~~DRAFT~~

Appendix F

Credit / Collateral Requirements For 2006 Request For Proposals (RFP) For Long-Term Supply-Side Resources

Entergy Services, Inc.
~~January 31~~April 17, 2006

The statements contained in this RFP are made subject to the Reservation of Rights set forth in this RFP and subject to the terms and acknowledgements set forth in the Proposal Submission Agreement.

APPENDIX F
Credit/Collateral Requirements for 2006 Long-Term RFP

SUMMARY

The RFP Evaluation Team will evaluate all proposals on an economic basis and will not exclude a potential Bidder or prohibit a potential Bidder from participating in the RFP on the basis of credit. ESI's credit evaluation procedures provide a tiered approach for establishing potential collateral requirements.

1. ~~1.~~ The Bidder Credit Rating (or Bidder's Credit Support Provider's Credit Rating) will determine the amount of Maximum Uncollateralized Supplier Exposure ESI will allocate to each Bidder. The Bidder Credit Rating has no impact on the selection of proposals to each Preliminary Shortlist.

2. ~~2.~~ Credit exposures will be evaluated and discussed with Bidders who are selected for the Preliminary Shortlists. During the due diligence process that occurs after the Preliminary Shortlist process, Bidders will be asked to discuss the appropriate forms of collateralization for their particular proposal(s).

3. ~~3.~~ Upon execution of a Letter of Intent (**"**LOI**"**), each Bidder will be required to provide a letter of credit in the amount of $2,000,000.00. The parameters and levels of collateral required at the execution of a Definitive Agreement will be described and included in the executed LOI.

4. ~~4.~~ During the negotiation of the Definitive Agreement, ESI will determine the required form of the collateral requirements, if any, for the selected proposal that a Bidder must satisfy and said requirement will be due at execution of a Definitive Agreement.

PROCESS DESCRIPTION

In addition to the Economic Evaluation of the proposals, each proposal will be analyzed to assess potential credit risks by the RFP's Credit Evaluation Team ("CET"). The credit evaluation seeks to assure that the Bidder's credit quality, combined with its proposal to ESI ~~is in compliance~~, complies with ESI's corporate risk management standards, and that any requirements for additional collateral or security associated with the proposal are identified.

The primary objective of the CET's credit evaluation is to ensure that Buyer receives sufficient credit risk protection from a Bidder whose proposal is selected. For most Transactions, Buyer's primary risk is that the Bidder/Seller fails, for whatever reason, to deliver the power or resource expected under the Definitive Agreement, which would cause Buyer to have to replace the Capacity, energy, and Other Associated Electric Products, possibly at higher costs. The risk of higher costs for the replacement energy is driven by uncertainties such as construction risk, performance risk, future fuel price changes, capacity availability, market Heat Rate changes and the costs of self-supply options.

APPENDIX F
Credit/Collateral Requirements for 2006 Long-Term RFP

1. Review of Bidder Credit Rating

To identify the supplier risk, the CET will apply uniform and consistent procedures to evaluate the credit quality of all Bidders, utilizing the methodology of ESI's corporate risk management group. The upper limit of a "Maximum Uncollateralized Supplier Exposure" by Bidder Credit Rating applicable to the Entergy Operating Companies is presented in Figure F-1 for each potential Bidder offering proposals in response to this 2006 Long-Term RFP. This Maximum Uncollateralized Supplier Exposure represents the total aggregate exposure to the Entergy Operating Companies from an individual Bidder that will be accepted without additional collateral. This Maximum Uncollateralized Supplier Exposure may include exposures from the Bidder's existing transactions with the Entergy Operating Companies as of the time of execution of the LOI.

