72) Will Entergy be participating in the ICT LTTIWG task force to develop cost allocation principles for base case contingency and base case overloads. If so, will cost allocation opportunities for upgrades identified for long-term PPAs be considered?

A. ESI will be participating in the ICT LTTIWG task force to develop cost allocation. In the event some definitive decisions are decided, ESI will consider the cost allocation opportunities for upgrades in the evaluations.

(73) Has Entergy identified the operating companies (EAI, EMI, ELI, EGSL, ETI, ENOI) that will be contracting for resources (short and long term) through this RFP?

A. See response to Question #21.

(74) For short-term displacement opportunities, will Entergy look at the savings available under a PPA absent the economy market displacement as a sensitivity to assess ratepayer risk to Entergy's economy market assumptions?

A. See response to Question #33.

(75) Will the same NG forecast be used for the short-term and long term starting in year 2010?

A. Natural gas price forecasts will be developed for the entire evaluation period and will be consistently applied to evaluate all proposals, regardless of proposal term, where the buyer will provide the gas or where the gas price is based on a natural gas price index.

(76) For the long-term PPA, will Entergy consider a start-up cost that could flip to a run hour cost depending on the operation profile for the unit? If not, why?

A. ESI will require that all proposals be based on the details of the applicable product package. If Bidder has a Special Consideration that it would like ESI to evaluate as part of its proposal, the Bidder should submit its proposal such that it conforms to the requirements contained in the applicable product package and associated term sheet, and then provide the additional detail on any such proposal in the Special Considerations section of the proposal

(77) Given the status of the ICT's ISTEP program and its inevitable progress on transmission expansions and alleviation of network constraints, will (and if so, how) this effort be integrated into and reconciled with the RFP evaluations.

A. Upgrades identified in the ISTEP will not be included as part of the "information-only" analysis conducted by the ICT in accordance with Attachment E-2 of the RFP. The ISTEP is a non-binding list of options that is designed to identify and facilitate future transmission development. As described in Attachment E-2, the ICT will use the current Base Case models (which will include any projects from the then-current construction plan) to assess whether ATC is available, and if not, what upgrades are required. The ICT will also identify any upgrades that would be considered "Base Plan" upgrades (i.e.

not charged to the requesting transmission customer) in the study reports for the "information only" analysis.

(78) For the ICT evaluation, will the ICT explicitly model, that is include the physical projects, in the models to assess transmission availability?

A. For an upgrade funded by a non-affiliate transmission customer, the upgrade will be included in the current Base Case model series as of its scheduled in service date. All other upgrades are included in the current Base Case model series when the upgrade is actually placed in service. The ICT will use the most current set of Base Case models for the "information only" analysis.

(79) Will the ICT include supplemental projects that have been committed to?

A. See response to Question #47.

(80) Will the upgrades identified (Ouachita final or preliminary) be included in the ICT's model to assess transmission availability for third-party proposals?

A. See response to Question #47.

(81) Who defines the parameters of the delist or redispatch?

A. SPO is responsible to submit any undesignation (or "delist") requests to the ICT for evaluation with specific bids. Redispatch, on the other hand, will be calculated in the same manner that is currently used to conduct system impact studies for transmission service requests. The ICT will identify in the study report generation pairs that would relieve the congested flowgate.

(82) Is Entergy contracting separately with the ICT for their transmission evaluations? If not, is this service provided for under the 890 tariff? If yes, will the ICT contract with merchants to perform similar type analysis?

A. Yes. ESI will sign an economic study agreement with the ICT prior to the ICT performing the "information only" analysis. The ICT will perform economic studies for transmission and/or interconnection customers in accordance with Section 11.4 of the Transmission Planning Protocol as appended to Attachment S of the Entergy OATT.

(83) Will Acadiana Load Pocket upgrades be included in the "base" ICT analysis?

A. No. The Acadiana Load Pocket upgrades have not been finalized and are not in the current Base Case model series that will be used for the "information only" analysis. See response to Question #47.

(84) Why is Entergy using the separate "information only" study process rather than submitting transmission service requests (TSRs) under the Entergy OATT?

