



**~~DRAFT~~**

**Fall 2004  
Request for Proposals (RFP)  
for  
Supply-Side Resources**

Entergy Services, Inc.

~~October 22, 2004~~

February 22, 2005

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## 1. GENERAL INFORMATION

### 1.1. Introduction

Entergy Services, Inc. (“ESI”), acting as agent for one or more of the Entergy Operating Companies,<sup>1</sup> is issuing this Fall 2004 Request for Proposals for Supply-Side Resources (this “Fall 2004 RFP” or “RFP”)<sup>2</sup> to solicit proposals for the delivery of electric Capacity, energy, and Other Associated Electric Products. This RFP represents the fifth RFP in a procurement process that began with the Fall 2002 RFP. **In spite of the issuance of this RFP in the winter of 2004-2005, ESI is retaining the name “Fall 2004 RFP” in order to be consistent with previous references to this RFP.**

Although not required by the Market Based Mechanism Order<sup>3</sup> issued by the LPSC, ESI has retained ~~The Analysis Group~~ **Dr. Susan F. Tierney (including her staff)**, an independent ~~consulting firm~~ **consultant**, as the Independent Monitor (“IM”), in order (1) to oversee the design and implementation of the RFP solicitation, evaluation, selection, and contract negotiation process to ensure that it will be impartial and objective, and (2) to provide an objective, third-party perspective concerning ESI’s efforts to ensure that all proposals are treated in a consistent fashion and that no undue preference is provided to any Bidder. The role of the Independent Monitor is described in the Scope of Work Activities.<sup>4</sup>

**Entergy Competitive Affiliates and Entergy Operating Companies will not be allowed to participate in this Fall 2004 RFP, and ESI is not identifying any self-build or self-supply options in this Fall 2004 RFP.**

ESI categorizes resources to be acquired through its formal RFP procurement processes by product category and by the time horizon for the supply of Capacity and/or energy from the

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<sup>1</sup> The “Entergy Operating Companies” are Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., and Entergy New Orleans, Inc. The Entergy Operating Companies provide retail electric service to approximately 2.6 million customers in portions of the states of Arkansas, Louisiana, Mississippi and Texas, through the interconnected, coordinated electric generating and bulk transmission facilities of the Entergy Operating Companies (which facilities are referred to herein collectively as the “Entergy System”). The Entergy Operating Companies own and manage in excess of 22,000 MW of electric generation capacity in order to serve the needs of their customers.

<sup>2</sup> All references to this “RFP” or the “Fall 2004 RFP” include and incorporate the Appendices to this RFP. Appendix A to this RFP contains a glossary of certain capitalized terms used in the RFP that are defined in the Model Contract and of all capitalized terms used in this RFP that are not otherwise defined in this RFP or in any of the Model Contracts.

<sup>3</sup> General Order, Docket No. R-26172 Subdocket A, *In re: Development of Market-Based Mechanisms to Evaluate Proposals to Construct or Acquire Generating Capacity to Meeting Native Load*, Supplements the September 20, 1983 General Order, dated February 16, 2004.

<sup>4</sup> The Scope of Work Activities ~~will be~~ **is** posted on the LPSC website at: [http://www.lpsc.org/\\_pdfs/\\_news/IMScope10-5-04Final.pdf](http://www.lpsc.org/_pdfs/_news/IMScope10-5-04Final.pdf).

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resource: (i) limited-term (Capacity purchases of one to three years); and (ii) long-term (Life of Unit Capacity purchases or ownership acquisitions). ***Only limited-term proposals are being solicited in this Fall 2004 RFP.***

ESI has modified some of the limited-term products that were solicited in previous RFPs and has created new products in an effort to provide Bidders additional opportunities to participate in this RFP process. It should be noted that ESI also continues to procure short-term (i.e., ~~less than~~ up to one year) resources to meet ~~its~~ the System's reliability needs outside of this formal RFP process through methods including, but not limited to, hourly, daily, weekly, monthly and seasonal procurement processes.

ESI has procured resources from proposals that have been submitted in response to each of its recent four formal RFPs, beginning with the Fall 2002. Table 1-1 summarizes the amount of Capacity that ESI has contracted for on behalf of one or more of the Entergy Operating Companies as a result of these formal RFP solicitations. However, even with those limited-term and long-term purchases, the Entergy Operating Companies continue to seek for additional resources by which to reduce total costs to retail customers and improve the Entergy System's reliability and serve the System's needs.

**Table 1-1**

RFP	Short-term 3 <sup>rd</sup> Party	Limited-term Affiliate	Limited-term 3 <sup>rd</sup> Party	Long-term Affiliate	Long-term 3 <sup>rd</sup> Party	Total
Fall 2002	0 MW	185-206 MW <sup>1</sup>	231 MW	101-121 MW <sup>2</sup>	718 MW	1235-1276 MW
January 2003 Supplemental	222 MW	n/a	n/a	n/a	n/a	222 MW
Spring 2003	n/a	0 MW	381 MW	<sup>3</sup>	0 MW	381 MW
Fall 2003	n/a	0 MW	390 MW	n/a	n/a	390 MW
<b>Total</b>	222 MW	185-206 MW	1002 MW	101-121 MW	718 MW	2228-2269 MW

<sup>1</sup>Includes a conditional option to increase the Capacity up to the upper bound of the range.

<sup>2</sup>The contracted Capacity will increase from 101 MW to 121 MW in 2010.

<sup>3</sup>It should be noted that this table does not reflect (i) the River Bend 30% life-of-unit power purchase agreements totaling approximately 300 MW between Entergy Gulf States, Inc. ("EGS") and Entergy Louisiana, Inc. ("ELI"), and between EGS and Entergy New Orleans, Inc. ("ENO") related to EGS's unregulated portion of the River Bend nuclear station, which portion was formerly owned by Cajun Electric Power Cooperative, Inc., or (ii) the Entergy Arkansas Inc. ("EAI") wholesale base load capacity life-of-unit power purchase agreements totaling approximately 220 MW between EAI and ELI and between EAI and ENO related to a portion of EAI's coal and nuclear base load resources (which were not included in retail rates) to ELI and ENO executed in 2003. That capacity was identified and selected outside of the RFP process, but was market-tested in the Spring 2003 RFP, as a result of which the propriety of the selection of those resources was confirmed.

In this Fall 2004 RFP, ESI seeks to procure ~~of~~ a portfolio consisting of a range of limited-term wholesale power products intended to satisfy multiple supply procurement objectives for 2005 and beyond. ESI's supply procurement objectives for 2005 and beyond are described below. In acquiring resources to meet the Operating Companies' needs, ESI seeks a portfolio

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consisting of several product types for limited-term resource needs. The optimum portfolio resource mix (*i.e.*, the proportion of needs supplied by each product type) that actually will be procured from this Fall 2004 RFP will depend upon the relative prices and other characteristics of the various proposals offered by Bidders.

Assuming competitive proposals are received in response to this RFP, ESI anticipates that limited-term resources will be acquired under a variety of products, including various Multiple-Year Unit Capacity Call Option (“MUCCO”) products, Multiple-Year Unit Capacity Purchase Agreement (“MUCPA”) products, and Liquidated Damages (“LD”) products.

## **1.2. Overview of the RFP and the Resource Planning and Acquisition Processes**

This Fall 2004 RFP, which is an element of the Entergy System’s process of competitive resource solicitations for meeting future resource needs, only solicits offers designed to satisfy limited-term needs. Long-term power purchase agreements or long-term resource acquisitions are not sought, and will not be considered, in this RFP.