After all Bidders have registered, the CET will determine a Maximum Uncollateralized Supplier Exposure for each Bidder up to the amount shown in Figure F-1. This determination will be based upon the CET's determination of the Bidder Credit Rating of each Bidder, which determination will be based on pre-established criteria that are uniformly applied to all Bidders. For companies that have a credit rating established by one or more nationally recognized credit rating agencies, the CET will consider these ratings in conjunction with publicly available financial information to determine the Bidder Credit Rating. For companies that do not have a credit rating established by one or more nationally recognized credit rating agencies, the CET will consider other financial indicators including but not limited to publicly available financial information and stock and market cap information.

Maximum Uncollateralized Supplier Exposure will be a function of the Bidder Credit Rating. For example, a Bidder with a Bidder Credit Rating of AAA may be assigned a Maximum Uncollateralized Supplier Exposure of $100 million, whereas a Bidder with a Bidder Credit Rating below BBB- may be assigned a Maximum Uncollateralized Supplier Exposure of $3 million. In addition, with respect to any PPA product, if a Bidder Credit Rating is sufficiently reduced at any time during the Delivery Term, Buyer will have the right to require that additional collateral be provided at that time by the Bidder/Seller. Conversely, less collateral may be required in the future if the Bidder Credit Rating is improved. Figure F-1 presents an illustrative table that would be used by the CET in selecting Maximum Uncollateralized Supplier Exposure for a Bidder. The Maximum Uncollateralized Supplier Exposure determined for each Bidder will not be shared outside the CET prior to the notification of proposals on the applicable Final Shortlist.

APPENDIX F
Credit/Collateral Requirements for 2006 Long-Term RFP

Figure F-1
Credit Evaluation – Maximum Uncollateralized Supplier Exposure for Entergy Operating Companies Based Upon Evaluated Bidder Credit Rating ($millions)

	Bidder Credit Rating				
	AAA thru AA-	A+ thru A-	BBB+ thru BBB	BBB-	Non-Investment Grade
Upper limit of Maximum Uncollateralized Supplier Exposure	100	100	75	50	3

2. Collateralization of ~~credit exposures~~Credit Exposures

Figure F-2 illustrates how collateral requirements will be applied for alternative products solicited under this RFP. This figure also outlines potential forms of remediation for excess supplier exposure, including other acceptable solutions suggested by Bidders.

A Bidder who qualifies for the Preliminary Shortlist will asked to discuss during the preliminary due diligence process the types of collateral the Bidder intends to provide in order to meet this RFP's collateral requirements (if any). While such collateral will not need to be posted until the execution of a Definitive Agreement, the proposal may be eliminated from further consideration if a Bidder, at the time of such discussions, either fails to adequately describe its strategy for providing the required collateral or communicates an unwillingness to provide such required collateral. ESI reserves the right to consummate Transactions with Bidders unwilling to offer collateral, but will select the proposal only in circumstances when it is clearly superior to similar product offerings even taking that fact into account.

It is possible that a Bidder could offer multiple proposals (for example both a long-term PPA from a CCGT resource and a long-term PPA from a Solid Fuel resource) that in the aggregate exceed the Maximum Uncollateralized Supplier Exposure established by the CET. Consequently, in the evaluation of the shortlisted proposals, the Maximum Uncollateralized Supplier Exposure will apply to the combined aggregate exposures of all proposals submitted by a Bidder.

Although for some products collateral is required from Bidders with exposure exceeding the CET's Maximum Uncollateralized Supplier Exposure for such Bidder, the collateral requirement is not a perfect substitute for non-performance. ESI prefers that all Bidders/Sellers fully perform under their contracts, rather than default and require Buyer to exercise its right to the collateral. At the time of default, the collateral may not cover the entire difference between contract price and replacement cost. Additionally, collection of collateral may be costly and time consuming, which in the end results in higher costs for the Entergy Operating Companies. A Bidder default will also impede ESI's ability to carry out its planning process and provide the system reliability to its customers. Although ESI may procure replacement energy, it may not be possible to achieve the same price stability, fuel diversity, geographical diversity or other supply objectives that were achieved with the original contract. Notwithstanding the concerns listed above, ESI will determine the potential collateral requirements as explained in Figure F-3.

