

July 2009 Request for Proposals (RFP)  
for Baseload Supply-Side Resources

**Bidders' Q&A List**

*Updated as of August 13, 2009*

1) Will questions related to the July 2009 Baseload RFP be addressed at the LPSC Staff Technical Conference and ESI's Bidders' Conference on Thursday, August 6, 2009?

**Answer:** Please note that the meeting scheduled for August 6<sup>th</sup> is a Bidders' Conference and not an LPSC Technical Conference. The ESI Bidders' Conference on August 6, 2009 is associated with the Summer 2009 Long-Term RFP; however, the LPSC Staff has indicated that questions related to the July 2009 Baseload RFP may also be addressed during this conference. For those not in attendance, the questions and responses will be posted on the July 2009 Baseload RFP website in the Q&A document.

Any additional and final questions must be provided by email no later than 12:00 PM (CPT), August 7, 2009. Please Submit all questions to the RFP Administrator via e-mail at the following address:  
[esirfp1@entergy.com](mailto:esirfp1@entergy.com)

2) If Bidders wish to remain anonymous, how can they submit questions to the LPSC for the August 6<sup>th</sup> Conference? What is the deadline for submitting such questions?

**Answer:** Bidders may e-mail questions until COB Wednesday, August 5, 2009, to Melissa Watson at [melissa.watson@la.gov](mailto:melissa.watson@la.gov). To the extent possible, responses will be presented in person at the Bidders' Conference. Formal responses to all such questions will be posted on the RFP website along with responses to other questions posed during the Conference.

3) If my proposal is the lowest offer economically, but we cannot get firm transmission, will my proposal be excluded as non-conforming?

**Answer:** No. Under the Liquidated Damages ("LD") structure of the two products offered in this RFP, the risk of transmission service availability and energy deliverability falls exclusively upon the Seller. Accordingly, transmission deliverability will not be an evaluation criterion in this RFP.

4) What if my transmission is firm to the border, but not within Entergy's path?

**Answer:** As long as the transmission service (Firm or Non-firm) is confirmed to the "Into Entergy" border in OASIS, the power will be deemed

deliverable for scheduling purposes. However, supplier is still obligated to perform deliverability in instances of TLRs or any other forms of supply side curtailments after power schedule has been confirmed.

5) How should follow-up transmission questions be submitted to Entergy?

Answer: Please submit all questions to the RFP Administrator via e-mail at the following address: [esirfp1@entergy.com](mailto:esirfp1@entergy.com)

6) In terms of scheduling energy, does the transmission need to be firm for every month of the 3-year term? If a portion of the term was supplied from a different resource, would Entergy procure the transmission?

Answer: No. It is *not* required that transmission service be firm. This is a point that ESI wishes to clarify, given the discussion at the Bidders' Conference. Under the LD structure of the two products being solicited in this RFP, the risk of transmission service availability and energy deliverability falls exclusively upon the Seller. Seller is responsible for procuring transmission and also has the right to supply energy from different resources. Seller thus has the ability, in the exercise of its judgment and subject to the liquidated damages for which the product structures provide, to take on the risk of delivering power to the "Into Entergy" border using non-firm transmission service.

7) Will proposals of a different duration (i.e., 2 years instead of 3 years) be accepted?

Answer: No. Only proposals consistent with the Delivery Term for this RFP, which is January 1, 2010 through December 31, 2012, will be accepted as conforming.

8) Has the WBL been market tested in previous RFPs?

Answer: The EAI WBL has been sold, in the amounts then available, to various Operating Companies for several years. The sales to Entergy Gulf States Louisiana, L.L.C., Entergy Texas, Inc., and Entergy Mississippi, Inc. have been short-term and have not been subject to a formal market testing through the formal Requests for Proposals conducted by Entergy Services, Inc. on behalf of the Entergy Operating Companies. A previous tranche of the EAI WBL was sold on a long-term basis to Entergy Louisiana, LLC and Entergy New Orleans, Inc. These long-term sales were market-tested through a previous RFP.