~~ESI anticipates acquiring resources for both economy and reliability purposes. The amount of capacity that ESI anticipates acquiring for reliability needs is shown in Table 1-2 below. For reliability purposes, this determination is based on the resource requirements balance table set forth below. As indicated in Table 1-2, ESI might to add as much as 3,000 MW of Capacity to address anticipated peak period reliability requirements for 2005 to 2007. ESI anticipates purchasing up to 1,500 MW of that in the form of limited term resources acquired through this RFP, with the possibility of acquiring additional resources should ESI receive economically beneficial proposals. This target of 1,500 MW provides ESI with the flexibility to (1) procure such an amount of additional resources through this Fall 2004 RFP if the proposals are sufficiently attractive, (2) procure this amount of resources in short term markets (*i.e.*, not through this Fall 2004 RFP) if those resources appear to offer more attractive pricing and/or other characteristics, or (3) wait to acquire Capacity through future procurements if the proposals received in response to this Fall 2004 RFP are not sufficiently attractive.~~

~~ESI’s capacity needs for the period 2005-2008 have been reduced since the issuance of the Draft Fall 2004 RFP due to several factors. At the Louisiana Public Service Commission’s (“LPSC”) December 8, 2004 Open Session, the LPSC directed EGS to enter into contract negotiations for a one-year purchase power contract from Calpine’s Carville Qualifying Facility (“Carville”) at market prices. Consistent with this directive, ESI, on behalf of EGS, has entered into negotiations for the purchase of 485 MW of capacity and energy from Carville; however, a definitive agreement has not been executed by the parties at this time. ESI’s capacity and energy needs have been reduced due to this pending purchase from Carville in addition to the fact that ESI has purchased other annual block energy products to meet the System’s needs. In the event that an Entergy Operating Company receives additional directives from the LPSC (or any other regulatory body) to negotiate power purchase contracts while the Fall 2004 RFP is in progress, it is likely that the System’s limited-term capacity need would be further reduced. ESI will endeavor to keep potential bidders informed of any developments on this issue.~~

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ESI anticipates acquiring resources for both economy and reliability purposes. The amount of capacity that ESI anticipates acquiring for reliability needs is shown in Table 1-2 below. For reliability purposes, this determination is based on the resource requirements balance table set forth below. As indicated in Table 1-2, ESI needs as much as 3,400 MW of Capacity to address anticipated peak period reliability requirements for 2005 to 2008.

The primary objective of this RFP is to solicit competitive proposals to provide the Entergy Operating Companies with flexible and cost-effective limited-term generating resources to meet their retail customers' needs in a reliable and economical manner. ESI anticipates purchasing up to 500 MW of LD Products for their 2005-2007 needs, and up to 1,000 MW of MUCPA and MUCCO products for their 2006-2008 needs in the form of limited-term resources acquired through this Fall 2004 RFP, with the possibility of acquiring additional resources should ESI receive economically beneficial proposals. This target of up to 500 MW of LD Products and up to 1,000 MW of MUCPA and/or MUCCO products provides ESI with the flexibility to (1) procure such amounts of additional resources through this Fall 2004 RFP if the proposals are sufficiently attractive, (2) procure these amounts of resources in short-term markets (*i.e.*, not through this Fall 2004 RFP) if those resources appear to offer more attractive pricing and/or other characteristics, or (3) wait to acquire Capacity through future procurements if the proposals received in response to this Fall 2004 RFP are not sufficiently attractive.

**Table 1-2**

<b>Peak Period Reliability Requirements (MW)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Forecast of system load</b>			
Firm Planning Requirement	25,378	25,740	26,109
<b>Existing resource capability</b>			
Total controlled resources	(21,378)	(21,178)	(21,178)
Acquired long-term resources	(1,328)	(1,991)	(1,991)
Acquired limited-term resources	(1,188)	(—390)	(0)
<b>Total resources</b>	<b>(23,894)</b>	<b>(23,559)</b>	<b>(23,169)</b>
<b>Additional resources needed to reliably meet system load<sup>1</sup></b>			
Forecast need for firm load	<b>1,484</b>	<b>2,181</b>	<b>2,940</b>

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<b>Peak Period Reliability Requirements (MW)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Forecast of System Load</b>				
Firm Planning Requirement	25,378	25,740	26,109	26,590
<b>Existing Resource Capability</b>				
Total Controlled Resources	(21,378)	(21,178)	(21,178)	(21,177)
Acquired Long-Term Resources	(1,328)	(1,991)	(1,991)	(1,991)
Acquired Limited-Term Resources	(2,171)	(390)	0	0
<b>Total Resources</b>	<b>(24,878)</b>	<b>(23,559)</b>	<b>(23,169)</b>	<b>(23,169)</b>
<b>Additional Resources Needed To Reliably Meet System Load</b>				
<b>Forecast Need For Firm Load</b>	<b>501</b>	<b>2,181</b>	<b>2,940</b>	<b>3,421</b>

**Note:** Does not include additional resources which that may be procured for economic reasons, including ongoing purchases outside the RFP process of LD Products of one-year or shorter term. Resource needs are subject to change based on power purchase contract negotiations directed by regulatory bodies.

~~The primary objective of this RFP is to solicit competitive proposals to provide the Entergy Operating Companies with flexible and cost-effective limited-term generating resources to meet their retail customers' in a reliable and economical manner.~~

This Fall 2004 RFP includes several products that are similar – although not identical – to limited-term products procured in previous RFPs. ESI plans to procure resources to meet its objectives through several types of limited-term products, as described in Section 1.3, including Day-Ahead Multiple-Year Unit Capacity Call Option Products, Intra-Day Peaking Multiple-Year Unit Capacity Call Option Products, Three-Year Reserve Capacity Multiple-Year Unit Capacity Call Option Products, Dispatchable Multiple-Year Unit Capacity Purchase Agreement Products and “Into ~~Energy~~Energy” Liquidated Damages Products.

In addition to these products, this RFP includes a new product, the Three-Year Reserve Capacity Multiple-Year Unit Capacity Call Option Product, which ESI has designed specifically to facilitate the possible displacement of existing Entergy Operating Company-owned generation in the event that economically and operationally attractive proposals are received that would allow the Operating Companies to displace certain existing generating unit(s), and thereby avoid certain fixed O&M charges associated with having that Capacity available for operation during that period. This product is further described in Section 1.3.3 below. Given the costs associated with shutting units down, ESI believes that a term of at least three years is necessary to achieve savings sufficient to justify displacing an existing unit. However, the ability of ESI to displace some of the Operating Companies' own resources in the manner described above will depend on whether market participants provide alternatives that will result in economic benefits to the Operating Companies' customers.

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During the ~~contract term~~ **Delivery Term** of any purchased power or Capacity ~~sale~~ **Sale** and Gas Tolling Agreements entered into as a result of this RFP, there is a possibility that changes in the wholesale market structure could occur as a result of the formation of Regional Transmission Organizations (“RTOs”) or other regulatory actions that may affect the wholesale generation market. As part of the terms required under any such purchased power or Capacity ~~sale~~ **Sale** and Gas Tolling Agreement, ESI will require that its acquisition of Capacity and energy under that agreement will also include any applicable Other Associated Electric Products.

The proposal price and the resulting benefits to the Entergy System are the key considerations for selecting a potential resource as part of the resource portfolio. While cost minimization is the most important criterion, resource location, operating flexibility, and other planning objectives and constraints also must be considered in the production of a reasonable supply plan. ESI will select those resources ~~which~~ **that**, in its opinion, represent the lowest reasonable cost in meeting the resource planning requirements of the Entergy Operating Companies and their retail customers, consistent with ESI’s planning objectives and constraints. The manner in which proposals will be evaluated based on these factors is described in more detail in ~~Appendix~~ **Appendices E-1, E-2, and E-3**. The information required to be provided by Bidders in response to this RFP is described in Appendix C.

ESI invites proposals from all potential suppliers, **excluding Entergy Competitive Affiliates and Entergy Operating Companies**, who are capable of meeting the identified conditions of this RFP, including proposals from other electric utilities, marketers, wholesale generators, independent power producers, and qualifying facilities. This RFP process has been designed in support of the effort to ensure that proposals are evaluated and decisions are made in an objective and impartial fashion, with protections for Bidders’ commercially sensitive information. All Entergy personnel will be required to adhere to all applicable Codes of Conduct. The process for protection of proposal information is described in more detail in Appendix F.

