

1

2012 Request for Proposals for Long-Term, Supply-Side Baseload Resources

Bidders' and Technical Conference

ENTERGY SERVICES, INC. AUGUST 9, 2012



Conference Introduction

• Purpose of the Conference

 To give participants a high level overview of the 2012 Baseload Request for Proposals (RFP) and related processes

• Questions

- For Bidders attending in person, questions should be submitted in writing using the paper provided at your tables
- For Bidders attending remotely, please submit all questions to the RFP Administrator either through email at <u>esirfp1@entergy.com</u> or through the Webcast chat function to ensure that ESI has an accurate record of each question posted
- After the teleconference, ESI will post questions asked during the teleconference and definitive responses on the 2012 Baseload RFP Website
- To the extent that ESI's posted response differs from the oral response given during the conference, the written response will control

• Administrative

- In the event of an inconsistency between the presentation and the draft RFP documents, the draft documents will control
- All phones must be on mute
- Please do NOT place your phone on hold
- Email the RFP Administrator at <u>esirfp1@entergy.com</u> with any technical issues or questions



Agenda Items

- Introductions
- LPSC Technical Conference
- Independent Monitor Comments Energy Associates

• Overview of RFP

- Representative RFP Schedule
- Key Objectives and Elements of RFP
- Product Solicitation Overview
- Bidder Registration and Proposal Submission Processes
- RFP Process Safeguards

• Proposal Evaluation Process

- Evaluation Overview
- Economic Evaluation
- Deliverability Evaluation
- Viability Assessment
- Credit Review/Collateral Requirements
- MISO Overview
- Break
- Q&A Session

Introduction



- ESI Presenters
 - Dakin DuBroc
 - Rachelle Johnson
 - April Phelps
 - Charles DeGeorge
 - Kenisha Webber
 - Rae Ann Dodds
 - Mike Goin

Additional Entergy Participants

- Lee Kellough
- James Miller
- Walter Wolf
- Dick Westerburg
- Stuart Barrett

• LPSC Technical Consultants

- Matt Kahal
- Melissa Watson
- Independent Monitor
 - Elizabeth Benson
- Midwest Independent Transmission System Operator
 - Todd Hillman
 - Rick Hensley

- Project Manager Analyst, Supply Procurement RFP Administrator Manager, Supply Planning & Analysis Engineer, Power Delivery & Technical Services Manager, Market and Credit Risk Manager, Regulatory Affairs
- Director, Power Delivery & Technical Services Assistant General Counsel – Commercial Sr. Counsel – Regulatory (remote) Assistant General Counsel – Regulatory Director, Asset Operations

Independent Economic Consultant, Exeter Associates Staff Attorney, LPSC (remote)

Energy Associates

Executive Director, Entergy Region Integration (remote) Customer Manager (remote)



2012 Request for Proposals for Long-Term, Supply-Side Baseload Resources LPSC Technical Conference

AUGUST 9, 2012



Independent Monitor Comments Energy Associates



Overview of 2012 Baseload RFP



Representative RFP Schedule (Dakin DuBroc)

Representative Schedule



Target RFP Schedule*

Milestone		Date
\triangleright	Issue Draft RFP	July 25, 2012
\triangleright	Bidders' Conference	August 9, 2012
\triangleright	Final RFP Issued	August 29, 2012
\triangleright	ESI Responds to Bidder Questions & Posts	
	Answers to RFP Website	Through August 31, 2012
≻	Bidder Registration	August 28 – 31, 2012
\triangleright	Proposal Fees Due	September 10, 2012
\triangleright	Proposal Submission Period	September 10 – 13, 2012
\triangleright	Announce Preliminary Shortlist (as necessary)	September 24, 2012
\triangleright	Announce Primary/Secondary Selections	October 30, 2012
\triangleright	Begin Comprehensive Due Diligence & Negotiations	November 2012
≻	Notify Secondary Selection List of Intent to Proceed	January 2013
\triangleright	Execute and deliver definitive agreement(s)	
	with 3 rd parties (if any)	Second Quarter, 2013

*This schedule is representative only and subject to change. Any schedule changes will be posted to the 2012 Baseload RFP Website.



