



October 27, 2022

2022 ETI Renewables RFP Bidders Conference

Highly sensitive, confidential and proprietary

Introduction

❖ Conference Purpose

- To give participants a high-level overview of the 2022 Request for Proposals for Renewable Resources for Entergy Texas, Inc. (“2022 ETI Renewables RFP” or “RFP”) and related processes

❖ Questions

- Please submit all questions to the Bid Event Coordinator via email at etirfp@entergy.com (to ensure that Entergy Texas, Inc. (ETI) has an accurate record of each question posed)
- Please refrain from including bidder-specific or confidential information in the question
- This presentation, along with RFP questions and responses, will be posted to the 2022 ETI Renewables RFP Website, <https://spofossil.entergy.com/ENTRFP/SEND/2022ETIRenewablesRFP/Index.htm>
- To the extent ETI’s posted responses differ from the oral responses given during the conferences, the written response will control

❖ Administrative

- In the event of an inconsistency between the presentation and the RFP documents, the RFP documents will control
- All phones must be on mute
- Please do not place your phone on hold
- Email the Bid Event Coordinator at etirfp@entergy.com with any technical issues or questions concerning participation in the Bidders Conference

Agenda

- Introductions
- RFP Overview & Scope
- RFP Schedule and Evaluation Process
- Process Safeguards
- Q&A Review Session

Introductions

Entergy Presenters

Staci Meyer	ETI Resource Planning Team
George Harrison	RFP Administration Team
Matt Neyland	Viability Assessment Team
Christian Smith	Economic Evaluation Team
Scott Kinczkowski	Economic Evaluation Team
Brian Sullivan	Transmission Evaluation Team
David Batten	Accounting Evaluation Team
Laura Hamner	Credit Evaluation Team

Additional Entergy Participants

James Miller	ESL Assistant General Counsel
Carl Olson	ETI Regulatory Manager
Misty Harris	RFP Administration Team
Phong Nguyen	RFP Administration Team
Sandra Bradley	ETI Resource Planning Team

Independent Monitor

Keith Oliver	Merrimack Energy Group, Inc.
Wayne Oliver	Merrimack Energy Group, Inc.

RFP Overview and Scope

Staci Meyer

Rationale for RFP

Four overarching considerations drive the need for the 2022 ETI Renewables RFP

1 **Capacity and Energy Needs**

- ETI needs additional generating capacity and energy
- These needs may be met by a combination of capacity from new build resources and market purchases

2 **Supply Diversification**

- ETI's current generation portfolio is over 80% gas-fired capacity
- ETI customers continue to show increasing interest in renewable energy

3 **Renewable Economics**

- Utility-scale solar is an increasingly economic means of addressing resource needs, and recent legislative activity has created additional economic value for solar and wind resources
- Renewables are an economic component of utility resource plans and combining renewables with batteries can provide incremental benefits to customers

4 **Deployment Timeline**

- ETI has increased capacity market price risk in the near-term due to a tightening capacity market in MISO South and LRZ 9
- Renewable resources can be deployed in a timely fashion to help meet these needs

