

ESI's Summer 2009 Long-Term Request for Proposals (RFP) for Supply-Side Resources

Questions and Answers

Updated as of 11/05/2009

Background for Question 1 (Provided by potential bidder)

The Long-Term Tolling PPA, Low Heat Rate MUCCO and Peaking MUCPA include a Fixed Start-up Payment pricing component to be included in the proposal. It is assumed to be in units of \$ per CT start.

This is the pricing component where the bidder would be recovering the cost of performing major overhaul maintenance at some future date. The manufacturer's combustion turbine maintenance procedures specify that the combustion turbine be overhauled after 900 factored starts or 24,000 factored fired hours.

The structure of these products has no upper limit on how many hours a combustion turbine can be run after a start. A unit could be directed to start on Monday and run through the peak on Friday before shutting down. That would mean that a unit might run about 108 hours per start. The break-even point between a start-based maintenance program and an hour-based maintenance program is about 27 hours per start. In this example a generator would be paid based on starts when the maintenance costs are being driven by run hours. The mismatch would result in the Seller under collecting for future major overhaul maintenance. In order to mitigate this potential shortfall, Seller would charge a premium given the current Fixed Start-up Payment in the Long-Term Tolling PPA, Low Heat Rate MUCCO and Peaking MUCPA to protect itself from a dispatch schedule over the contract term greater than 27 hours per start.

- 1.) For the Long-Term Tolling PPA, Low Heat Rate MUCCO and Peaking MUCPA packages, can Major Maintenance Charges based on the number of starts and the number of run hours be proposed in lieu of the Start-up Payment?

Buyer prefers that proposals conform to the terms that are stated in the applicable product packages. As a point of clarification, ESI intends to modify the appropriate product package term sheets consistent with previous RFPs such that they reflect that Buyer shall incur one additional Start-up Payment for each additional energy schedule of 24 consecutive hours, which would address the issue being raised.

However, to the extent that the commercial requirements of bidder's long-term service agreement is structured in the manner such that a different pricing structure than the contemplated Start-up Payment would be appropriate, bidder should explain this circumstance, including providing a detailed description of the applicable provisions of bidder's long-term

service agreement, and should propose alternative terms for the Start-up Payment based upon these considerations. Any alternative pricing structure must be clearly and completely described in order to be considered for evaluation. ESI makes no commitment that it will accept any such alternative pricing methodology.

- 2.) As mentioned in the Main Body of the RFP, Entergy is currently in negotiations with a third party regarding a potential acquisition which could reduce the amount of capacity that Entergy is seeking in this RFP. Will the unsolicited offer be evaluated the same as offers in this RFP?

The unsolicited offer in question was evaluated when received, which was prior to this RFP being initiated. The evaluation process, models, and assumptions are similar to that which will be employed for the proposals received in response to this RFP, but there are some differences. The process for this RFP is currently being developed and has not been finalized; therefore, there may be differences in the inputs to the models used in the evaluation process as ESI updates its models on an ongoing basis in order to ensure that proposals are evaluated using the most current information available. However, the proposals received in this RFP will be compared with the unsolicited offer using consistent models and assumptions. Please note that the Independent Monitor has been apprised of the unsolicited offer and the results of the evaluation.

- 3.) As stated on page 22 of the RFP, "preference will be given to resources located in the Amite South (and within Amite South, to resources located in DSG, as described above) and WOTAB". Appendix E-2 provides much information addressing the Amite South region but no information on WOTAB. Please describe in detail the method for determining the specific value for resources concerning WOTAB.

The location of the resource will be considered in the evaluation process in the Net System Benefit Analysis and in the Qualitative Assessment. The Net System Benefit Analysis will use the Prosym production costing model to assess the variable production cost savings associated with each proposal, which will include the potential benefit associated with resource location. Each of the planning regions along with their associated transfer capabilities are represented in Prosym, and each of the proposals will be modeled in the region consistent with the location of the resource used to supply the proposal. The Qualitative Assessment will consider factors such as the geographic dispersion of resources, having generation located proximate to load, and the addition of CCGT resources in each planning region to address load-following needs.

- 4.) Which Entergy companies are short on capacity (or could retire existing legacy generation in favor of more efficient and cost-effective existing generation) and could be allocated a share of the resources capacity picked up in this RFP (particularly for resources picked up outside of Amite South)?

The Entergy Operating Committee is responsible for resource allocation decisions and has not made any decision regarding the allocation of resources selected from this RFP. Please refer to slide 39 of the Bidders' Conference presentation for the estimated resource need by Entergy Operating Company through the current 10-year planning horizon.

- 5.) On page 25 of the RFP Main Body, "flexible capacity" is mentioned as a need for the Entergy system in reference to a developmental CCGT. Does the same apply for existing CCGTs? Will a qualitative or quantitative value be assigned? How is this value determined?

ESI prefers that resources proposed in the RFP provide flexible capability, and will evaluate this capability for both existing and developmental CCGT resources, and existing CT resources. Please see response to questions 7 and 8.

- 6.) Will the flexible products offered in this RFP be evaluated against Entergy's existing RMR units particularly given the fact that CCGTs can cycle off on a daily basis as opposed to the RMR units that don't have that ability?

As an initial matter, it should be recognized that RMR is not equivalent to unit commitment for flexible capability purposes. The evaluation process will consider each proposal's ability to contribute to RMR guides stemming from concerns such as those relating to local area voltage support. However, that is distinct from a resource's ability to provide flexible capability. The evaluation process will consider the operational capabilities offered by each proposal including, in the case of CCGTs, the ability to cycle. The net benefit figure of merit assesses the benefit that a proposal provides when operated as part of the Entergy System and considers the ability to displace energy from existing units.