A. There are two primary reasons for ESI's decision to use the economic study process rather than the transmission service process. First, ESI believes that the timing requirements under the OATT for TSRs would be incompatible with the schedule of the RFP and inadequate to fully analyze and digest the information presented in the system impact study stage prior to the decision to continue to the facility study stage. Secondly, the OATT requires that all TSRs be studied in queue order, which would necessitate the ICT including each prior ESI request in its list of prior requests that must be assumed to have been accepted. The "information only" studies, by contrast, allow each proposal to be studied individually without requiring a stacking of all potential proposals in the queue.

(85) Will the TDE information studies be made available to bidders or published (publicly available)? If so, will the studies specify delist given by ESI?

A. The information only studies will be made available on OASIS. The OASIS numbers for the network resources that are submitted in conjunction with the delist requests will be made available on OASIS.

Questions 86 – 90 received from LPSC Staff

(86) The response to Staff question #23 shows the System's reliability requirement (in MWs) declining significantly from 2007 to 2008 on a weather-normalized basis. Please explain this decline.

A. The actual 2007 reliability requirement includes the entire load, both firm load and non-firm load, served at the time of the peak; whereas, the forecasted 2008 reliability requirement reflects only the firm load expected at the time of the peak.

(87) The response to Staff question #31 indicates that ESI is uncertain regarding the inclusion of EAI in the ProSym modeling after 2013. Please update Staff regarding ESI's decision. Also, what would be the rationale for including EAI after 2013?

A. EAI will not be included in the PROSYM production costing model after 2013.

(88) With regard to plant asset acquisitions, the response to stakeholder question #53 indicates that EET will make assumptions concerning property taxes. Why not obtain this information directly from the bidder, since the bidder undoubtedly knows the property tax obligation of his project?

A. The amount of property tax owed for a resource bid into the RFP is both asset and owner specific. While the bidding entity knows the current tax obligation, the transfer of the resource to one or more Entergy Operating Companies is a factor that could change the assessed value of the asset for purposes of determining the property tax. Therefore, the EET will apply a generic tax rate based on acquisition price at time of proposal evaluation.

(89) The response to stakeholder #47 states that the evaluation of transmission supplemental upgrades includes the revenue requirements for those upgrades only for the term of the contract. Why? For example, if a ten-year contract requires supplemental network upgrades, won’t ratepayers be charged for that during years (11) through (30)? Shouldn’t that be recognized as a ratepayer cost?

A. ESI appreciates the point made in the question and agrees that customers will pay the full cost of upgrades needed to obtain long-term network integration service for a long-term proposal. Accordingly, ESI will evaluate proposals with the full upgrade costs regardless of the proposal term.

(90) In response to stakeholder question #32, what is the rationale for not permitting flexibility for O&M or start charges for limited-term contracts?

A. Limited-term products were designed to meet System needs while maintaining consistency and comparability between products. The design of the products is believed to provide adequate ability to cover expected O&M and start costs while providing direct comparability of proposals without trying to establish direct tradeoffs between cost and/or benefit streams.

(91) In reviewing the proposal submittal requirements for Product Package D, we note that there are a number of questions for the Bidder related to Fuel Supply and Transportation. If a facility that was previously in commercial operation is not currently in commercial operation, and although a transportation agreement was in place during commercial operation a fuel transportation agreement in not currently in place, and given the fact that Product Package D is essentially a tolling arrangement with the Buyer providing the fuel, what are your expectations regarding the Part 3 portion of the proposal submittal?

A. Part 3 of the Proposal Submission forms requests that Bidders provide as much information regarding fuel supply and transportation associated with the specific generating unit as possible so as to allow ESI to appropriately evaluate each proposal. In general this is true for all sections of the product package Proposal Submission forms. If a facility previously achieved but is not currently in commercial operation, and previously had but does not currently have a fuel transportation agreement in place, ESI requests that any Bidder proposing such a resource still provide as much detail as possible regarding the previous fuel transportation agreement as well as any other specific information regarding the current and past fuel supply and transportation disposition of the resource during commercial operation, and any developments (material or otherwise) that Bidder is aware of that may impact the availability and deliverability of fuel to the proposed resource. ESI also notes that for resources not currently in commercial operation, the resource must provide evidence that commercial operation was achieved prior to the issuance date of this RFP, as well as additional information that shows how the Bidder expects and plans for the proposed resource to re-achieve commercial operation prior to the Delivery Term Start Date such that it would be able to meet the terms and conditions of the applicable product package and associated term sheet. ESI is not considering proposals for resources currently under development that have not achieved commercial operation prior to the issuance of this RFP.

