

**Report of the
Independent Monitor
of the
Entergy Services, Inc.
2014 Amite South Request For Proposals
for Long-Term Supply-Side Developmental Resources**

**Prepared by:
Elizabeth R. Benson
Energy Associates
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I. Introduction

A. Background

On August 25, 2015, Entergy Louisiana, LLC (“ELL”), Entergy Gulf States Louisiana, L.L.C (“EGSL”), and Entergy Louisiana Power, LLC (“ELP”)¹ filed a joint application with the Louisiana Public Service Commission (“LPSC” or “Commission”) for authorization to construct a nominal 980 MW 2x1 combined cycle gas turbine (“CCGT”) generating unit to be known as the St. Charles Power Station (“SCPS”). If approved, ELL plans to construct the SCPS at Montz, Louisiana on the site of its existing Little Gypsy Power Station (“Little Gypsy”). The joint application was assigned LPSC Docket No. U-33770.

The request to construct the SCPS is the result of the Entergy Services, Inc. (“ESI”)² 2014 Amite South Request for Proposals for Long-Term Supply-Side Developmental Resources (“2014 RFP” or “RFP”), a market-based competitive procurement seeking between 650 MW and 1000 MW from a new, single integrated CCGT generation resource. The SCPS was a self-build proposal submitted into the 2014 RFP by Entergy’s Self-Build Commercial Team (“Self-Build Team”) as an alternative to developmental resource proposals offered by third-party bidders.

This report describes and discusses the 2014 RFP, including how ESI planned it, implemented it, and evaluated the conforming proposals it received, including the SCPS self-build proposal. The RFP was structured and conducted to meet the requirements of the LPSC Market-based Mechanism Order (“MBM Order”).³ The MBM Order first established a market-based procurement process in 2004⁴ to ensure fair consideration, evaluation, and selection of proposals competing to provide power to LPSC-jurisdictional utilities.⁵

The MBM Order requires utilities to use an Independent Monitor (“IM”) if they intend to market test a self-build or self-supply proposal, or if they allow their competitive affiliate(s) to participate in the RFP. The IM requirement is designed to ensure that RFPs are fair to all parties,

¹ As approved on August 26, 2015 by the LPSC in Docket No. U-33244, ELL and EGSL will combine their assets and liabilities and become a single operating company to be known initially as ELP and eventually as ELL. This IM report, however, refers to the business structure in place during the 2014 Amite South RFP in all relevant instances.

² ESI, acting as agent for ELL, EGSL, and Entergy New Orleans, Inc. (“ENO”), conducted the 2014 RFP.

³ LPSC Docket No. R-26172 Sub Docket C. October 29, 2008, as amended.

⁴ Subsequent amendments have added certain MBM Order requirements and refined others.

⁵ The MBM Order contains certain exceptions – generally for short term contracts and capacity amounts under 50 MW – but most power contracts, generation construction projects, and asset acquisitions are subject to the Order.

are conducted at arm's length, and are free from affiliate or other abuse. ESI retained Elizabeth Benson of Energy Associates to serve as the IM⁶ for this RFP.

The IM's responsibilities are specified in the MBM Order and establish the IM's independent consideration of all aspects of the RFP. The MBM Order requires a jurisdictional utility to designate an IM at the beginning of the RFP and submit its designation to the LPSC. The Commission may reject the utility's IM designee and request that the utility submit another IM choice.

Generally, the role of the IM in the 2014 RFP was to: 1) oversee the design and implementation of the RFP solicitation, evaluation, selection, and contract negotiation processes to ensure that they were impartial and objective; and 2) provide an objective, third-party perspective regarding whether the RFP treated all proposals fairly and consistently and avoided undue preference toward any bidder. The IM's responsibilities in this RFP are described more fully in the next section of this report.

B. Independent Monitor Responsibilities

From May, 2014 through July, 2015, the IM worked closely with ESI and its RFP team members and monitored all aspects of 2014 RFP development, administration evaluation and selection. Following the selection of the SCPS, the IM also monitored certain internal processes required by Entergy Corporation to approve the proposed SCPS project prior to ESI's request for certification in Docket No. U-33770. The objective of this latter monitoring was to ensure that these processes conformed with RFP requirements, including that they provided no access to commercially sensitive information arising from RFP proposals to individuals who might unfairly benefit from that information.

The IM's responsibilities included the following activities:⁷ 1) reviewing and offering suggested changes to 2014 RFP procedures, documents, and timelines; 2) reviewing and commenting on the structure and composition of RFP evaluation teams; 3) reviewing and, as needed, revising

⁶ Ms. Benson has served as IM for fifteen previous power supply RFPs, all of which have been subject to state and, in certain cases, federal regulatory oversight. Ms. Benson has no interest in the outcome of this or any other RFP, and has worked in no capacity other than as IM for ESI or for any other utility for which she has been the IM.

⁷ The IM's detailed Scope of Work for the 2014 RFP is posted on ESI's 2014 Amite South RFP Website.

2014 RFP confidentiality acknowledgements (“CAs”), ensuring all individuals participating in the 2014 RFP signed CAs and adhered to all CA requirements; 4) reviewing all proposal evaluation assumptions, models and procedures to ensure they would address the RFP’s objectives and guarantee fair treatment of all proposals; 5) reviewing and, as needed, commenting on all questions and answers and other communications between the RFP and potential and actual bidders; 6) participating in the 2014 RFP technical and bidders’ conference; 7) monitoring 2014 RFP bidder registration and proposal submission systems including their procedures to mask, as required, the identities of bidders, generation resources, and proposals from RFP evaluators; 8) reviewing all proposals received, and overseeing and approving redaction of certain identifying information before releasing proposals to RFP evaluators; 9) overseeing economic, planning, deliverability, viability, and credit evaluations; 10) monitoring 2014 RFP evaluators’ clarifying questions to bidders and any communication between the RFP and bidders; 11) monitoring all communications among RFP evaluators, and participating in RFP bid evaluation and selection discussions; 12) communicating regularly with LPSC Staff on a wide range of RFP issues; 13) participating in pertinent meetings between RFP personnel and LPSC Staff; 14) selecting (in collaboration with ESI) and overseeing the work of an independent engineer retained to provide technical assistance to the IM by evaluating the reasonableness of the cost estimates associated with the self-build proposal; 15) as required, monitoring negotiations between ESI and selected counter-parties for purchased power agreement (“PPA”) tolling agreement (“toll”) and acquisition products; and 16) as required, participating in regulatory proceedings pertaining to selected proposals.

In furtherance of the IM’s responsibilities, this report addresses the planning and implementation of the RFP, and the evaluation of proposals submitted by bidders. The report also provides the IM’s assessment of those activities, including whether they met ESI’s obligations for fairness and impartiality, and avoided undue preference toward any proposal.

C. LPSC Staff Consultation

In accordance with the MBM Order, the LPSC assigned LPSC Staff (“Staff”) to this RFP shortly after ESI announced it would conduct the solicitation. Staff participated actively in the RFP, and ESI and Staff consulted throughout it on a wide range of issues including proposal eligibility

criteria, evaluation models, methodologies, and outcomes. Likewise, Staff and the IM conferred regularly on many aspects of the RFP, at certain times together with ESI and at other times without ESI.

During the RFP's development, Staff discussed key aspects of the RFP with ESI, and, together with ESI, sponsored an RFP Technical and Bidders' Conference that provided potential bidders and other interested parties with briefings on all aspects of the RFP and the opportunity to ask questions and make comments.

Staff's ongoing consultation also provided the opportunity to conduct detailed discussions with ESI regarding the company's resource needs, its forecast and modeling assumptions, the objective and structure of the RFP, the models used by ESI to evaluate all proposals, bid evaluation analyses and outcomes, and the selection of the winning proposal. Although the utility alone made all RFP decisions, ESI actively sought Staff's input and reviewed all evaluation outcomes and proposal recommendations with Staff, as well as with the IM, before recommending a selection to the Entergy Operating Committee⁸ ("OC") and informing bidders of the OC's decision.

The IM will note Staff's involvement with the 2014 RFP throughout this report.

D. Organization of the Report

This report has four sections. Section I is this Introduction. Section II discusses the need for the RFP, RFP safeguards, developing draft and final RFP procedures and documents, communicating with potential bidders, implementing the RFP, registering, receiving, reviewing, and redacting proposals, and releasing proposal information to RFP evaluation teams. Section III discusses the evaluation of proposals submitted by bidders, including evaluation components, procedures, models, and outcomes. Section IV presents the IM's conclusions regarding the overall fairness and objectivity of the RFP.

⁸ The Entergy Operating Committee is composed of members designated by the chief operating officers of the participating Entergy Operating Companies and by the chief executive officer of Entergy Corporation. Among other responsibilities, the Operating Committee makes RFP allocation and selection decisions.

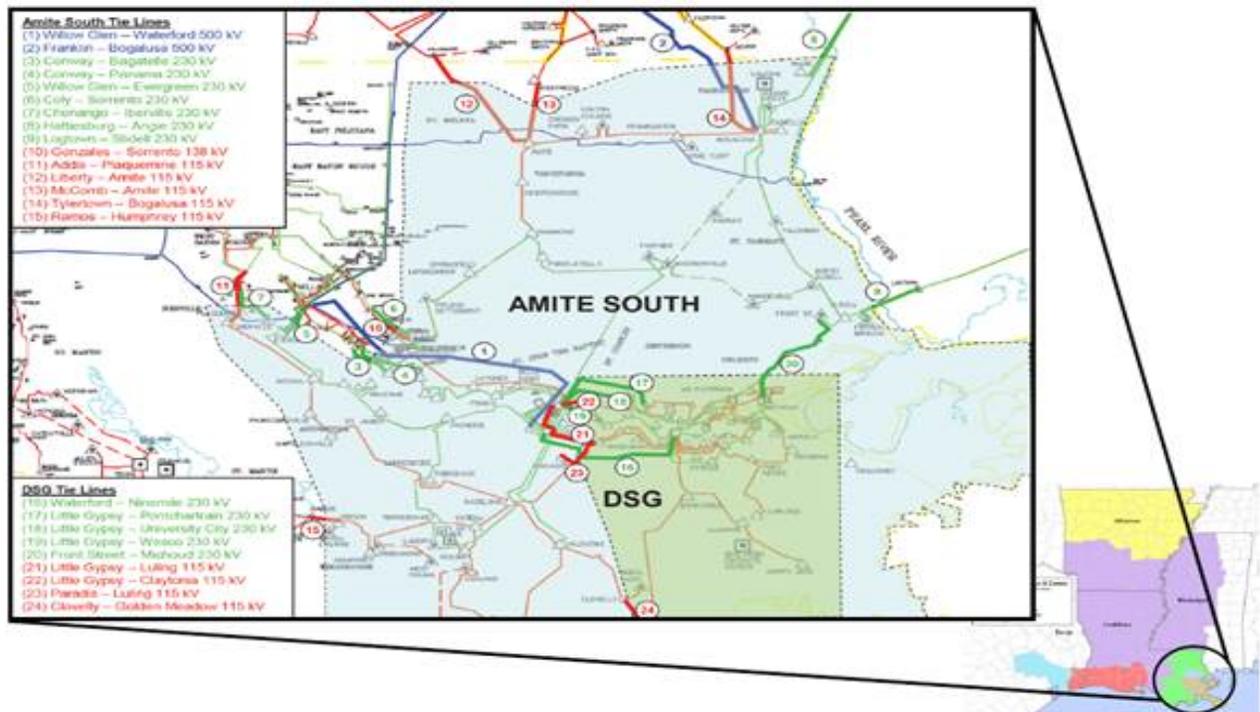
II. Planning and Implementing the RFP

A. RFP Overview

1. Resource Need

ESI required all resources bid into the 2014 RFP to be located in the Entergy Amite South Region (“Amite South”), preferably close to or in the Downstream of Gypsy Region (“DSG”). Amite South covers the area east of Baton Rouge, LA to the Mississippi state line and then south to the Gulf of Mexico. The Amite South and DSG boundaries and their location within the Entergy System are illustrated immediately below.