- 7.) As stated in the RFP, preference will be given to units providing AGC. Please describe in detail the method for determining the specific value for this preference.

As part of the Viability Assessment, ESI intends to take into consideration the flexibility of the existing or proposed generating unit, including the ability to offer and operate under AGC. The specific details of the method for determining the value that will be assigned to this type of flexibility are currently being developed and will be reviewed with the Independent Monitor. However, and in general, qualitative attributes will be scored

quantitatively using a uniform scoring system and methodology that will result in a final ranking and recommendation that will be reviewed by the Independent Monitor and provided to the EET.

- 8.) On page 26 of the RFP Main Body, "Fuel Supply Considerations" is mentioned as being critical for a developmental CCGT and will be evaluated on a quantitative and qualitative basis. Will the same apply for existing CCGTs? How are the quantitative/qualitative evaluations performed and what is value determined for each)?

Yes, as part of the Viability Assessment ESI intends to evaluate fuel supply and transportation for both existing and developmental CCGT resources, and incorporate that evaluation into the final viability ranking and recommendation. The specific details of the method for determining the value that will be assigned to qualitative attributes, including fuel supply considerations, are currently being developed and will be reviewed with the Independent Monitor. However, and in general, the qualitative attributes identified will be scored quantitatively using a uniform scoring system and methodology that will result in a final ranking and recommendation that will be reviewed by the Independent Monitor and provided to the EET.

- 9.) How will the resource(s), if any, selected in the Western 2009 RFP be modeled in this RFP process?

If a resource is selected through the January 2009 Western Region RFP, it will be modeled as part of the Entergy System in a manner consistent with the attributes of the resource.

- 10.) Does this RFP include any changes based on recommendations of the Independent Monitor associated with the 2006 long-term RFP process? If so, what are they?

In general the evaluation process in this RFP is similar to those used in recent RFPs including the 2006 Long-Term RFP. However, the evaluation process does reflect ongoing efforts by ESI to improve the evaluation process, the specific requirements of this RFP as compared to those of prior long-term RFPs, and the input of the IM. Modifications to the process include the implementation of additional controls to ensure the validity of the results of the evaluation models.

- 11.) What is the estimated date in which ESI and/or the IM will be able to respond to Bidder's questions prior to the release of Final RFP?

ESI will provide responses to Bidders' questions in a reasonable amount of time following receipt of those questions.

- 12.) Will ESI require collateral posting prior to execution of a LOI? If so, (i) what is the dollar amount of this posting, (ii) would any selected parties be exempted from this requirement and, if so, for what reason(s), and (iii) will ESI or an identified Entergy operating company provide similar collateral?

ESI will not require collateral posting prior to the execution of a LOI but rather will require such posting at the time of executing the LOI. At the time of LOI execution, a \$2 million Letter of Credit in the form designated in Appendix F will be required from the Bidder. No Bidders executing an LOI will be exempted from this collateral requirement. Neither ESI nor any identified Entergy Operating Company will be posting similar collateral.

- 13.) In the evaluation of an acquisition please explain how the useful life of a project will be considered given that the useful life will likely be longer than a 20 year evaluation period.

Proposals will be evaluated over consistent time periods for a length of time that is appropriate to evaluate long-term resources. To do so, the evaluation will consider replacement power cost for periods not covered by a given proposal.

- 14.) The economic evaluation references both a fundamental economic and net system benefits analysis. How will the locational preference be evaluated in these two analyses?

The fundamental analysis will calculate the busbar economics of the proposal and thus will not consider location benefits. Please see response to question 3.

- 15.) Why is the decision making process in this RFP so extensive? Why is Entergy issuing this RFP this summer rather than next summer (2010)? Stated differently, why isn't Entergy entering into contracts at the end of 2009 rather than the end of 2010?

The timeframe for an RFP is driven by several key considerations, including the MBMO requirements, the time required to negotiate a definitive agreement, and the time required to seek regulatory approval for a transaction. In addition, ESI intends to meet any unmet need for 2010 through shorter term purchases, as necessary, and so has planned the RFP to fulfill the resource needs identified for 2011 forward.

- 16.) Concerning the IM scope of work and responsibilities, what specific criteria will the IM use in its review of Entergy's RFP product specifications and planning criteria to "ensure that they have not been designed to provide undue preferential

treatment to any potential bidder, including the Entergy Commercial Self-Build Team or Entergy Competitive Affiliates” and are “designed to facilitate a robust response from market participants”?

In general the IM's role is to ensure the RFP is conducted in a fair and impartial manner. The IM reviews the product specifications and planning criteria to identify provisions that are not justified by the planning criteria or resource needs that may reduce market participant response or unduly favor any potential bidder.

17.) What consideration, if any, is being placed on the ETR transition into SPP? Will this impact system needs, including a potential participation in the SPP day market.

ESI is declining to provide a response to this question, as it is premature and outside the scope of the RFP.

18.) Is ESI still negotiating with the counterparty noted on page 5 of the Draft RFP for a potential long-term resource acquisition? If so, any update on timing of a final contract (changing need of total MWs needed in RFP)?

Yes, ESI is still in negotiations with the counterparty for a long-term resource acquisition. At this time ESI does not have any new updates to provide that differ from the description contained in the Draft RFP. Any new material updates, if necessary, will be included in the Final RFP.