Key Objectives and Elements of RFP (Dakin DuBroc)



Key Objectives and Elements of RFP

- Market-test cost-based purchase of the 59 MW Grand Gulf Nuclear Station Retained Share offered by Entergy Arkansas, Inc. to the other Entergy Operating Companies
- Primary objectives
 - Solicit competitive proposals
 - » 50 -150 MW of long-term (10 or more years), reliable Capacity, Capacity-Related Benefits, Energy, Environmental Attributes and Other Electric Products
 - » For 2013 and beyond
 - » Resource capable of providing Baseload Capacity, Capacity-Related Benefits, Energy, Environmental Attributes and Other Electric Products
 - Buyer would be one or more of the Entergy Operating Companies*, as determined by the Operating Committee
- Fundamental planning objectives
 - Meet system need for baseload capacity at the lowest reasonable cost
 - Mitigate energy price risk
 - Maintain system reliability



Key Objectives and Elements of RFP Baseload Resource Needs (MW)



Assumptions:

-Need based on summer 2012 ratings and long-term baseload resources

* 2013 – System-look, including EAI resources; limited term "WBL" resources not included

** 2014 and 2015 – baseload need for the 5-Operating Company System

*** 2016 - baseload need for the 4-Operating Company System & Entergy Mississippi, Inc.

Key Objectives and Elements of RFP Other Basic Elements



- Solicitation open to resources located inside or outside the Entergy System
 - Resource proposed must be existing (commercial operation by August 1, 2012)
 - Resources not directly interconnected to the Entergy transmission system will be responsible for obtaining firm transmission service to a specified point of delivery on the Entergy system

• Eligible RFP participants

- Electric utilities
- Marketers
- Wholesale generators
- Independent power producers
- Qualifying facilities

• RFP will include a self-supply option

- Life-of-unit, cost-based purchase of 59 MW share of Grand Gulf Nuclear Station
- Located near Port Gibson, Mississippi
- Will be evaluated and considered as an alternative to any proposal



- Entergy Competitive Affiliates are ineligible to participate in RFP
- RFP affords ESI latitude to accommodate a potential move to MISO, the pending transaction with ITC Holdings and other developments, and addresses developments related to the Entergy Operating Companies joining a Regional Transmission Organization (RTO)
- RFP overseen by Independent Monitor

Key Objectives and Elements of RFP Resource Eligibility



- Each generation resource proposed must be a single resource (or portion thereof)
 - Generation resources located at separate facilities are not single resources
- Eligible technologies include those that can operate in a baseload role
 - Gas-fired CCGT
 - Solid fuel technologies (*e.g.*, coal, pet coke and nuclear)
 - Qualifying renewable technologies (*i.e.*, biomass, waste heat, and landfill gas)
 - Ineligible technologies include intermittent generation technologies (wind, solar, etc.), DSM, and energy efficiency



Key Objectives and Elements of RFP RFP Proposal Requirements

- Only proposals submitted in accordance with and meeting the requirements of the RFP can be assured full consideration
- Threshold requirements for proposals
 - Deliverability, viability, and credit threshold requirements as determined by the respective Evaluation Teams
 - Specifics are described in Section 2.3 of the Main Body and later in the presentation
 - Proposals not meeting the threshold requirements are non-conforming and may be eliminated from further consideration



Product Solicitation Overview (Rachelle Johnson)