Table 1: Map of the Amite South Region



ESI required bidders to locate their projects in the Amite South / DSG Region to address a number of resource planning and operating issues. Power supply in the region is affected by a combination of factors including a large and diverse load that is projected to grow, supply constraints due to its location, related challenges importing power, and reliability requirements that need to be maintained as certain existing regional fossil fuel units⁹ owned by ELL, EGSL and ENOI are scheduled to deactivate. In addition, new generation offers the potential to enhance

⁹ The average age of existing fossil fuel units in this region is 39 years.

restoration capabilities in a region subject to major outages due to tropical storms. These and related issues were disclosed and discussed in the RFP documents.¹⁰

Based on this information and additional discussions with ESI, the IM was satisfied that the decision to limit the RFP to generation located in the Amite South / DSG Region was well documented and reasonable.

2. Eligible Technology, Participants and Products

The 2014 RFP required all bidders to submit proposals offering between 650-1000 MWs and to be sourced from new, single integrated CCGT generation resources to accommodate the need for new generation in Amite South, to otherwise address the resource needs specified in the RFP, and to capture for rate payers the increased efficiencies of new gas turbine technologies that have begun entering the market.

The RFP encouraged a wide range of potential suppliers to submit proposals, including electric utilities, wholesale generators, marketers, qualifying facilities, and independent power producers and developers. The RFP announced ESI's intention to market test a self-build proposal in comparison to proposals submitted by third-party bidders. ESI's competitive affiliates were ineligible to participate in the RFP.

The RFP offered suppliers the opportunity to submit a full range of products including PPAs, tolls, and acquisitions. It required PPA and toll delivery terms to be at least 10 but not more than 20 years in length, and to begin on or before June 1, 2020. Likewise, it required acquisition proposals to close on or before June 1, 2020.

The IM considered ESI's technology, participant and product requirements reasonable, in line with the supply needs of the Amite South Region, and capable of attracting qualified bidders to the RFP.

¹⁰ These issues have more recently been discussed in detail in the EGSL, ELL 2015 Integrated Resource Plan ("IRP") filed with the LPSC on August 3, 2015.

B. Early Discussions

On May 28, 2014, the IM attended a kick-off meeting with ESI in The Woodlands, Texas to review and discuss RFP background and key drivers, RFP team responsibilities, proposal evaluation structure and approach, safeguards to encourage stakeholder participation and protect confidential information, a proposed schedule, and the role of the IM. Although no RFP documents were yet available to the IM, the meeting offered all parties the chance to discuss the overall solicitation at a reasonably detailed level. The meeting also provided the opportunity to review how proposals would be evaluated, and to discuss how certain elements of the proposal evaluation would differ from past practice. For example, since the Entergy Operating Companies had joined the Midcontinent Independent System Operator (“MISO”) on December 19, 2013, bidders would deal directly with MISO on transmission interconnection and network service issues. At the same time, bidders would be required to verify to RFP evaluators that they had submitted required documents to MISO when they submitted their proposals.

Immediately following the kick-off meeting, ESI regulatory counsel conducted an ethics briefing for individuals working on the RFP. The IM attended the briefing as an observer. Counsel provided information on previous RFPs conducted by ESI, discussed MBM Order requirements, and stressed the importance of a solid, documented and transparent process to the success of this RFP. Counsel also addressed protocols each person would be required to follow to ensure compliance with RFP, LPSC and Federal Energy Regulatory Commission (“FERC”) requirements.

Following these meetings, the IM received and reviewed drafts of two RFP documents – the first, ESI’s public notice that the RFP would take place; the second, a detailed statement of minimum requirement for developmental resources ESI intended to issue in draft form along with the public notice. The IM requested and received clarifying information on one technical design issue, and provided her concurrence with both documents.

C. RFP Notice

On June 2, 2014 ESI announced its intention to conduct the 2014 RFP in a notice to interested parties that it posted on its RFP Website, published in *Platts Megawatt Daily*, and sent electronically to an extensive list of power suppliers. The suppliers’ list was composed largely of

companies that had either expressed interest in or participated in prior Entergy RFPs for power supply, and, it was expected, could likely be interested in this upcoming solicitation.

The notice described the RFP's purpose, and informed all parties that ESI expected to issue draft RFP documents in July 2014 and final RFP documents in September 2014. It indicated that all RFP documents, as well as questions and answers about the RFP from potential bidders and other interested parties, would be posted on ESI's official RFP Website and provided the website link. It also said that ESI would not permit its competitive affiliates to participate in the RFP.

The notice announced that ESI would evaluate a self-build option located in Amite South at either ELL's Little Gypsy or ENOI's Michoud sites. It indicated that the self-build proposal would conform with all RFP requirements and would be considered as an alternative to proposals submitted into the RFP by third-party bidders.

Because RFP documents were not yet available, the notice described the RFP in reasonable detail – providing planning objectives and resource and product requirements – so potential bidders would have enough information at that time to be able ask specific questions about it.

The notice provided contact information for an RFP Administrator, ESI's single point of contact for the RFP, and for the IM. It encouraged potential bidders with questions at this early stage to direct them to the RFP Administrator and the IM so that the questions could be answered by RFP personnel and posted to the RFP Website for the benefit of all interested parties.

D. Minimum Requirements for Developmental Resources

Accompanying the notice was the description of minimum requirements all developmental resources would need to meet when bidders submitted their proposals. Providing a description of minimum requirements before releasing RFP documents followed a sound practice from previous Entergy RFPs involving developmental resources. Given the time, complexity and expense associated with developing a resource, the description sought to give bidders a clear

view of information ESI would require them to provide, and reasonable time to assemble that information before submitting any proposal.¹¹

The document included the following minimum requirements all bidders would be required to address:

- An overview of the developmental project, including proposed location, site description, technology, water and fuel sources, engineering/procurement/construction plans, environmental compliance and permitting plans, and a summary of the work already completed at the time of submission;
- a summary of key project personnel, their background and experience, and information on relevant projects they had completed;
- evidence that the project being submitted had progressed beyond the conceptual phase, including that its engineering, cost and schedule estimates met industry standards appropriate to the expected timeline;
- evidence that required project attributes were being addressed including CCGT technology, a single integrated developmental resource, and MW requirements;
- a map and plat of the project location verifying that it was located in the required area;
- evidence that the bidder had control of the site on which the project was to be constructed;
- a reasonably detailed plan for fuel supply, transportation and waste disposal;
- evidence of a plan to support all required permitting;
- a completed interconnection request submitted to MISO;
- a plan for access to and use of water; and
- a feasible plan to structure and finance the project.

E. RFP Safeguards

After ESI posted notice of the upcoming solicitation, RFP personnel and the IM reviewed and agreed on the procedural and informational safeguards that would guide RFP activities.

¹¹ Approximately five and one-half months elapsed between ESI's release of its minimum requirements document and its proposal submission deadline.

The RFP safeguards were designed to protect commercially sensitive information, and to ensure that all proposals would receive fair and impartial treatment. They applied to all RFP participants and were closely monitored throughout the RFP by the IM. The safeguards were specified in published RFP documents and, as pertinent, discussed with Staff, with bidders, and any other interested party during the course of the solicitation. The safeguards included procedures to ensure confidential treatment of RFP information and protocols that defined who would have access to which information, how information would be handled, and how bidders would communicate with the RFP. They included:

1. Confidentiality Acknowledgements

All Entergy personnel involved with the 2014 RFP signed confidentiality acknowledgements (“CAs”) that governed their access to and uses of RFP proposal information. CAs were tailored to different groups in accordance with their RFP responsibilities and related requirements for information. For example, proposal evaluators signed CAs affirming their obligation to protect the confidentiality of non-public information they would receive in connection with the RFP, while participating executives signed CAs acknowledging their oversight role related to the RFP, but restricting them from directing, organizing or executing the RFP.

The IM reviewed each different CA form to ensure that it addressed all necessary issues and protections. In this RFP, the IM, working with ESI regulatory counsel, proposed a number of clarifications and updates to each CA form so that it conformed to RFP requirements regarding treatment of confidential information. After discussion, ESI adopted and implemented the proposed clarifications. After the CAs were signed, the IM received and retained information identifying all RFP participants, and oversaw compliance with all CA protocols throughout the RFP.

2. Information Protocols

To manage and control how information was received and used, ESI designated an “RFP Administrator” to manage most RFP communications. With limited exceptions,¹² bidders were

¹² For example, bidders communicated directly with MISO on required transmission issues. Bidders communicated directly with RFP personnel while attending the RFP Technical and Bidders’ Conference held in New Orleans, LA, and were free to contact the IM and LPSC Staff at all times about any RFP issue.

required to direct all RFP questions, requests, and other inquiries to the RFP Administrator in writing using a dedicated RFP email address. The RFP Administrator was the only Entergy employee authorized to receive and handle RFP communications from bidders throughout most of the RFP and, exclusively, from the date the RFP Notice was issued in June, 2014 until bidders were notified of the RFP results in May, 2015.

The RFP Administrator also managed a public RFP Website that was used to post all RFP documents and to address most questions and other communications from bidders. The RFP Website provided an easily accessible and transparent forum which ensured that all documents and notices, and questions and answers pertinent to all parties would be simultaneously and equally available, while ensuring that inquirers' identities remained confidential.

During the proposal evaluation period, the RFP Administrator managed all proposal clarifying communications between RFP evaluators and bidders and ensured that bidder, resource and proposal identifying information was appropriately redacted before releasing information to evaluators. The RFP Administrator also managed communications among RFP evaluation teams to ensure that only approved information was shared.

The IM worked closely with and oversaw the work of the RFP Administrator throughout the RFP. She reviewed all documents and communications before they were posted to the RFP Website. She reviewed all proposal information, questions, data, and clarifying requests, commented on them or recommended changes, as necessary, and approved all redactions proposed by the RFP Administrator before documents were provided to evaluators. This ensured that communication with bidders and among evaluation teams was handled properly and fairly, and that all commercially sensitive information was protected.

Before the RFP was published, the IM reviewed the list of employees designated by ESI to work on each RFP evaluation team to ensure that those individuals were separate and different, that they could not provide an undue advantage to any RFP proposal, and that their participation in the RFP complied fully with their CAs, Louisiana affiliate rules, and FERC Affiliate Restrictions and Standards of Conduct, as applicable.

RFP evaluation teams focused on different aspects of each individual proposal and each team received only the information it needed to do its job. For example, economic evaluators received a confidential report containing only pricing information for each proposal, but no information that identified the bidder. The identity of bidders was not withheld from the non-pricing assessment team because it needed bidder and location information to perform its job. However, as its name indicates, the non-pricing assessment team did not receive price information from bidders' proposals.

Finally, even though certain evaluation teams needed to know the identity of bidders and the location of their resources, the information evaluators received masked the identity of bidders, generation resources, and proposals by using randomly generated identification numbers that bidders received when they registered their RFP proposals. These identification numbers organized RFP bidder information, documents, reports, and outcomes by bidder, resource and proposal IDs. They facilitated a consistent method of communication throughout the RFP among all evaluation teams and in all documents and reports.

A detailed description of all procedures for protecting proposal information is contained in Appendix G of the RFP, which is posted on the RFP Website.

3. RFP Administration Team

An RFP Administration Team assisted, as needed, with certain aspects of the RFP. In addition to the RFP Administrator, this team included personnel from ESI's System Planning & Operations ("SPO") group as specified in Appendix G of the RFP. None of these was a member of any RFP evaluation team, or of the Self-Build Team. Generally, the RFP Administration Team's role was to ensure that bidder and LPSC questions were adequately addressed and that proposal information was appropriately handled within the RFP evaluation. Individual team members assisted the IM to insure timely and adequate review and redaction of bidder information, and to address certain other RFP issues.

The Team and the IM met as needed during the RFP to ensure that the evaluation was proceeding according to plan, to address bid conformance issues, and, along with LPSC Staff, to review proposal evaluation results as they become available. Team members also consolidated

the results from each evaluation team into a recommendation that, following discussion with the IM, was submitted to the OC.

4. Self-Build Team Protocols

The Self-Build Team was composed of individuals who operated as a development group within ESI, but who were functionally and physically separated from the RFP. It was subject to RFP protocols to ensure its proposal was developed separately from the RFP, and received no undue preference in the RFP process or the RFP evaluation. Members of the Self-Build Team and those supporting them signed CAs detailing RFP restrictions affecting them, their obligation to abide by the same RFP process governing third party bidders,¹³ and their agreement to be monitored directly by the IM in any communication between themselves and the RFP.