19.) What specific Entergy competitive affiliates are allowed to submit proposals?

ESI has not limited participation to specific Entergy Competitive Affiliates.

20.) The notice of this RFP included reference to negotiations to acquire an existing asset. Is this still true?

Please see response to question 18.

21.) Please confirm the SRP resource needs chart (page 39) represents data that does not include the implementation of resources acquired in this RFP.

That is correct. The SRP resource needs chart provided on slide 39 of the ESI's Bidders' Conference presentation makes no assumption regarding resources that may potentially be acquired through this Summer 2009 RFP.

22.) Which Entergy and/or non-Entergy employees will be members of the VAT?

The VAT will consist of ESI employees who are Subject Matter Experts representing four core subject matter areas (i) Project Status/Plant & Equipment/Operations & Maintenance, (ii) Fuel Supply & Transportation, (iii) Environmental, and (iv) Commercial. The VAT will not include any non-ESI employees.

23.) What time period increments within a year will be represented in the excel model for the fundamental economic analysis?

The Fundamental Economic Analysis will model costs on an annual basis and thus will not include time period increments within a year.

24.) Will the Net System Benefit (PROSYM) model include any variances to existing import/export capabilities of named load regions?

Yes, please see response to question 3. In the Prosym model used for the Net System Benefit analysis, transfer capabilities between the planning regions will be adjusted to reflect the effect of expected transmission upgrades.

25.) Why is the TSP and TAG evaluating delisting options if the RFP economic analysis process is excluding this step?

The assertion in the question is not correct, as the economic analysis will evaluate all delisting options that are identified by TSP and TAG for qualifying proposals as Network Service resources. Also, please see response to question 44.

26.) Under the Asset Acquisition section of the presentation, you mention that key attributes include AGC, high turn-down ratio, flexible fuel supply, and locational benefit – How are these evaluated and translated to economic value?

Please see response to questions 7 and 8.

27.) Please elaborate on how the ongoing Western RFP and un-solicited offer will be included in the evaluation of this RFP?

Please see response to questions 9 and 18.

28.) Will you perform a contingency analysis with EAI and EMI remaining in the system?

No.

29.) Will Entergy agree to a cap (at a fixed percentage to bid) on affiliate self-build bids relating to the proposed CCGT project in AMS? If not, why not and how will

ratepayers and other bidders be protected from cost overruns and/or final cost(s) far in excess of bid price? If so, what percentage does Entergy propose?

ESI has construed the question's reference to "affiliate self-build bids" to refer to the self-build proposal described in the RFP. The answer to the question is, "no." In a recent rulemaking to consider modifications to the MBMO, the LPSC Staff specifically rejected the proposal made by some stakeholders of imposing a cost cap on a utility's self-build project market tested in an RFP. The LPSC Staff noted in its formal comments that such cost caps are not appropriate in light of the utility being the only participant in an RFP that has an obligation to serve load. The LPSC Staff also expressed concern that a cost cap could distort utility incentives. The revisions to the MBMO that were ultimately adopted by the LPSC in this rulemaking reflected the LPSC Staff's position and did not impose a cost cap on a utility's self-build project. It should be noted that, as part of the viability analysis, the VAT will consider the cost certainty associated with developmental proposals, including the self-build project, and the results of such consideration will be included as part of the overall proposal evaluation and will be overseen by the Independent Monitor.

30.) What is the assumed reserve margin?

With regard to slide 37 of ESI's Bidders' Conference presentation, the reserve margin target reflected in the graphic and table is 16.85% for firm load.

31.) Does this reflect updated load forecast given the recession?

Yes. The resource needs reflected in slide 39 of ESI's Bidders' Conference presentation are based on a load forecast that was completed in December 2008 to assess the impact of the economic downturn.

32.) Is the EAI excess net of the WBL?

With regard to slide 39 of ESI's Bidders' Conference presentation, the EAI requirement or excess is net of the long-term contracted WBL contracts with ELL and ENO.

33.) What is the cause of the increase in need for EAI in 2014 and EMI in 2016? Is it due to a higher reserve margin?

With regard to slide 39 of ESI's Bidders' Conference presentation, the increases are based mainly on higher reserve margins that may be necessary for EAI and EMI to operate as standalone entities, current limited-term contracts that expire, and a provision for potential

deactivation of existing gas generating units used for long-term capacity planning purposes.

34.) Why is this RFP being conducted (non-Amite South) if the long-term portion of the Summer 2008 RFP was cancelled?

ESI previously determined based on market conditions and longer-term resource needs that it would re-enter the long-term market, including issuing this Summer 2009 RFP.

35.) Do you have an update on ESI's discussion for acquisition?

Please see response to question 18.

36.) For Package A (baseload), will packages less than 100 MWs, but greater than 50 MWs, be considered if the quantities do not reflect full output of a supply source?

No. As stated in the Draft RFP, baseload resources less than 100 MWs and greater than 50 MWs that do not represent the full output of a generating unit will not be considered in this RFP. As a point of clarification, Bidders should take note that ESI recently issued a July 2009 Baseload RFP soliciting up to 350 MW of flexible baseload capacity. This RFP can be found on ESI's RFP Website.

37.) Per the development project due date of January 1, 2015, will you accept an earlier start date? Are there benefits associated with an earlier start date?