2022 ETI Renewables RFP Scope

Seeking 2,000 MW of renewable resources

- Minimum of 500 MW by May 2026
- Remaining 1,000-1,500 MW by January 2027

Soliciting for solar PV and wind resources

- Complementary battery options accepted
- Existing resources may participate

Located in LRZ 9 of MISO South

- Wind PPAs can also be located in SPP

Self-builds, BOT Agreements, and PPAs¹

- Portfolio proposals available

Executed GIA or in the 2022 MISO DPP or earlier study

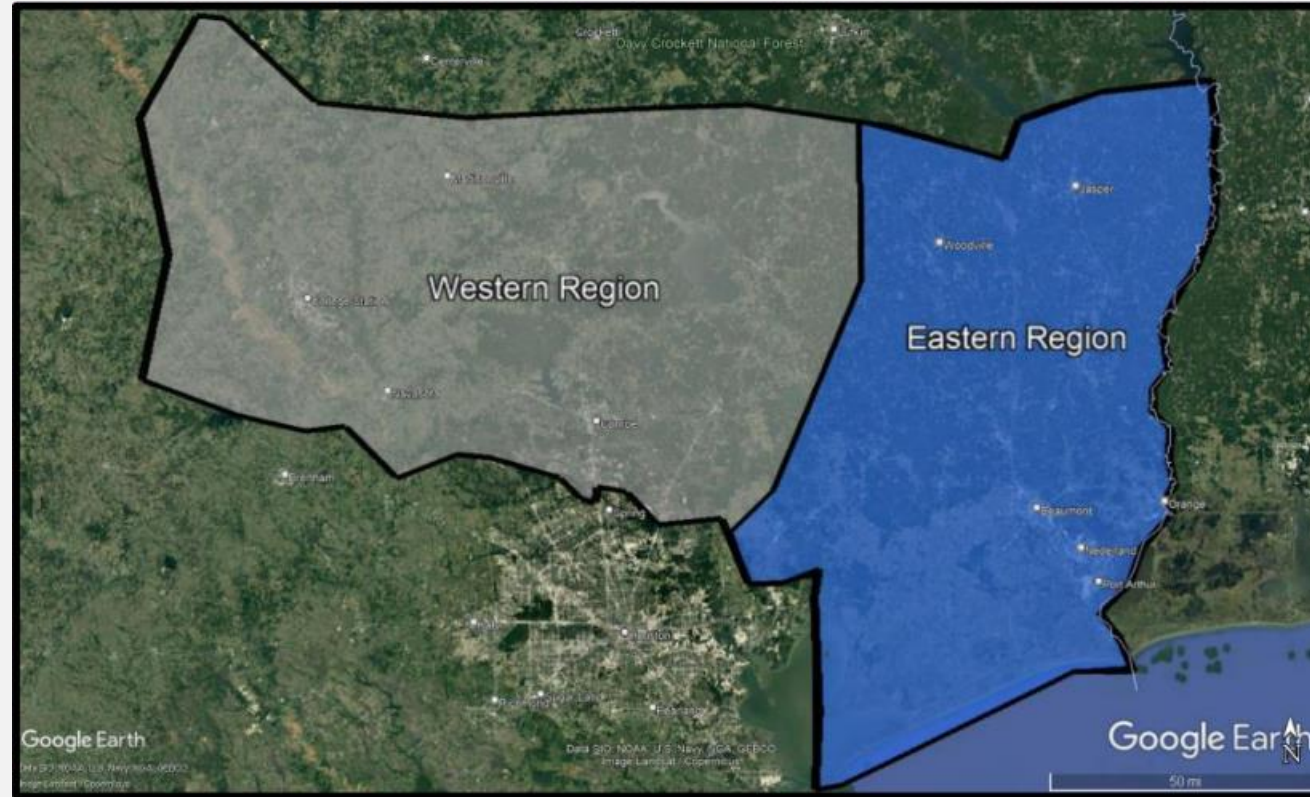
- In the 2021 SPP DISIS or earlier study