The RFP required the Self-Build Team to submit its completed proposal to the RFP Administrator and the IM prior to the receipt of proposals from all market bidders, and no later than 5 p.m. CPT on the Friday before the RFP proposal submission period began. This procedure ensured that the Self-Build Team could neither in fact nor in appearance be able to benefit from proposal information that would be provided later by market bidders. The Self-Build Team was required to submit all proposal information using the same forms and abide by the same procedures during the RFP as market bidders.

Finally, in consultation with the RFP Administration Team, the IM retained an independent consulting engineer to work with her to evaluate the reasonableness of the construction cost estimate of the self-build proposal. This additional safeguard continued the practice of a previous RFP which had market tested a self-build proposal and had proved to be an effective way to assist the IM working on that RFP.

It was the IM's responsibility to oversee compliance with these protocols throughout the RFP. Prior to the submission of any proposal, the IM met with members of the Self-Build Team to make certain they understood the RFP protocols affecting them, and to address any questions they had.

¹³ Three exceptions are noted in this report.

F. Draft RFP Documents

ESI prepared draft RFP documents that provided detailed information on: 1) the resource ELL was seeking and how it would address Amite South needs; 2) a summary of principal commercial terms for PPAs, tolls and acquisitions; 3) the timeline for RFP activities; 4) the different RFP evaluation teams and the economic, viability, non-pricing, and credit evaluations each team would perform; 5) appendices providing information bidders were required to provide with their proposals; 6) how bidders could take exception to RFP commercial terms; and 7) bidder registration and proposal submission procedures.

The documents also described the safeguards in place to protect commercially sensitive proposal information and the identity of bidders and resources during the evaluation. They described the roles of the IM and of Staff and how bidders could reach the IM or Staff if they wished to do so. They discussed RFP procedures to safeguard against preferential access to information, or unfair or improper advantage given to any bid. They provided a separate and detailed confidentiality agreement that could be used by ESI and bidders in the event they determined they needed to share highly sensitive information that went beyond the confidentiality protections already provided by RFP procedures.

Many of the procedures in the 2014 RFP had been used in previous competitive power procurements (e.g., use of CAs and separate evaluation team responsibilities), but some were updated to address the requirements of this RFP and others were new. For example, this RFP specified generation resource design and operational requirements to: 1) ensure bidders pursued advanced gas turbine technology; 2) reduce differences among proposals that could make them more difficult to evaluate; 3) enhance generation reliability and availability for dispatch; and 4) encourage the use of technology with a proven track record of performance. Examples of required design features included:¹⁴ automatic generation control, evaporative cooling or inlet chilling, combustion turbine designs with air cooled combustors, and redundant on site natural gas compressors to ensure that the loss of a single compressor would not limit operation of the resource.

¹⁴ The full list of required design features is contained in the RFP documents posted on the 2014 RFP Website.

These design and operating requirements were part of the RFP's proposed due diligence review which required bidders to provide substantial developmental, operational, and credit information when they submit their proposals.

This due diligence review, known as the "viability assessment," has been used in previous RFPs and has proved to be a useful evaluation tool. One of its key objectives is to help evaluators determine whether resources with attractive economics can, in fact, deliver on those economics. For example,¹⁵ in this RFP the viability assessment reviewed a bidder's development plans to determine whether they supported a commercial operations date ("COD") that was in line with the RFP's COD requirement.

1. IM Review

ESI made all RFP documents available to the IM for review and comment before they were posted as draft documents on the RFP Website. Beginning June 30, 2014 and during the next two weeks, the IM received and reviewed different drafts of the RFP's Main Body, nine RFP appendices, proposal registration and submission forms, and associated materials.

The purpose of the IM's review was to ensure that the documents and procedures adequately addressed the objectives of the RFP, that they were clear, thorough, and fair, that they described information bidders would be required to provide, and that they provided no undue preference to any bidder or proposal.

The IM highlighted a number of areas where she felt that information being requested from bidders or provided by ESI should be modified or clarified, but identified no major areas of concern. She conducted three complete reviews of all RFP documents – suggesting certain edits and discussing with RFP team members all aspects of the solicitation's implementation and evaluation. ESI was able to accommodate her suggestions with one exception where she noted certain duplicated information requests. In that instance, the duplicated requests were eliminated when the final RFP documents were posted.

¹⁵ A more detailed description of the viability assessment is provided in Section III of this report.

2. Release to Bidders

On July 18, 2014, ESI posted draft versions of all RFP documents and appendices on the RFP Website. The MBM Order requires all RFP documents to be made available to potential bidders in draft form. This provides potential bidders the opportunity to participate actively in the development of the RFP by establishing a period during which bidders are encouraged to ask questions and provide comments about the RFP. This period begins immediately after the RFP is announced, extends through the time all RFP documents are posted in draft form on the RFP Website, and, except in some circumstances,¹⁶ concludes when final RFP documents are posted.

The MBM Order provides this opportunity to bidders both to ensure that RFP procedures are clear, and to give bidders the chance to ask questions, express concerns, suggest changes, or otherwise raise issues. At the same time, this approach enables all interested parties to have access to the same information, requests for clarification, or concerns because all questions and answers are posted anonymously on the RFP Website. Potential bidders are strongly encouraged to participate in this opportunity to be actively involved in the development of the RFP. It is a key feature of the MBM Order process.

G. Self-Build Option

The draft RFP discussed ESI's intention to submit a self-build generation option into this RFP so that option could be compared to proposals from third-party suppliers. The RFP described the self-build option at a high level and verified that it would conform to all RFP requirements. The self-build option was a new CCGT unit to be located at ELL's Little Gypsy site in Montz, Louisiana. The base plant design would include heat recovery steam generator ("HRSG") duct-firing and options for either chilling or evaporative cooling to the combustion turbine inlet. The unit would be sized between 650 MW and 1000 MW, and, if constructed, would be placed in commercial operation no later than June 1, 2020. The unit would expect to use existing facilities to the extent feasible, including natural gas infrastructure, as well as administrative and plant support facilities. It was expected to interconnect with MISO at a 115 kV and / or a 230 kV transmission switchyard located either at or near the Little Gypsy site.

¹⁶ In this RFP, for example, there were a number of questions that required ESI to respond to bidders inquiries the week before the proposal submission process began.

The draft RFP stated that the self-build option would be considered an alternative to generation proposals submitted by third parties, a practice intended to preserve the potential that it could be implemented if market proposals proved to be unsuccessful in the RFP, and to ensure that a generation option would be available to address the resource needs of Amite South.

H. RFP Technical and Bidders' Conference

On July 18, 2014, ESI posted notice that LPSC Staff would hold a Technical Conference in New Orleans, LA on August 8, 2014 to address issues related to the RFP, and that ESI would hold a Bidders' Conference on the same subject immediately following the Technical Conference. Potential bidders were encouraged, but not required, to participate in the Technical and Bidders' Conference. For those not attending in person, ESI offered a web-based simulcast so potential bidders could participate in the discussion and ask questions.

During the Technical Conference, Staff provided information on its role in the RFP on behalf of the Commission, and emphasized that any outcome from the RFP would require certification from the Commission. The IM described her role in the RFP, outlined RFP safeguards that were in place to ensure fair treatment of all proposals, and emphasized the importance of all potential bidders asking questions and providing comments about the RFP during the two month period RFP documents were in draft form.

RFP team members provided a detailed briefing including: 1) information on the Amite South region; 2) RFP parameters including capacity, technology, design, fuel, product and resource requirements; 3) an overview of proposed commercial terms for PPAs, tolling agreements, and acquisitions; 4) interconnection requirements; 5) a proposed RFP schedule and 6) registration and bid submission processes. RFP team members also provided an overview of the RFP evaluation process, and a more detailed briefing of the separate economic, planning, deliverability, production cost, viability and credit evaluations.

Following these briefings, potential bidders asked questions about the RFP. RFP team members responded to all questions during the conference, but also posted each question and answer, as well as all conference presentation materials, to the RFP Website to ensure that all interested

parties, whether they had attended the Bidders' Conference or not, would have access to the information. This information remains on the 2014 Amite South RFP Website.

I. RFP Questions and Answers

Starting shortly after ESI provided notice in June 2014 to potential suppliers that the RFP would take place and concluding just before the proposal submission period began on November 17, 2014, potential bidders submitted sixty-six (66) questions to ESI about the RFP. The RFP Administrator and IM handled each according to the RFP's confidentiality protocols, and posted all questions and answers to the RFP Website.

Questions addressed a wide range of issues, including: 1) transmission interconnection and MISO interface requirements; 2) certain minimum requirements for developmental resources; 3) resource planning objectives; 4) generation design criteria; 5) self-build option clarifications; 6) accounting issues affecting PPAs and tolls; 7) credit requirements; 8) the proposal evaluation process; 9) term sheet requirements; and 10) required regulatory treatment.

Overall, the questions were detailed and substantive. From the IM's perspective, they represented a reasonably active participation from potential bidders in the RFP question and answer process.

All questions and answers remain on the 2014 Amite South RFP Website.

J. Final RFP Issued

ESI posted final RFP documents to its RFP Website on September 17, 2014, and notified its list of interested parties electronically that the posting had taken place. An article dated September 19, 2014 in Platts *Megawatt Daily* discussed the RFP, and pointed prospective bidders to its upcoming dates for bidder registration and proposal submission.

In addition to releasing all final documents, ESI posted redline versions of all draft documents so potential bidders and other interested parties could easily see where changes were made.

The final documents made certain changes that simplified or clarified RFP requirements, or added information that had not been in the draft documents. For example, they:

-
- encouraged bidders to submit proposals with more than one means of natural gas transportation – that is, access to more than one pipeline. Amite South, and especially in the vicinity of DSG, is a region where access to more than one source of gas supply is common;
 - discussed that the IM, in consultation with ESI, intended to retain an independent consulting engineer to evaluate the reasonableness of the construction cost estimates of the self-build option – including determining how to select, retain, and develop a scope of work for the independent engineer, and how to use the independent engineer's work in the RFP;
 - eliminated a request in the draft documents that bidders enter designated contractual terms and conditions on each relevant term sheet when they submitted their proposals. Bidders still provided this information, most of it in the specially designed proposal templates, but this change simplified proposal submission requirements by only requiring bidders to provide the information once; and
 - made clear that taking issue with proposed contract terms would not, by itself, disqualify bidders.

All redlined and final RFP documents remain on the 2014 RFP Website.

K. Bidder Registration and Proposal Fees

Beginning October 20 and concluding October 23, 2015, all bidders interested in participating in the 2014 RFP, including the Self-Build Team, submitted proposal registration forms to the RFP Administrator that provided required contact, company, and proposal information. Bidders were required to register only the number of proposals and resources they expected to submit; they were not required to describe the proposals in detail, although all bidders were asked to and did provide general information on the location of their proposed resources, and most bidders chose to identify whether they planned to submit toll, PPA or acquisition products.

Successfully registered bidders received randomly generated bidder, resource and proposal IDs from the RFP Administrator with instructions to use them on bid documents as required by the RFP.

A brief summary of registered proposals appears immediately below in Table 2.

Table 2: Registered Proposals

Number of Bidders	5
Number of Generation Resources	7
Number of Proposals	15

ESI invoiced bidders a \$5,000.00 fee for each registered proposal,¹⁷ and required all fees to be paid before bidders could submit their proposals. All bidders submitting proposals paid the proper fees without difficulty and on time.

Beginning with proposal registration and continuing through proposal submission, the RFP Administrator maintained an RFP Telephone Hotline to respond to bidders' questions on registering proposals, paying proposal fees, and submitting proposals. The Hotline was a useful backup safeguard for any bidder uncertain about submittal procedures, or experiencing difficulty submitting registration or proposal information. No bidder experienced any problem registering or submitting its proposals.

L. Proposal Submission, Review, and Redaction

The Self-Build Team submitted its proposal to the RFP Administrator on November 14, 2015 and copied the IM on its transmittal notice.