Product Solicitation Overview Product Description and Pricing

- Soliciting a Long-Term Baseload Product
 - Generally, 7x24, round-the-clock Capacity, Capacity-Related Benefits, Energy, Environmental Attributes and Other Electric Products
 - Unit-contingent Purchase Power Agreement
- Pricing for the Baseload Product will be based on:
 - Capacity Rate (\$kW-yr), which will be one of the following:
 - » Fixed for the entire Delivery Term or defined annually (as proposed by Bidder)
 - » Based on a base Capacity Rate proposed by Bidder, and escalated annually by CPI or PPI
 - Variable O&M Rate (\$/MWh), which will be one of the following:
 - » Fixed for the entire Delivery Term or defined annually
 - » Based on a base Variable O&M Rate, and escalated annually by CPI or PPI
 - Energy Price (\$/MWh), which will be one of the following:
 - » Fixed for the entire Delivery Term or defined annually
 - » Based on a base Energy Price and escalated annually by CPI or PPI
 - » Based on a specified heat rate multiplied by an applicable fuel index price (not permitted for renewable resources)
 - » Nuclear facilities' fuel price will be the actual price of delivered fuel and related costs
 - Bidders may include fuel adders (\$/MWh) in accordance with the Term Sheet (not permitted for renewable resources)
 - To satisfy ESI's planning objective of mitigating energy price risk, ESI prefers proposals with a fixed energy price and no fuel adders



- General Contract Terms and Conditions (see Section 2.2 of Main Body)
 - ESI will not post model contracts
 - Term Sheet (Appendix C) Terms and Conditions are basis for Bidders' proposals
 - Bidders may propose special exceptions to discrete Terms and Conditions
 - » Special exceptions must be contained in Bidder's proposal and must be specific
 - » ESI/Buyer is not obligated to agree to any special exception
 - » Special exceptions will be taken into account in the evaluation of proposals
 - » Special exceptions that would result in widespread or fundamental changes to Term Sheet (including material deviations in pricing or risk allocation) may serve as grounds for elimination or downgrades of proposals
- Bidders are strongly encouraged to submit desired changes, comments or questions regarding the Terms and Conditions to the RFP Administrator as soon as possible. Doing so will allow ESI to react in the next turn of the RFP to the issues raised and may reduce a Bidder's odds of being eliminated or downgraded for special exceptions it may include with its proposal(s)



Product Solicitation Overview Basic Commercial Terms*

• Delivery Term

- Minimum 10 consecutive years
- Maximum Not more than the resource's remaining useful life or 30 consecutive years, whichever is less
- Fuel
 - Seller will be solely responsible for providing all fuel and fuel transportation required for the proposed resource
- Monthly Availability Requirement
 - Solid fuel and renewable resources as proposed by bidder (must be at least 90% in each month)
 - Other facilities:
 - » 98% in summer (June to August) and winter (December to February) months
 - » 96% in other months
- Capacity Payment Discount
 - 2% discount for each 1% shortfall below the Monthly Availability Requirement
 - 1% discount for each 1% shortfall due solely to Force Majeure
- Rolling 12-Month Availability Requirement (gives rise to Buyer termination rights)
 - Solid fuel facilities 75%
 - All other facilities 85%



- Seller may (but is not required to) offer to provide Replacement products to Buyer during periods of resource unavailability; Buyer may accept/reject the offer in its sole discretion
- Regulatory approvals and other conditions precedent
 - Any transaction under the RFP will be conditioned on
 - » Buyer's receipt of regulatory approvals satisfactory to Buyer in its sole discretion
 - » Buyer's receipt of firm transmission service satisfactory to Buyer in its sole discretion
 - » Seller's posting of necessary credit support
 - » Other specified conditions (see item 31 in Appendix C)
 - All conditions must be satisfied or waived for transaction to commence
- Curtailment Right
 - Buyer has right to elect to schedule and dispatch less than the minimum dispatch requirements, but if it does, Buyer will compensate Seller for curtailed energy, subject to certain terms and conditions further defined in Appendix C of the RFP
- Proposals may not be contingent upon Entergy joining an RTO