It is ESI's view that the default rate among non-investment grade companies is significantly higher across all time horizons than for investment grade companies. In the selection of the overall supply portfolio, ESI may establish limits for the aggregate amount of exposure that the Entergy Operating Companies have to suppliers with weak Bidder Credit Ratings (*e.g.*, total exposure from all suppliers with non-investment grade Bidder Credit Ratings may be limited to an overall dollar amount).

In an effort to mitigate risk such as performance, construction, and mark to market exposure, ESI is requiring the Bidder to provide acceptable collateral upon execution of a Definitive Agreement, depending on product type as detailed in Figure F-3.

For acquisition products, it is expected that the Definitive Agreement will cover, among other things, indemnities, warranties and representations, as well as provisions that may require credit support to secure such indemnities, warranties and representations.

~~.~~ Bidders who have been notified of their Final Selection will be required to provide an irrevocable, standby letter of credit in the amount of $2,000,000 at execution of a LOI. The letter of credit must be issued by a U.S. commercial bank or the U. S. branch office of a foreign bank with a long term unsecured unsubordinated deposits credit rating of at least "A-" by S&P and "A3" by Moody's, provided that such bank shall be reasonably acceptable to the CET. The letter of credit must be in a form substantially the same as that provided in Figure F-4 and otherwise be acceptable to CET. The LOI will contain provisions that set forth the circumstances under which ESI would be entitled to draw under the letter of credit as well as the circumstances under which ESI would return the letter of credit to the Bidder.

~~Figure F-2~~

~~Credit Evaluation - Methodology for Determination of Incremental Supplier Exposure Associated with Proposal and Potential Required Mitigation~~

The credit and collateral requirements in Appendix F apply only to Bidders and are designed to protect the Buyer from the risk of a Bidder's non-performance. In consideration of the fact that this RFP seeks long-term resources, however, ESI recognizes the potential need for credit support from the appropriate Entergy Operating Company(ies) in certain situations, and will discuss any required parameters in connection with the Letter of Intent and will enter into specific credit arrangements in a Definitive Agreement.

Figure F-2

Credit Evaluation - Methodology for Determination of Incremental Supplier Exposure Associated with Proposal and Potential Required Mitigation

Product Types	$2,000,000 LOC Due Upon Execution of LOI	Performance Collateral Requirements~~*~~* Due At Execution of Definitive Agreement	Additional Collateral Obligations For All Acquisitions	Potential Forms of Collateralization **
Long-Term PPA Baseload – Solid Fuel; and Ownership Acquisition Baseload – Solid Fuel (online date/available after 6/1/07); and Ownership Acquisition – Load Following CCGT (online date/available after 6/1/07) and Long-Term Non-Tolling PPA – Load Following CCGT; and Long-Term Tolling PPA – Load Following CCGT	Upon execution of an LOI, each Bidder must provide a $2,000,000 standby letter of credit.	Solid Fuel: Twenty million dollars ($20,000,000) per 100 MW contracted for. CCGT: Ten million dollars ($10,000,000) per 100 MW contracted for. Performance Collateral requirements end on closing for ~~New Build~~ Solid Fuel and CCGT Acquisition Products with an online date or availability after 6/1/07.	For all acquisitions (CCGT, Solid Fuel, Existing & New Build), Bidder will also have post closing indemnity obligations. Additional credit support may be required to secure such indemnity obligations.	• Parental Guaranty • Letter of Credit • Cash • Lien on asset • Other acceptable solutions suggested by Bidder
Ownership Acquisition – Load Following CCGT (online/available no later than 06/01/07); and Ownership Acquisition Baseload – Solid Fuel (online/available no later than 06/01/07)		No performance Collateral Required		

