

2011 Western Region Request for Proposals (“RFP”) for Long-Term Supply-Side Resources

Questions and Answers

Updated as of 1/16/2012

- Q-1. Please describe all the operational configurations and data that will be required of developmental proposals. For example, heat rate, output, combined cycle, simple cycle, Summer/Winter/ISO (please define conditions), with/without supplemental firing, with/without inlet cooling, max load, min load, etc.
- A-1. The potential Bidder is directed to the terms of the draft RFP, including, without limitation, Sections 1.7, 1.8 and 1.9, Articles 2 and 4, and Appendices C, E, H, I-1, I-2, and J, for requirements for Developmental Resources, which, among other things, provides basic design and operational requirements, characteristics, and preferences for CCGT resources that would supply Load-Following Capacity to ETI. The draft RFP contemplates that, for each Product proposed, Bidders will be required to guarantee or make other commitments in their proposals with respect to the performance of the Developmental Resource (*e.g.*, heat rate, output, emissions, etc.). The specifics of certain performance requirements, to the extent not contained in the RFP, will be provided by ESI.
- Q-2. I see that Entergy is looking for Long-Term Network Resources in this RFP, which makes Intermittent Generation ineligible. However, would firmed-and-shaped blocks of energy backed by intermittent generation then delivered to Entergy’s system be eligible? Or are you only looking for physical assets that can serve as Network Resources?
- A-2. The latter. The draft RFP provides that ESI is soliciting conforming proposals for long-term unit contingent Products originating from a single Eligible Resource consisting of an Eligible Technology, among other requirements. Firmed-and-shaped blocks of energy backed by intermittent generation do not satisfy the criteria for participation in the RFP as drafted. Please see, for example, Section 1.8 of the draft Main Body (intermittent generation technologies, such as wind and solar, are not Eligible Technologies) and Section 1.9 of the draft Main Body (two or more forms of generation technologies, whether from a single facility or separate facilities, may not be combined to create a permitted Product profile or a unitary technology).
- Q-3. What consideration will Entergy give in evaluating a bid from a party that offers more than 375 MW’s initially – or that starts with 375 MW’s and then offers increasing blocks of MW’s over a 10 or 15 term of the agreement? How would this be evaluated?
- A-3. The terms of the RFP specify that ESI is seeking proposals for not more than 375 MW of capacity, energy and other electric products. A proposal that requires ESI to purchase more than 375 MW of capacity, energy and other electric products would not conform to the requirements of the RFP and would be subject to elimination on that basis. The RFP grants ESI discretion to disqualify non-conforming proposals from further participation in the RFP

or allow non-conforming proposals to remain in the RFP, as ESI deems appropriate. If it chooses, ESI may treat any non-conforming proposal as an unsolicited offer.

Q-4. Would Entergy evaluate a bid in this RFP starting later than June 1, 2017? Would Entergy consider modifying the language of the RFP to allow a later start date?

A-4 A proposal that specifies a delivery term commencement date or closing date later than June 1, 2017 would be, under the RFP, non-conforming and subject to elimination on that basis. The RFP grants ESI discretion to disqualify a non-conforming proposal from further participation in the RFP or allow it to remain in the RFP, as ESI deems appropriate. If it chooses, ESI may treat any non-conforming proposal as an unsolicited offer and consider it outside of the RFP. ESI has identified a need for the requested resource in 2017 and is not inclined to move back the required start date to a date later than June 1, 2017.

Q-5 How will a non-conforming bid submitted outside the RFP process be evaluated? Would decisions be made on all bids received in the RFP process prior to reviewing a bid received outside the RFP process?

A-5 ESI would treat a proposal submitted outside the RFP process as an unsolicited offer. ESI may elect to proceed with or reject any unsolicited offer, as it deems appropriate. If an unsolicited offer is received during the RFP process, it is within ESI's discretion whether to consider, accept, or reject the offer while RFP bids are pending or being evaluated, after RFP proposal selections have been made, after definitive agreements have been executed, or not at all. The clear preference of Entergy Texas and the other Operating Companies is to procure long-term resources through the RFP process, and ESI strongly encourages potential bidders to submit their offers as proposals in the RFP process rather than as unsolicited offers outside of it.

Q-6 In prior Entergy RFP's, the standard environmental conditions for evaluation purposes were defined as 97°F, 56% relative humidity for "Summer" conditions and 68°F, 74% relative humidity for "Winter" conditions. Please verify that these conditions will be used as the standard environmental conditions for the 2011 Western Region RFP. If otherwise, please describe the "Summer" and "Winter" environmental conditions for which all proposals will be required to present operational data for RFP evaluation purposes.