Location of LRZ 9 of MISO South

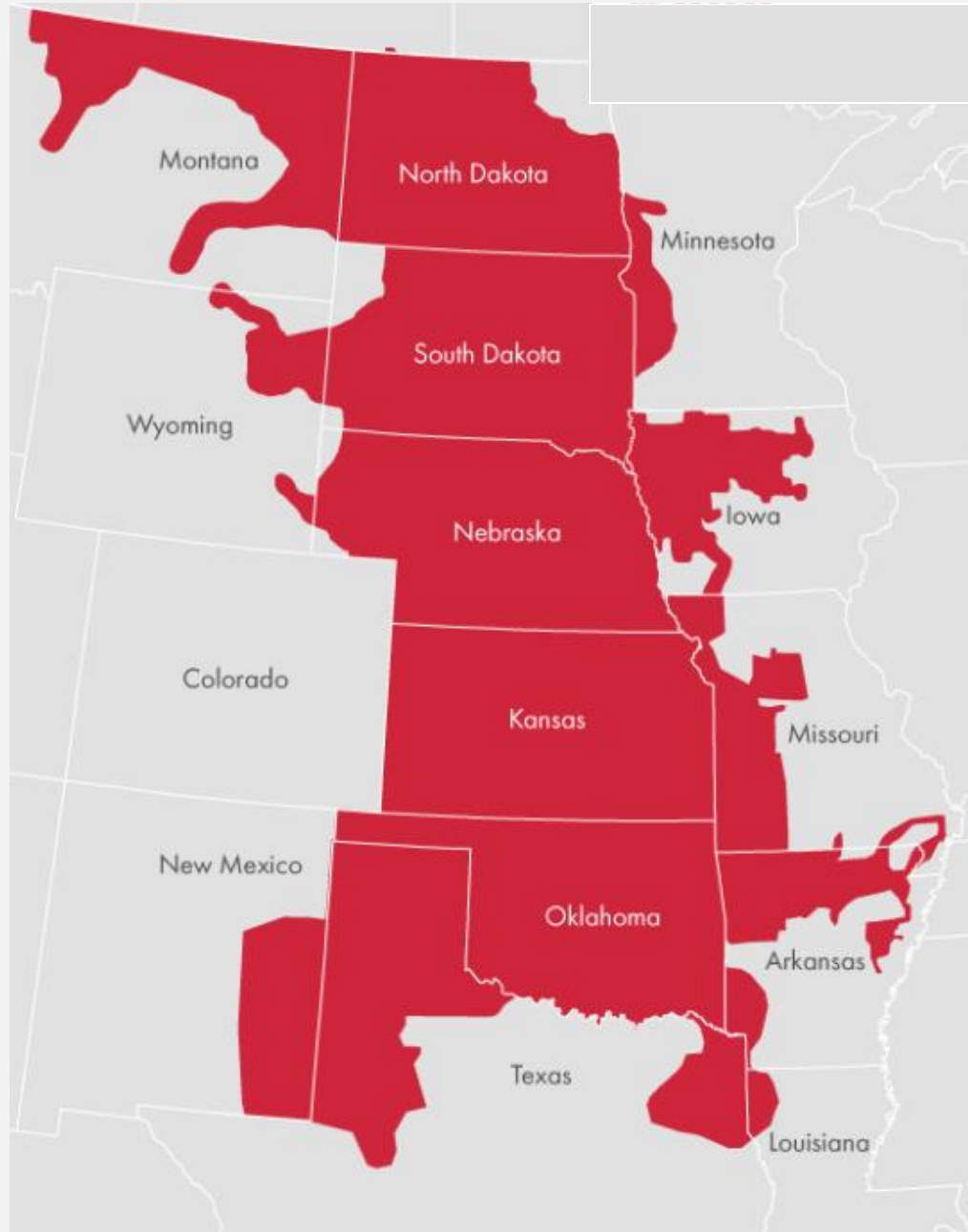


*LRZ 9 of MISO South includes local balancing authorities: CLEC, EES, LAFA, LAGN, LEPA

Location of ETI Western Region



Location of SPP



RFP Schedule & Process

George Harrison

2022 ETI Renewables RFP Schedule Overview

Milestone	Completion Date*
RFP Documents Posted	October 10, 2022
Bidders Conference	October 27, 2022
Bidder Registration Period & Deadline (11/28/22-12/1/22)	December 1, 2022
Proposal Submission Fee Payment Deadline	December 15, 2022
Self-Build Proposal Submission Deadline	January 30, 2023
Proposal Submission Deadline	February 6, 2023
Notice to Bidders of Primary and Secondary Selections	May 26, 2023
Comprehensive ETI Due Diligence and Definitive Agreement Negotiations Begin	May 29, 2023
Bidder(s) Remaining on Secondary Selection List Released from Proposals	August 25, 2023
Definitive Agreements Executed	November 2023
Regulatory Approval Process Complete	January 2025
Project COD	May 31, 2026

**Dates other than the RFP document posting date are target dates and subject to change.*

Bidder Registration & Proposal Submission

- ❖ **Bidder registration and proposal submission will utilize forms and templates posted to**
 - **2022 ETI Renewables RFP Website and Power Advocate**
 - Bidder Registration Form and Agreement
 - Proposal Package includes, but is not limited to:
 - Proposal Submission Agreement
 - Proposal Submission Template
 - Viability Self-Assessment
 - Due diligence questionnaire(s) (Appendix D-1, D-2, D-3, or D-4, as applicable) and related attachments
 - Generation profile for two years
 - Documents requested by the questionnaire
 - Demonstration of requisite control over the project site
 - Project Summary
 - Form of Credit Certification and, if requested, Accounting Certificate
 - All required special exception materials, including redlined model solar BOT Agreement, wind Term Sheet, Scope Books, and PPAs
 - If submitting a portfolio proposal, Bidder must submit all information for each individual resource/transaction within the proposed portfolio
- ❖ **All proposal-related document submissions must be made via PowerAdvocate**
 - Proposals not delivered through PowerAdvocate will be rejected
- ❖ **Email will be sent to bidder confirming receipt of documents**

Bidder Registration & Proposal Submission

❖ Proposal Submission Fees

- \$10,000 for each registered proposal (Solar PV or Wind)
 - Any alternative COD/substantial completion date, price, location, or other significant feature (excluding battery options) of a proposal will trigger an additional bid fee of \$10,000
 - Bidders offering a proposal that includes a battery proposal will be required to pay an incremental charge of \$1,000 for each battery proposal
 - Bidders offering proposals that include portfolio bids will be required to pay a \$10,000 fee for each resource/transaction within the portfolio bid
- Bidder will be invoiced proposal submission fee(s) within three business days after the end of the Bidder Registration Period
- ETI must receive payment of the proposal submission fee for each registered proposal no later than 5:00 p.m. CPT on December 15, 2022 (current schedule)
- If Bidder misses the payment deadline for a proposal, the proposal may be subject to elimination

RFP Evaluation Process

- ❖ **The evaluation process is designed to be fair, impartial, and consistently applied**
 - Prior to submitting proposals, Bidders will receive sufficient information to understand the evaluation factors and general decision criteria
 - Detailed inputs and evaluation scenarios will be considered confidential and highly proprietary and will not be shared with potential bidders or the self-build team
 - To the extent practical, evaluation models and assumptions will be defined before proposals are received
- ❖ **Proposals will be reviewed and assessed for the following:**
 - Economics (net supply cost)
 - Interconnection/Deliverability/Transmission
 - Viability
 - Credit/Collateral Requirements
 - Accounting Treatment
- ❖ **Assessments will occur in the following stages:**
 - Phase I
 - Initial Threshold Determination
 - Preliminary Shortlist (if applicable)
 - Phase II
 - Detailed Qualitative & Quantitative Assessments