9) How is the WBL sales price determined? Is it independently developed or based on the results of the RFP?

**Answer:** The EAI WBL will be sold on an at-cost basis under the formula approved by the Federal Energy Regulatory Commission for sales pursuant to Service Schedule MSS-4 of the Entergy System Agreement. For purposes of evaluation in the July 2009 Baseload RFP, the projected sales price of the EAI WBL self-supply alternative has already been determined based on the provisions of Service Schedule MSS-4, and a set of assumptions relating to the estimated cost of fuel and the anticipated dispatch of the WBL resources. The projected cost of the EAI WBL that will be market tested in the RFP was evaluated and provided to the Independent Monitor, and the results of the RFP will have no effect on the EAI WBL cost evaluated in the RFP.

10) How will proposals be addressed that are deemed non-conforming (in relation to product type)? Would non-conforming bids, such as unit contingent, be accepted?

**Answer:** Any non-conforming proposals will be rejected.

11) What is the liquidated damages mechanism? Replacement power cost?

**Answer:** The liquidated damages payable by the Seller are determined based upon the power Replacement Price. See WSPP Agreement, Section 21.3(a)(2).

12) How strong is the preference for flexible baseload versus 7x24 firm products? What type of price differential between the flexible baseload and the 7x24 must take would make the 7x24 must take comparable to the flexible baseload?

**Answer:** Due to the operational need of the Entergy System for flexible capability, ESI has a strong preference to obtain the majority of the resources acquired through this RFP as a Flexible Baseload Product, preferably under the fixed price option (\$/MWh). Although ESI is not fixing a maximum level of 7x24 Firm LD resources that it will accept, it is important that all bidders understand that ESI will not accept 350 MW of the 7x24 Firm LD product. Again, ESI's strong preference is for the Flexible Baseload LD product.

The price differential requested between the Flexible Baseload LD Product and the 7x24 Firm LD Product that would make the 7x24 Firm LD Product comparable to the Flexible Baseload LD Product has not been calculated because there are too many variables that are unknown and unknowable that are needed to make a meaningful estimate.

13) If a 100 MW proposal was found to be favorable, would that proposal be accepted along with 226 MW of the WBL? Or is the WBL all or nothing?

Answer: No, the proposals would not be combined as suggested in the question.

Under the terms offered by EAI, the self-supply alternative must be accepted or rejected in its entirety and may not be subdivided. However, to the extent a compelling proposal were received such that accepting both the entire EAI WBL and the proposal were determined to be in the public interest, ESI would consider that.

14) The fixed heat rate structure essentially becomes a fixed price when the forward gas curve is established as the price upon regulatory approval. Is this correct?

Answer: Yes, however, the risk of the two products is clearly different because, under the fixed heat rate structure, the price is ultimately unknown until the gas price is established and set on a date closer to the start of the delivery term, which date necessarily must follow any required regulatory approvals. This is a critical difference and is the reason that ESI has stated a preference for true fixed price products.

15) What happens to the WBL after Entergy Arkansas, Inc. exits the System Agreement?

Answer: This question is outside the scope of this RFP.

16) Is there a proposal submittal fee associated with the July 2009 Baseload RFP?

Answer: No

17) Is transmission deliverability from the plant busbar to EMO an evaluation criterion?

Answer: No

18) Are the Proposal Submission Agreement and the Confidentiality Agreement located on ESI's RFP Website non-negotiable?

Answer: Yes. If Bidders have specific concerns regarding these documents, they should submit those immediately so that ESI may determine whether such concerns should be addressed through revisions to the posted documents. Regardless, however, Bidders are encouraged to share any issues or concerns they may have with the terms of the Proposal Submission Agreement and/or the Confidentiality Agreement with ESI and the IM by sending an e-mail to the RFP Administrator. Such comments will be considered in the formulation of similar agreements for future RFPs.

19) Is historical WBL cost public information? If so, does Entergy have any objections to providing the pricing to Bidders?

