

# **January 2009 Western Region RFP**

## **ESI's Bidders' Teleconference**

**ENTERGY SERVICES, INC.**

**February 18, 2009**

This presentation summarizes certain matters related to ESI's January 2009 Western Region Request for Proposals for Long-Term Supply-Side Resources (as it may be amended or modified, the "January 2009 Western Region RFP").

## Agenda Items

---

- **Introductions**
  
- **Overview of January 2009 Western Region RFP**
  - Framework for the RFP
  - Independent Monitor and Process Safeguards
  - Resource Eligibility
  - Product Solicitation Overview
  - Special Considerations for CCGT Developmental Resources
  - Bidder Registration and Proposal Submission Processes
  - Representative RFP Schedule
  
- **Proposal Review and Overall Evaluation Process**
  - Economic Evaluation
  - Deliverability Evaluation
  - Viability Assessment
  - Credit/Collateral Requirements
  
- **Q&A Session\***
  - Questions related to the RFP for ESI RFP personnel
  - Questions related to Transmission for Entergy's Independent Coordinator of Transmission

*\* ESI requests that all questions be submitted in writing to the RFP Administrator so as to allow ESI the ability to provide written responses which will be made accessible to all persons via the RFP website. ESI will respond orally to questions during the Q&A Session today. However, to the extent that ESI also provides a written response to the same question, the written response will be deemed to supersede any information provided orally during this teleconference.*

## Introductions

---

- **ESI**
  - Patrick Cicio                      Director, Supply Procurement & Asset Management
  - Charles DeGeorge                Manager, Supply Planning & Analysis
  - Lee Kellough                      Manager, Asset Management & Planning
  - Andrew O'Brien                 Manager, Supply Procurement
  - Seth Cureington                 Wholesale Executive, Supply Procurement
  - Bob Cooper                        Director, Credit Risk
  - Antonette Harvey                RFP Administrator
  
- **Independent Monitor**
  - Elizabeth Benson                 Energy Associates
  
- **Entergy's Independent Coordinator of Transmission**
  - Jody Holland                      Southwest Power Pool
  
- **Ampirical Solutions, LLC**
  - Mark Stephens

# Overview of January 2009 Western Region RFP

## *Framework for the RFP*

## January 2009 Western Region RFP – Framework for the RFP

---

- The January 2009 Western Region RFP has been issued on behalf of Entergy Texas, Inc. (“ETI”) as the sole participating Entergy Operating Company
- ESI is soliciting proposals from Bidders for up to 550 MW of capacity provided by new or existing load-following combined-cycle gas turbine (“CCGT”) generation resources that meet the terms and conditions of the applicable product package term sheet located in Appendix C
- No Bidder will be excluded or prohibited from participating in this RFP on the basis of credit
- **Eligible RFP Participants**
  - Electric Utilities
  - Marketers
  - Wholesale Generators
  - Independent Power Producers
  - Qualifying Facilities
- **Entergy Competitive Affiliates are not allowed to participate in this RFP**
- **ESI will evaluate a proposal for a self-build option in this RFP**
  - Additional detail on the self-build option is located in section 1.3.3 of the main RFP document
- **Until March 27, 2009, questions regarding this RFP may be addressed to the RFP Administrator at: [ESIRFP@entergy.com](mailto:ESIRFP@entergy.com)**
  - A hyperlink to the RFP Administrator’s email address is available on the RFP Website
- **Additional detail on the RFP can be found in the main body and appendices to the RFP located on ESI’s RFP website: <https://emo-web.no.entergy.com/ENTRFP/index.htm>**

# **Independent Monitor and RFP Process Safeguards**

## Role of Independent Monitor

---

- **ESI has retained Elizabeth Benson of Energy Associates to act as Independent Monitor to assist in the development of the RFP solicitation, evaluation and selection process in support of ESI's efforts to ensure that the RFP and its evaluation process will be objective and impartial**
- **The Independent Monitor has monitored the design of the RFP, and will also monitor the conduct of the solicitation, evaluation, selection and contract negotiation processes to provide an objective third-party perspective in support of ESI's efforts to ensure that all proposals are treated in a consistent fashion and that no undue preference is provided to any Bidder, including to the self-build option**
- **The specific role of the IM retained for the Western Region RFP is described in the Scope of Work Activities of the Independent Monitor, which is posted on the RFP Website**



## RFP Process Safeguards

---

- **Code of Conduct**
  - All employees of ESI, any Entergy Operating Company, or any Entergy Competitive Affiliate, must adhere to the appropriate Affiliate Rules and Codes of Conduct as applicable and further outlined in the RFP
  - Link provided on ESI RFP Website
  