As stated in the Draft RFP, ESI will evaluate an earlier start date for CCGT developmental resources. Benefits associated with an earlier start date are dependent on the proposal terms and the associated resource characteristics.

38.) How does the VAT qualitative assessment translate to a quantitative value? Is there a tie-breaker analysis?

Please see response to questions 7 and 8.

39.) We are marketing a long-term PPA originating from a solid fuel plant that is expected to become operational after the Bidder Registration deadline identified in the RFP. Is the resource eligible to participate in the RFP?

ESI has designed the Draft Summer 2009 RFP to solicit a range of products from multiple technologies with varying Delivery Term Start Dates. As part of that design process, ESI determined that all of the eligible technologies identified in the RFP, including solid fuel resources, in commercial operation by the Proposal Submission Deadline of

November 19, 2009 would be eligible to participate in the RFP. Therefore solid fuel developmental resources not in commercial operation by this date are ineligible to participate in the RFP.

- 40.) Will demand-side resources capable of providing Entergy Operating Companies with flexible and cost-effective load-following resources to meet customers' needs in a reliable and economical manner be able to bid in this RFP?

As stated in Section 1.5 of the Draft Summer 2009 RFP, ESI is not soliciting demand response, energy efficiency, or renewable products or services in this RFP. Please see Section 1.5 for further details.

LPSC Staff Questions

- 41.) Per the schedule, Entergy expects to execute a Definitive Agreement by December 2010 with some resources starting in June 2011. Entergy may need regulatory approval by April 2011 and this does not leave much time? How does Entergy plan to meet this schedule?

If necessary, Entergy would consider a shorter interim agreement for capacity and energy that requires limited approval to meet the June 1, 2011 start date until all the regulatory approvals are satisfied for the Definitive Agreement.

- 42.) Does the collateral requirement decline over the life of the PPA?

As provided for in Appendix F, to the degree that a collateral requirement is tied to the term of a PPA, this collateral requirement can be expected to decline over the life of the PPA.

- 43.) In regards to the portfolio evaluation, what is the difference in the portfolio analysis with respect to the System breakup? How would resources be allocated and how is it considered in the analysis?

Since EAI and EMI have provided notice of their intent to withdraw from the System Agreement, the proposal evaluation process will take this into account by using separate Net System Benefit models after 2013 for the four Operating Company System, EAI, and EMI. Portfolio evaluation will be used when more than one proposal is being considered for any entity. Operating Company participation decisions may have to be made before final proposal selection. The Operating Committee will approve all Operating Company participation decisions.

- 44.) Is there any plan to conduct a follow-on "displacement" process as part of this RFP? If not, why? (such a process was included in the 2006 and 2008 RFPs)

ESI does not intend to conduct a separate capacity displacement evaluation because this RFP is seeking incremental long-term resources. However, this RFP will consider energy displacement of existing gas generating units and will consider delisting existing Network Resource capacity to secure transmission service for proposals. Considering the low forward cost that may be avoidable for the generating units that are candidates for capacity displacement, it is unlikely that a proposal that does not produce net savings without consideration of capacity displacement would produce net savings if capacity displacement was considered.

End of LPSC Staff Questions

45.) What defines a “non-transmission function employee” of the TBU?

The definition of “transmission function employee” is found in FERC Order No. 717.

46.) Will Entergy Services continue to procure/plan resources for EAI and EMI past 2014?

ESI is declining to provide a response to this question, as it is premature and outside the scope of the RFP. For information concerning the manner in which ESI will evaluate proposals in this RFP with respect to the period after EAI and EMI terminate their participation in the System Agreement, see Appendix E-1 and the response to question 43.

47.) Referencing Entergy's Local Area Planning Criteria, what import and/or export limits of established and/or new load pockets are to be used in the planning models?

The import/export limits will be calculated based on the revised 2010-2012 Construction Plan. The methodology for the calculations will be discussed and reviewed with the Independent Monitor prior to the receipt of the proposals.

48.) Referencing Entergy's Local Area Planning Criteria, what generating unit(s) will be committed to run in the planning models in order to achieve stated voltage and other reliability requirements? Will the displacement of Entergy's RMR units be evaluated as part of this RFP?

The commitment of existing network resources in the planning models will be based on the latest guidelines provided by TBU. The displacement of System units that are subject to unit commitment requirements will be evaluated as a part of the deliverability analysis as described in Appendix E-2.

- 49.) The N-1 and G-1 planning criteria are defined as “the monitoring of all transmission elements above 115kV...” Please confirm that transmission elements at 115kV will also be included. Also indicate if certain 69kV elements will also be included and, if so, the designation of these elements.

Yes, transmission elements at and above 115 kV will be monitored. Transmission elements at 69 kV will not be monitored unless the transmission elements are directly connected to the generating resource.

- 50.) What specific study process(es) will be performed during the TDE to identify “any overloaded element”?

TSP will perform power transfer studies under N-1, G-1 contingency conditions using MUST/PSEE software. A transmission element is considered overloaded (and addressed through one of the mitigation strategies) if the MVA flow through it is greater than its emergency MVA rating and the element Outage Transfer Distribution Factor (OTDF) is greater than 3%.

- 51.) Will planned upgrades for the Acadiana Load Pocket be included in the TDE analysis? If so, which upgrades will be considered, what will be their assumed in-service dates and at what capacity will each upgrade be modeled? If not, why not?