**If ESI receives unsolicited unit-contingent proposals from any Entergy Competitive Affiliate or any Entergy Operating Company, these proposals will be identified by the IM in the review process and deemed non-conforming and will thus be rejected. Additionally, proposals from eligible Bidders that are directly sourced, wholly or partially, from a generating unit owned by any Entergy Competitive Affiliate or any Entergy Operating Company will be identified by the IM in the review process and deemed non-conforming and will thus be rejected.**

**A Seller will not be allowed to supply an LD Product from generating units owned by any Entergy Competitive Affiliate or any Entergy Operating Company if the Seller has direct control of the output of such unit. ESI will deny the scheduling of such unit to fulfill Seller’s obligation under any LD Product. In that case, the Seller would be required to fulfill its obligation by either sourcing from another unit or by paying LD’s to the Buyer.**

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### 1.3. Summary Descriptions of Products Sought

In this Fall 2004 RFP, ESI, as agent for one or more of the Entergy Operating Companies, is seeking proposals for the following types of products, each of which is described in more detail in the Product Packages included in Appendix C and in the Model Contracts:

- ❖ Day-Ahead Multiple-Year Unit Capacity Call Option Product (“Day Ahead MUCCO”);
- ❖ Intra-Day Peaking Multiple-Year Unit Capacity Call Option Product (“Intra-Day Peaking MUCCO”);
- ❖ Three-Year Reserve Capacity Multiple-Year Unit Capacity Call Option Product (“Three-Year Reserve Capacity MUCCO”);
- ❖ Dispatchable Multiple-Year Unit Capacity Purchase Agreement Product (“Dispatchable MUCPA”); and/or
- ❖ Three “Into Entergy” Liquidated Damages (“LD”) Products: a “5x16 ‘Into Entergy’ LD” Product; a “7x16 ‘Into Entergy’ LD” Product; and a “7x8 ‘Into Entergy’ LD” Product.

Although all of these products are similar to products solicited in previous RFPs, *each product contains some new or modified characteristics that are new to this RFP*. Therefore, each Bidder is advised to review carefully the relevant term sheet (“Term Sheet”) and Model Contract included in this Fall 2004 RFP for each product for which the Bidder intends to submit a proposal. The Term Sheets establish certain key terms and requirements for each product. Bidders should be aware that ESI will not negotiate any material terms for these limited-term products unless (a) a resource is otherwise attractive but not physically capable of meeting a requirement specified in the ~~relevant~~applicable Term Sheet and Model Contract and (b) the Bidder has explained the fact of and basis for this situation in the Special Considerations section of its proposal. Bidders are responsible for reviewing all terms and conditions specified in the relevant Term Sheet and Model Contract and taking these terms and conditions into consideration in developing their proposal(s) in response to this Fall 2004 RFP.

#### 1.3.1. Day-Ahead Multiple-Year Unit Capacity Call Option (MUCCO) Product

The Day-Ahead MUCCO product would provide ESI with unit-contingent call option rights to Capacity, energy and all Other Associated Electric Products from a specifically-designated generating unit, and the ability for ESI to preschedule energy from the unit for a minimum of eight, twelve or sixteen hours (depending upon the Schedule and corresponding Fixed Guaranteed Heat Rate as outlined below) on a day-ahead basis. This product can be offered for a one (1) or three (3) year delivery period, with delivery beginning June 1, ~~2005~~2006, although ESI may be able to accommodate proposals with a delivery period beginning July 1,

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~~2005~~2006 if the Bidder submitting such a proposal has prior commitments or other extenuating circumstances, and such commitments or circumstances are described in the “Special Considerations” section of such proposal. ESI encourages Bidders to offer Capacity Quantities between 50 MW and 350 MW, as specified by Bidder, but will consider any amount above 50 MW<sup>5</sup>.

Offers for this product must include a proposed Option Premium (expressed in \$/kW year) to be specified by Bidder. Other terms for this product include the following pre-established elements, which are not subject to modification by the Bidder: a variable O&M payment of \$1.00/MWh, Fixed Start-Up Payments of \$50.00 per MW per Start, a Fixed Guaranteed Heat Rate of (a) 7,900 Btu/kWh for an 8-hour through 11-hour dispatch Schedule, (b) 7,750 Btu/kWh for a 12-hour through 15-hour Schedule, or (c) 7,700 Btu/kWh for ~~an~~ a 16-hour ~~through 24-hour~~ or longer Schedule, and a Gas Price that will be the daily Henry Hub Index. Such Fixed Guaranteed Heat Rate shall be deemed to include all applicable adders, taxes, and start-up fuel payments, and Bidders should take this and all other pre-established product elements into account in developing and offering their proposed Option Premium. In addition, Bidders should include costs of any services provided by a transmission entity other than Entergy’s Transmission Business Unit or successor organization (“Third-Party Transmission Services”) in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

To the extent that ESI does not Schedule or dispatch energy from the specified generating plant for the next day, the Seller would have the ability to sell this energy to other markets or utilize it to serve its own load, subject to Buyer’s rights.

Term Sheet A of Appendix C summarizes the specific requirements for this product, which are generally described herein. The MUCCO Model Contract details specific terms and conditions for these products; and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCCO Model Contract. ~~Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller’s offer of re-supply on a case-by-case basis.~~

### **1.3.2. Intra-Day Peaking Multiple-Year Unit Capacity Call Option (MUCCO) Product**

The Intra-Day Peaking MUCCO product would provide ESI with unit-contingent call option rights to Capacity, energy and all Other Associated Electric Products from a specifically designated generating unit and the ability for ESI to preschedule energy from the unit for a minimum of four hours on a day-ahead or intra-day basis. This product can be offered for a one (1) or three (3) year delivery period, with delivery beginning June 1, ~~2005~~2006, although ESI

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<sup>5</sup> ~~If the generating resource’s total Capacity is less than 50 MW, but greater or equal to 35 MW, ESI will consider proposals for the resource’s total Capacity.~~

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may be able to accommodate proposals with a delivery period beginning July 1, ~~2005~~2006, if Bidder has prior commitments or other extenuating circumstances, and such commitments or circumstances are described in the “Special Considerations” section of such proposal. ESI encourages Bidders to offer Capacity Quantities between 50 MW and 500 MW, as specified by Bidder, but will consider any amount above 50 MW<sup>6</sup>.

Offers for this product must include a proposed Option Premium (expressed in \$/kW year) to be specified by Bidder. Other terms for this product include the following pre-established elements, which are not subject to modification by the Bidder: a variable O&M payment of \$2.00/MWh, Fixed Start-Up Payments of \$75.00 per MW per Start, a Fixed Guaranteed Heat Rate of 12,500 Btu/kWh, and a Gas Price that will be the daily Henry Hub Index. Such Fixed Guaranteed Heat Rate shall be deemed to include all applicable adders, taxes, and start-up fuel payments, and Bidders should take this and all other pre-established product elements into account in developing and offering their proposed Option Premiums. In addition, Bidders should include costs of Third-Party Transmission Services in their proposed Option Premiums. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

To the extent that ESI does not Schedule or dispatch energy from the specified generating plant for the next day, the Seller would have the ability to sell this energy on a *non-firm, interruptible* basis to other markets or utilize it to serve its own load, subject to Buyer’s rights which include the right to submit a dispatch schedule on a real time basis with four (4) hours prior notice (including start-up time).

Term Sheet B of Appendix C summarizes the specific requirements for this product, which are generally described herein. The MUCCO Model Contract details specific terms and conditions for these products and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCCO Model Contract. ~~Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller’s offer of re-supply on a case-by-case basis.~~

### **1.3.3. Three-Year Reserve Capacity Multiple-Year Unit Capacity Call Option (MUCCO) Product**

The Three-Year Reserve Capacity MUCCO product would provide ESI unit-contingent call option rights to Capacity, energy and all Other Associated Electric Products from a specifically designated generating plant and the ability for ESI to preschedule energy, with a three-day notice period, for a minimum of four hours. This product can be offered for a three (3) year delivery period only, with delivery beginning ~~June~~January 1, 2005, ~~although ESI may be able to accommodate proposals with a delivery period beginning July 1, 2005 if Bidder has prior~~

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<sup>6</sup> If the generating resource’s total Capacity is less than 50 MW, but greater or equal to 35 MW, ESI will consider proposals for the resource’s total Capacity.