Redaction & Initial Threshold Determination

Redaction

- ❖ **The purpose of the redaction process is to ensure that:**
 - Evaluation teams receive information relevant to their respective areas
 - Bid price is removed from the information provided to the Viability Assessment Team and the Transmission Evaluation Team (other than specified price approved by the RFP Administration Team that is needed)
- ❖ **The RFP Administration Team will open and redact all proposals**

Initial Threshold Determinations

- ❖ **Initial threshold determinations will occur early in the proposal review process**
- ❖ **The purpose of these determinations is to identify proposals that meet certain minimum threshold requirements for participation in the RFP**
- ❖ **Proposals not meeting threshold requirements may be subject to elimination**
- ❖ **Threshold requirements include, but are not limited to, those concerning:**
 - Eligible Participants
 - Eligible Technology
 - Eligible Transactions
 - Eligible Resources
 - Resource Location
 - Qualification as Long-Term Network Resource
 - PPA Delivery Terms (Min 10 Years, Max 20 Years)
 - If Variable Pricing is proposed, inclusion of a price cap

Phase I & Phase II Evaluations

- ❖ **Phase I Evaluation will include evaluations primarily by**
 - Economic Evaluation Team
 - Viability Assessment Team
 - Transmission Evaluation Team
 - Credit Evaluation Team

- ❖ **The purpose of the Phase I evaluation is to identify the most economic proposals and to eliminate:**
 - Proposals not meeting the RFP's threshold requirements
 - Less economic proposals
 - Proposals determined to be unacceptably high risk

- ❖ **The purpose of the Phase II evaluation is to evaluate the short-listed proposals in greater detail and develop final rankings and conclusions**

- ❖ **The output of Phase II will be a Final Report**

- ❖ **The Final Report will be sent to ETI, which will make proposal selections**

Selection

❖ Primary Selection List

- Any Bidder with a proposal on the primary selection list will be invited to negotiate a definitive agreement
- A proposal's inclusion on the primary selection list is not acceptance of the proposal or related contract terms
- No requirement for ETI to place any proposal on the primary selection list

❖ Secondary Selection List

- Any Bidder with a proposal on the secondary selection list may be invited to negotiate the terms of a definitive agreement or may be advised of proposal status
- Bidder would proceed to definitive agreement negotiations only if a Bidder on the primary selection list is removed from list
- Bidder must hold offers open for three months after notification of secondary selection

Commercial Terms

Matt Neyland

Commercial Terms Overview

❖ **Model contracts and term sheets are included in the RFP**

- In proposals, Bidders may propose exceptions to terms
 - ETI is under no obligation to agree to any exception
 - Significant requested changes could affect viability ratings or eligibility for continued RFP participation
- For BOT and PPA proposals, ETI provides a list of certain required generating resource equipment and design features within Section 2.8 (Design and Operating Considerations) of the Main Body of the RFP
- Bidders may offer multiple resources as a Portfolio Bid
 - Portfolio Bid will be treated as one proposal
 - The purchase price for each resource within the portfolio bid (BOT or PPA) may not increase, as a general rule, if a resource is eliminated from the portfolio after execution of contracts

❖ **BOT Structure**

- Seller will own, develop, design, build, commission, test, and commit to sell the proposed project to ETI at a pre-determined price
- BOT transaction incorporates EPC principles and generation asset acquisition terms
- ETI will purchase the asset at Closing, at which point title and risk of loss transfer to ETI

❖ **PPA Structure**

- ETI will be entitled to all energy, environmental attributes, capacity, capacity-related benefits, and other electric products from the proposed project
- Energy will be scheduled by Seller to ETI's Load Node in MISO
- ETI will pay for delivered energy only, fixed or (subject to restrictions) variable pricing, no indexing

Commercial Terms Overview – BOT

Purchase Price

- Bidders are required to provide an all-in purchase price
- Fixed or fixed with capped variable pricing allowed in this RFP for qualifying project components
- The purchase price will be payable by Buyer to Seller at three major milestones: the Closing, the Substantial Completion Payment Date, and Final Completion
- Battery options are required to be priced separately.

Substantial Completion

- Guaranteed substantial completion date must be no later than May 31, 2026, for 2026 PY Projects and January 2, 2027, for 2027 PY Projects (the date may be adjusted by force majeure and certain other change orders)
- Linked to delay damages, capacity re-sizing, termination right for long delays
- Testing requirements include availability, capacity, battery (if applicable), modeled energy yield

Renewable Tax Credits

- Bidder generally will bear risk or reduction related to renewable energy tax credits/benefits, including due to failure to meet Inflation Reduction Act labor requirements (the prevailing wage and apprenticeship requirements)
- Bidders offering projects with tax credits dependent on historical start of construction rules must be offered with terms that reflect the effect of those rules (e.g., timing of guaranteed substantial completion date)

Project Warranties

- All warranties obtained by Seller prior to the closing (but not the underlying contracts themselves) will be required to be transferred to Buyer at the closing.
- Certain equipment warranties are provided in Section 2.8.1 of the Main Body and within the applicable Scope Book; other warranties will be specified in the BOT agreement

Commercial Terms Overview – PPA

PPA Pricing

- Energy deliveries based on an energy rate (expressed in \$/MWh), which will be either fixed for the entire Delivery Term or defined annually (as proposed by Bidder)
- Pricing must reflect an “all-in” energy price (including all related fees and expenses)
- Capped variable pricing allowed in this RFP for qualifying project components
- BESS options are required to be priced separately.