Yes, the planned Acadiana Load Pocket upgrades will be included in the TDE analysis using assumptions based on Entergy's 2010-2012 Construction Plan. As stated in Entergy's 2010-2012 Construction Plan, the projects to be constructed in Phase 1 are assumed to have a 2011 in-service date, and the projects to be constructed in Phase 2 are expected to have a 2012 in-service date.

- 52.) What specific transmission upgrades will be included in the deliverability analysis models for the period of 2012 and beyond?

Transmission upgrades identified in Entergy's 2010-2012 Construction Plan with current projected in-service dates beyond 2012 will be included in the deliverability analysis for the period of 2012 and beyond.

- 53.) Upon the identification of an overload element, please explain the process of how the “cost of to alleviate the identified constraint” is to be determined by the TSP. Also please explain how the lead time to complete these projects will be determined.

TSP will use transmission upgrade costs published by the ICT in previous System Impact Studies (SIS) or Facilities Studies (FS). If a constraint is

identified during the transmission evaluation performed and the cost to alleviate this constraint has not been identified during a previous SIS or FS, TSP will develop a planning level cost estimate. The lead time to complete these projects will also be a planning level estimate and will take into account aspects like the Construction Plan schedule and the time required to obtain right-of-way approval (when necessary).

54.) Please define the "seasonal load flow models" by title that will be used by the TSP.

Seasonal load flow models refer to 2011, 2012, 2013, 2014 Summer peak load power flow cases as defined on OASIS.

55.) Are the results of the Information Only studies to be posted for public viewing? If so, will any portions be redacted? If not, what parties will be able to view the study results in whole or in part?

No, the results of the Information Only studies will not be posted for public viewing. The Independent Monitor (IM) will have access to review the study results.

56.) Will the TAG's evaluation of the EET's portfolio analysis include cost of transmission upgrades needed to alleviate any determined constraints? If so, please explain the process of how these costs are developed. If not, please explain why not. Will the TAG's evaluation of the EET's portfolio analysis include a determination of the cost of redispatch to alleviate determined constraints and/or to avoid constraints? If so, please explain the process of how these costs are developed. If not, please explain why not.

TAG's evaluation will include the cost of the transmission upgrades needed to alleviate the constraints for the portfolio. The cost of transmission upgrades needed to alleviate each identified constraint will be developed by TSP. TAG will not determine a cost of redispatch. TAG does not have access to the economic information that is required to determine the redispatch cost.

57.) Will the evaluation results of the TAG's Specific Network Resource Unit Commitment analysis be posted for public viewing? If not, what parties will be able to view the study results in whole or in part?

No, the evaluation results of the TAG's Specific Network Resource Unit Commitment will not be posted for public viewing. The Independent Monitor (IM) will have access to review the study results.

- 58.) In addition to the TAG's evaluation, what other criteria and/or analyses will be used by the TBU in making the "actual determination of the proposal's ability to reduce the reliance on the designated unit"?

TBU will undertake load flow analysis to determine whether or not a proposal has the ability to change any specific unit commitment requirements for any existing network resource.

- 59.) Will modifications and/or adjustments be used to the results of the deliverability analysis that give results that could not be achieved by the TBU transmission models alone (e.g., operation guides, zone import/export limit changes)?

No adjustments will be used other than the mitigation strategies identified in Appendix E-2.

- 60.) What factors will be used by TAG to determine which Network Resources could be displaced and/or delisted?

TAG and TSP will use the shift factor calculations for each overloaded element to determine which resources are candidates for the displacement and/or delist analysis.

- 61.) Will any ICT personnel be utilized for any processes associated with the RFP? If so, for which processes and will the IM have the ability to communicate with these personnel?

No, the ICT personnel will not be directly utilized for any processes associated with the RFP. The IM and/or LPSC Staff may consult directly with the ICT if either has a question or concern regarding the Transmission Service Request process or the Large Generator Interconnection Process.

- 62.) Please explain Amite South vs. DSG on the map on page 31. Specifically, is DSG excluded from the area of need? If a unit electrically connects to one of the tie lines that connects DSG to Amite South, would that be an acceptable resource? If the unit is deliverable into the Entergy System and is deemed (through transmission analysis) to be beneficial to the Amite South region, but the unit is located in DSG, would it be considered an acceptable resource? What does DSG stand for? These questions are centered around determining whether the resource addresses the Amite South need.

The DSG area ("DSG" stands for Down Stream of Gypsy) is part of the Amite South planning region and is geographically located inside Amite South. No, DSG is not excluded from the area of need. In fact, on the contrary, as noted in the RFP, proposals involving resources located in DSG will be given preference in the evaluation. Yes, a unit that is

electrically connected to one of the tie lines that connects DSG to Amite South is an acceptable resource in this RFP. Because DSG is contained within the Amite South planning region, any resource located within the DSG area will be considered a part of the Amite South region for planning purposes.

- 63.) What 'sinks' in the TBU and TAG analysis process will be used to evaluate the 1,000MW EOC system needs portion of the RFP?

The entire Entergy System (ENTEMO) will be used as a sink in the TSP and TAG analysis to evaluate the 1,000 MW System capacity need portion of the RFP.

- 64.) If the ICT's economic study process is not to be used, will the model be the same or different?

Yes, the TSP will use the power flow models that the ICT uses in its economic study process. These models will include all the transactions in queue as of the study date.

- 65.) Which base/construction plan will be used? What system upgrade will be assumed?