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~~commitments or other extenuating circumstances, and such commitments or circumstances are described in the “Special Considerations” section of such proposal~~2006. ESI encourages Bidders to offer Capacity Quantities between 50 MW and 500 MW, as specified by Bidder, but will consider any amount above 50 MW<sup>7</sup>.

Offers for this product must include a proposed Option Premium (expressed in \$/kW year) to be specified by Bidder. Because this product is specifically designed to allow ESI to avoid operations and maintenance expenses for peaking, or peaking reserve, units that the Entergy Operating Companies could displace as a result of accepting economical proposals, ESI has restricted offers for this limited-term product to three year proposals. ESI expects that the proposals will be compared to forward costs in ~~an approximate~~ range of \$32.00-\$89.00 per kW-year for the Entergy Operating Companies’ own similarly operated reserve units, with that target price range tied to the Entergy Operating Companies’ ~~expected non-fuel O&M costs at and capital costs for the majority of these~~ particular units, ~~as further described in Appendix E-1, Section 4.3.3.~~ Other terms for this product include the following pre-established elements, which are not subject to modification by the Bidder: a variable O&M payment of \$2.00/MWh, Fixed Start-Up Payments of \$75.00 per MW per Start, a Fixed Guaranteed Heat Rate of 15,000 Btu/kWh, and a Gas Price that will be the daily Henry Hub Index. Such Fixed Guaranteed Heat Rate shall be deemed to include all applicable adders, taxes, and start-up fuel payments, and Bidders should take this and all other pre-established product elements into account in developing and offering their proposed Option Premium. In addition, Bidders should include costs of any Third-Party Transmission Services in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

~~Definitive Agreements for the Three-Year Reserve Capacity MUCCO product will be contingent on Transmission Service Study Results from TBU being received by and being acceptable to ESI in its sole and absolute discretion no later than thirty (30) days prior to commencement of the Delivery Term. Such proposals are intended to displace existing capacity on the Entergy System and thus may require that ESI be allowed to delist such existing capacity and rely on the proposed capacity instead in order to realize any savings. This capacity exchange can only take place if approved by TBU.~~

To the extent that ESI does not Schedule or dispatch energy from the specified generating plant by the required notice period, the Seller would have the ability to sell this energy to other markets or utilize it to serve its own load, subject to Buyer’s rights.

Term Sheet C of Appendix C summarizes the specific requirements for this product, which are generally described herein. The MUCCO Model Contract details specific terms and conditions for these products and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCCO Model

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<sup>7</sup> If the generating resource’s total Capacity is less than 50 MW, but greater or equal to 35 MW, ESI will consider proposals for the resource’s total Capacity.

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Contract. Note that if the specific generating plant becomes unavailable, Seller has the right, but not the obligation, to offer to re-supply energy from another source. Buyer will, in its sole discretion, have the right to accept or reject Seller's offer of re-supply on a case-by-case basis.

#### **1.3.4. Dispatchable Multiple-Year Unit Capacity Purchase Agreement (MUCPA) Product**

The Dispatchable MUCPA product would provide ESI the ability to schedule and dispatch energy from one or more specifically designated generating units on an hour-ahead basis under a Gas Tolling Agreement. This product can be offered for a one (1) or three (3) year delivery period, with delivery beginning June 1, ~~2005~~2006, although ESI may be able to accommodate proposals with a delivery period beginning July 1, ~~2005~~2006 if Bidder has prior commitments or other extenuating circumstances, and such commitments or circumstances are described in the "Special Considerations" section of such proposal. For this particular product which is designed to be a resource fully under the scheduling and dispatch control of ESI (as set forth in the applicable Model Contract), ESI is seeking proposals that offer the full capacity of a single train combined-cycle generating unit (e.g., one entire 2x1 train for a standard CCGT unit totaling approximately 450 MW to 650 MW, or one entire 1x1 CCGT train totaling approximately 250 MW to 400 MW). ~~Bidder~~Bidders may provide proposals for all of the Capacity of a specified generating plant, as well as any other Capacity amount they deem appropriate, provided that the Bidder has the ability to segregate the fuel supplies and associated metering, including electrical.

Offers for this product must include a proposed Option Premium (expressed in \$/kW year) to be specified by Bidder. Other terms for this product include the following pre-established elements, which are not subject to modification by the Bidder: a variable O&M payment of \$1.00/MWh and Fixed Start-Up Payments of \$50.00 per MW per Start. Energy pricing will be based on the unit's actual heat rate curve, to be provided by Bidder in the proposal and guaranteed by Bidder within 2%. In addition, Bidders should include costs of any Third-Party Transmission Services in their proposed Option Premium. Bidders are responsible for all transmission service costs to deliver energy to the Delivery Point; all other transmission service costs will be borne by the Buyer.

Term Sheet D of Appendix C summarizes the specific requirements for offers for this product. The MUCPA Model Contract details specific terms and conditions for these products and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the MUCPA Model Contract.

#### **1.3.5. "Into Entergy" Liquidated Damages (LD) Products**

This product would provide ESI firm Capacity and energy delivered into the Entergy System with liquidated damages. This product can be offered for a one (1) or three (3) year delivery period, with delivery beginning June 1, 2005. ESI will accept proposals offering Capacity Quantities ranging from 50 to 200 MW, as specified by Bidder. Proposals for this product are not expected to be unit-contingent offers.

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Bidders have the option to propose one of three alternative time periods for their LD Product Offers:

- (a) **a 5x16 “Into Entergy” LD Product:** Proposals for this product are based on a Fixed Guaranteed Heat Rate, specified by Bidder in Btu/kWh; or
- (b) **a 7x16 “Into Entergy” LD Product:** Proposals for this product are based on a Fixed Guaranteed Heat Rate, specified by Bidder in Btu/kWh; or
- (c) **a 7x8 “Into Entergy” LD Product:** Proposals for this product are based on a Fixed Energy Price, specified by Bidder in \$/MWh.

Term Sheet E of Appendix C summarizes the specific requirements for these products, which are generally described herein. The WSPP Model Contract details specific terms and conditions for these products and, as part of its proposal, the Bidder must offer to enter into a Definitive Agreement on substantially the terms and conditions set forth in the WSPP Model Contract.

#### **1.4. New Supply from New Construction Self-Supply/Self-Build Options of the Entergy Operating Companies**

As stated in past RFPs, in order to manage its risks relating to longer-term supply availability and cost for supply resources, ESI intends to develop and maintain self-build and/or self-supply options to provide supply resources to the Entergy System. While not proposing such self-build or self-supply options in this Fall 2004 RFP, ESI plans to continue to take steps to preserve the potential that these supply options can be implemented, if needed, as an alternative to power purchases or the acquisition of existing merchant facilities. These supply options could include the construction of new generation and/or the construction of transmission facilities in conjunction with, and in order to facilitate, access to additional generation resources located outside constrained regions.

**However, as stated above, ESI is not identifying or proposing any self-supply or self-build options in this Fall 2004 RFP.**

ESI does not consider future self-supply or self-build options to be viable alternatives to any products solicited in this RFP. Thus, proposals submitted in response to this Fall 2004 RFP will not be evaluated against any self-build or self-supply options.