• Change In Law

- In item 29 of Appendix C of the RFP, the potential Buyers have indicated a willingness to entertain proposals (other than with respect to renewable resources) for Buyer to share in certain costs and savings resulting from future Environmental Changes in Law (ECIL)
- Bidders have been requested to provide in their proposals:
 - » A proposed scope of potential ECIL changes, the costs of which (under Seller's proposal) Buyer would be required to share with Seller
 - » A proposed Seller deductible (*i.e.*, the ECIL amount Seller would be required to bear before Buyer's obligation to share in ECIL costs kicks in)
 - » Proposed caps on Buyer's exposure for ECIL costs
 - Amortized costs
 - Unamortized (expensed) costs
 - Global cap
- Seller would have a termination right if a Buyer cap is exceeded
- Buyer could pre-empt Seller's termination by agreeing to pay Buyer's share of ECIL costs and would have a rolling ECIL-based termination right thereafter
- Buyer would not be required to accept any ECIL proposal offers, in whole or in part
- Seller would retain all other change in law risk

• RTO Charges and Costs

 Subject to certain exceptions, Seller would be responsible for RTO and other charges and costs related to the ownership, operation, and use of the proposed resource, including fuel and electric imbalance charges and Balancing Authority penalties (see item 24 in Appendix C)



Bidder Registration & Proposal Submission Process (April Phelps)



Bidder Registration & Proposal Submission Process

- Registration and Submission will utilize forms and templates posted to the RFP Website, including:
 - Bidder Registration Form
 - Proposal Package
 - » Product Proposal template
 - » Due diligence questionnaire
 - Proposal Submission Agreement
- All proposal-related document submission must be made via courier or e-mail
 - Original copy of executed Bidder Registration Form
 - Original copy of executed Proposal Submission Agreement
 - Responses to Product Proposal Template and diligence requests (special delivery rules apply)
 - ESI will not accept paper copies of electronic proposals



*Dates are subject to change



Bidder Registration & Proposal Submission Process

• Proposal Submission Fees

- \$5,000 for each registered proposal
- Bidder invoiced within three business days after ESI's receipt of executed Bidder Registration Form
- ESI must receive the Proposal Submission Fee for each registered proposal no later than 5:00 p.m. CPT on September 10, 2012 (current schedule)
- If Bidder misses the payment deadline for a proposal, Bidder's proposal will not be considered

• **RFP Hotline**

 An RFP hotline will be available during bidder registration and proposal submission to assist Bidders with technical questions regarding either process



RFP Process Safeguards (April Phelps)



- Energy Associates (Elizabeth Benson) is the Independent Monitor
 - Experienced, independent third party
 - Working with ESI in development of the RFP solicitation, evaluation and selection processes
 - Helping ESI ensure that the RFP and its evaluation process are objective and impartial and that no undue preference is provided to any proposal or Bidder, including the self-supply option
 - IM's specific role is described in Scope of Work Activities of Independent Monitor (posted on the 2012 Baseload RFP Website)



RFP Process Safeguards Codes of Conduct, Protocols, Design

• Codes of conduct

- Employees of ESI, any Entergy Operating Company, or any Entergy Competitive Affiliate must abide by applicable Affiliate Rules and Codes of Conduct
- Links provided on the 2012 Baseload RFP Website

• Additional protocols

- IM oversees the composition of the Evaluation Teams, which review Bidders' proposals and consist of designated personnel
- Interaction between Evaluation Teams is limited
- ESI personnel involved in the evaluation process must adhere to confidentiality restrictions that strictly limit communication with and access to the Evaluation Teams
- See Appendix F for more detailed information

• RFP process design and implementation

- The RFP process has been designed to assure fair and impartial treatment of all Bidders
- Bidder identification is masked as appropriate and proposal information is redacted to remove information that might identify Bidders



Proposal Evaluation Process



Evaluation Overview (April Phelps)