The transmission upgrades identified in the draft 2010-2012 Entergy Construction Plan (Revision 2 posted in August 2009) will be included in the power flow models that will be used to evaluate this RFP. The 2009 ICT Base Plan will not be included in the models; however, a mitigation project will be considered for the identified constraints, if any, that are not alleviated with the draft 2010-2012 Construction Plan (Revision 2 posted August 2009).

- 66.) Will the general and/or specific changes, if any, made by the TAG to the posted TBU transmission models related to this RFP be made known to the Bidders?

Yes, general changes, if any, that TAG makes to the posted TBU transmission models in connection with this RFP will be made known to the Bidders, although competitively sensitive information will not be shared. In performing the transmission evaluation, TSP will use the TBU transmission models with the 2010-2012 Construction Plan projects included.

- 67.) In Step 2, "The TSP will perform each study in a manner that will identify deliverability needs for the entire Entergy System using an N-1 and G-1 criteria, as well as a sensitivity analysis to assess deliverability to the Amite South planning region. The N-1 and G-1 planning criteria are defined as the monitoring

of all transmission elements above 115 kV upon the loss of the most critical network resource and most significant transmission element”.

It's not clear if the above statement means a single contingency criterion (loss of either a single transmission element or generator) or a double contingency criterion (loss of a transmission element and a generator). Normally, Entergy uses the double contingency criterion for its load pockets with a limited import capability (like Amite South region) but uses the single contingency criterion for the rest of the system. Please clarify.

ESI will use the N-1 and G-1 criteria, which is defined as the loss of the most critical network resource together with the loss of the most significant transmission element.

68.) Regarding the deliverability analysis, what are “the defined constraints” referred to in Step 4? Will they be posted?

The constraints to which Section 4 of Appendix E-2 refers will be shared only with the IM. These constraints will not be posted.

69.) We have an existing contract off of an existing asset that we would like to offer into the Summer 2009 RFP, but that contract does not expire until after the June 1, 2011 start date. Given we will not be able to make the June 1, 2011 start date as required in the RFP, please confirm if we may submit a proposal with a later start date if we note in the Special Considerations the reason why we cannot start June 1, 2011.

Yes. The potential bidder may participate in the RFP, and ESI requests that the potential bidder submit additional information regarding this limitation in the special considerations section of its proposal.

LPSC Staff Questions

70.) Will ESI provide LPSC Staff with the evaluation modeling assumptions prior to the initiation of the evaluations? (This refers to both the fundamental and production costing modeling.)

Yes, ESI will provide the LPSC Staff with the referenced assumptions confidentially in accordance with, and subject to the protections of, the Confidentiality Agreement and the Commission's rules and General Order with respect to confidential information.

71.) Can ESI explain in more detail its plans for retirements at Ninemile? Will these retirements occur if a third-party resource is selected instead of the self build?

Please see response to question 80.

72.) Does ESI plan to make use of the transmission rights of retired capacity at Ninemile as a means of obtaining transmission rights (in whole or part) for its self build? Does this also apply to third-party bids?

[Please see response to question 80.](#)

73.) How does ESI plan to evaluate the realism of the construction cost estimates submitted by the self-build team? Does the RFP team possess the expertise in construction cost estimation that will permit it to undertake a detailed review?

[As part of the viability analysis, the VAT will consider the cost certainty associated with developmental proposals, including the self-build project, and the results of such consideration will be included as part of the overall proposal evaluation and will be overseen by the Independent Monitor. The VAT will consist of ESI employees who are Subject Matter Experts representing four core subject matter areas: \(i\) Project Status/Plant & Equipment/Operations & Maintenance, \(ii\) Fuel Supply & Transportation, \(iii\) Environmental, and \(iv\) Commercial. The VAT will not include any non-ESI employees. The Project Status/Plant & Equipment/Operations & Maintenance team does possess the expertise required to assess whether the engineering analysis completed to support the cost estimate is consistent with the proposed precision of the estimate.](#)

74.) Please explain how a multi-resource portfolio analysis will be conducted given the assumption that EAI and EMI will leave the Entergy System?

[Please see response to question 43.](#)

75.) Can ESI clarify how a contract or acquisition can begin June 1, 2011 if the execution of the definitive agreement concludes in November 2010? Does this schedule leave adequate time for regulatory approval?

[Please see response to question 41.](#)

76.) Does PPA collateral decline over the life of the PPA? If so, how?

[Please see response to question 42.](#)

77.) Is a portfolio analysis to be used for the selection of the AMS/DSG resource? If so, how?

[Portfolio analysis may be used for proposal selection in this RFP, including selection of proposal\(s\) for the Amite South/Downstream of Gypsy region; however, the need to perform portfolio analysis depends on](#)

the proposals received. Proposal characteristics including, but not limited to, product type, term, size, location, and transmission could influence the number of proposals considered for selection. All conforming proposals will first be evaluated individually. Then, if more than one proposal is being considered for any one entity (4 Operating Company System, EAI, or EMI), the combination of proposals will be evaluated collectively along with the existing resources to assess the merits of the combination of proposals relative to other combinations of proposals and individual proposals. Portfolios will be constructed first with proposals that provide the potential to produce net savings and contribute to meeting capacity needs and then with proposals that contribute only to meeting capacity needs while considering the diversity of proposals in the portfolio for factors such as product type, resource dispersion, and resource location. The IM will monitor the evaluation process, including construction and evaluation of portfolios.

- 78.) If the transmission analysis finds that a PPA or asset acquisition must have network upgrades in order to obtain long-term firm transmission service, does the evaluation methodology take into account any additional benefits the upgrades provide Entergy over and above making the resource deliverable? (Example: the upgrades could provide additional benefits from increasing transfer over an internal interface.)