(92) For the long-term products, will Entergy allow PPA structured that charge a "start charge" or a "run charge" depending on the actual run profile for the PPA? That is, if the run profile under a PPA structure is cycling then a start-charge would apply, but if the run profile changes to more of a base load operations profile, a run-charge would apply? If not, what is Entergy's reason for not allowing this type of structure? If so, would this also be allowed in the 1 year and 3 to 5 year products?

A. Please see response to Question #76, which would apply equally to the applicable limited-term and long-term products solicited in this RFP where a start-charge is a component of the product pricing.

(93) Can multiple people within my organization make changes to data on the web portal? Will changes be saved between sessions?

A. ESI encourages Bidders to refer to Appendix B of the RFP for instruction on and illustration of the procedures involved in completing each phase of the solicitation process via the RFP Web Portal, which transfers Bidders' information over a connection secured by encryption. Once a user creates a profile for the respective Bidder in the RFP Web Portal, a unique Bidder ID and password is provided to the user who created the account. Anyone who is provided these two pieces of information will be able to log in to the RFP Web Portal and access the Bidder's account and make changes to any of the Bidder's registration or proposal information during the applicable phase of the electronic solicitation process. Therefore, ESI encourages Bidders to limit the distribution of the Bidder ID and password to as few users as necessary. Once a user accesses the Bidder's account, depending on the applicable phase of the electronic solicitation process, that user can make changes to any previously entered information during each phase in which the RFP Web Portal is enabled to accept registration or proposal submission information, respectively. To submit information via the RFP Web Portal, the registration or proposal submission process a Bidder begins must be completed in its entirety as described and illustrated in Appendix B. For example, during Phase 1 when a Bidder is directed to the resource registration page to add a plant to the Bidder's account, the 1-page form must be completed and then submitted prior to the information being saved. As another example, during Phase 2 a Bidder must finish the 4 forms associated with each product package and then submit the information for the RFP Web Portal to save the proposal information entered. During both phases of the electronic solicitation process, Bidders can choose to edit or delete previously submitted information using the functions illustrated in

Appendix B of the RFP, however; during Phase 2 a Bidder will be asked to delete and re-submit a proposal in its entirety if an error is discovered after it has been submitted.

(94) When the portal is reopened from August 18-21, is there a way to submit my bid as final, or is it the case that the final bid is considered to be whatever data is entered at the 5pm close on August 21st?

A. During Phase 2 of the electronic solicitation process, Bidders can access the RFP Web Portal and submit proposals for all product packages for which a Proposal Submission Fee was paid by 5:00 pm CPT August 14, 2008. Once a proposal is submitted, it is important to note that Bidders may resubmit the same proposal as many times as necessary during Phase 2, but the most recent proposal submitted will supersede any previously submitted proposal. Once the Phase 2 deadline for proposal submission is reached, ESI will only evaluate the most recent proposal submitted.

(95) Are bids considered transmission contingent? In other words, I want to confirm that if I place a bid that is selected and for some reason transmission cannot be obtained, I am not committed to providing the services.

A. All conforming proposals submitted via the RFP Web Portal will undergo the Transmission Deliverability Evaluation ("TDE") as further described in Appendix E-2 of the RFP. Therefore, any Definitive Agreement that may result from the selection of a proposal(s) to an award list would be contingent on receipt of transmission service necessary to deliver the Contract Quantity of Capacity to a designated point on the Entergy System.

(96) If a bid is submitted and found to be non-conforming, is my submission fee refunded?

A. As described on page D-4 of Appendix D, if a proposal(s) submitted in response to the Summer 2008 RFP is determined to be non-conforming, ESI will refund the corresponding Proposal Submission Fee(s).

(97) I would like to bid a plant for a 1-year term (starting 01Jun2009), and then for a 3-year term (starting 01Jun2010). My problem is that I must end my bid on 31Dec2012, which is five months before the end of the 3-year term. Would a bid which is five months short of the 3-year term requirement be considered conforming?