Evaluation Overview

- Primary Objective
 - Identify proposals that meet the RFP needs and requirements at the lowest reasonable cost, taking into account reliability, risk mitigation and other relevant factors
- Process designed to be fair, impartial and consistently applied
- Four RFP Proposal Evaluation Teams will evaluate proposals
 - Economic Evaluation Team (EET)
 - Delivery Assessment Team (DAT)
 - Viability Assessment Team (VAT)
 - Credit Evaluation Team (CET)
- Two-stage evaluation process
 - Phase I
 - » Proposals screened for compliance with minimum requirements to advance to Phase II (the Preliminary Shortlist Requirements)
 - » Remaining proposals subjected to high-level analysis and assigned a preliminary economic ranking
 - » Preliminary shortlist of proposals developed at the end of Phase I
 - Phase II
 - » Proposals reviewed and assessed based on economics, deliverability, viability, transactional considerations (including credit and commercial terms), and other factors
 - » Based on qualitative and quantitative assessments, proposals assigned a final proposal ranking and recommendation
 - » Proposals placed on a primary selection list, a secondary selection list or eliminated from further consideration at the end of Phase II



Evaluation Overview Primary and Secondary Selection Lists

• Primary selection list

- Bidder with a proposal on primary selection list may be required to enter into a letter of intent (LOI) to proceed to a definitive agreement
- Due diligence/finalization and execution of definitive agreement would follow execution of LOI
- Inclusion on primary selection list is not acceptance of proposal or related contract terms
- No requirement for ESI to place any proposals on primary selection list

• Secondary selection list

- Bidder with a proposal on secondary selection list may be invited to negotiate the terms of a contingent LOI and/or definitive agreement or may simply be advised of proposal status
- Bidder would execute a definitive agreement only if a Bidder on primary selection list is removed from list
- Bidder must hold open offer for two months after notification of selection



Evaluation Overview Evaluation Process Flow





Economic Evaluation (Charles DeGeorge)



Economic Evaluation

- Objective
 - Identify proposals that meet the RFP needs and requirements at the lowest reasonable cost, taking into account reliability, risk mitigation and other relevant factors
- EET's ranking of proposals will be based on the economic evaluation results of a fundamental economic analysis and/or a net benefits analysis, as well as deliverability and viability assessment results and other quantitative and qualitative considerations
- Economic evaluation will consider risks associated with fuel prices and carbon compliance costs across a range of potential outcomes. Additional scenario and/or sensitivity analysis may be performed
- Economic evaluation will rely on tools and methods commonly used by ESI for long-term planning and resource evaluation, including fundamental analysis and production cost modeling
- Economic evaluation may utilize and rely on other methods, including qualitative analysis
- Economic evaluation details are set forth in Section 6.2 of the Main Body



- Compares the cost of each proposal based on a prescribed set of operating assumptions
- Estimates full-in economic cost for each proposal
- Utilizes an Excel-based spreadsheet model
- Estimates based on all relevant cost components, including:
 - Capacity payment
 - Energy payment
 - Variable O&M
 - Carbon and other emissions/environmental cost/value
 - Transmission deliverability costs within Entergy system, as applicable (Phase II only)
- Expressed in \$/MWh levelized over the evaluation period



- Utilizes a production cost model to produce a forecast of locational marginal pricing (LMP) for each resource
- Estimates the energy value of each proposal based on the LMP and generation of the resource
- Determines the net benefits of the proposal by subtracting the total fixed costs and variable costs from the projected energy value
- Estimated savings (or costs) expressed in \$/kW levelized over the evaluation period





Economic Evaluation Phase I and Phase II

- Phase I: Preliminary Analysis
 - With input from DAT and VAT, EET will identify proposals that meet the Preliminary Shortlist Requirements
 - EET will also develop a preliminary economic ranking of the proposals
 - EET will prepare a Preliminary Shortlist at the end of Phase I

• Phase II: Detailed Evaluation

- EET will update and finalize the economic evaluation of proposals on Preliminary Shortlist, including the results of the deliverability evaluation and the viability assessment
- Based on the results of the Phase II analysis, EET will prepare the Primary Selection List (and the Secondary Selection List if appropriate)