Market bidders submitted their proposals to the RFP Administrator beginning November 17, 2014 and concluding at 5:00 p.m. on November 20, 2014. All bidders entered required proposal information into a special RFP proposal template designed to generate separate reports for the each evaluation team containing only information each team was allowed to see. All bidders provided a significant amount of additional information in file attachments or flash drives or CDs, largely in response to the RFP's viability assessment requirements, but also to comply with the RFP's generation interconnection and network resource requirements. Bidders also noted any

¹⁷ The Self-Build Team was not required to pay a proposal fee.

special considerations, clarifications, or additional information regarding their proposals, or, in accordance with RFP protocols, exceptions they wished to take to RFP commercial term sheet provisions. All proposal information was held securely by the RFP Administrator until the IM and RFP Administrator accessed it following the November 20th proposal deadline.

A summary of proposals submitted into the RFP appears immediately below in Table 3.

Table 3: Submitted Proposals

Number of Bidders	5
Total Amite South Generation Resources	6
DSG Generation Resources	2¹⁸
Number of Proposals	14
Proposal Products	
• Acquisition	5
• Toll	5
• Combination Toll & Acquisition	4

One bidder chose not to submit one of the proposals it had registered. That proposal was associated with a resource that the bidder also pulled from the RFP.

Between November 20 and November 23, 2014, the IM was on site in The Woodlands, Texas with the RFP Administrator to review and redact proposals, and to prepare them to be transmitted to the RFP evaluation teams. Due to the substantial number of documents that had to be reviewed, the IM and the RFP Administrator worked with certain members of the RFP Administration Team during the first days of bid review. Together they reviewed all proposal information submitted by bidders. As needed, they redacted each report and document to remove unauthorized identifying information, and to ensure that each evaluation team received only the proposal information it was authorized to receive. The review included all proposal templates,

¹⁸ DSG is a subset of the Amite South Region.

minimum requirements documents, interconnection documents, special considerations, due diligence documents, and any additional information bidders provided about each proposal and resource. The IM and the RFP Administrator each retained separate copies of complete and unredacted information from all proposals, information that included the identity of each bidder and resource.

At the end of this process, the IM reviewed all documents and redactions one final time and authorized the RFP Administrator to release redacted proposal information from the conforming proposals to each designated RFP evaluation team. On December 4, 2014, evaluators began receiving proposal information.

M. Non-Conforming Proposals

During the initial review of the proposals submitted into the RFP, it appeared that two bidders had submitted a total of four proposals that did not conform to the RFP's threshold requirements. Specifically, three proposals were substantially below the required 650 MW minimum, and one proposal exceeded the required 1000 MW maximum. After the IM and the RFP Administration Team discussed these discrepancies, the IM brought these proposals to the attention of LPSC Staff. Following this latter discussion, and at Staff's suggestion, the RFP Administrator contacted the two bidders, pointed to the apparent non-conforming nature of their proposals, and asked each bidder to either confirm the capacity amount it had bid into the RFP or provide the correct amount. One bidder responded with a clarifying request about one of its proposals, but did not dispute that its proposals offered less than 650 MW. The other bidder confirmed that the referenced proposal exceeded the 1000 MW maximum amount. Following its review of these responses and the IM's discussion about them with Staff, the RFP Administration Team concluded that the four proposals were non-conforming and notified the OC that they would remove them from consideration in the RFP. The IM concurred that this action was reasonable and conformed with RFP requirements. The RFP Administrator notified the two affected bidders of this decision.

A summary of conforming proposals that made up the final bid pool of the RFP appears immediately below in Table 4.

Table 4: Conforming Proposals

Number of Bidders	4
Total Amite South Generation Resources	4
DSG Generation Resources	2¹⁹
Number of Proposals	10
Proposal Products	
• Acquisition	3
• Toll	3
• Combination Toll & Acquisition	4

N. Comments

During the RFP's planning and implementation, the IM was responsible to ensure that its objective was clearly stated, that it encouraged a robust response from the competitive wholesale market, and that potential bidders and other interested parties could ask questions about and comment on it. The IM was further responsible to ensure that the RFP had procedures in place to protect sensitive information, support objective, arm's length analysis of all proposals, and provide adequate information to bidders on how their proposals would be evaluated. Finally, the IM was responsible to ensure that the RFP provided adequate information about the self-build option, and that the Self-Build Team was separate from the RFP and bound by strict protocols governing its work.

Based on my involvement with all planning and implementation activities, I conclude that the RFP adequately addressed these issues. The following observations support that conclusion:

- The RFP described the need for capacity in the Amite South Region and why it required developmental resources to address that need. The RFP discussed the Amite South

¹⁹ DSG is a subset of the Amite South Region.

Region's need for new resources to address resource planning objectives, to support load and reliability requirements, to improve the economics of power supply, and to decrease dependence on existing, older generation units that are scheduled to deactivate.

- Potential suppliers received early notice about the RFP and had the opportunity to get meaningful information about it. ESI sent a substantive RFP notice directly to a large number of potential suppliers five and one-half months before proposals were expected to be submitted. It invited a full range of potential suppliers – except for Entergy competitive affiliates – to submit proposals. It specified low and high MW ranges and technology requirements, and encouraged bidders to submit PPA, toll and acquisition products. It also announced that the RFP would market test a self-build option as an alternative to third party proposals.

Accompanying the notice was a description of minimum requirements all developmental resources would need to address when bidders submitted their proposals. The notice and description were also posted on a public RFP Website and reported in the energy trade press. Potential suppliers were encouraged to ask questions about the RFP and about RFP documents and procedures when they were published. They were also invited to attend an RFP technical and bidders' conference that provided a full briefing on all aspects of the solicitation and another opportunity to ask questions about it.

- The RFP was organized and staffed to safeguard data and ensure fair consideration of all proposals. All RFP participants signed CAs requiring them to protect proposal information and the integrity of the RFP process. Bidder, resource, and proposal names were replaced by numeric identifiers. Other identifying information was carefully redacted. Each evaluation team was designated to perform discrete and separate functions and was provided only with the information it needed to do its job. The IM reviewed all evaluators designated to participate in the RFP to ensure that they did not possess material non-public information about any proposal, and that they would otherwise maintain the protocols and safeguards of the RFP.

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- RFP documents were available on the RFP Website in draft form and all potential bidders had reasonable time to ask questions about, comment on, or take issue with them. The MBM Order requires that documents be posted in draft form to give potential bidders the opportunity to participate in the RFP's development. Many suppliers did make timely inquiries about a wide range of RFP issues, but it remains important to remind all potential bidders to exercise their right to ask questions about, comment on, or take issue with draft RFP documents. Bidders who do not participate timely in this opportunity forfeit the chance to influence the solicitation.
 - RFP documents described the proposal evaluation in sufficient detail so bidders knew how their proposals would be reviewed. Both draft and final RFP documents posted on the RFP Website described the evaluation process, the different evaluation teams and their responsibilities, and the evaluation timeline. ESI discussed and took questions on the same topics during the RFP Technical and Bidders' Conference. The evaluation process was substantially transparent and disclosed to bidders how and when price and non-price factors would be considered in the review of their proposals.
 - Proposal registration and submission procedures were fair and described fully. All bidders successfully complied with RFP registration and bid submission procedures. The RFP Administrator provided backup support through the RFP Telephone Hotline.
 - The Self-Build Team operated separately from the RFP and was required to adhere to protocols ensuring that it did. The Self-Build Team and specified personnel supporting it signed CAs governing their obligation to work separately from the RFP. The Self-Build Team was required to complete all RFP templates, interconnection requirements, due diligence documents, data requests, and follow-up inquiries in exactly the same way as other bidders. With two exceptions, it was required to follow all RFP protocols in exactly the same way as other bidders. The exceptions were: 1) the Self-Build Team was not required to submit a bid fee since no one, including the IM, saw any value to Entergy effectively paying itself; and 2) the Self-Build Team was required to submit its proposal to the RFP no later than the Friday before the beginning of the proposal submission

period used by all third party bidders. The Self-Build Team complied fully with these requirements.

III. Proposal Evaluation

A. Evaluation Process

The goal of the 2014 RFP evaluation was to identify the proposal that best addressed the Amite South need for long-term reliable capacity at the lowest reasonable cost and risk. The evaluation was structured to meet that goal and to treat all proposals fairly and objectively. The evaluation is described briefly here and in greater detail in the discussion of the work performed by each evaluation team.

The evaluation was conducted in a single phase. That is, there was no short list process whereby some proposals were eliminated from further consideration during the evaluation based on their being less economically competitive than other proposals, or less likely to address other Amite South resource needs. Instead, all ten conforming proposals were subject to the same evaluation from the date the RFP Administrator received them in November 2014 to the date ESI announced the RFP's outcome in May 2015.

During that time, RFP evaluators assessed all conforming proposals as planned and in accordance with RFP protocols. Since all proposals were sourced from resources that would need to be constructed before June 1, 2020, the RFP requested a substantial amount of developmental information from bidders when they submitted their proposals. Similarly, evaluators submitted a large number of follow-up clarifying questions²⁰ to bidders on a wide range of topics. All bidders cooperated fully with RFP proposal submission requirements and follow-up inquiries.

The evaluation was performed by different teams, each responsible for discrete and separate issues. They were: 1) the Economic Evaluation Team ("EET"), which evaluated the economic value of each proposal using information provided by bidders, RFP assumptions, and input from other RFP evaluation teams, and ranked all proposals based on the results; 2) the Non-Pricing Assessment Team ("NPAT"), which assessed how each proposal addressed RFP resource planning priorities, reviewed resource location, interconnection, and network resource issues, and used a production cost model to forecast the energy revenue and variable cost of each

²⁰ Clarifying questions addressed a wide range of proposal issues. Generally, they requested a bidder to provide additional information or to clarify part of its proposal. All questions and answers were communicated through the RFP Administrator, and all were monitored by the IM.

proposal and provided that information to the EET for its economic analysis; and 3) the Viability Assessment Team (“VAT”), which evaluated developmental, technical, environmental, fuel, pipeline, and commercial aspects of each proposal. The VAT also validated the reasonableness of certain proposed costs and operating factors from each proposal, and provided that information to the EET for its use.

The RFP Administration Team combined the work of the EET, NPAT and VAT, and developed a detailed consolidated evaluation of each proposal. It presented this evaluation to the OC along with a recommendation for a proposal to be selected.

The following subsections describe the responsibilities of the EET, NPAT, and VAT evaluation teams, and discuss the role of the Credit Evaluation Team (“CET”).

1. Economic Evaluation

The EET modeled the economic costs and benefits of each proposal and ranked all proposals based on the results. In addition to cost information provided by bidders, the EET populated its evaluation model with other proposal data including capacity amounts, proposal dates, heat rates, etc. The model also used proprietary assumptions from ESI internal forecasts including: fuel price forecasts, carbon and other environmental cost forecasts, inflation projections, and financial assumptions (e.g., tax rates, debt and equity costs, weighted average cost of capital, etc.)

On November 10, 2014, before any bidder submitted its proposals into the RFP, the EET conducted a live web-based demonstration of its evaluation model for the IM and Staff. The IM and Staff saw how the model handled all inputs, assumptions and proposal information and were able to question the EET on any modeling issue. On November 14, 2014, the IM and Staff received all final RFP assumptions and the EET’s complete and final evaluation model.

Based on the demonstration and on follow-up discussion with Staff, the IM concluded that the model would handle information provided by bidders, RFP analysts, and other sources fairly and objectively. From her review of the assumptions used in the model, the IM concluded that they were reasonable and in line with those of independent third party sources.

Because the EET did not have access to the identity of any bidder or the specific location of any resource, it received and incorporated information into its model on the delivered cost of natural gas provided by a fuel analyst who was a member of the VAT. The fuel analyst calculated a gas delivery cost for each proposal using pipeline, hub, and resource location information provided by bidders for each proposal. The RFP Administrator provided these natural gas costs to the EET following the IM's approval. The gas analyst prepared two different gas cases for the EET to use in its analysis. One case used different pipelines identified by bidders in their proposals, and a second case used Gulf South Pipeline for all proposals. The IM requested the Gulf South case as a comparative option because Gulf South is a major supplier to ELL in the Amite South Region and currently serves the Little Gypsy site, all proposed resources had access to Gulf South, and all proposals mentioned Gulf South as a pipeline option.

The EET conducted two principal economic analyses in this RFP, a Fundamental Economic Analysis and a Net Supply Cost Analysis.