A. As stated in the RFP, the Product Packages and associated Term Sheets located in Appendix C of the RFP establish certain key terms and requirements for each product. ESI expects these key terms and requirements will be a part of the Definitive Agreements ultimately executed for the proposals, and ESI does not expect to negotiate any of these key terms and requirements for the products *unless* (a) an otherwise economic resource is physically unable to meet, or prevented by substantial and material circumstances from meeting, a requirement specified in the applicable Term Sheet; *and* (b) the Bidder has explained the fact of and basis for this situation in the Special Considerations section of its proposal. **Bidders are responsible for reviewing all terms and conditions specified in the relevant Term Sheet and taking these terms and conditions into consideration in developing their proposal(s) in response to this RFP.** Therefore, ESI encourages Bidders to submit their proposal(s) such that they conform to the applicable product package and associated term sheet and note any limitation that may hinder the ability to meet those terms in the Special Considerations section of their proposal.

(98) For registration of co-owned units, does a Bidder need to register their respective co-owned portion of the unit, or the full capability of the unit?

A. During Phase 1 of the electronic solicitation process, Bidders are asked to register the plant(s) from which the subsequently registered proposal(s) will originate. For each resource Bidders register, ESI requests that Bidders specify the full capability of the generating facility or unit(s) from which the Capacity Quantity a Bidder intends to propose for a particular product package(s) during the Proposal Submission Process will originate. For registration of co-owned units, ESI requests that Bidders specify the full generating capability of the co-owned unit regardless of a Bidder's co-ownership share of the unit(s) capability.

(99) If a Bidder intends to register multiple resources and corresponding product packages consisting of a mixture of baseload, dispatchable, and peaking products, can the proposals be conditioned such that all are required to be selected?

A. ESI requires that each proposal a Bidder submits during Phase 2 of the electronic solicitation process conform to the applicable details of the product package and associated term sheet as described in Appendix C of the RFP. Any additional requirements or conditions a Bidder may want to place on the proposal can be described in the Special Considerations section of the proposal submission form. It is important to note that if, as the question states, a Bidder intends to condition one or more proposals on a requirement that ESI select a group of proposals submitted in response to this RFP, ESI would still evaluate each individual proposal consistent with Appendix E of the RFP.

(100) Please explain credit support process that is expected of Bidders whose proposals are selected for further negotiations.

A. ESI encourages Bidders to refer to Appendix F for a more detailed discussion of the credit support that will be required of Bidders' credit support provider(s) if a Definitive Agreement is reached between the parties. In general, ESI will approach Bidders to discuss providing credit support for the proposal(s) that has been selected for further negotiation; however Bidders will only be required to provide credit support as determined by ESI once a Definitive Agreement is executed between the parties, including an LOI for long-term transactions. Bidders with investment grade credit ratings whose Maximum Uncollateralized Supplier Exposure exceeds the performance collateral requirements associated with the applicable limited-term or long-term Definitive Agreement will still be required to post an independent amount of collateral equal to $500,000 per 100 MW of Contract Capacity until the Delivery Term Start Date. Figure F-1 of Appendix F represents the *upper limit* of the Maximum Uncollateralized Supplier Exposure available to Bidders offering proposals in response to this RFP, and specifically would be used in offsetting any performance collateral requirements necessary as determined by ESI. It may also include exposures from any existing transactions a Bidder may have with the Entergy Operating Companies at the time a Bidder is notified that its proposal(s) has been selected for further negotiations.

For Example, if ESI determines that a registered Bidder with a BBB+ credit rating qualifies for the upper limit of the Maximum Uncollateralized Supplier Exposure equal to $75MM, and the performance collateral requirements as determined by ESI were equal to or less than $75MM, then Bidder would be subject to the requirement that they post an independent amount of $500,000 per 100 MW of Contracted Capacity upon execution of a Definitive Agreement and until the Delivery Term Start Date. If however, a Bidder's performance collateral requirements exceed their Maximum Uncollateralized Supplier Exposure, then once a Definitive Agreement is reached they would be required to post collateral sufficient to cover the difference between the performance collateral requirements associated with the applicable limited-term or long-term Definitive Agreement(s) and the Maximum Uncollateralized Supplier Exposure, up to the Delivery Term Start Date and during the applicable delivery term. For a given Bidder, the performance collateral requirements will depend on the term and type of the product(s) offered in response to this RFP. For long-term proposals selected for further negotiation, ESI will require that Bidders' credit support provider(s) post an irrevocable, standby letter of credit in the amount of $2MM at the execution of an LOI, which would precede a long-term Definitive Agreement. At the appropriate time, ESI will negotiate with Bidder to determine the outcome for collateral posted before the Delivery Term Start Date, including but not limited to incorporating such collateral into any performance collateral requirements contemplated in a Definitive Agreement.