Deliverability Evaluation (Kenisha Webber)

Deliverability Evaluation



• Transmission Risk Allocation

- Bidder/Seller assumes certain transmission risk to specified point of delivery on Entergy transmission system (EPOD)
 - » Resource must be capable of serving as an Entergy network resource
 - » Costs of transmission upgrades to EPOD (distinct from interconnection-related upgrades)
 - » Costs of firm service to EPOD
 - » Charges for reliability requirements
 - » Compliance with tariff requirements to EPOD
- Buyer assumes certain transmission risk from EPOD
 - » Costs of transmission upgrades from EPOD to Entergy system
 - » Costs of firm service from EPOD to Entergy system
 - » Costs to make resource deliverable within Entergy system
 - » Buyer's receipt of transmission service acceptable to Buyer is a Buyer condition precedent
- Bidders should exclude from proposals cost of transmission service within Entergy transmission system
- Due to the transition to MISO in late 2013, Bidders are required to adhere to the MISO Tariff for requesting Network Integration Transmission Service
- Bidders must maintain eligibility for firm transmission service to EPOD and for network resource status until the execution of a definitive agreement or being released from the RFP
- Bidder's transmission-related information provided to ESI used for RFP evaluation purposes only
 - Will not be used to confirm transmission service or grant an interconnection request



Deliverability Evaluation

- DAT is responsible for assessing the issues and costs resulting from delivery of a product offered by Bidder
- Phase I
 - DAT will work with the VAT to determine the preliminary viability of proposals
 - Review focused on identifying failures to satisfy the delivery assessment elements of the Preliminary Shortlist Requirements
 - » In general, resource must be able to qualify as a firm long-term network resource
 - » If off-system, resource must also be able to obtain firm point-to-point service to the delivery point on the Entergy transmission system specified by Bidder
 - » Resource must provide the offered amount of capacity and energy at such delivery point, which must be a single interface point on the Entergy transmission system
- Phase II
 - DAT will estimate cost to qualify the resource as a long-term network resource
- Deliverability evaluation details are set forth in Section 6.3 of the Main Body



Deliverability Evaluation High Level Process

Each Resource

Step 1: Determine LocationOff ETR Transmission SystemOn ETR Transmission System

Step 1a: Define Interface (If Applicable) •Determine appropriate interface to the ETR system

Step 2: Determine Applicable Transfer Studies

Point-to-Point (off system)

Inside ETR

•To System

•Local Area Problems (Operations)



Viability Assessment (Rachelle Johnson)



Viability Assessment

- Review of technical, environmental, fuel supply/transportation, deliverability and commercial merits of resources/proposals submitted in response to RFP
- VAT will consist of Subject Matter Experts (SME) primarily from the following focus areas
 - Commercial
 - Plant & Equipment/Operations & Maintenance
 - Environmental & Permitting
 - Fuel Supply & Transportation
 - Transmission Service (provided by DAT)
 - Other disciplines, as appropriate
- Each SME will be responsible for assessing each proposal based on responses to RFP, including due diligence information
- Process based on following key assumptions, with IM oversight
 - VAT will provide input to EET throughout evaluation process
 - VAT and DAT will coordinate and communicate during Phase II
 - VAT will be allowed to communicate directly with Bidders included on the Preliminary Shortlist (Phase II)
- Viability assessment details are set forth in Section 6.4 of the Main Body



Viability Assessment

- Phase I
 - VAT will review proposals for compliance with the viability elements of the Preliminary Shortlist Requirements
 - » The Facility must be an Eligible Resource
 - » Bidder must be an eligible Participant
 - » The Delivery Term for the proposed Definitive Agreement must be at least ten (10) consecutive years
 - » Deliveries must be scheduled to start on or between January 1, 2013, and December 31, 2013
 - » Proposed resource must have achieved commercial operation by no later than August 1, 2012
 - » Bidder must offer at least 50 MW and not more than 150 MW from a single resource to a specified Energy Delivery Point on the Entergy Transmission System
 - » Resources must be free of fatal design flaws and/or non-standard operational or permitting restrictions