The Fundamental Economic Analysis compared the cost of each proposal using its full in cost and capacity revenue, and prescribed operating assumptions. The analysis used price and operating cost information provided by bidders for each proposal. The EET leveled proposal costs over the evaluation term and measured them in \$/MWh.

The Net Supply Cost Analysis compared fixed and variable costs provided by bidders and revenue estimates and other inputs to project the cost of adding each RFP proposal to the generation portfolio. The net supply cost analysis used information from the AURORAxmp Electric Market Model ("AURORA") production cost model to simulate the hourly operations of the power market and estimate the energy value of each proposal based on a forecast of its locational marginal pricing ("LMP") and generation. The AURORA model was run by NPAT analysts who knew the identity and location of the resources, and who provided information to the EET through the RFP Administrator and the IM. The EET added the results from the AURORA model to each proposal's total fixed costs (e.g., capacity rate) and capacity revenue to estimate the proposal's net supply cost.

The net supply cost of each proposal was determined by subtracting its total fixed and variable costs from its projected capacity and energy revenues. Estimated net supply costs were expressed in \$/kW and levelized over the evaluation period. A proposal could have had either a positive (i.e., savings) or negative (i.e., costs) effect on total supply cost.

The EET's evaluation also computed a cost to tolling proposals due to their potential effect on ELL capital costs. This so called "imputed debt" cost stems from the treatment of long term PPA and toll costs by credit rating agencies.²¹ Because this RFP evaluated proposals for acquisitions as well as for tolls, the cost of imputed debt could be a differentiating factor in the evaluation.

The EET's scope of responsibility gave it latitude to consider other relevant cost assessments (e.g., project capital costs) and, in consultation with the IM, to perform sensitivity analyses in order to explore fully the economic impact of each proposal on ELL.

RFP safeguards and information protocols were intended to ensure to the maximum degree possible that the EET's conclusions would be based on the objective results of its analyses. They were in place and fully enforced during the evaluation. The EET conducted its evaluation and received evaluation inputs from the NPAT and the VAT using only RFP numeric IDs; it did not receive information identifying either bidders or resources. Throughout the RFP, the EET communicated with bidders and the other evaluation teams solely through the RFP Administrator and the IM. Any information the EET received during the RFP from NPAT and/or VAT evaluators, referred to proposals by their numeric IDs, and all such communications were fully monitored by the IM.

Based on this results of its evaluation, the EET ranked all proposals, reported its results to the RFP Administration Team and the IM, and supported the Administration Team as it developed proposal selection recommendations.

²¹ Standard & Poor's considers a PPA/toll to be a debt of a certain percent of its obligation. If, in the case of this RFP, a utility were to enter into a long-term toll, its total debt would increase. Because a credit rating would decline when debt increased, entering into a toll could decrease the utility's credit rating and increase its cost of capital. The utility accounts for these increased costs by measuring the equity it would have to issue to maintain the same capital structure and credit rating.

2. Non-Pricing Assessment

The NPAT was composed of three sub-teams: planning, deliverability, and production cost assessment.

The planning assessment was new to this RFP. It focused on the extent to which proposals submitted by bidders addressed non-price planning objectives stated in the RFP. These objectives included unit reliability, unit flexibility, physical location and related transmission issues, and were designed to support resource planning objectives. The planning assessment also had the flexibility to consider unknown factors that might be identified during the evaluation. The IM discussed the plans for this assessment with the NPAT team lead several times before it was implemented and concluded that it could treat all proposals fairly. She also supported its potential to consider unknown factors that might arise, with the expectation that she would be involved in determining how they would be reviewed.

The deliverability assessment determined whether each proposal met the interconnection and energy delivery requirements of the RFP. This included whether the resource was located in the Amite South Region, whether it met RFP capacity requirements, whether each bidder had submitted valid and timely interconnection and Network Resource Interconnection Service (“NRIS”) requests to MISO and documented those requests to the RFP, and whether the bidder had noted significant exceptions to key RFP commercial terms relating to these deliverability issues.

The production cost assessment was conducted by RFP analysts running the AURORA model. The NPAT provided the location of each resource to those analysts who, in turn, provided the AURORA results to the RFP Administrator for transmittal to the EET.

For its planning and deliverability responsibilities, NPAT evaluators performed a qualitative assessment to identify whether each proposal fully or partially met RFP expectations, or whether it did not meet expectations. In certain areas, the NPAT assessed each proposal in comparison to other proposals. For example, the NPAT noted proposals that agreed to accept responsibility for required transmission upgrades, and proposals that took exception to doing so without further discussion.

Because the NPAT needed to know the location of all resources to do its job, it received the bidder's name and location of the resource at the beginning of the evaluation. NPAT members were prohibited by RFP protocols from disclosing this information to or communicating directly with the EET. The RFP Administrator and IM handled all communications between the NPAT (including the AURORA analysts) and the EET to ensure that this prohibition was observed.

NPAT communications and evaluation documents used bidder, resource and proposal IDs in place of names or other identifying information. At no time during its review did the NPAT have access to proposal cost information directed to the EET, to information from the EET's evaluation models, or to any proposal's overall economic ranking.

3. Viability Assessment

The VAT assessed the overall viability of all resources bid into the RFP and provided guidance from its perspective on how effectively each resource and its associated proposals would support Amite South resource needs. The IM monitored and, as needed, provided input to the VAT's work to ensure an objective and impartial review.

The VAT was staffed by subject matter experts ("SMEs") prepared to address issues related to the developmental CCGT resources bid into the RFP. The SMEs were all Entergy employees experienced in the subject areas for which they were responsible, but were separate and different from any person working on the self-build proposal. Together SMEs reviewed information provided by bidders on each resource and proposal. Examples of the information on which they focused include:²² a) plant, equipment and O&M issues; b) environmental and permitting issues; c) fuel, including supply, pipeline, and transportation issues; d) commercial considerations including business and risk e) construction experience of the bidder's project team and project status; and f) an accounting review to determine whether tolling proposals could trigger capital lease treatment.²³

²² Complete VAT due diligence requests are posted on the RFP Website in Appendix C of the RFP documents.

²³ A capital lease has the economic characteristics of asset ownership and therefore would be recorded as an asset on the ELL's balance sheet.

The RFP Administrator provided variable costs and operating information (e.g., heat rates) from each proposal to the VAT so SMEs could validate the reasonableness of the information for the EET before it used the information in its economic model.

At the beginning of the evaluation, the VAT analyzed all conforming proposals to determine whether they: a) were sourced from eligible resources; b) were capable of meeting the RFP's required start date; c) met capacity requirements; d) if a toll, proposed a term of at least ten but not more than twenty years; and e) were free of any "fatal flaws" that would keep them from meeting Amite South supply obligations. None of the ten conforming proposals was eliminated from consideration as a result of the VAT's initial analysis.

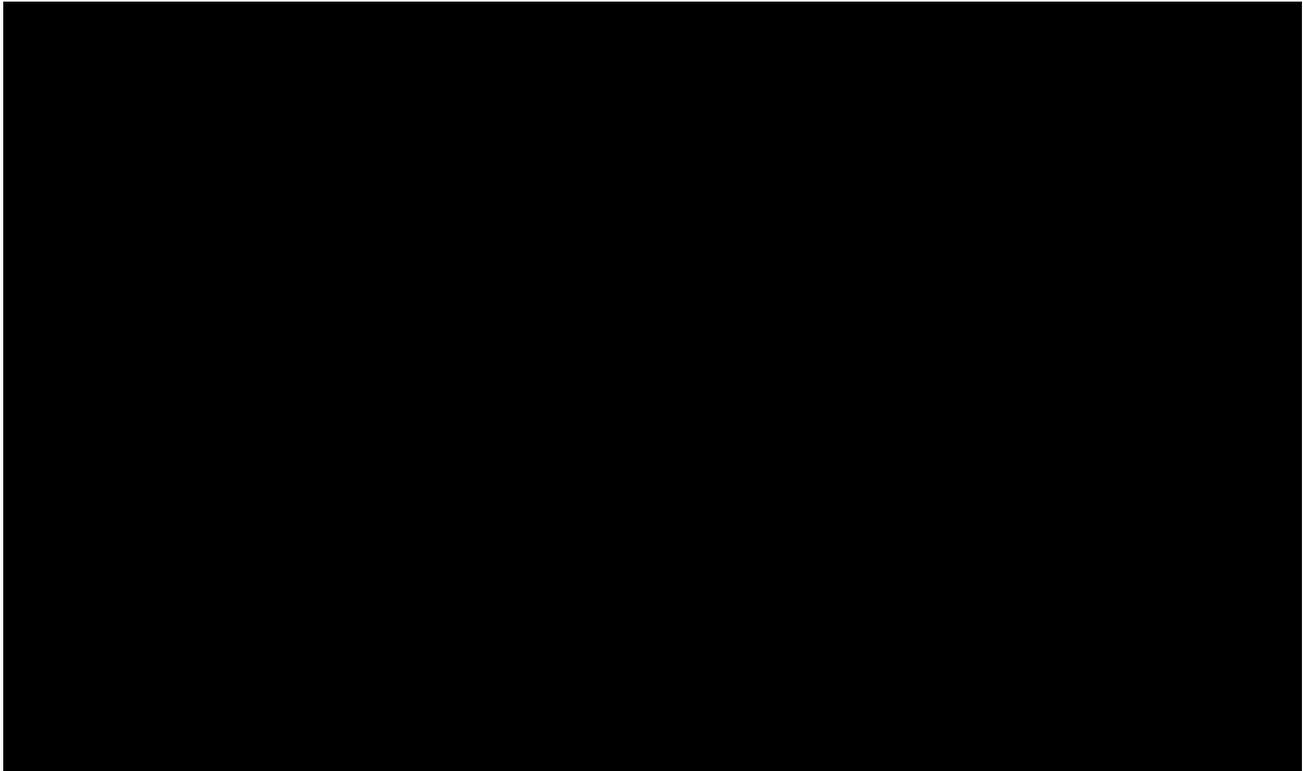
The VAT conducted a more complete due diligence assessment of each proposal based on a structured set of issues. The VAT assessment was organized around focus areas that together created a scorecard for each proposal. Each proposal's score was based on the importance of the focus area and on the status of each proposal in each focus area sub-category. The Amite South VAT scorecard was similar to those used in previous RFPs, but its topics, sub-categories and weightings were reevaluated to address the objectives of the Amite South RFP.

The weightings for each focus area were based on SMEs' expert opinion of its relative contribution to the overall viability of the proposal and were, in the IM's view, a reasonable way to measure that contribution.

The scoring system for each sub-category was based on a three point scale – 1 (low), 5 (medium), and 10 (high). For example, with respect to the "status of engineering" for a developmental resource "1" indicated that conceptual engineering was completed, "5" indicated that preliminary engineering was completed, and "10" indicated that detailed engineering was substantially complete.

The overall score for each focus area was determined by the simple average of the scores for each of its sub-categories. The final scorecard ranked all proposals based on their focus area viability scores. The focus areas for Amite South developmental resources, their sub-categories, and weightings are illustrated below in Table 5.

Table 5: VAT Focus Areas



The IM worked closely with the VAT throughout the evaluation because RFP procedures required the VAT to seek the IM's concurrence with its viability ranking and recommendation for each proposal. The IM discussed certain technical and operating issues with the VAT that arose from the fact that the proposals in this RFP would originate from advanced gas turbine technology. She also discussed VAT viability conclusions with the VAT team leader to ensure that they fairly represented the information that the team had received. While recognizing that it was a challenge to assess information subject to uncertainty and to change over what is in this case a full five years between the RFP and the required COD for developmental resources, the IM concluded that the VAT's approach to measuring viability was reasonable and fair.

The VAT knew the identity of bidders during its evaluation, but was prohibited by RFP protocols from disclosing bidder, resource, and proposal identifying information outside the VAT.

Throughout the RFP, all VAT communications and evaluation documents used bidder, resource and proposal numeric IDs in place of names or other identifying information. The VAT validated variable cost estimates for the EET, but did not have access to proposal cost information directed

to the EET, to information from the EET's evaluation models, or to any proposal's economic ranking.