#### **1.5. Model Contracts**

ESI is posting Model Contracts for the MUCCO, MUCPA and LD ~~products~~Products on the RFP Website concurrent with the posting of this Fall 2004 RFP. Bidders are required to confirm in their proposals that, if selected, they will enter into a Definitive Agreement for the proposed MUCCO, MUCPA or LD Product on substantially the terms and conditions specified

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in these Model Contracts with no material changes thereto. **Bidders should be aware that ESI will not negotiate any material terms unless (a) a resource is otherwise attractive but not physically capable of meeting a requirement specified in the applicable Model Contract and (b) the Bidder has explained the fact of and basis for this situation in the Special Considerations section of its proposal. Bidders are responsible for reviewing all terms and conditions specified in the Model Contracts and taking these terms and conditions into consideration in developing their proposal(s).**

## **2. RFP SOLICITATION AND PROPOSAL SUBMISSION PROCESS**

This Fall 2004 RFP will use a multi-phase process consisting of: (1) Solicitation; (2) Electronic Bidder Registration; (3) Electronic Proposal Submission; (4) Proposal Receipt and Screening; (5) Review and Evaluation; and (6) Notification and Contract Negotiations.

Phases 1, 2, 3 and 4 will be processed electronically via the RFP Website and electronic mail. Bidders should note that ESI will only accept electronic proposal submissions, similar to the format that was developed and utilized during ESI's Fall 2003 RFP. The electronic submission process has been implemented to automate submission, reception, and processing of Bidder proposals, to help streamline ESI's RFP process; and to support ESI's efforts to protect the confidentiality of proposal information and ensure that all proposals are consistently, accurately and thoroughly evaluated by ESI.

This RFP and all appendices and forms will be available on the RFP Website. As further described in Appendix D, Bidders will be able to download the required forms, and complete the forms in Microsoft Word format. Bidders must submit properly completed forms via electronic mail to the RFP Submission Email Address by the specified deadline. Phase 5 (Review and Evaluation) is detailed in ~~Appendix~~**Appendices E-1, E-2, and E-3** and Phase 6 (Notification and Contract Negotiations) is discussed in Section 5 of this RFP. The Fall 2004 RFP schedule is presented below.

### **2.1. Schedule**

#### **Phase 1 — Solicitation**

Draft RFP and Model Contracts issued	<del>On or about</del> October 22, 2004
LPSC Technical Conference	November 15, 2004
Bidders' Conference	November 16, 2004
Final RFP issued	On or about <del>January 5</del> <b>February 22,</b> 2005

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## Phase 2 — Bidder Registration

Bidder Registration Process begins	<del>January 10</del> February 28, 2005, 8:00 a.m. <del>CST</del> CPT
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Bidder Registration Process completed	<del>January 1</del> March 4, 2005, 6:00 p.m. <del>CST</del> CPT
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## Phase 3 — Electronic Proposal Submission

Proposal Submission Process begins	<del>January 1</del> March 7, 2005, 8:00 a.m. <del>CST</del> CPT
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Deadline for electronic submission of proposals	<del>January 20</del> March 11, 2005, <del>6</del> 5:00 p.m. <del>CST</del> CPT
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## Phase 4 — Proposal Receipt and Screening for Conformance

Proposals received and proposal data reports for Proposal Evaluation Team members are reviewed by the Independent Monitor. Proposal data reports subsequently forwarded to Proposal Evaluation Team members.	On or about <del>January 21</del> March 11, 2005
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## Phase 5 — Review and Evaluation Process

Evaluation of proposals begins	As early as <del>January 20</del> March 11, 2005, but not prior to completion of the process for reviewing and segregating proposals.
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## Phase 6 — Notification and Contract Negotiations

### LD Proposals

Bidders notified of their inclusion on the primary award list	On or about <del>January 28</del> March 14, 2005
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Execute and deliver Definitive Agreement(s)	<del>On or about February 4, 2005</del> No later than March 18, 2005
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### MUCCO and MUCPA Proposals

Bidders notified of their inclusion on either the primary award list or the secondary award shortlist or notified of the rejection of their proposal(s)	On or about <del>February 25</del> April 12, 2005
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Initiate contract negotiation(s) with Bidders on primary award list and additional due diligence, as appropriate	On or about <del>February 28</del> April 13, 2005
Notify secondary award shortlist Bidders of ESI's intent to proceed with negotiations	On or before <del>March 25</del> May 16, 2005
Execute and deliver Definitive Agreement(s)	On or about <del>April 15</del> July 1, 2005

ESI will require that all proposals are the Bidder's ***best and final offer***. ESI does not intend to contact any Bidder to clarify its proposals, although ESI reserves the right to do so in accordance with Section 2.5. In addition, no proposals may be modified and each proposal must be signed by an officer (or similarly situated representative) of the Bidder who is authorized to sign and submit the proposal. If a Bidder wishes to submit a proposal contingent on a prior sale or commitment (for example, another company's request for proposals), the Bidder may do so provided that it indicates such conditions and reasons in the "Special Considerations" section of its electronic proposal submission form.

## **2.2. Cancellation, Modification or Withdrawal of the RFP**

ESI reserves the right to cancel, modify or withdraw this RFP and to revise the schedule specified above in order to meet its objectives after appropriate consultation with the IM and staffs of appropriate state and local regulators. ESI will endeavor to notify all participants who have completed a Bidder Registration Form of any such cancellations, modifications or schedule changes that are made prior to the applicable due date for final proposals. However, ESI will have no responsibility for failing to do so.

## **2.3. Bidders' Conference**

ESI will host one Bidders' Conference with all interested parties for purposes of clarifying issues relating to the RFP. ESI personnel will be available at this Bidders' Conference to answer specific questions about the Bidder registration process, electronic proposal submission process, evaluation process, technical issues, product terms and conditions or Model Contract provisions and to respond to other pertinent information requests. All questions regarding the RFP, whether they arise before, during or after this conference, must be submitted in writing to the RFP Administrator (using the contact information provided in Section 2.5). In order to provide all interested parties with access to information elicited through the submission of questions, ESI intends to provide written responses to all written questions, and to post the questions and answers on the RFP Website. While ESI personnel may orally address written questions submitted during the conference, the written response may contain information that is different from or in addition to information that has been provided orally, and the written response shall be deemed to supersede the oral response. Bidders are encouraged to submit written questions to the RFP Administrator prior to the Bidders' Conference. Please refer to

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Appendix D for detailed information regarding the Bidder registration and proposal submission processes.

### **Bidders' Conference Meeting**

Time: 10:00 a.m. – 3:00 p.m. (CPT)  
Date: Tuesday, November 16, 2004  
Place: Houston Airport Marriott at George Bush Intercontinental  
18700 John F. Kennedy Blvd., Houston, TX

Because ESI plans to provide a detailed overview of the electronic proposal submission process, Bidders are strongly encouraged, but not required, to attend the Bidders' Conference. ESI will post on the RFP Website the materials presented at the Bidders' Conference. Bidders are advised that those materials cannot be expected to provide or explain all of the information that is provided or explained at the Bidders' Conference. Bidders are requested to notify ESI by electronic mail to the RFP Administrator of the names of all of the individuals representing the Bidder who are planning to attend the Bidders' Conference, said notice specifying the company name of the prospective Bidder, as well as names and telephone numbers of all individuals representing the Bidder who are planning to attend the Bidders' Conference, by no later than November 10, 2004.

ESI will accept written feedback from market participants and other interested parties on this draft RFP, provided that such comments are provided to the RFP Administrator by no later than December 10, 2004. ESI encourages comments on the Draft RFP from regulatory agencies, with a goal of obtaining any such comments by no later than December 17, 2004 in order for those comments to be taken into consideration by the time of publication of the Final RFP. ESI has been informed that the Louisiana Public Service Commission will also offer a separate comment process.

#### **2.4. Final Fall 2004 RFP Issuance**

ESI will issue the final Fall 2004 RFP after the completion of the Bidders' Conference and upon consideration of written feedback received in a timely fashion from the various market participants, regulatory agencies and other interested parties. The final Fall 2004 RFP will reflect any changes that ESI, in its sole discretion, determines will enhance or improve the proposed supply procurement process described herein. ESI will post the final Fall 2004 RFP to the RFP Website on or about ~~January 5~~ February 22, 2005.