Viability Assessment

- Phase II
 - VAT will conduct a detailed assessment to develop an overall risk/viability profile on each proposal included on the Preliminary Shortlist
 - Risk and viability evaluations will include assessments of:
 - » Resource capabilities and performance history
 - » Fuel procurement (including transportation) and energy price stability
 - » Environmental compliance risks
 - » Proposed commercial terms
 - » Resource deliverability
 - » Regulatory considerations
 - » Other factors, as appropriate
 - VAT will develop, and seek the IM's concurrence with, a final viability recommendation and provide the recommendation to the EET for further review and incorporation into the economic analysis



- ESI prefers proposals that offer fuel supply flexibility and energy price stability
 - Fuel supply flexibility considerations in the evaluation of proposals will include:
 - » Supply liquidity
 - » Sourcing and fungibility of supply
 - » Alternative fuel supply options
 - Fuel stability considerations in the evaluation of proposals will include:
 - » Fuel price volatility
 - » Energy pricing structure proposed (e.g., fixed, not fixed)
 - » The inclusion and structure of any proposed fuel adder
 - » Fuel reliability/deliverability risks



Credit Review/Collateral Requirement (Rae Anne Dodds)



Credit Review/Collateral Requirements

- Generally, no Bidder will be excluded or prohibited from participating on the basis of credit
- No credit postings required of Bidders prior to LOI execution
- \$2 million letter of credit (L/C) will be required with any LOI signed between Buyer and Bidder/Seller
- CET (Credit Evaluation Team)/ESI will determine the required amount(s) and form of collateral during negotiation of any definitive agreement
 - Security requirements will be based on, among other things:
 - » Creditworthiness of bidder or guarantor
 - » Credit exposure
 - » Contract tenor and type
 - » Other contract/proposal terms
 - » Financial environment
- Acceptable forms of collateral may include
 - Parental guaranty, L/C, cash, asset lien, a credit solution suggested by Bidder/Seller or any combination of the foregoing



Credit Review/Collateral Requirements

- The CET will assign a Bidder credit rating (or Bidder's credit support provider's credit rating) for all proposals, based on, among other things
 - S&P and Moody's ratings
 - 10K/10Q/8K evaluation
 - If SEC reports unavailable, two years of audited financial statements provided by Bidder
 - » Financial statements include balance sheet, income statement and cash flow statement
 - » If financial information is consolidated with other entities, all data related solely to the offering entity will be extracted and submitted as separate documents by Bidder
 - » Credit-related diligence materials provided by Bidder
- Bidder credit rating/exposure will be discussed with Bidder on primary or secondary selection list
 - Bidders on either list will be invited to discuss Seller's proposed credit rating and the type of credit support Seller will provide to meet the RFP's credit support requirements
- Bidder's credit rating will have no impact on selection of proposals for Primary/Secondary Selection List
- Proposals placed on either selection list are, under certain circumstances, subject to elimination on basis of credit



MISO Overview (Mike Goin and Todd Hillman)



Moving to Tomorrow



 There are currently seven RTOs in the United States, which serve about 60% of U.S. energy load

Role of a Regional Transmission Organization (RTO):

- Manages the dispatch of generation and transmission of electricity
- Manages supply, demand and cost of production while maintaining reliability
- Allows access to a vast network of electricity buyers and sellers
- Not all RTOs have all these features



What are "Day 2" Markets?