4. Credit Evaluation

The RFP established the CET to assess whether a bidder's credit quality combined with the proposal(s) it offered adequately addressed ELL risk management standards. It was the CET's job to identify collateral requirements or other forms of security in the event the supplier failed to perform. The RFP described its credit evaluation requirements in a detailed appendix to the RFP, which discussed how the CET would review a bidder's credit rating and how and when collateral requirements would be applied to different products. During the development of the RFP documents, the IM reviewed credit and collateral requirements and when they would be implemented, and concluded that they were fair and thoroughly disclosed.

The CET functioned separately from the other RFP evaluation teams. To perform a credit evaluation, it needed to know the name and organizational structure of each bidder, as well as the capacity amount, delivery term and bid price of each proposal. No bidder was excluded from participating in the RFP due to its credit position, and the CET's credit evaluation had no effect on the outcome of the evaluation. Instead, recommendations from the CET were slated to be considered during negotiations with any successful third party bidder. The CET evaluated the credit position of each bidder and proposal, but because the SCPS self-build option was selected from this RFP, there was no credit negotiation with any third party bidder.

B. Evaluation Results

The evaluation began on December 4, 2014 when the RFP Administrator issued the first proposal information to evaluators, and was completed when bidders were notified of the status of their proposals on May 18, 2015. The following subsections describe and discuss the results of the EET, NPAT, and VAT evaluations.

1. Economic Evaluation

The EET performed fundamental economic and net supply cost analyses on each proposal. It also compared the fixed cost commitment of all proposals using the price of those offering acquisitions and a calculated acquisition price equivalent for tolls reached by converting tolling

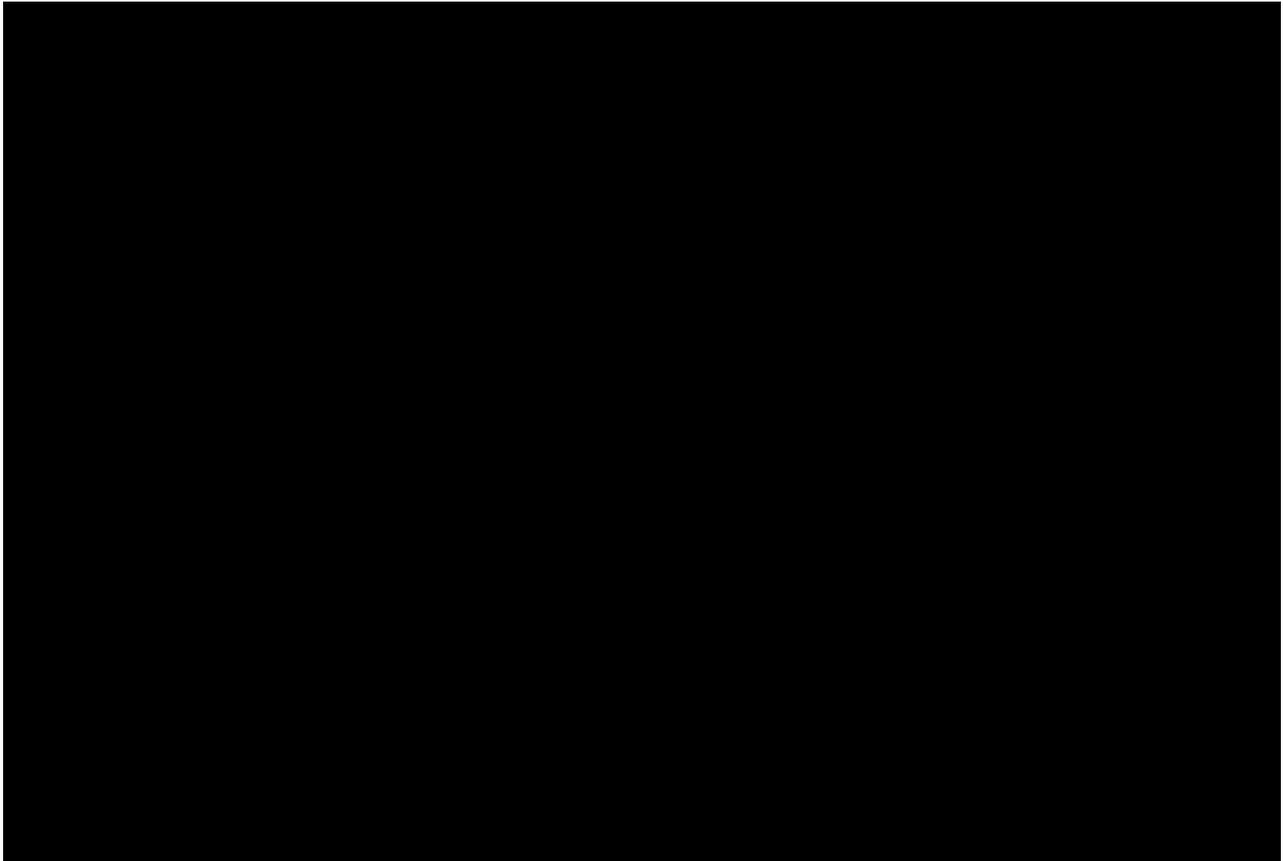
capacity payments into acquisition prices. The EET evaluated 10 proposals as bid using two different natural gas pipeline cases, and, at the request of the RFP Administration Team and of the IM, conducted different sensitivities, including high and low gas cases, to further understand the potential impact of each proposal under different conditions.

The EET also estimated costs of imputed debt for each tolling and combined tolling / acquisition proposal; those costs did not materially affect RFP total supply cost rankings.

Two examples of the total supply cost, levelized net supply cost savings, and acquisition price or equivalent acquisition price outcomes and rankings of the ten proposals are shown below. Both examples include imputed debt estimates for tolling and combined tolling / acquisition proposals.

Table 6 shows the results using bidder proposed fuel supply arrangements.

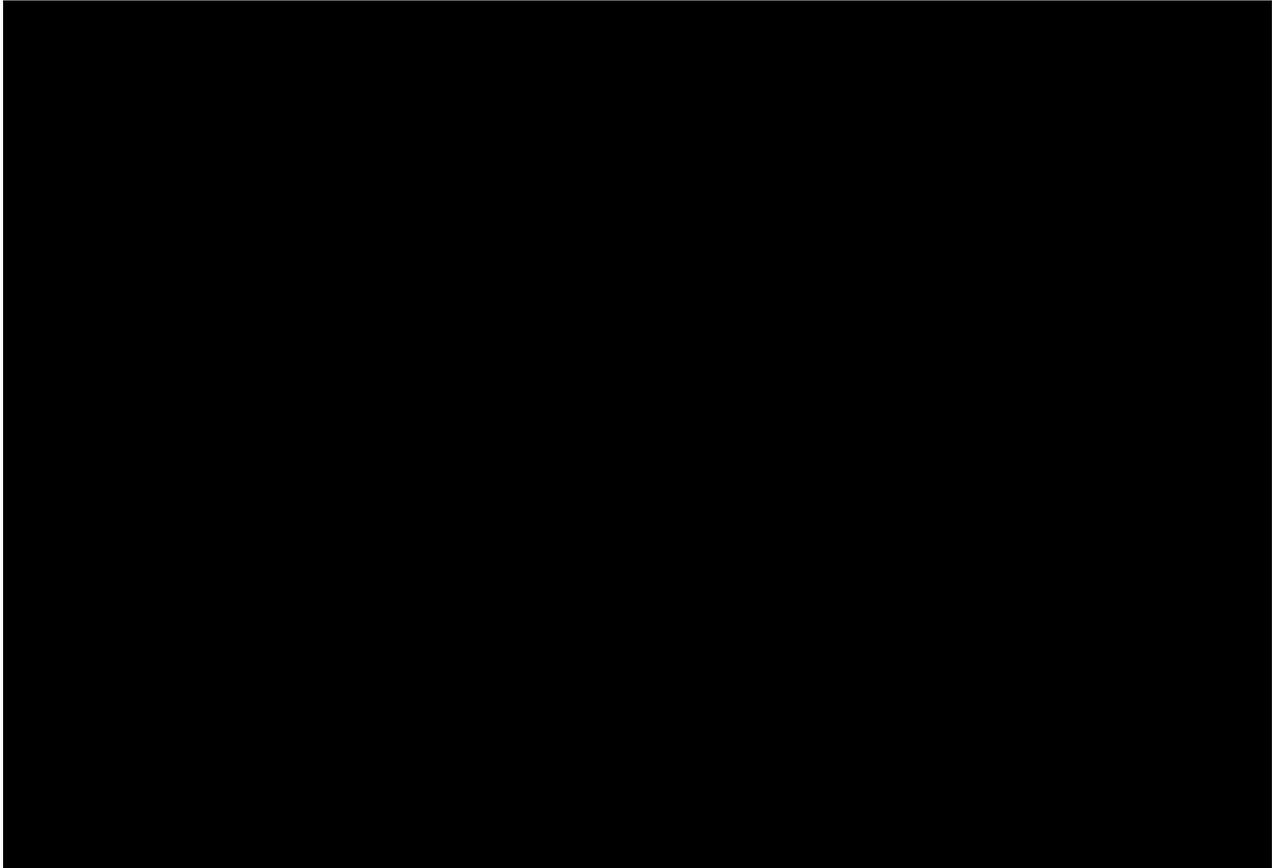
Table 6: EET Evaluation Results – Bidder Supplied Pipelines



The most economically attractive proposals in this analysis are [REDACTED] and P1560. P1560 has the lowest acquisition price as measured in \$/kW.

Table 7 shows EET results using Gulf South Pipeline fuel supply arrangements.

Table 7: EET Evaluation Results - Gulf South Pipeline



The most economically attractive proposals in this analysis are also [REDACTED] and P1560. The acquisition cost in \$/kW for each proposal is not affected by this analysis; P1560 has the lowest acquisition price of the proposals bid into this RFP.

2. Non-Pricing Assessment

The NPAT provided each proposed resource's transmission interconnection location to RFP analysts running the AURORA production cost model.

The NPAT's planning review addressed ELL resource planning objectives. It assessed the relative value that the location of each proposed new resource (and associated proposals) would bring to transmission planning in the Amite South Region. For example, based on the history and

configuration of the Amite South Region, proposals located in the DSG Region, would have a high likelihood of relieving regional transmission congestion compared to other proposals, while resources located upstream of the Little Gypsy site would have a lower likelihood than other proposals of doing so. Proposals located at or somewhat downstream from the Little Gypsy site (but not in the DSG Region), would have a medium likelihood compared to other proposals. Of the ten conforming proposals, four were located in the DSG Region and were rated high (“H”) in comparison to other proposals; two were located at or somewhat downstream from the Little Gypsy site and were rated medium (“M”) in comparison to other proposals; and four were located upstream from the Little Gypsy site and rated low (“L”) in comparison to other proposals.

The NPAT also considered the maturity of the five turbine technologies making up the RFP bid pool in order to assess whether each had achieved a level of proven reliability ELL viewed as essential. For example, for each technology the NPAT considered how many units had been both ordered and sold in the United States and elsewhere, how many units were then in commercial operation, and, for those, how long they had been in operation as measured by operating hours.

Based on this review, the NPAT concluded that each technology either fully met expectations, or did not meet expectations. Of the ten proposals, six were sourced from resources that the NPAT concluded fully met expectations and four proposals were sourced from resources that did not meet expectations. Proposals that met NPAT expectations were sourced from technologies in commercial operation in sufficient numbers to be considered commercially proven. Proposals that did not meet expectations were sourced from technologies that may have completed all stages of product testing, but were not yet in commercial operation in any location at the time of the analysis and not considered commercially proven.

The NPAT’s deliverability review assessed whether proposals met MISO interconnection and NRIS requirements and whether bidders had provided documentation that they did so. All proposals fully met those requirements. The NPAT also assessed whether each bidder agreed to accept responsibility for transmission upgrades that MISO could require for its resource to be designated a network resource. The NPAT concluded that six of the ten proposals fully met that expectation, and that four of the proposals did not meet that expectation.

The NPAT's qualitative assessment of all ten proposals is summarized below in Table 8.