- **Additional protocols**
  - Each RFP Proposal Evaluation Team is made up of designated personnel. Team composition is overseen by the IM
  - ESI personnel involved with the January 2009 Western Region RFP evaluation process will adhere to the provisions of a confidentiality acknowledgement that governs access to and uses of information contained in proposals and proposal documents
  - The Self-Build Commercial Team is segregated from the RFP proposal evaluation process and is governed by a confidentiality acknowledgement that strictly limits communication with and access to the RFP Proposal Evaluation Team
  
- **RFP Process Design and Implementation**
  - The RFP process has been designed to assure fair and impartial treatment of all Bidders
  - Bidder identification is masked and proposal information is redacted to remove any information that might identify the Bidder

## ***Resource Eligibility***

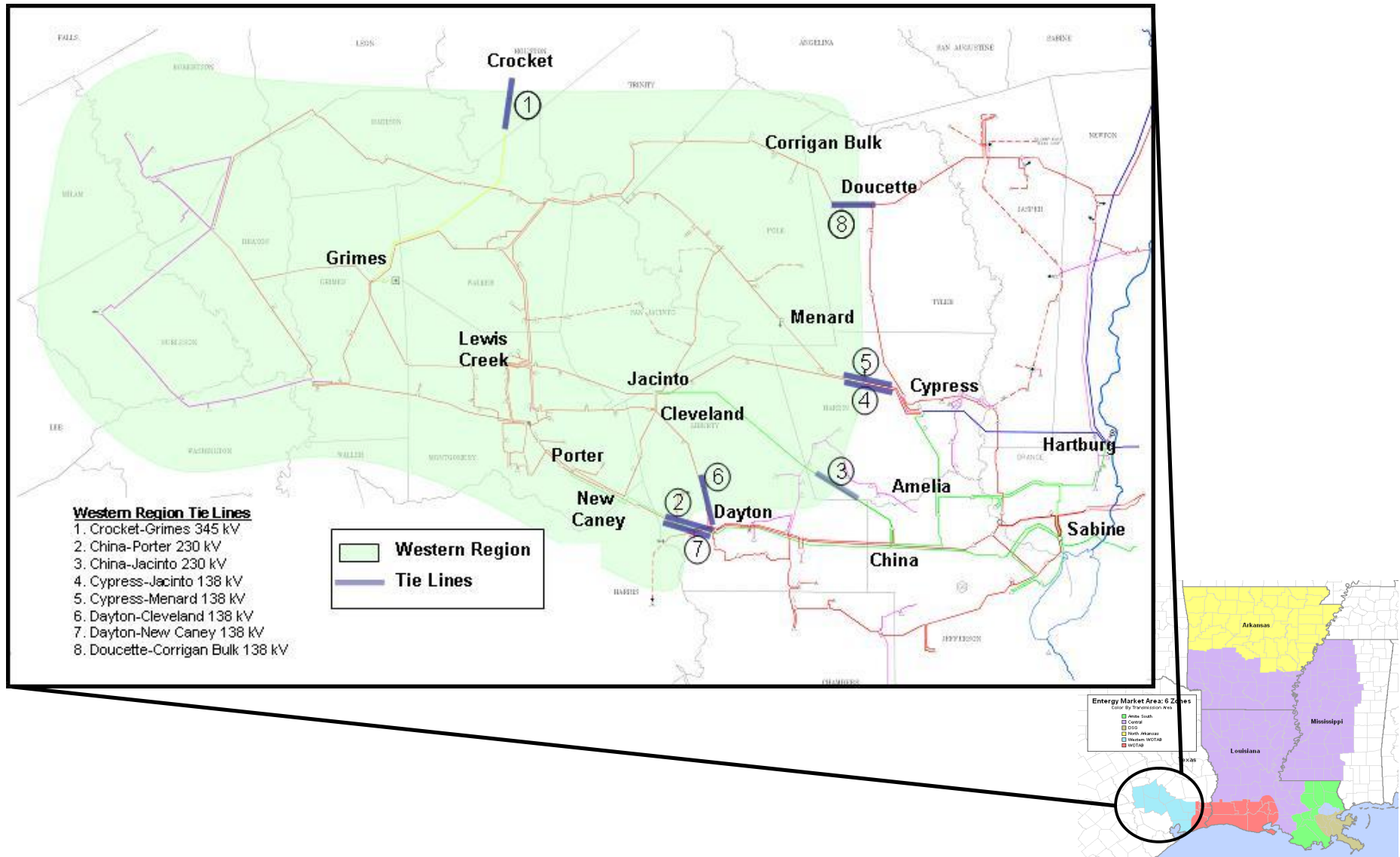
## January 2009 Western Region RFP – Resource Eligibility *Summary of the Western Region*