#### **2.5. Contacts with ESI and RFP Questions**

Consistent with previous RFPs, ESI has a designated "RFP Administrator." The multi-purpose role of the RFP Administrator is described in Appendix F. Except as described in the

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next section with respect to transmission matters and in Appendix D with respect to the RFP Hotline, all questions and requests and any other inquiries or contact about the RFP should be directed in writing to:

**Ms. Laura Berryman, RFP Administrator**

Entergy Services, Inc., T-PKWD-3A  
10055 Grogans Mill Road  
The Woodlands, TX 77380  
Email: lberryman@entergy.com  
Fax: 281-297-3937

Unsolicited contact or communication between market participants and personnel or employees of ESI or any of the Entergy Operating Companies (other than the RFP Administrator or those employees within Entergy's Transmission Business Unit as described in Section 2.6, below) concerning the Fall 2004 RFP, without the specific, prior consent of the RFP Administrator, is not allowed and may, depending on the circumstances, constitute grounds for disqualification.

All questions regarding the RFP, whether they arise before, during or after the Bidders' Conference, must be submitted in writing to the RFP Administrator. The IM will obtain and review copies of all written communications between ESI and Bidders in advance of ESI's issuance of such communications. Subject to ESI's consideration of confidentiality concerns as described in the next two paragraphs below, ESI intends to post all questions submitted by Bidders, as well as ESI's responses to these questions, on the RFP Website. Such questions, therefore, must be submitted in writing. ESI will not identify the name of the party submitting questions unless such party is a regulatory agency, and such regulatory agency has requested that it be identified. ESI's objective in posting these questions and answers is to ensure that all Bidders have equal access to information that may be potentially relevant to their proposals. Bidders are urged to submit questions as early as possible, in light of the fact that proposals are due by ~~January 20~~ **March 11**, 2005. During the proposal submission period (~~January 4~~ **March 7**, 2005 through ~~January 20~~ **March 11**, 2005), ESI ~~only~~ expects to provide answers ~~only~~ to questions which are specific to an actual proposal submission issue.

ESI does not expect that it will be required to provide information that is confidential to ESI or any of the Entergy Operating Companies in response to Bidder questions. If, however, ESI determines that a Bidder's question calls for an answer that would contain such confidential information, and that the provision of such confidential information is necessary and appropriate in furtherance of its consideration of the Bidder's proposal, then a confidentiality agreement may be posted on the RFP Website pursuant to which the requested information may be submitted. In the event that information confidential to ESI or any of the Entergy Operating Companies is to be provided in response to a Bidder's question, ESI will respond to that question in writing via certified mail to all Bidders who have timely executed and returned confidentiality agreements to ESI.

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Similarly, ESI does not expect any questions Bidders may submit to contain information that the Bidder considers to be confidential. If a Bidder believes that certain information contained in a question the Bidder intends to submit should be treated as confidential, the Bidder is strongly urged, first, to attempt to exclude from the question all of the information the Bidder believes to be confidential, whether by redaction or other means, and then, to submit the question. Alternatively, if the Bidder believes that it is necessary or advisable to submit the question without redacting confidential information, then the Bidder should, without providing any confidential information, notify ESI in writing of the purpose of the question and the nature of the confidential information contained therein, such that ESI can make a determination as to whether the Bidder's question requires the disclosure, either by the Bidder or by ESI, of confidential information, or whether such disclosure is unnecessary or can be avoided for purposes of the RFP process. If ESI determines that the disclosure of information confidential to the Bidder is necessary and appropriate in furtherance of its consideration of the Bidder's proposal, ESI may provide an executed confidentiality agreement pursuant to which such question may be submitted, although ESI reserves the right to respond in any manner that ESI determines to be appropriate in the circumstances. In the event that a question containing information that the Bidder considers to be confidential is timely submitted to ESI pursuant to the confidentiality agreement, ESI will send a copy of the question and answer to the Bidder by express mail.

## **2.6. Contacts with Transmission**

The Entergy Operating Companies' transmission system is managed and operated by Entergy's Transmission Business Unit ("TBU"), which is functionally separate from the wholesale merchant functions of ESI and the Entergy Operating Companies, as required by Orders 888 and 889 issued by the FERC. Any inquiries about the Entergy Operating Companies' transmission system must be directed only to Entergy's Transmission Business Unit through the OASIS website <http://oasis.e-terrasolutions.com/OASIS/EES>.

## **2.7. Bidder Registration**

Each Bidder must electronically submit a properly completed Bidder Registration Form by no later than 6:00 p.m. CPT on ~~January 4~~ March 4, 2005 in order to be eligible to participate in the solicitation process. Upon receipt, Bidder Registration Forms will be automatically screened for completeness, and the Bidder will be automatically notified whether the form has been confirmed as received by ESI. All proposals submitted without prior registration will be rejected. See Appendix D for detailed instructions on the Bidder Registration process.

## **2.8. Other Bidder Requirements**

ESI is making every reasonable effort to maximize fair and impartial competition and prevent or avoid collusion by any parties in this RFP process. Proposals determined by ESI, after consultation with the Independent Monitor, to have been made with the intent or effect of creating artificial prices, terms, or conditions will be rejected. ESI expects all Bidders to comply

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with all the terms and conditions and conform to all of the requirements of this RFP in order to be eligible to participate in the solicitation process. The requirements to be eligible to participate include the requirement that each Bidder submit a Bidder Registration Form.

Bidders that are comprised of more than one Person may enter into contribution or indemnity arrangements or agreements among themselves to allocate their respective obligations, but no such agreements or arrangements will affect the rights of ESI or any of the Entergy Operating Companies without the prior express written agreement of ESI or the affected Entergy Operating Companies. All such contribution, indemnity, allocation, sharing and similar arrangements, agreements and understandings must be fully disclosed to ESI. Any Entergy Operating Company may agree to be affected by such agreements or arrangements only as to itself, and no such agreement shall be effective as to any other Entergy Operating Company or as to ESI.

ESI is not collecting bid fees in this Fall 2004 RFP. Although the Market Based Mechanism Order issued by the LPSC<sup>8</sup> allows the collection of bid fees, ESI has determined that collection of bid fees is not consistent with the types of products being solicited in this Fall 2004 RFP and might discourage robust participation in this Fall 2004 RFP. ESI has advised the LPSC Staff of the decision not to collect bid fees, and Staff has indicated that it has no objections to ESI's decision.

Prior to the completion of the Fall 2004 RFP process, Bidders may not disclose to any other Person (except for those participating in the same proposal, as described above, and staffs of appropriate state and local regulators) their participation in the RFP process (other than by attendance alone at the Bidders' Conference described above or any similar meeting to which more than one participant is invited by ESI, which attendance in and of itself shall not violate this provision of the RFP), and Bidders may not disclose, collaborate on or discuss with any other Person (except for those participating in the same proposal, as described above, and staffs of appropriate state and local regulators) bidding strategies or the substance of proposals, including without limitation, the price or any other terms or conditions of any contemplated, indicative or final proposal. Such disclosure, collaboration or discussion would violate this RFP and the Proposal Submission Agreement.

Unless and until ESI announces or otherwise notifies a Bidder that the RFP process is terminated or concluded, or that its proposal has been rejected, that Bidder will be expected to make available, upon reasonable notice, its duly authorized officers, representatives, and advisers for the purpose of questions, negotiations, and execution and delivery of Definitive Agreements. Bidders will be expected to submit a best and final proposal; provided, however, that ESI's remedy for a Bidder's failure to submit such a proposal will be limited to disqualification of such Bidder from this RFP. Any Bidder who is invited to finalize one or more Definitive Agreements

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<sup>8</sup> General Order, Docket No. R-26172 Subdocket A, *In re: Development of Market-Based Mechanisms to Evaluate Proposals to Construct or Acquire Generating Capacity to Meeting Native Load*, Supplements the September 20, 1983 General Order, dated February 16, 2004.

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will be expected to use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or appropriate to finalize, execute, and deliver such Definitive Agreements as promptly as possible.

## **2.9. Proposal Submission**

In Appendix C, ESI has provided electronic forms that ESI will require Bidders to complete and submit and which will provide the information that ESI needs in order to evaluate proposals. These forms, along with Appendix D, provide detailed proposal submission instructions. The forms, which are provided in Appendix C, are grouped in individual Product Packages that correspond to the particular products requested by this RFP. A Bidder may submit one or more proposals, which may be alternatives to each other.