COD and Delivery Requirements

- COD requirements – Linked to delay damages, capacity re-sizing, termination right for long delays
- Annual Guaranteed Energy Quantities (AGEQ) - LDs assessed for delivery below AGEQ (P90), 50% price for delivery over 115% of AEEQ (P50); annual shortfall termination rights

Financial Settlement

- PPAs will be required to settle financially at the ETI Load Node
- Sellers will be responsible for imbalance charges, including transaction fees, scheduling charges, revenue sufficiency charges, integration fees, etc.
- ETI will not accept negative price risk

Accounting Treatment

- The PPA may not result in the recognition of long-term liabilities to ETI’s balance sheet, including lease treatment, derivative accounting, or VIE (variable interest entity) liabilities

Regulatory Disallowance

- Sellers will be required to absorb the risks of regulatory disallowance (e.g., disallowance of replacement energy costs), excluding certain limited cost recovery risks that remain with ETI (e.g., disallowance due to active buyer fault)

Viability Assessment

Matt Neyland

Viability Assessment

Viability Assessment - The VAT's key objectives are to perform a review of the non-price attributes of the proposals

- The Viability Assessment Team (VAT) assess the qualitative attributes to determine the risk profile and viability of each resource and corresponding proposal
- The review will be based on a two-phased analysis with the information provided in the proposal submission packages, including the Due Diligence Questionnaire, Viability Self-Assessment, and any additional proposal information provided through clarifying questions and bidder meetings (if applicable)
- **The VAT may include subject matter experts from the following focus areas:**
 - Plant & Equipment
 - Environmental
 - Insurance and Risk Engineering
 - Tax
 - Real Estate
 - Other disciplines, as appropriate

Viability Assessment – Phase I

Viability Assessment Phase I – The VAT will perform an assessment to determine that each proposal is conforming per the terms of the RFP

- Phase I will include a review of each proposal to confirm that all requested information has been provided as listed in Section 4.4 of the Main Body, including:
 - Redline of the applicable Model Agreement
 - Issues List of Term Sheet for Wind BOT
 - Redline of the applicable Scope Book (BOTs only)
 - Completed Submission Template
 - Applicable Due Diligence Questionnaire
 - Proposal Submission Agreement signed by an officer
 - Completed Viability Self-Assessment
 - Executed Form of Credit Certification
 - Executed Form or Accounting Certification (PPAs only)
- A standard validation will be performed on all proposals to identify any fatal flaws and confirm the proposals submitted conform to RFP requirements, including all Threshold Requirements outlined in Section 1.6 of the Main Body, Credit Support Requirements outlined in Appendix E, and any additional requirements noted in the Viability Self-Assessment or RFP.

RFP Evaluation Process

Viability Assessment Phase I – A proposal must be bid to the requirements of the RFP to be evaluated

- **Threshold requirements to be a conforming proposal include, among other things:**
 - Resource meets the appropriate design and operating specifications, as outlined in the Scope Book (BOTs), Attachment B-1 of the Model PPA (PPAs), and discussed in Section 2.8 of the Main Body
 - Resource has or is seeking the required interconnection service in MISO (solar or wind) or SPP (wind PPA only) to obtain full deliverability (the ERIS, NRIS, External NRIS, NITS, or point-to-point service required to receive full capacity credits and to deliver energy output provided to the electric interconnection point)
 - Proposal is required to have priced in the cost of full liquid credit for the credit support amounts at each milestone, unless the Bidder received confirmation (prior to Proposal Submission from Credit Evaluation Team) a Seller Parent Guarantee would be accepted for a portion of the credit support amounts at each milestone
 - Confirmation the proposal is for an entire proposed Facility located in the regions defined by the RFP requirements and has a dedicated transmission interconnection point (that is exclusive to the Facility and is not/ will not be a part of a shared facility-type structure or arrangement)
- **PPAs Only:**
 - Confirmation the proposal is bid for the sale of all products from the entire facility with delivery to ETI load and will financially settle at ETI's Load Node

Viability Assessment – Phase II

Viability Assessment Phase II – The VAT will provide a viability rating and qualitative assessment of each proposal