- FERC made the distinction between RTOs/ISOs that have a "Day 1" market for Energy Imbalance Service (EIS), but still relied on members to make commitment decisions, and "Day 2" markets that included full centralized commitment and dispatch (Order 2000)
- MISO Runs a "Day 2" market, with:
 - Single Balancing Area
 - Day-ahead unit commitment
 - Real-time balancing market
 - **I** Financial transmission congestion hedges ARRs/FTRs
 - » Auction Revenue Rights (ARRs)
 - » Financial Transmission Rights (FTRs)
 - Integrated ancillary services markets
- SPP runs a "Day 1" market (the EIS market) and has plans to run a Day 2 market in the second quarter of 2014



A Day 2 Market Transfers Responsibilities from the Utility to the RTO

	ICT (Current)	Day 1 RTO (e.g., SPP)	Day 2 RTO (e.g., MISO)
Utility	 T planning Split T operations Control area / bal Gen commitment and dispatch Ancillary services Real-time energy balancing 	 T planning Split T operations Control area / bal Gen commitment and dispatch Ancillary services 	 T planning Split T operations Offer generation or self schedule
ICT	 T planning Split T service 		
RTO		• T planning Split • T service • Hourly market Only in 2 Day ket	 T planning Split T service Control area / bal Gen commitment and dispatch Ancillary services Real-time energy balanoing Single control area Day ahead market



MISO Directs Commitment and Dispatch Process for Its Entire Region



One Entity Optimizing for Region

- All generators bid or schedule in day ahead market; MISO evaluates against expected demand and determines economic, reliable commitment and dispatch
- Hourly market provides ability to check and adjust to meet real-time supply and demand
- Locational marginal price (LMP) reflects transmission congestion
- 1 balancing authority



Locational Marginal Pricing in Day 2 Markets



- Congestion occurs when transmission constraints require "out of merit" redispatch:
 - MISO manages congestion by pricing the use of constrained elements on the transmission system using Locational Marginal Prices
 - Definition of LMP: The cost of serving a (hypothetical) increment of load at that bus, taking into account all generator bids and system conditions/constraints
- Congestion pricing ensures efficient use of the transmission system and sends the right price signals to generators (and loads). It also provides transparency for future investment decisions.



Locational Marginal Prices



- Congestion and marginal loss pricing will result in price differentials throughout the system. These are average Day Ahead prices from 2008.
- Real-time pricing can be viewed on MISO's Web site at <u>https://www.misoenergy.org/</u> <u>MarketsOperations/RealTime</u> <u>MarketData/Pages/LMPConto</u> <u>urMap.aspx</u>



- Enhancements Conditionally Approved by FERC:
 - Load Serving Entities (LSE) required to demonstrate Resource Adequacy based on their peak demand forecast and MISO Planning Reserve Margin
 - Capacity Resources must be deliverable to load to qualify to provide capacity
 - Capacity Resources must test annually and provide MISO with Generator Availability Data (GADS) to qualify and determine unforced capacity credits
 - Local Resource Zones (LRZ) established to ensure locational resource adequacy
 - LSEs may be subject to Zonal Deliverability Charge (ZDC) if their capacity resource contributes to congestion as part of the annual auction process



For Additional Information on MISO

- MISO Website <u>https://www.midwestiso.org/Pages/Home.aspx</u>
- MISO Markets and Operations Website <u>https://www.midwestiso.org/MarketsOperations/Pages/MarketsOperations.aspx</u>
- Becoming a Market Participant Website - <u>https://www.midwestiso.org/StakeholderCenter/MarketParticipants/Pages/BecomingaMarket</u> <u>Participant.aspx</u>
- Market Participant Resources - <u>https://www.midwestiso.org/StakeholderCenter/MarketParticipants/Pages/MarketParticipant</u> <u>s.aspx</u>



Break



Q&A Session

ESI requests that Bidders attending remotely submit all questions in writing to the RFP Administrator at <u>esirfp1@entergy.com</u>



- Questions received during today's conference will be posted to the RFP Website: <u>https://spofossil.entergy.com/ENTRFP/SEND/2012Rfp/Index.htm</u>
- ESI will accept written questions/feedback about the RFP from market participants and other interested parties
- Questions must be emailed to the RFP Administrator by August 31, 2012 at <u>esirfp1@entergy.com</u>