A-6 ESI confirms that the cited conditions for "summer" and "winter" conditions will be used as the reference conditions for those periods for operational data.

Q-7 How will you handle proposals for fuel transport under the self-build and tolling products?

A-7 The RFP is soliciting proposals for approximately 300 MW of long-term capacity, energy and other electric products. It is not seeking proposals for individual components necessary for the provision of capacity, energy and other electric products from an electric generation resource. To the extent the question is asking whether proposals for fuel transportation would be conforming under the terms of the RFP, the answer is, no. The developer of the self-build project and any bidder has exclusive responsibility for determining the means of supporting the fuel transportation element of its proposal. For tolling products, the bidder will not be responsible for providing fuel or fuel transportation to the resource; Entergy Texas will bear

that responsibility. ESI will review, consider and assess the availability, cost, and other factors pertaining to a resource's fuel supply and fuel transportation in its evaluation of any proposal for a tolling product.

Q-8 Will you use NYMEX forward natural gas prices for your fundamental analysis?

A-8 ESI will rely on its long-term forecast of natural gas prices. ESI's forecast methodology relies on NYMEX forward pricing for the front end of the gas price curve, but transitions to a long-term point of view that does not rely on NYMEX as the curve moves out in time. Instead, the long-term point of view is based on a number of consulting forecasts. In its assessments, ESI typically will run one or more sensitivities using gas prices that are higher or lower than the base case gas price. As with other key modeling inputs, gas price forecasts will be provided to and reviewed with the Independent Monitor prior to the start of the economic evaluation of proposals in the RFP.

Q-9 Will your production cost analysis include the cost to provide ancillary services?

A-9 The production cost model will reflect the cost and benefit of ancillary services to the extent consistent with the limitations and capabilities of the model. ESI may evaluate costs or benefits of ancillary services not captured in the net benefits analysis through other means, including qualitative assessment.

Q-10 Will you provide a detailed map of the transmission system for the western region?

A-10 See the answer to Question #12 below.

Q-11 Will the Entergy natural gas curve assumptions be made public?

A-11 ESI does not generally make its natural gas curve assumptions available to participants in RFPs and does not expect that it will do so in the RFP.

Q-12 You mentioned ICP and CEII forms with which I am fairly unfamiliar. Can you help me navigate this process, or, perhaps, provide me with a detailed West zone map (including roads, etc.).

A-12 ESI generally does not provide detailed maps of its transmission system, roads, etc. in RFPs. Potential bidders interested in obtaining a map of the Entergy Texas Transmission grid (which includes the Western Region) should contact Mr. English Cook at 501-614-3555 or ecook@spp.org. Mr. Cook works for the Independent Coordinator of Transmission (ICT). The process may include completing a Critical Energy Infrastructure Information (CEII) form or other required forms.

Q-13 What date does Entergy expect to have the regulatory approval necessary to satisfy the condition precedent in the term sheets?

A-13 The answer is a function of the type of resource being offered.

- 1) For existing resources, the December 9, 2011 Term Sheets provide that Entergy Texas will have at least 38 months from the effective date of the Definitive Agreement to

receive the appropriate regulatory approvals on terms and conditions satisfactory to Entergy Texas in its sole discretion.

- 2) For Developmental Resources, the answer depends on the type of Product being proposed.
 - A) If the proposed Product is Product A (Baseload PPA), B (Tolling Agreement), or C (Load-following PPA), the Term Sheets provide that Entergy Texas will have at least 16 months from the effective date of the Definitive Agreement to procure the appropriate regulatory approvals on terms and conditions satisfactory to Entergy Texas in its sole discretion.
 - B) If the proposed Product is Product D (Ownership Acquisition Product), the Term Sheets provide that Entergy Texas will attempt to receive all regulatory approvals it requires on terms and conditions satisfactory to it in its sole discretion prior to the Guaranteed Commercial Operation Date (essentially, the date Seller specifies in its proposal as date by which the Facility will have satisfied the criteria required for the Facility to be considered to have achieved commercial operation). In that regard, Bidders should note that, per the RFP documents posted on December 9, 2011, Product D must be bid as part of/linked to a proposal for Product A, B, or C. Accordingly, the Developmental Resource that is the subject of a Bidder's proposals for Product A, B, or C and Product D will be subject to two sets of regulatory approval timelines, one for Product A, B, or C and one for Product D. Please refer to the December 9, 2011 RFP documents, including Section 2.2 and 6.1 of the Main Body and the Term Sheets, and to the response to Question 14 (below), for additional information.