**Answer:** Certain information relating to the cost of the EAI WBL has been made public in connection with previous regulatory proceedings. Although such information may be obtained by bidders by a review of the public record, ESI does not intend to share this information with Bidders as part of the RFP process. Bidders are reminded that their proposals will be evaluated against one other – not solely against the past or present pricing of the EAI WBL – and are encouraged to price their proposals competitively.

20) Scheduling Dispatch – “Buyer will require scheduling rights that provide the capability to dispatch the energy down to zero (0) with two (2) hours’ prior notice, subject to the minimum annual capacity factor.”

If the Buyer exercises the above scheduling rights to dispatch the energy down to zero (0), does this mean that the 7x24 schedule for the balance of the day goes to zero (0) or does the Buyer have any rights to dispatch the energy back to the original schedule during the balance of the day?

**Answer:** Buyer has the option to schedule and dispatch the energy as necessary as long as the Seller is given the minimum two (2) hour notice and Buyer maintains a minimum annual capacity factor of 80%. ESI intends to schedule and dispatch the Flexible-Baseload LD product in a prudent and reasonable manner. The specific terms governing Buyer’s ability to schedule and dispatch the energy from the proposal will be resolved in the negotiation of the Definitive Agreement.

21) Option Premium - Considering the 80% capacity factor, is Buyer going to schedule the 7x24 Baseload LD Product solely to meet load or will Buyer consider not scheduling the 7x24 product if the spot market is more attractive than the Energy Pricing for this product? If Buyer is scheduling to meet load, can Buyer provide a yearly or monthly pre-schedule to help Seller manage gas risk?

**Answer:** As stated previously in question 20, Buyer has the option to schedule and dispatch the energy as necessary based on factors including but not limited to meeting load, economics and reliability.

No, since the Buyer has the ability to schedule and dispatch the energy as necessary, any type of pre-schedule forecast is not practical.

22) Is the Proposal Submission Agreement available as a Word document?

**Answer:** No, the Proposal Submission Agreement is not available as a Word document. Please refer to the response to Question 18 above.

23) Will the definition of Force Majeure in the WSPP apply to this transaction?

**Answer:** This will be negotiated as part of the Definitive Agreements. The definition of Force Majeure in the WSPP agreement is referred to as Uncontrollable Forces. Definitive Agreements will be executed in the form of a Confirmation as amended under the terms of Service Schedule C of the most recent WSPP Agreement. ESI reserves the right to make amendments to the Confirmation in its sole and absolute discretion.

24) If firm transmission is utilized from source to sink and a TLR event interrupts delivery, are both parties excused?

**Answer:** No, unless an alternative resource is delivered to replace the curtailed delivery. As long as the transmission service (Firm or Non-firm) is confirmed to the "Into Entergy" border in OASIS, the power will be deemed deliverable for scheduling purposes. However, supplier is still obligated to deliver energy to the Delivery Point in instances of TLRs or any other forms of supply-side curtailments after power schedule has been confirmed. Under the LD structure of the products in this RFP, the Seller has the option to re-supply from another resource in the event of a TLR or other interruption in delivery.

25) Will Firm LD Energy satisfy the Product B requirements or does Firm Capacity also need to be offered?

**Answer:** Yes. Product B is a 7x24 Firm LD product, and Firm Capacity is not required; however, the risk of transmission service availability and energy deliverability falls exclusively upon the Seller. Seller is responsible for procuring transmission and also has the right to supply energy from different resources.

26) If, as a contingency to its proposal, a bidder requires that transmission be firm from source to sink, will that proposal be deemed to be non-conforming, and as such be removed from consideration?

**Answer:** Yes. Under the LD structure of the two products being solicited in this RFP, the risk of transmission service availability and energy deliverability falls exclusively upon the Seller. Seller is responsible for procuring transmission and also has the right to supply energy from

different resources. As such, Seller may not, through the use of the contingency proposed in the question, attempt to shift transmission risk to the Buyer. If Seller conditions its proposal and its obligation to deliver energy (or to pay liquidated damages in the event of Seller's failure to deliver energy) upon Seller's ability to procure firm transmission service from source to sink, the proposal will be rejected as non-conforming.