Table 8: NPAT Assessment



FM	Fully meets expectations or has outlined an approach to do so
X	Does not meet expectations
H	Highly rated relative to other proposals
M	Rated medium relative to other proposals
L	Rated low relative to other proposals

One of the two most attractive proposals in the EET's economic analysis, [REDACTED], proposed a turbine technology that is not yet in commercial operation and did not meet NPAT expectations for technology maturity. The NPAT performed its analysis independently from the EET and did not have access to any proposal pricing information.

3. Viability Assessment

VAT SMEs assessed the range of issues for which they were responsible; their collective views made up the VAT scorecard. The scorecard provided a snapshot of each proposal and its associated resource based on information bidders submitted into the RFP and provided in response to VAT clarifying questions. The scorecard was organized by the focus area categories and sub-categories described in Section III. A.3. of this report. Accompanying it was a key that described how the 1 (low), 5 (medium), and 10 (high) scores applied to each sub-category.

The VAT also developed a written summary of each proposal that provided greater detail on plant and equipment, O&M, fuel, environmental, and commercial issues, and more broadly described each proposal and its stage of development at the time of the analysis.

The VAT team leader provided the draft scorecard, the written summary of each proposal, and related information to the IM. On March 4, 2015, they met to discuss this information in detail. Following this discussion, the VAT clarified certain issues discussed with the IM and updated the scorecard and other information.

The VAT's final scorecard demonstrated that all proposals were sponsored by experienced developers, and that, although the proposed new resources were at somewhat different stages of development, all had preliminary plans in place that demonstrated they were capable of meeting a June 2020 COD.

Overall, the total and weighted average scores for all proposals were reasonably close. In the fuel and environmental focus areas, the VAT scores were identical. Among the most significant differences among proposals occurred in the commercial focus area where some proposals took exception to certain proposed commercial terms, and all seven of the tolling and combined tolling/acquisition proposals appeared to trigger capital lease accounting treatment.

Capital lease accounting has emerged as an issue in power contracts due to requirements put in place by the Financial Accounting Standards Board ("FASB") and subject to ongoing refinement and interpretation. Because capital leasing had become an issue in a previous RFP, ESI stated in this RFP that it would not accept the risk that long term debt associated with PPA or tolling contracts would be transferred to ELL's books as the result of capital lease or similar accounting treatments. To determine whether any of the seven toll and toll/acquisition proposals in this RFP could be considered a capital lease, and, therefore, a purchased asset for accounting purposes, the VAT accounting SME had to identify whether the proposals met one of four FASB tests.²⁴ Based on his assessment, the SME determined that the seven proposals, all of which offered 20 year tolling products in either straight tolls or tolling/acquisition combinations, could trigger a capital lease because the present value of the proposed minimum lease payments from each appeared to be greater than 90% of the fair market value of the leased property.

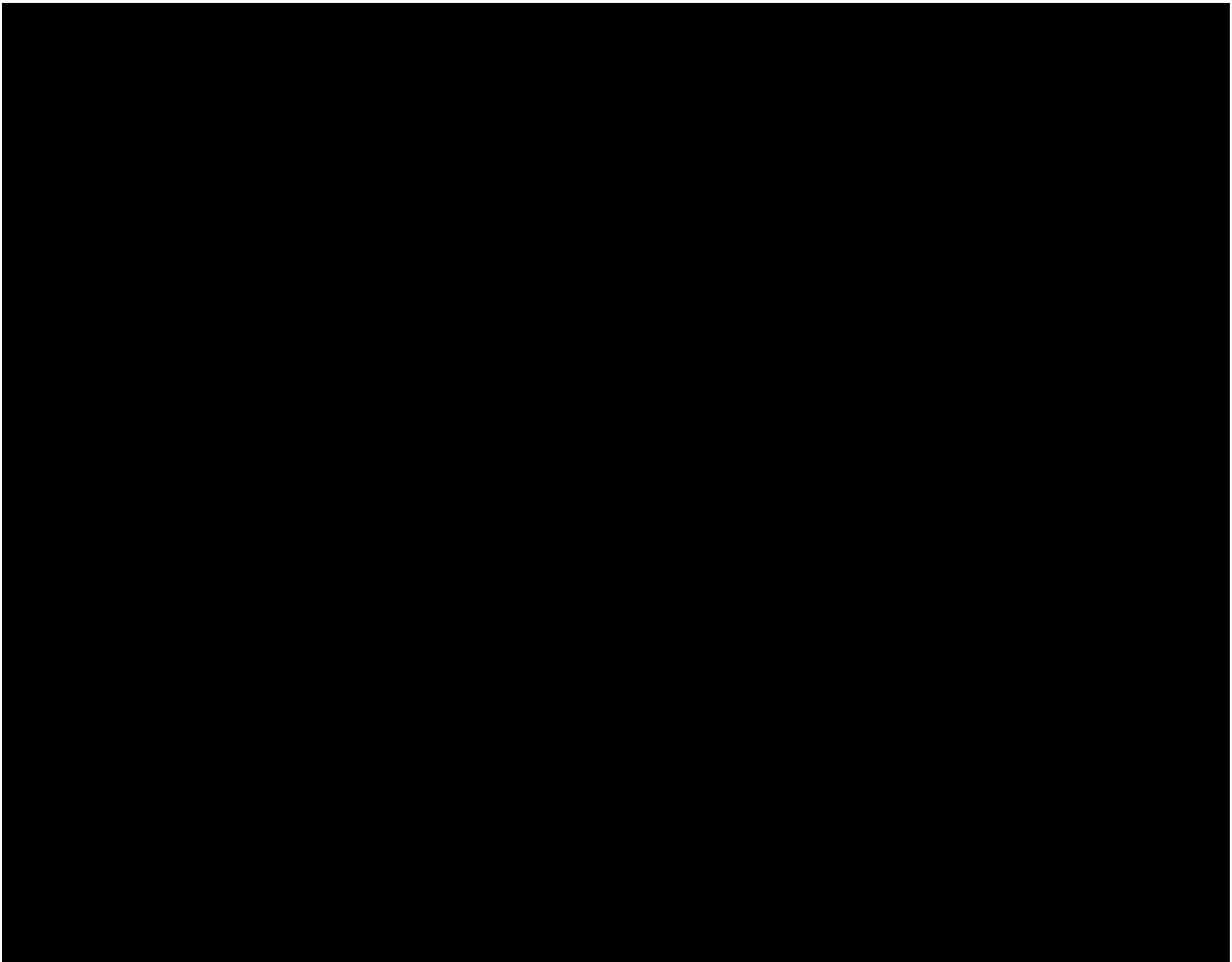
²⁴ The four tests are: a) ownership of the asset under lease transfers to the lessee (ELL) by the end of the lease term; b) the lease contains a bargain purchase option; c) the lease term is at least 75% of the property's estimated economic life; and d) the present value of the minimum lease payments is greater than 90% of the fair market value of the leased property.

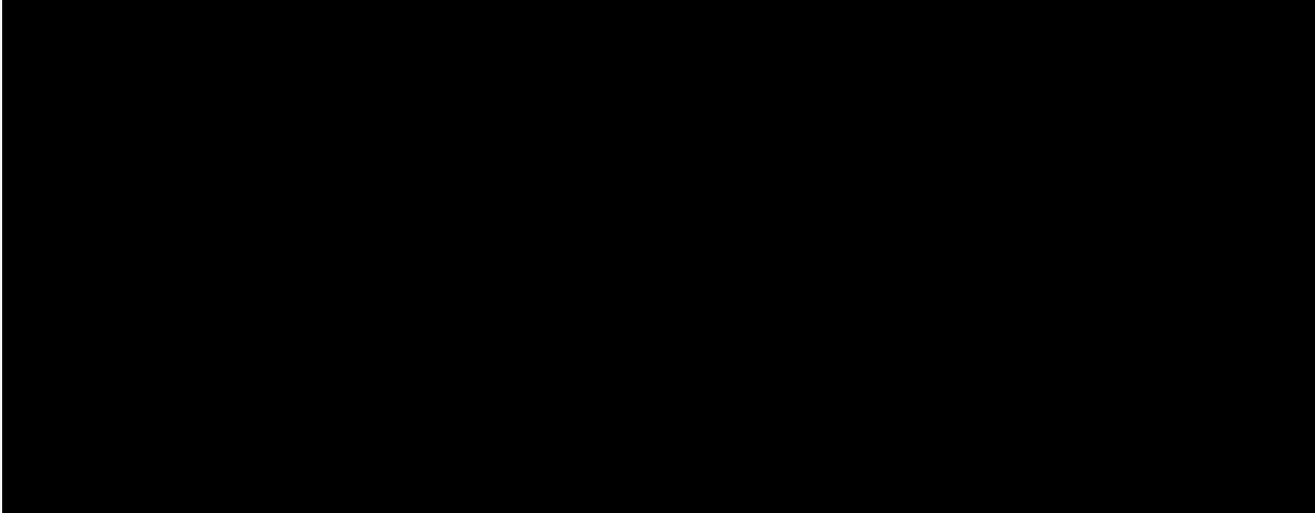
The VAT accounting SME, certain members of the RFP Administration Team, and the IM spent considerable time assessing the capital lease analysis and its conclusion. While potential capital lease accounting treatment did not constitute a fatal flaw in any proposal, they (including the IM) concluded that it did cause concern that would need to be addressed in the event any of the affected proposals otherwise proved to be highly economically attractive when compared to other proposals.

At this time, however, neither bidders' proposed exceptions to commercial terms nor potential capital lease treatment disqualified any proposal from further consideration. Rather, they were noted in the VAT's final report as issues of potential concern and risk.

The VAT Scorecard focus area summary for all proposals is shown below in Table 9.

Table 9: VAT Scorecard





The proposal with the highest ranking and, in the VAT's view, in the best position to support Amite South resource requirements was P1560.

The IM concluded that the VAT's viability assessment of all proposals was thorough and fair and that the VAT had reached a reasonable conclusion.

C. Independent Engineer Review of the Self-Build Option

The IM, in consultation with the RFP Administration Team, retained an independent consulting engineer ("IE") to evaluate the reasonableness of the cost estimates submitted by the Self-Build Team. Together, the IM and the RFP Administration Team prepared a scope of work, identified qualified engineering firms, and determined whether any of those firms had a conflict of interest that would disqualify it from serving as IE for the RFP. This included whether any of the firms was working on a proposal bid into the RFP including the Entergy self-build proposal.

The IM issued a bid package to three qualified firms, assessed the responses she received, and discussed those responses individually with two firms. Following her review, the IM recommended to the RFP Administration Team that ESI retain Burns & McDonnell Engineering Company, Inc. ("BMcD") to serve as IE for the RFP. In January 2015, ESI hired BMcD to support the IM.

The IE's review of self-build proposal cost estimates was based on proposal information the Self-Build Team had submitted into the RFP in November 2014. At the IM's request, the RFP

Administrator transferred all self-build proposal files to BMcD shortly after the firm was retained. The files included complete proposal pricing and cost detail, as well as extensive information on project development, engineering, technical, environmental, transmission, and fuel issues.

The IE's review was separate from the RFP evaluation. With one exception,²⁵ the IE did not discuss any issue with a member of any RFP evaluation team. All meetings and discussions between the IE and the Self-Build Team were arranged by the IM, and the IE communicated with the Self-Build Team either through the IM or with the IM present.

1. Site Visit and Follow-up Discussions

On February 4, 2015 the BMcD IE team traveled to the Little Gypsy site to meet with Self-Build Team representatives and consultants, the IM, the RFP Administrator, and ESI regulatory counsel.

The meeting provided the IE with an overview of the project, including information on permitting processes, financing approaches, the project schedule, contracting philosophy, and potential risks. The attendees also discussed project scoping issues, such as construction plans, site access, labor, and environmental issues, as well as cost estimate methodologies, cost categories, and construction estimates.

Attendees toured the Little Gypsy site so the IE could assess its overall suitability to accommodate construction of the self-build project. Among many issues, this included considering site terrain and layout, whether any equipment or structures would require demolition, and the location of facilities for electric interconnection, water, water disposal, and natural gas supply.

Following the site visit, the IM scheduled teleconference discussions between the IE and the Self-Build Team on open questions and issues. The IM, the RFP Administrator and ESI regulatory counsel participated in these discussions.

²⁵ The IE discussed fuel issues with a member of the VAT as described in Section III. C. 2 of this report.