Yes, if the TAG determines that the transmission upgrades necessary to obtain transmission service for a proposal provide additional benefits, then the EET will take this into consideration in the evaluation process. The EET may use quantitative and/or qualitative assessments in the evaluation process to consider any additional transmission benefits identified by TAG depending on the nature and type of transmission benefit that is identified.

- 79.) Suppose that network upgrades are needed for a ten-year PPA. Does the evaluation analysis just include ten years of revenue requirements for those upgrades, or does it add onto the cost of the PPA the full cost of the upgrades? Please explain how the evaluation treats this issue.

The full cost of the transmission upgrades will be included in the evaluation of each proposal regardless of the length of its term.

End of LPSC Staff Questions

- 80.) There is a reference in the RFP about retirement of units at Ninemile at the conclusion of the RFP. Is this specific to the Self-Build project or would it apply if another resource was selected? What is the magnitude of the retirement? Is this for transmission purposes?

ESI interprets this question to refer to the statement, at page 10 of the RFP main body document, that the self-build CCGT unit, if constructed, would replace one or more units at the Ninemile facility. Due to physical and electrical limitations at the Ninemile facility, the self-build CCGT unit would need to utilize some of the physical space and substation electrical capacity currently utilized by the existing Ninemile units. The total amount of existing capacity at the Ninemile facility that may be retired to accommodate the self-build CCGT unit is approximately 150 MW.

In addition, and entirely apart from whether the self-build CCGT unit is constructed, the TDE will consider the possibility of undesignating a portion of the existing capacity at Ninemile in order to obtain transmission service for capacity proposed into the RFP.

- 81.) Will the TAG be receiving input from the TBU as to which Network Resources could be displaced and/or delisted for TAG's role in this RFP? If so, will this information be made available to the Bidders?

Yes, TAG will be receiving input from the TBU as to which Network Resources could be displaced and/or delisted. Yes, this information will be available to the bidders, but only at the time the actual Transmission Service Request is made for the final selection.

- 82.) Please provide examples of the role of TBU employees with TAG.

The TBU personnel working as part of the TSP will be in charge of performing the transmission deliverability Information Only studies and interconnection studies for the developmental proposals. TBU employees working as part of the TSP will also provide cost estimates of upgrades required for transmission deliverability, short circuit studies, and interconnection design.

LPSC Staff Question

- 83.) Does ESI have a planning study that supports the decision to construct or acquire a new CCGT for the Downstream of Gypsy subregion? If so, can this be provided to Staff?

Yes. This information will be provided to Staff and the IM, and designated Highly Sensitive Protected Materials in accordance with the Confidentiality Agreement and the LPSC's rules and General Order governing the protection of confidential information.

End of LPSC Staff Question

84.) Is Entergy willing to allow ICT to perform a TXSM analysis in parallel to its own? If not, why not?

ESI interprets "TXSM" to mean "transmission." ESI does not intend to ask that the ICT perform an analysis similar to the TDE in parallel to the TAG's performance of that evaluation. Among other reasons, such duplication of efforts is unnecessary because of the involvement of the IM, which will oversee the performance of the TDE and ensure that the evaluation is reasonable and impartial. As noted in the RFP documents, once ESI makes the final selection, transmission service requests for these proposals will be submitted, and the ICT will evaluate those requests.

85.) The RFP document suggests that Entergy will consider only CCGT resources for the Amite South need that has been identified in the RFP. Would Entergy consider proposals involving other types of resources to meet this need?

No. After review and consideration, due to the need for modern and efficient load-following capability within AMS as stated in the RFP, the AMS portion of the solicitation will only consider CCGT resources offered through either the Long-Term Tolling PPA (Product Package B) or Ownership Acquisition (Product Package E). Other products and other resource types will not be evaluated in the AMS portion of the RFP.

86.) For Product Package B, is it Entergy's intent to pay the Option Premium based on the Summer Dependable Capacity during the Summer Capacity Season and on the Winter Dependable Capacity during the Winter Capacity Season? If so, or if not, please clarify in the final RFP.

Yes. Further clarification will be provided in the Final RFP.

87.) In the event Entergy will not impose a cap on its affiliate bids, [REDACTED] requests a more detailed description of the analysis by the VAT that will protect ratepayers from cost overruns.

In Appendix E-3, ESI has provided a thorough description of the "analysis," process, and criteria the VAT will use to evaluate existing and developmental proposals received in response to the RFP, including the Self-Build Proposal. In order to reflect the non-price factors that are key to the overall evaluation of proposals, the VAT's analysis will lead to a viability ranking and recommendation for existing and developmental resources that will be provided to the EET. The Bidder's request is interpreted to focus specifically on CCGT developmental resources, since construction "cost overruns" are not at issue with resources currently in commercial operation. To address the likelihood that a Bidder's proposed cost estimate for a CCGT developmental resource will change prior to negotiation of definitive agreements that fix the purchase price, option

premium, or any other price parameter affected by the ultimate cost to construct, the viability assessment team will review the level of design and engineering upon which the cost estimate is based to determine if the estimate is preliminary, whether it is based on detailed design and engineering or an EPC contract, and communicate this to the EET.

- 88.) [REDACTED] wants to know whether non-affiliate and affiliate bidders will have access to the same transmission capacity created by the "displaced" units. Entergy has stated it will offer an affiliate bid using its existing Ninemile facility. Please discuss whether Entergy intends to reserve transmission capacity created by delisting existing Network Resources for a Ninemile project or any other affiliate bid to the exclusion of non-affiliate bids.