- The VAT Assessment Phase II will include a detailed review of each remaining proposal to assess the risk of key aspects of individual projects in a pre-defined scorecard, leading to a viability rating for each proposal
- **The Phase II review of includes, but not limited to, the following:**
- Redlines and exceptions to model agreements and term sheet
 - Proposed technological specifications compared to the parameters of the draft Scope Book
 - Bidder experience in the development and operation of applicable technology
 - Site environmental conditions identified in any Phase I assessments
 - Site control review of any purchase options/lease agreements associated with the project
 - Project Status and schedule
 - Construction timeline
 - Transmission Interconnection/Network Upgrade timeline
 - Any applicable renewable tax credit risk
 - Timeline to receive environmental permitting for endangered species (Wind)
 - Any additional price variability risk with variable pricing proposals
 - Any additional execution risk associated with portfolio proposals
- Options
 - BESS proposals submitted into the RFP will be assessed as possible add-ons and will be conditioned on acceptance of the proposal for the underlying solar or wind transaction

Economic Evaluation

Christian Smith

RFP Evaluation Process

Economic Evaluation Team (EET) Methodology

- The EET will conduct an economic evaluation of proposals submitted in the RFP from the perspective of ETI's aggregate customer base
- **The evaluation will:**
 - Identify proposals that meet the RFP requirements and rank them based on relative economics
 - Utilize tools and methods commonly used by ETI for long-term planning and resource evaluations, including, but not limited to:

- | | |
|--|--|
| <ul style="list-style-type: none">• Variable supply cost analysis within the context of the MISO and SPP markets based on simulations using the Aurora production cost modeling software• Pricing based on proposal submissions and responses to clarifying questions issued to bidders• Estimated property tax expense, considering obtained or identified property tax abatements or similar tax benefits, if applicable• Long-term avoided capacity value• Alternative structures, such as tax equity partnership• Terminal value, if applicable | <ul style="list-style-type: none">• Lease accounting treatment, if applicable• Transmission cost estimates, if applicable, from the Transmission Evaluation Team for expected required upgrades to ensure NERC TPL-001-4 compliance for each proposal<ul style="list-style-type: none">• ERIS (transmission owner interconnection facilities (TOIF))• NRIS (network upgrades (NU), standalone network upgrades (SANU))• Imputed debt, if applicable• Renewable Energy Credits (RECs)• Any other applicable economic benefits, taxes, or costs |
|--|--|

- Include qualitative risk considerations and sensitivity analysis (e.g., scenarios around natural gas and carbon prices), if needed

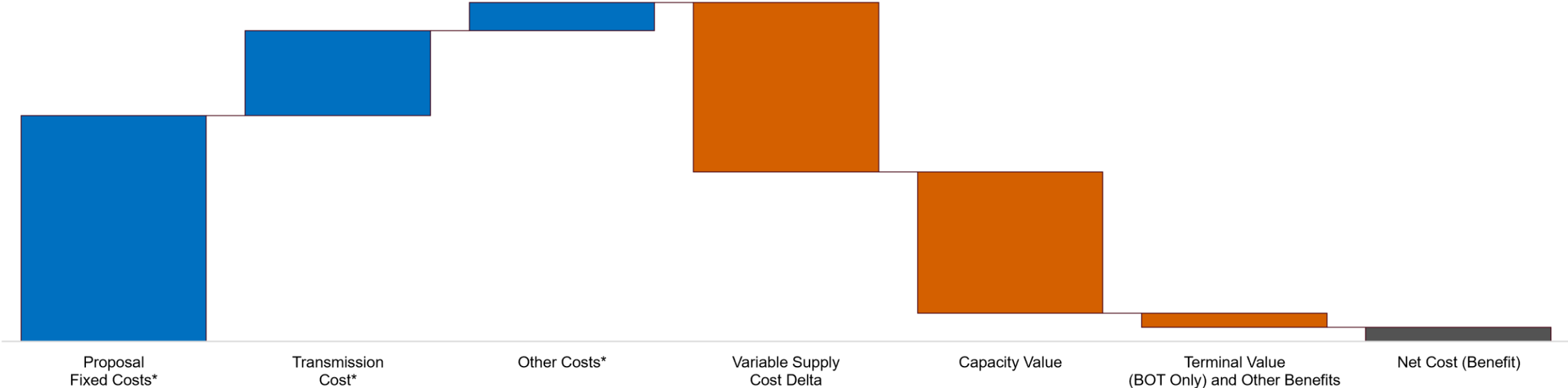
Economic Evaluation Process

Economic Evaluation Team (EET) Methodology

- A net cost/benefit calculation will be performed for each proposal
- Net cost/benefit will be presented in \$M, levelized-real \$/kW-year, and levelized-real \$/MWh to account for differences in proposal size and expected energy production

ETI Customer Total Relevant Supply Cost

Illustrative



Notes:

*Proposal Fixed Costs, Transmission Costs, and Other Costs will be included as part of the all-in energy pricing provided for PPA proposals. Other Costs will include imputed debt for PPA proposals