Q-14 Please explain the timing and regulatory approval process for ETI (Buyer) based on the RFP's estimated date of April 2013 for an executed Definitive Agreement.

A-14 For any resource offered in a Product Package, Entergy Texas will require regulatory approvals from each federal, state, or local governmental authority with jurisdiction. The governmental authorities from which regulatory approval will be sought and the specific regulatory approvals themselves will depend on the transaction. Approvals from the Public Utility Commission of Texas ("PUCT") will be sought for all transactions under the RFP. In addition (and without limitation), approvals may be sought from the FERC and the U.S. Department of Justice/Federal Trade Commission.

Entergy Texas will seek to obtain and receive regulatory approvals within the applicable time period specified in the response to Question 13. Entergy Texas' current expectation is that it will make its filings with respect to all Products other than the Ownership Acquisition Product within a reasonable period of time after the mutual execution and delivery of the Definitive Agreement and that it will commit in the Definitive Agreement to use qualified good faith efforts to make regulatory filings by various agreed dates. For the Ownership Acquisition Product, if the Definitive Agreement is based on an existing resource, the timing of Entergy Texas' regulatory filings may be affected by the target Closing date specified in

the Definitive Agreement. The further removed the target Closing date is from the execution date of the Definitive Agreement, the more likely it is that Energy Texas will adjust the timing of its regulatory filings to allow for receipt of certain regulatory approvals at a time that is closer to the target Closing date. If the Definitive Agreement for an Ownership Acquisition Product is based on a Developmental Resource, the timing of Entergy Texas' regulatory filings generally will be as Entergy Texas determines in its sole discretion, subject to its commitment to use commercially reasonable efforts to obtain regulatory approvals prior to the Guaranteed Commercial Operation Date. As of the date of this response, Entergy Texas' anticipates that it is likely to make filings with the PUCT for regulatory approvals related to a Developmental Resource-based Ownership Acquisition Product at or near the time it makes filings with the PUCT for regulatory approvals related to the transaction involving the linked Product A, B, or C. Please see the last three sentences of the response to Question 13 for further information.

Q – 15 Thank you for providing a navigable process to a map of the Entergy Western System. Our team was looking at the maps, and we were curious to know whether or not the Dayton substation would qualify as a delivery point within Entergy's Western System. Could you verify this, or point me towards someone who could do so?

A-15 The Dayton substation would not be a delivery point located in Entergy's Western Region.

Q-16 What is the target per KWH in the bid for the Texas Western Region since I cannot find it anywhere in the RFP documents?

A-16 The RFP documents do not include a target \$/kWh price for any of the requested products. The RFP is seeking competitive bids. The bidder must determine the pricing for its proposal.

Q-17 Please confirm whether the requirement to link a Developmental Resource proposal to a Product Package as outlined in Section 2.2 of the main RFP document is applicable to the self-build proposal.

A-17 The requirement to link a Developmental Resource-based proposal for Product D to Product A, Product B, or Product C does not apply to the self-build resource. Accordingly, the self-build resource does not have to be offered in conjunction with a power purchase agreement or a tolling agreement. The requirement to link a developmental proposal to one of the other products is to help ensure third-party developmental resources are feasible given the need for certainty associated with financing these projects. Under current laws, the self-build project does not require such a commitment for ETI to undertake the financing.

Q-18 I am currently looking into the Entergy RFP, and want to see if you could direct me to the most current copy of Entergy's OATT document.

A-18 The document can be accessed from the public section of Entergy's OASIS:

http://www.oatioasis.com/EES/EESdocs/INFO_Public.htm

Q-19 Please provide a list of all required inputs to the RFP Portal for the 2011 Western RFP.

A-19 The RFP Web Portal is in development and will not be available to Bidders until the commencement of the Proposal Submission period. ESI is not in a position to determine when the list of inputs to the RFP Portal will be finalized. ESI will make the list of inputs available to potential Bidders shortly after completion of the list, if the list is completed prior to five days before the RFP Web Portal is first made available to any Bidder, but can make no commitment that the list will be done by that date. Pending issuance of the list, each Bidder is strongly encouraged to review the RFP documents, including, in particular, the Main Body, the term sheet(s) that will apply to its proposal(s) and, to the extent applicable to its proposal(s), Appendices H, I-1, I-2, and J, to gain a better appreciation of the information Bidders will be required to provide with its proposal. For ESI's response to a related or similar question, please see the response to Question 1 above.