Both affiliate and non-affiliate proposals will have access to the transmission capacity created by the undesignation of existing Entergy Operating Company Network Resources that will be considered as part of the TDE. In other words, in performing the TDE, ESI will consider undesignating capacity of existing Network Resources to secure transmission service for both affiliate and non-affiliate RFP proposals. Any transmission capacity made available by undesignating capacity at the Ninemile Facility may be evaluated to secure transmission service for other proposals, not just the Self-Build Proposal.

- 89.) [REDACTED] recommends that Entergy conduct its bid evaluation both with and without the displacement of existing units. If Entergy does not support this type of evaluation, [REDACTED] requests an explanation as to the reasoning as well as a more detailed explanation of the displacement transmission evaluation process.

As noted in a response to a previous Bidder question, ESI does not intend to conduct a separate capacity displacement evaluation because this RFP is seeking incremental long-term resources. However, this RFP will consider energy displacement of existing gas generating units and will consider delisting existing Network Resource capacity to secure transmission service for proposals. Considering the low forward cost that may be avoidable for the generating units that are candidates for capacity displacement, it is unlikely that a proposal that does not produce net savings without consideration of capacity displacement would produce net savings if capacity displacement were considered.

- 90.) [REDACTED] seeks clarification about Entergy's planned transmission evaluation using the 2010-2012 Draft Construction Plan. Based on comments during the bidders' conference, it is [REDACTED]'s understanding that Entergy will rely on the original Draft Construction Plan in its bid analysis as opposed to the more recent plan which more closely mirrors the ICT recommended Base Case. If [REDACTED]'s understanding is correct, please provide a more detailed

explanation of the transmission evaluation process regarding the use of the original construction plan, including the rationale for not utilizing the most up to date proposed construction plan.

The Bidder's understanding as expressed in the question is wrong. The TDE will employ the "2010-2012 Entergy DRAFT Construction Plan Revision 2" that more closely aligns with the ICT's Base Plan than previous versions of the current Construction Plan.

- 91.) Appendix F, Figure F-2 refers to "\$10 mm per 100 MW contracted for". Is this amount a maximum cap on the amount of cash or credit posted as collateral that could be reduced based on other forms of collateral (liens, step-in rights, etc)? Further, do the collateral requirements decline in straight line over the life of the agreement (i.e., 10% per year for a 10-year deal)?

The \$10 million per 100 MW value reflected in Figure F-2 is indicative of the amount of credit support required by MW contracted for, not a "maximum cap" as suggested by the question. However, the value stated may be met through various forms of collateral. Thus, for example, for a 100 MW proposal, the \$10 million of required credit support could be met through a \$3 million letter of credit, \$5 million in cash, and a lien on property valued at \$2 million. This is merely an example; it should be noted that the actual credit requirements for a particular proposal depend on the type of product being proposed, the associated risk, and the credit-worthiness of the Bidder.

The credit support required for the contracted quantities will decline as the unperformed portion of the applicable contract declines. That said, static or independent credit support that does not necessarily decline as the contract is performed may be required in some circumstances. Those static amounts may be reduced, in steps, or may need to remain level for the duration of the contract, depending on the contract being proposed, the associated risk, and the credit-worthiness of the Bidder.

- 92.) For Product Packages A and C, please clarify if it is Entergy's intent to pay the Option Premium based on a Summer Dependable Capacity and a Winter Dependable Capacity as it is for Product Package B. If it is not Entergy's intent to do so, please explain why not.

For Product Packages A and C, ESI is not requiring Seasonal Capacity as in the case for Product B, and thus does not intend to pay an Option Premium based on a Summer Dependable Capacity and a Winter Dependable Capacity. If Bidder would like to propose Seasonal Capacity for Product Packages A and/or C, Bidder is asked to please provide the details of its proposal on this point in the Special Considerations section of the Proposal Submission Form.

- 93.) In Appendix E-1, section 2.5.4 normalizing term, what is the benchmark evaluation period? 30 years? So if we submit a 20 year proposal, then ESI will fill in years 21-30, correct?

The evaluation period is from 2011 through 2045. Yes, ESI will fill in replacement power costs for periods not covered in a given proposal.

- 94.) Planned maintenance hours: what will the proposal entry fields look like? Would we provide the maximum planned maintenance hours by year or by criteria (years with normal maintenance and years with major maintenance)?

Bidders should indicate their proposed maximum Planned Maintenance Hours/Schedule per contract year for the Delivery Term in the "Special Considerations" section of the Proposal Submission Form. Also, please refer to the Term Sheets in Appendix C under "Planned Maintenance/Maximum Equivalent Planned Maintenance Hours" for more details.

- 95.) Will the ENTERGY Summer 2009 RFP be adjusted for the recent announcement regarding Entergy's acquisition of the Acadia plant?

ESI has not modified its target need identified in the Summer 2009 Long-Term RFP due to the recently announced potential purchase of Power Block 2 and associated assets of the Acadia Energy Center. The target need for the RFP will be that set forth in Section 1.3 of the RFP posted on September 24, 2009.

- 96.) In order to make a conforming bid, bidders need to understand how the potential purchase of Acadia will impact the Summer 2009 Long-Term RFP prior to bid submission. Will any of the needed capacity as stated in the RFP be reduced?

Please see response to question 95.