Variable Pricing Structure

Economic Evaluation Team (EET) Methodology

- ❖ **ETI has modified its 2022 Renewables RFP to allow for bid proposals that includes limited variable pricing based on certain components including but not limited to modules, piles, and racking**
 - Proposals with less variability will be viewed more favorably
 - All bids with variable pricing components proposed will require a price cap
 - Bidders will be allowed to propose other cost components or materials variables for ETI's consideration
 - Bidders must commit to price transparency to have variable pricing considered
 - Bidders must provide the initial cost assumption and the index, algorithm or other substantiated methodology used to support any post-selection or post-contract execution firm price adjustment
 - All components in the proposal identified for variable pricing will be assessed against the specified index or indices or open book concept for upward and downward cost impacts
 - Price variability will begin at proposal submission and will be required to be locked at full notice to proceed (FNTP) or other defined time period
 - For clarity, ETI expects Bidders to commit to adjusting variable pricing downwards should the utilized index or indices fluctuate downwards for any proposed variable component, lowering initial cost assumptions

Transmission Evaluation

Brian Sullivan

Transmission Evaluation Team

- ❖ **The Transmission Evaluation Team’s (TET) evaluation objective is to:**
 - Ensure that with the addition of any resource, adequate area reliability is maintained
 - Identify any upgrades associated with maintaining adequate reliability
 - Assess costs of all transmission infrastructure-related improvements required to incorporate each studied resource

- ❖ **Interconnection requirements and deliverability**
 - Bidder will be responsible for and bear all costs associated with the proposed facility’s electric interconnection to the grid
 - Bidder will be responsible for and bear all costs associated with all associated MISO and/or SPP processes and upgrades identified in those processes to ensure the resource will be qualified as a capacity resource in LRZ 9
 - Interconnection costs should be included in Bidder’s proposed pricing
 - Bidders need to identify separately the estimated interconnection costs
 - A proposal that omits these costs or takes “special exception” to this requirement will be considered non-conforming and may be eliminated on that basis
 - Bidder’s facility must have an existing GIA or be included and remain in the 2022 MISO DPP Queue (or an earlier queue) or, for SPP Wind PPAs, the 2021 SPP DISIS queue (or an earlier queue)
 - Resource must be located within the LRZ 9 region of MISO South and interconnect to the MISO South transmission system
 - Wind PPAs may be located in SPP
 - Resource must remain in the interconnection queue until the resource is eliminated or interconnection service is obtained

Transmission Evaluation Team

- ❖ **The Transmission Evaluation Team will perform standard analyses to ensure each proposal does not negatively impact the reliability of the transmission system**
- ❖ **Analysis may include, but is not limited to:**
 - NRIS deliverability analysis
 - ERIS deliverability analysis
 - NITS deliverability analysis
 - Firm PTP deliverability analysis
 - External NRIS deliverability analysis
 - Standard steady state power flow analysis to identify potential projects based on ESL's annual TPL-001-5 analysis and ESL's Local Planning Guidelines and Criteria
 - Transient Stability, Voltage Stability, and Short Circuit analyses per TPL-001-5 and ESL's Local Planning Guidelines and Criteria
 - Cost estimating and scheduling analysis for interconnection and transmission facilities

Interconnection, Deliverability, and Transmission

ETI will seek to qualify any resource selected from this RFP as a Network Resource within MISO

❖ MISO South

- Bidder/Seller must acquire ERIS and NRIS for at least the guaranteed capacity of the facility, with one exception
- Bidder/Seller may elect for ETI to procure NITS at Seller's cost and risk in lieu of Seller obtaining NRIS
- Seller will be responsible for all required costs associated with interconnection, deliverability, and transmission of the proposed facility

PPAs

- Financial settlement of capacity, energy, and other electric products will reflect any basis differential between the facility and ETI's Load Node

❖ SPP (Wind PPAs Only)

- Acquire ERIS, firm point-to-point transmission service in SPP, and either External NRIS or firm point-to-point/NITS service in MISO for at least the guaranteed capacity of the facility
- Seller will be responsible for all required costs associated with interconnection, deliverability, and transmission (including transmission service)
- Financial settlement of capacity, energy, and other electric products will reflect any basis differential between the facility and ETI's Load Node

Network Integration Transmission Service (NITS) with ERIS

❖ NITS

- NITS is a form of firm transmission service that allows MISO “network customers” (i.e., “load serving entities, or “LSEs”; such as ETI) to serve their own network load with the generator
- The resource is viewed as deliverable only to that network customer’s load
- Resources qualify as capacity resources if they obtain NITS in conjunction with ERIS
- Requesting NITS is a separate process with MISO, where LSEs can request firm transmission service
- In order to request NITS on a resource (at the time of the request), requestor must provide proof of entitlement/ownership (copy of executed Agreement)

❖ System Impact Study (SIS)

- MISO sends the transmission customer a SIS agreement within 30 days of the OASIS request
- Transmission customer must execute the SIS agreement within 15 days along with a \$20,000 refundable deposit
- Transmission provider will complete the study within a 60-day period
- Within 15 days of the completion of the SIS the Customer must execute a service agreement
- SIS findings could result in partial service subject to existing topology or full amount subject to identified upgrades, firm vs non-firm service
- If firm service is not granted for the full resource amount, non-firm on an interval basis can be pursued for the remaining balance