Proposals will be accepted electronically from Bidders only between 8:00 a.m. CPT on Monday, ~~January 4~~ March 7, 2005 until 6:00 p.m. CPT on ~~Thursday, January 20~~ Friday, March 11, 2005. At the time of their submission, Proposal Submission Forms will be automatically screened for completeness and the Bidder will be notified automatically when the form has been received by ESI, including whether some required fields were incomplete or missing when the form was received.

## **3. PROPOSAL REVIEW AND OVERALL EVALUATION PROCESS**

ESI intends to utilize a multi-step evaluation process, further detailed in Appendices E-1, ~~E-2~~, and E-23 of this document, conducted in a carefully controlled manner, to review proposals and to select the portfolio representing the lowest reasonable cost consistent with ESI's resource planning objectives. The Independent Monitor will oversee the evaluation process to support ESI's efforts to ensure that the process is fair and objective. In addition, the Independent Monitor will review the precautions taken to restrict access to proposal information only to appropriate members of the Proposal Evaluation Team, to preserve confidentiality of information and to ensure an unbiased proposal evaluation process. The process for protection of proposal information is further described in Appendix F.

Upon receipt of the proposals, the Independent Monitor and the RFP Administrator, under the oversight of the Independent Monitor, will thoroughly review and assess each proposal to ensure that it meets (*i.e.*, conforms with) the following **threshold requirements**:

- The Bidder must have properly completed an electronic Bidder Registration Form, which must have been successfully submitted by the Bidder and received electronically by ESI between 8:00 a.m. CPT on ~~January 4~~ February 28, 2005 and 6:00 p.m. CPT on ~~January 4~~ March 4, 2005.
- The Bidder's proposal(s) must be properly completed on the electronic submission forms provided and successfully submitted and confirmed as received by ESI

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between 8:00 a.m. CPT on ~~January 1~~ March 7, 2005 and 65:00 p.m. CPT on ~~January 20~~ March 11, 2005.

- Each proposal submitted by a Bidder must have clear and complete pricing information.
- Each proposal submitted by a Bidder should be signed by an officer (or similarly situated representative) of the Bidder who is duly authorized to sign and submit the proposal.
- Each Bidder must indicate (a) agreement to all material terms in the applicable Model Contract made available to Bidders on the RFP Website and (b) willingness to execute a Definitive Agreement on substantially the terms and conditions of such Model Contract.

Proposals that meet all of these threshold requirements shall move to the proposal evaluation process.

ESI reserves the right to either (1) reject incomplete, non-conforming or unclear proposals from further consideration, or (2) contact Bidders for purposes of clarifying proposal terms or requesting additional information. ESI will consult with the IM regarding any decisions it makes to reject proposals as incomplete, non-conforming or unclear, and in any communications with Bidders. The IM will obtain and review copies of all written communications between ESI and Bidders in advance of ESI's issuance of such communications. ESI expects that clarifications will be the exception and that Bidders will properly complete the electronic proposal submission forms. In the event that ESI believes that it would be appropriate to contact a Bidder to obtain further clarification, the question will be submitted to the RFP Administrator, who will transmit the question in writing to the Bidder. The Bidder will then submit its written response to the RFP Administrator who will consult with the Independent Monitor regarding the redaction of identifying information and thereafter will submit the requested clarification to appropriate members of the Proposal Evaluation Team. When such exchanges of information include confidential information, such exchanges will be conducted in accordance with the procedures described in Appendix F.

#### ~~(i) — DELIVERABILITY EVALUATION PROCESS~~

#### **4. TRANSMISSION SERVICE**

ESI will request network transmission service for the capacity of the awarded unit-contingent proposals after the execution<sup>9</sup> of Definitive Agreements. For one-year Delivery Terms, ESI will submit (a) monthly network transmission requests for each month of the

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<sup>9</sup> Some long-term network transmission requests may be submitted to TBU in anticipation of the execution of a Definitive Agreement.

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Delivery Term for which transmission service can be requested through the AFC submittal process, and (b) a long-term request to obtain service for all remaining months of such Delivery Term. For three-year Delivery Terms, with the exception of the Three-Year Reserve Capacity MUCCO product, ESI will submit (a) monthly network transmission requests for each month of the Delivery Term that transmission service can be requested through the AFC submittal process, (b) a long-term request that encompasses any remaining months of the first year, and (c) a long-term request for the second and third years of the Delivery Term. For the Three-Year Reserve Capacity MUCCO product, ESI will submit only a three-year request for network transmission service.

#### **4.1. Deliverability Evaluation Process**

The objective of ESI's RFP process is to procure resources that meet its evaluation criteria. Those criteria include ensuring that all resources procured through the RFP process have the appropriate level of certainty associated with the ability to have energy from those resources delivered through the transmission system to assure that the expected reliability and/or cost benefits of those resources can be realized. A primary goal of the RFP transmission deliverability evaluation process is to identify and characterize transmission issues that could materially affect the utilization and expected total delivered cost of a resource over the term of its availability to the System. The Deliverability Evaluation will be performed as part of the evaluation of MUCCO and MUCPA products that are selected according to the methodology outlined in Appendix E-1.

The Deliverability Evaluation, as further described in Appendix E-13, will be based upon an analysis that uses the Available Flowgate Capacity ("AFC") methodology. In the Deliverability Evaluation, the Transmission Factor Evaluator (not the Entergy Transmission Business Unit) will identify: 1) any flowgate constraints associated with power delivery from the resource; and 2) any portion of the resource's output and/or the time periods for which transmission constraints may exist. The Deliverability Evaluation will derive an expected value of, or cost for, mitigating identified transmission issues through implementation of delisting of existing resources, short-term transmission management, or portfolio counter-flow purchases, and this expected value or cost will be considered in the evaluation process. ESI's overall economic evaluations and recommendations to the Entergy Operating Committee will reflect the cost implications to the Entergy System of any such least-cost transmission mitigation policies for the resources being recommended for award or shortlist (as described in Section 5).

~~For non-~~With the exception of the Three-Year Reserve Capacity MUCCO and LD Products, ESI will agree to an initial one year Delivery Term for all awarded proposals that result in a Definitive Agreement. The remaining years of the Delivery Term for Definitive Agreements of three years in duration will be contingent on the ~~results of a subsequent Deliverability Evaluation for the second and third years of the Delivery Term, or System Impact Study results~~ receipt from the Entergy Transmission Business Unit ("TBU") of acceptable results of Buyer's transmission service request and associated System Impact Study if required by TBU (the "Transmission Service Study Results"), if received in a timely fashion), ~~to the extent~~

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performed, or on the results of a subsequent Deliverability Evaluation. If the Transmission Service Study Results are not satisfactory to ESI in its sole and absolute discretion, or are not received by ESI within 270 days after the execution of the Definitive Agreement, then ESI will perform a Deliverability Evaluation for the second and third years of the Delivery Term. Such Deliverability Evaluation, to be performed by the Transmission Factor Evaluator, will identify and characterize transmission issues that could affect materially the expected total delivered cost of a resource during the second and third years of the Delivery Term, and will assess whether the costs associated with mitigating potential transmission issues could limit materially ESI's ability to realize the expected reliability and/or cost benefits of the generation resource for those remaining years of the Delivery Term. If the results of neither the new Deliverability Evaluation performed by the RFP Transmission Factor Evaluators ~~or the results of a System Impact Study performed~~ nor the Transmission Service Study Results provided by the TBU and received by ESI, are acceptable to ESI in its sole and absolute discretion, ~~the Definitive Agreement shall continue in effect for the remaining years of the Delivery Term pursuant to the terms and conditions set forth in the Definitive Agreement; however, in the event that the results of the new Delivery Evaluation are not acceptable to ESI in its sole and absolute discretion,~~ then ESI shall notify Seller within 270 days after the execution of a Definitive Agreement whether or not it desires to terminate the Definitive Agreement for the remaining term. Any such decisions by ESI to terminate a Definitive Agreement at this juncture of the Delivery Term will be explained to and reviewed with staffs of interested state and local regulators. If no notice to terminate is given to the Seller, the Definitive Agreement shall continue in effect for the remaining years of the Delivery Term pursuant to the terms and conditions set forth in the Definitive Agreement. These conditions are further defined in the applicable Model Contracts. Bidders should take this into account when developing their proposals.