~~* Form of collateralization for Performance Collateral Requirements will be subject to, among other things, the valuation of such collateral requirements and the Bidder Credit Rating, in each case as determined by CET.~~
~~** ESI may take into consideration a portion of the Bidder's exposure to Buyer as incurred in the proposal~~

APPENDIX F
Credit/Collateral Requirements for 2006 Long-Term RFP

* ESI may take into consideration a portion of the Bidder's exposure to Buyer as incurred in the proposal; ESI reserves the right to adjust Performance Collateral Requirements in the event that a proposal contains a distinct timing mismatch in regards to Bidder contractual performance requirements and payments to be made by Buyer.
** Form of collateralization for Performance Collateral Requirements will be subject to, among other things, the valuation of such collateral requirements and the Bidder Credit Rating, in each case as determined by CET.

Figure F-3
Credit Evaluation - Performance Risk

Product Type	EXPOSURE ($ per 100 MW)
Long-Term PPA – Baseload Solid Fuel	$20,000,000
Ownership Acquisition – Baseload Solid Fuel (online date/available after 6/1/07)	$20,000,000
Ownership Acquisition – Load Following CCGT (online date/available after 6/1/07) Long-Term Non-Tolling PPA – Load Following CCGT; Long-Term Tolling PPA – Load Following CCGT	$10,000,000
Ownership Acquisition – Load Following CCGT~~;~~ (online date/available no later than 6/1/07); Ownership Acquisition – Baseload Solid Fuel (online date/available no later than 6/1/07)	$0

Figure F-4 Form of a Letter of Credit

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER XXXXXXXXXX

APPLICANT:

____

BENEFICIARY:
ENTERGY SERVICES, INC. AS AGENT FOR _________________________________

WE HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER __________, IN FAVOR OF **ENTERGY SERVICES, INC. AS AGENT FOR __________**, BY ORDER AND FOR THE ACCOUNT OF __________ AVAILABLE FOR PAYMENT AT SIGHT AT THE COUNTERS OF: __________ FOR **US$ 2,000,000.00** AGAINST THE FOLLOWING DOCUMENTATION REQUIREMENTS:

1.) THE BENEFICIARY'S DRAFT DRAWN ON US AT SIGHT BEARING THE CLAUSE: "DRAWN UNDER (NAME OF BANK) STANDBY LETTER OF CREDIT NUMBERXXXXXXXXXX."

AND

2.) A STATEMENT SIGNED BY A PURPORTED REPRESENTATIVE OF BENEFICIARY STATING:

" THE CONDITIONS FOR DRAWING UNDER THIS LETTER OF CREDIT PURSUANT TO THAT CERTAIN LETTER OF INTENT BETWEEN ENTERGY SERVICES, INC. AS AGENT FOR ____________________ AND (THE APPLICANT) DATED _____________ HAVE BEEN SATISFIED. WE THEREFORE DEMAND PAYMENT IN THE AMOUNT OF (INSERT AMOUNT) AS SAME IS DUE AND OWING."

PARTIAL AND MULTIPLE DRAWINGS PERMITTED.

DOCUMENTS MUST BE PRESENTED AT OUR COUNTERS LOCATED AT:
____

NO LATER THAN: ___________________

ALL COSTS RELATED TO DRAWINGS UNDER THIS LETTER OF CREDIT NUMBERXXXXXXXXXX SHALL BE CHARGED TO THE ACCOUNT OF THE APPLICANT.

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENTS PRESENTED IN COMPLIANCE WITH THE TERMS OF THIS CREDIT WILL BE DULY HONORED IF DRAWN AND PRESENTED FOR PAYMENT ON OR BEFORE THE EXPIRY DATE OF THIS LETTER OF CREDIT.

EXCEPT AS OTHERWISE EXPRESSLY STATED HEREIN, THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES 1998, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98") AND AS TO MATTERS NO ADDRESSED BY ISP98 SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE TO THE LAWS OF STATE O NEW YORK AND APPLICABLE U.S. FEDERAL LAW.