❖ Facility Study

- If upgrades are identified in the SIS, a facility study agreement is required within 45 days
- Tariff requires facility study completion within 120 days
- \$100,000 refundable deposit is required
- At the completion of the facility study, the customer has 30 days to execute the service agreement

Accounting Evaluation

David Batten

Accounting Evaluation

- ❖ **The Accounting Evaluation Team (AET) will assess potential accounting effects of PPA proposals, including:**
 - Whether the proposal contains a lease resulting in the recognition of a long-term liability for ETI or its affiliates under the rules in effect during the term of the proposal (ASC 842 analysis)
 - Whether the legal entity owning the proposed generating asset is a variable interest entity (VIE) and, if so, who will consolidate the VIE throughout the term of the agreement (ASC 810 analysis)
 - Whether the proposal is or includes a derivative and, if so, the appropriate accounting for the derivative (ASC 815 analysis)
 - Other accounting impacts from the proposal
- ❖ **The Accounting RFP requirements include:**
 - ETI will not accept proposals that result in the recognition of a long-term liability by ETI or its affiliates (“on-balance sheet accounting”)
 - If requested, Bidder will certify that it has determined that, to the best of its knowledge, the proposed PPA will not require on-balance sheet accounting for ETI or its affiliates
 - Bidder will be required to make available all information required to verify and/or independently determine the accounting treatment associated with a proposal

ETI will not accept the risk of any transfer to its books of any long-term liability associated with a PPA arising out of the RFP

Credit Evaluation

Laura Hamner

Credit Evaluation

- ❖ **The Credit Evaluation Team (CET) will evaluate Bidder's credit and other credit-related matters**
- ❖ **Information to be provided at bidder registration:**
 - Bidder may elect to nominate a parent guarantor for consideration for liquid credit support offset; limited to one nominee
 - Public credit ratings, if available, for Bidder and, if applicable, the proposed parent guarantor
 - Financial statements for Bidder and, if applicable, the proposed parent guarantor
- ❖ **The Credit RFP requirements include:**
 - Specific liquid credit support amounts, available parent guaranty-based offsets to liquid credit postings, and credit events (which can eliminate credit offsets) are set out in the credit appendix to the RFP (Appendix F)
 - Forms of acceptable incremental credit support are letters of credit from qualified banks and cash holdbacks
 - Special exceptions to core credit terms are not permitted
 - Bidder must submit with its proposal(s) a credit compliance certification acknowledging its familiarity with the terms of the credit appendix and certifying that the proposal(s) (including proposal pricing) reflect and comply with credit appendix requirements

Credit Evaluation

- ❖ **Two-phased process for credit evaluations**
- ❖ **During Phase I, CET will assess bidder and, if applicable, proposed parent guarantor for a potential offset to the liquid credit support requirements**
 - The CET will assign a Bidder credit rating (or Bidder's parent guarantor credit rating) based on, among other things
 - S&P and Moody's ratings
 - 10K/10Q/8K evaluation
 - If SEC reports are unavailable, two years of audited financial statements provided by Bidder
 - Financial statements include balance sheet, income statement, cash flow statement, notes to the financials, and should include the auditor's opinion
 - If financial information is consolidated with other entities, all data related solely to the offering entity will be extracted and submitted as separate documents by Bidder
 - Credit-related diligence materials provided by Bidder
 - The CET will provide Bidder with details regarding the liquid credit support offset prior to proposal submission
- ❖ **During Phase II, CET will review each proposal to determine the credit support amount required for each milestone**

Process Safeguards

George Harrison

Process Safeguards

Code of Conduct

- All employees of ESL, any Entergy Operating Company, or any Entergy Competitive Affiliate must adhere to the applicable Affiliate Rules and Codes of Conduct
- Links are provided on the 2022 ETI Renewables RFP website

Additional Protocols

- Each 2022 ETI Renewables RFP Proposal Evaluation Team is made up of designated personnel
 - Team composition is overseen by the IM
- ESL personnel involved with the 2022 ETI Renewables RFP evaluation process will adhere to the provisions of a confidentiality acknowledgement that governs access to and use of information contained in proposals and proposal-related documents
- Additional protocols will be specified in the 2022 ETI Renewables RFP

RFP Process Design and Implementation

- RFP process has been designed to assure fair and impartial treatment of all Bidders
- Self-build proposal will be finalized and “locked down” with oversight from the IM prior to the receipt of third-party bids

Stakeholder Participation

- The RFP will be posted on ESL’s public 2022 ETI Renewables RFP website and is publicized to encourage robust market participation
- Potential Bidders will be provided opportunities to ask questions about the RFP and seek clarification on the RFP process

Q&A Session

ETI requests that Bidders submit all questions to the Bid Event Coordinator at etirfp@entergy.com



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