Definitive Agreements for the Three-Year Reserve Capacity MUCCO product will be contingent on Transmission Service Study Results from TBU being received by and being acceptable to ESI in its sole and absolute discretion no later than thirty (30) days prior to commencement of the Delivery Term. Such proposals are intended to displace existing capacity on the Entergy System; and thus may require that ESI be allowed to delist such existing capacity and rely on the proposed capacity instead in order to realize any savings. This capacity exchange can only take place if approved by TBU.

LD Products will not be affected by any Deliverability Evaluations, and thus no studies will be requested or performed, and there will be no related contingencies in the Definitive Agreement.

## **5. NOTIFICATION OF EVALUATION RESULTS AND NEGOTIATIONS**

ESI intends to select a mix of proposals for further consideration. Pursuant to the schedule presented in Section 2.1 above, ESI will contact each Bidder to notify it of the status of its proposal and whether additional discussions or negotiations are warranted.

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The Independent Monitor will monitor all negotiations relating to awarded or shortlisted proposals, and may participate in such negotiations as is deemed by the Independent Monitor to be necessary.

Placement of a proposal on an award list or a shortlist does not indicate acceptance by ESI of any proposed contract terms. ESI shall not be bound to any obligations unless and until a Definitive Agreement is executed between the parties.

ESI intends to segregate proposal awards into three categories:

- a) Primary award list proposals – Each Bidder selected for the primary award list will be advised that its proposal has been selected based on its benefit to the Entergy System, and that ESI intends to begin discussions and negotiations immediately to procure the resources offered by that proposal. ESI will be prepared to contract for all of the proposals on the primary award list subject to successful negotiation of Definitive Agreements by the parties, consistent with the offered terms of the proposals.
- b) Secondary award shortlist proposals – Bidders included in the secondary award shortlist will be advised that should ESI be unable to reach agreement with the Bidders included in the primary award list, ESI may contact Bidders included in the secondary award shortlist to begin discussions and negotiations. When notified of inclusion on the secondary award shortlist on or about ~~February 25~~ April 12, 2005, Bidders will have the option of agreeing (in writing) to keep their pricing and all other terms and conditions of their original proposals open until ~~April 15~~ July 1, 2005. Bidders who decline to do so will be removed from the secondary award shortlist. Bidders who agree will be notified on or before ~~March 25~~ May 16, 2005, as to whether ESI intends to proceed with negotiations. (Note: There will be no secondary award shortlist for proposals for LD ~~products~~ Products.)
- c) Proposals which have not been selected for further consideration due to proposal economics. Bidders with proposals in this category will be advised on or about ~~January 28~~ March 14, 2005 for LD proposals, and on or about ~~February 25~~ April 12, 2005 for MUCCO and MUCPA proposals.

## **6. REGULATORY APPROVALS, AND OTHER PERMITS, LICENSES, AND/OR APPROVALS**

Certain of the Capacity and/or energy resources selected as a result of this RFP process may require certification or other approval from the retail regulators of one or more of the Entergy Operating Companies, or may require authorization from the FERC under applicable law or regulations. Thus, the Definitive Agreement(s) with the selected Bidder(s) may be conditioned on, or provide a termination right with respect to the failure to obtain, any such Regulatory Approvals. Bidders should refer to applicable Product Packages and, for certain products, the Model Contracts for specific provisions regarding Regulatory Approvals. Bidders

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will be responsible for having or obtaining all necessary permits, licenses, and/or approvals associated with their proposals, other than any necessary Regulatory Approvals involving regulatory jurisdiction over ESI or the Entergy Operating Companies.

## **7. RESERVATION OF RIGHTS**

A Bidder's proposal will be deemed accepted only when a Definitive Agreement has been executed and delivered by ESI (on behalf of one or more of the Entergy Operating Companies) or by any of the Entergy Operating Companies and by the chosen Bidder. Although ESI intends to enter into Transactions for resources that offer sufficiently attractive economic and/or reliability benefits to the Entergy System, ESI has no obligation to accept any proposal, whether or not the stated price in such proposal is the lowest price offered in the RFP process, and may reject any proposal, in its sole discretion, for any reason.

By participating in the RFP process, each Bidder agrees that (a) except to the extent of any representations and warranties contained in a Definitive Agreement, any and all information furnished by or on behalf of ESI or any of the Entergy Operating Companies in connection with this RFP is being or will be provided without any representation or warranty, express or implied, as to the accuracy or completeness of such information, and (b) except as otherwise provided in a Definitive Agreement, neither ESI, any Operating Company, nor any of their representatives shall have any liability to any Bidder or its representatives relating to or arising from the use of or reliance upon any such information or any errors or omissions therein.

This RFP does not commit ESI or any Operating Company to pay any costs incurred by the Bidder in the preparation of a proposal in response to this RFP, or to procure or contract for any products or services. ESI reserves the right to modify or withdraw this RFP, to negotiate with any or all qualified Bidders to resolve technical or contractual specifications, or to reject any or all responses and to terminate negotiations at any time. ESI, the Entergy Operating Companies and their advisors may, and expressly reserve the right to, at any time and from time to time, without prior notice and without assigning any reason therefor:

- cancel, modify or withdraw this RFP, reject any and all responses, and terminate negotiations at any time during the RFP process;
- discuss with any Bidder and its advisors the terms of any proposal submitted by the Bidder and obtain clarification from any Bidder and its advisors concerning the proposal (this will be done under the supervision of the IM if done prior to issuance of the primary award list);
- consider all proposals to be the property of ESI, subject to the provisions of this RFP relating to confidentiality, and subject to any confidentiality agreement that may be executed in connection with the RFP process, and destroy or archive any information or materials provided in the proposal submission (currently, ESI intends to retain all

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proposal information until all related regulatory approval processes have been completed);

- request from any or all Bidders information that is not explicitly detailed in this RFP but which is necessary for evaluation of the proposal;
- determine which proposals to accept, favor, pursue or reject;
- evaluate and consider opportunities to acquire resources from parties who are not Entergy Competitive Affiliates, as such opportunities arise and which are compelling in terms of economic benefit to its rate payers, with the understanding that any decision to commit to these resources would be fully subject to any applicable review and approval by the appropriate regulatory bodies;
- reject any proposals that are not complete or contain irregularities, or waive irregularities in any proposal that is submitted;
- elect to not accept proposals that provide the lowest cost based on the criteria and analyses described in this RFP and Appendix E, if a proposal review identifies issues detrimental to the Entergy System not specifically identified in the criteria and analyses described and after discussion of these circumstances with the IM;
- determine which Bidders to allow to participate in the RFP process, including disqualifying a Bidder due to a change in the qualifications of the Bidder or in the event that ESI determines or believes that the Bidder has failed to conform with the requirements of this RFP;
- after consultation with staffs of appropriate state and local regulators and the IM, invite further submissions of proposals from all eligible RFP participants;
- conduct negotiations with any or all Bidders or other Persons; or
- sign one or more Definitive Agreements with any Bidder who submits a proposal or with any other Person or with no one.

If at any time ESI determines that there is a defect in the RFP process or a deviation from the requirements of this RFP, or that collusive or fraudulent bidding has occurred or appears to have occurred, ESI may suspend the RFP process in whole or in part as to any Bidder or Bidders.

Under all circumstances, each Bidder is responsible for all costs and expenses it incurs in connection with the RFP process. Under no circumstances, including ESI's termination of the RFP process at any time, will ESI or any of the Entergy Operating Companies be responsible for any costs or expenses of any Bidder incurred in connection with the RFP process.

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