2. Draft Report

On March 26, 2015, the IE submitted a draft report of findings to the IM. After reviewing the report, the IM and IE concluded that several issues required additional discussion with the Self-Build Team. For example, the IE sought greater clarity about certain major equipment costs and whether they might affect the proposal's contingency cost estimate. To be clear, this issue did not affect the overall cost of the self-build proposal. That did not change. The IM arranged an April 8, 2015 teleconference between the IE and the Self-Build Team to discuss this and several other issues.

During the call, the IE discussed how it approached the major equipment cost issue and why it required clarification. In response, the Self-Build Team offered to make available certain detailed documentation that it had not provided previously to support its estimate. After receiving and reviewing that documentation, the IE concluded that it substantiated the cost estimates in the self-build proposal.

The IE also sought greater clarity on certain pipeline cost issues. For this, the IM arranged a call on April 22, 2015 with the VAT gas analyst who provided factual information on pipeline tariffs and how RFP proposal fuel requirements were evaluated.²⁶

3. Final Report and Conclusion

The IE completed and submitted its final report to the IM on May 12, 2015. The report described the self-build proposal cost estimate, discussed its methodology and scope, and provided a detailed project cost estimate breakdown including equipment, materials, labor, fuel, transmission and other costs. It also highlighted the IE's estimate of how the Self-Build Team apportioned responsibility for construction costs between the project owner (ELL) and its engineering, procurement and construction ("EPC") contractor, and provided a cost risk contingency review assessment.

²⁶ All RFP proposals were subject to the same evaluation.

The report concluded that the costs submitted by the Self-Build Team for the proposed SCPS reasonably represented true project costs, and that the preliminary project definition and estimating methodology were consistent with BMcD's recommended approach.

In line with RFP protocols, the IM did not provide the IE report to the Self-Build Team but, rather, provided it to the RFP Administrator and to ESI regulatory counsel as part of the official RFP documentation. The IM also provided the final IE report to Staff.

The final IE report is included as Attachment 1 with the HSPM version, but not the public version, of this IM Report.

D. Proposal Selection

On March 5, 2014, each RFP evaluation team met separately with the RFP Administration Team and the IM to provide an update on the status of its evaluation, and to identify any missing information or open issues. The evaluation was substantially complete although both the EET and NPAT identified specific information they required to complete their analyses. As a result, the RFP Administration Team did not consolidate proposal information or propose a preliminary proposal ranking. The Administration Team did conclude that each RFP evaluation team would be prepared to brief Staff on the preliminary results of the RFP by the end of the month, and arranged a meeting with Staff to do so.

On March 31, 2015, Staff and the IM met in New Orleans, LA with members of the RFP Administration Team, the EET, the VAT, the NPAT, and AURORA analysts to discuss preliminary evaluation results. This was Staff's first opportunity to review detailed evaluation findings and RFP teams' preliminary proposal rankings. The RFP Administration Team reviewed the RFP's purpose, scope, and timeline, and each evaluation team discussed its preliminary findings in detail. As with all evaluation meetings, each team presented its results separately and without the other teams present.

The EET presented the different cases it had considered for each proposal (e.g., different pipeline suppliers, low gas cost sensitivity) and discussed the results of those analyses. The VAT and the NPAT each reviewed its evaluation responsibilities and discussed how it had arrived at its

qualitative conclusions about each proposal. AURORA analysts presented production cost model inputs and preliminary results for each resource and its associated proposals.

The RFP Administration Team presented and discussed the criteria that the RFP would use to recommend a proposal. These mirrored criteria discussed in RFP documents including, for example: the importance of a commercially proven and reliable technology, economic benefit to rate payers, and the importance of minimizing regulatory risk. The group also discussed other issues highlighted in this RFP including the potential that capital lease accounting treatment could affect all tolling proposals.

Staff requested and received clarifications on a range of issues – including MISO transmission procedures, turbine technology and certain regulatory issues – either during the meeting or shortly thereafter. The RFP Administration Team reiterated that it would provide Staff with the complete and final EET evaluation model and assured Staff it would have adequate time to review it and to ask any questions it had.

On April 2, 2015, the EET provided the live EET evaluation model – populated with proposal information – to Staff and the IM and, on April 13th, the EET met with Staff and the IM to discuss the model and its results.

On April 17th, Staff and the IM discussed certain transmission issues in greater detail with the NPAT. The discussion focused largely on the NPAT's assessment of the relative locational value of resources bid into this RFP. The NPAT reiterated that there was no cost impact to any proposal resulting from its assessment – MISO would determine NRIS costs – but the briefing did provide more complete information on why certain physical locations have more transmission benefits to ELL.

On April 23, 2015, Staff met with ESI regulatory counsel to discuss its review of the model, RFP decision criteria, and the upcoming proposal selection timeline. The IM joined the discussion. Staff concluded that the model fairly analyzed the economic results of each proposal, Staff also inquired how the results of each evaluation team's analysis would affect the selection of a proposal and discussed other factors that would contribute to a final decision.

In late April and early May all teams completed their final analyses. The RFP Administration Team consolidated the evaluation findings from all teams into a recommended proposal, which it shared with the IM on May 4, 2015. The Administration Team recommended P1560, the proposed SCPS. The Administration Team based its recommendation on two dominant factors – the SCPC offered both a commercially proven, reliable technology and high economic value across all measures.

The IM concluded that the selection of the SCPC (P1560) conformed with all RFP requirements, was fair, and demonstrated no undue preference in favor of any proposal, including the self-build proposal. The IM agreed with the recommended selection.

On May 14, 2015, ESI briefed the OC in detail on the results of the Amite South RFP and recommended the selection of the SCPC. The OC ratified the recommendation and selected the SCPC. Following the OC's decision, ESI regulatory counsel informed Staff of the OC's decision.

On May 18, 2015, the RFP Administrator notified all bidders in writing whether their proposal(s) had been selected or not selected. After notifying all bidders, ESI posted a public notice regarding the outcome of the solicitation on the RFP Website.

E. Comments

The validity of the RFP evaluation depended on whether it assessed all proposals thoroughly, objectively, and free of undue preference. Based on my close oversight, I conclude that the evaluation met those standards. I also conclude that the evaluation highlighted two important qualitative issues that require ESI to provide additional guidance to bidders in future RFPs.

These conclusions are supported by the following observations:

- The evaluation was consistent with the description and protocols laid out in the RFP. All evaluation teams performed their duties in line with the descriptions provided in RFP documents, and all evaluators adhered to the safeguards in place to ensure fair and objective treatment of all proposals. Each evaluation team performed discrete functions and reached a separate conclusion regarding the benefits of each proposal. The identity of all bidders, resources and proposals was masked throughout the evaluation and granted only to evaluators who required it to perform their jobs. The RFP Administrator managed

all communications between evaluation teams and all such communications were overseen by the IM.

- The evaluation conferred no undue preference to any proposal. Evaluation procedures and models were consistent with industry standards. The RFP evaluated all proposals, including the self-build proposal, at the same time and using the same models and procedures. The economic evaluation of all proposals was fair and objective. The EET did not have access to the identity of any bidder during the RFP. In addition to its base case analysis, the EET conducted different evaluation sensitivities to test how each proposal would perform under different conditions including procuring natural gas from different pipeline suppliers, experiencing high and low natural gas pricing, and considering different ownership structures. The NPAT analysis provided insight into the potential effect of different proposals on ELL resource planning objectives and provided information on the extent to which the five turbine technologies backing RFP proposals were commercially proven. The VAT did not have access to proposal pricing information or to the EET's economic models, but its extensive review of each resource provided information that helped align developmental, operational and commercial issues with the projected economic benefits of each proposal, and helped identify the proposal that best addressed the needs of the Amite South Region.
- The self-build proposal offers the best combination of reliability and economic value. The proposed SCPS provides the strongest combination of both qualitative and quantitative factors important to ELL when compared to the other proposals submitted into the RFP, and is the reasonable choice to address Amite South Region resource needs.
- The IE conducted an independent evaluation of the reasonableness of self-build proposal cost estimates. A highly qualified IE assessed all self-build proposal documents, visited the project site, met with and questioned members of the Self-Build Team on technical, developmental, contractual, and cost issues, and sought validation from the Team on cost

contingencies. The IE's conclusion that the self-build proposal reasonably represents true project costs provided an important independent perspective for the IM and for the RFP on the costs of the self-build proposal.

- Qualitative considerations played an important role in the evaluation and pointed to guidance ESI needed to provide to bidders in future RFPs. Because this RFP accepted proposals only from developmental resources and only from those employing advanced gas turbine technology, the evaluation assessed the extent to which each technology was commercially proven. The NPAT's technology maturity assessment concluded that some technologies were commercially unproven at the time of the evaluation and this finding strongly influenced the outcome of the RFP. The IM does not dispute this conclusion; it is a central responsibility of a load serving entity to ensure that its generation portfolio is sourced from resources it knows are proven and reliable. In discussions on this issue, ESI and the IM agreed that future RFPs must make clear to bidders that ESI will not accept CCGT technologies it does not consider to be commercially proven. ESI has responded by requiring bidders in two current and, presumably, all future RFPs to demonstrate to ESI's satisfaction that their proposed CCGT technologies are commercially proven.

Capital lease exposure also influenced the qualitative evaluation performed by the VAT. The VAT accounting SME's finding that all seven proposals offering tolls or toll / acquisition combinations triggered capital leases raised questions regarding long term PPA and tolling products. To be clear, this finding did not affect the economics or economic ranking of any proposal in this RFP. No proposal that could trigger a capital lease was ranked in the top tier across all economic measures. This finding did, however, precipitate discussions among members of the RFP Administration Team, the accounting SME and the IM because Entergy remains interested in offering bidders the option to propose long term contractual products in its RFPs, but does not want PPA or tolling products that could affect operating company balance sheets. It was clear that ESI needed to offer explicit guidance to bidders in future RFPs regarding capital leasing and other

potential accounting treatments that it wanted to avoid. Since, and in part as a result of, those discussions, ESI has formalized and deepened its RFP review of capital leasing and other accounting treatments. In two currently ongoing RFPs, ESI provides detailed guidance and certification requirements to bidders proposing PPA and tolls, and establishes an RFP Accounting Evaluation Team to oversee them. As this issue evolves, presumably these and other RFPs will reflect that evolution.

IV. Conclusion

ELL has, subject to regulatory approval, proposed to construct a nominal 980 MW 2x1 CCGT generating unit to be known as the St. Charles Power Station. The St. Charles Power Station was selected from ESI's 2014 Amite South RFP, a competitive power supply RFP that attracted ten conforming proposals from four qualified bidders. All bidders proposed to construct CCGT generation utilizing advanced gas turbine technology and source their proposals from those new units. Three of the proposals proposed acquisitions. Three proposals proposed 20 year tolls. Four proposals proposed combining 20 year tolls with acquisitions.

The St. Charles Power Station is a self-build option that was proposed by Entergy's Self-Build Team and submitted into the RFP as an alternative to proposals from third party market bidders. The RFP determined that the St. Charles Power Station was the most attractive proposal bid into the RFP based on both qualitative and quantitative measures.

During the 2014 RFP, the IM monitored RFP activities closely and had access to all RFP information and all ESI and RFP evaluation team personnel. The IM also engaged and worked closely with an independent engineering company who evaluated the reasonableness of the cost estimates submitted into the RFP by the Self-Build Team.

ESI cooperated fully with the IM, was responsive to her suggestions, conducted sensitivities at her request, sought her input on open or unclear issues, provided timely and complete responses to her requests for information, and involved her in its thinking and decisions during each step of the solicitation. ESI and the IM also agreed that future RFPs need to offer greater guidance to bidders on commercially proven advanced gas turbine technology, and on capital leasing and other accounting treatments ESI considers unacceptable.

Overall, it is the IM's conclusion that the proposed St. Charles Power Station was selected by ESI as the result of an objective and fair RFP that showed no undue preference toward any proposal. This conclusion is supported by evidence regarding the planning and implementation of the RFP and the evaluation of RFP proposals, all of which have been described in detail in this report.

##

**Attachment 1 – Independent Engineer Review of Amite South Self-Build
Estimate**

**HIGHLY SENSITIVE
PROTECTED MATERIAL
INTENTIONALLY OMITTED**