---

- For resource planning purposes, the “Western Region” is the westernmost part of the Entergy System and is also the westernmost part of ETI’s service territory (generally west of the Trinity River)
- The Western Region has experienced above-average load growth and is expected to continue to grow
- Existing in-region resources are limited, and therefore additional long-term supply resources located in the Western Region are needed to meet reliability targets
- Therefore, ESI will require that eligible resources be located in the Western Region of the Entergy System as illustrated below
- ESI’s requirement that eligible resources be located within the Western Region is driven by the following objectives:
  - Maintain reliability for serving Western Region load
  - Improve economics for serving Western Region load
  - Reduce dependence on existing generation within the Western Region
  - Reduce dependence on transmission import needed to serve Western Region load

# January 2009 Western Region RFP – Resource Eligibility

-- Must be located in the Western Region of the Entergy System



## ***Product Solicitation Overview***

## January 2009 Western Region RFP – Product Solicitation Overview

---

- **ESI is soliciting the following unit contingent products in this RFP:**
  - Long-Term Tolling PPA – Load-Following CCGT (*Product Package A*)
    - » ESI prefers a minimum delivery term of 20 years up to life-of-unit, however, proposals with a shorter delivery term will not be rejected as non-conforming
  - Ownership Acquisition – Load-Following CCGT (*Product Package B*)
  
- **For developmental resources, the proposed generating unit must be able to support a target start date of no later than June 1, 2014**
  
- **ESI prefers resources with greater operational flexibility, however, resources that offer less flexibility will be considered**
  - A load-following resource should:
    - » have scheduling or operational flexibility to respond to changing load requirements;
    - » be capable of cycling (i.e., start-up and shut-down) on a day-ahead and intra-day basis;
    - » be able to operate across a range of utilization and output levels; and
    - » at the direction of the System Dispatcher, dispatch between the unit minimum and maximum in a timely manner based on short notice changes, including hourly swings, start-ups and shutdowns.
  - The ability of a unit to be placed on Automatic Generation Control (“AGC”) is considered to contribute to the load-following capability of the resource, although AGC is not required.
  - In addition, the resource must have available to it sufficient fuel supply arrangements in order to meet the dispatch requirements of a load-following resource.

# January 2009 Western Region RFP – Product Solicitation Overview Long-Term Tolling PPA – Load-Following CCGT (Product Package A)\*



<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>- Proposals for existing or developmental resources will have a Delivery Term Start Date no later than June 1, 2014</li> <li>- Proposals with an earlier start date will be considered</li> </ul>
<b>Key Product Terms</b>	<ul style="list-style-type: none"> <li>- Unit contingent capacity, energy, and Other Associated Electric Products</li> <li>- Dispatchable on a day-ahead and intra-day basis with no minimum annual energy dispatch requirements</li> <li>- No more than 8 hour min run time if dispatched; max of 1 start per CT per day; 4 hour max between shutdown/start-up</li> <li>- CCGT technology with Heat Rate Guarantee (+/- 3% bandwidth)</li> <li>- Availability Requirement is 98% in Summer (Jun-Aug) and Winter (Dec-Feb); 95% for balance of calendar year</li> <li>- 2% Capacity Payment discount for 1% availability shortfall</li> <li>- 85% Rolling 12-month Availability Requirement with Buyer termination right</li> <li>- Equivalent Planned Maintenance and Force Majeure Hours capped according to Delivery Term</li> <li>- Revenue quality fuel and electric meters required for partial unit tolls</li> <li>- Seller does not have ability to offer replacement energy</li> <li>- Pre-commercial credit support will be required and will be tied to completion of major project milestones</li> </ul>
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>- ESI encourages Bidders to offer a Capacity Quantity between 100 and 550 MW.</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>- Option Premium proposed by Seller (\$/kW-year)                             <ul style="list-style-type: none"> <li>(i) Base Option Premium w/Escalator (PPI/CPI); <b>or</b></li> <li>(ii) Option Premium defined annually</li> </ul> </li> <li>- Variable O&amp;M proposed by Seller (\$/MWh)                             <ul style="list-style-type: none"> <li>(i) Annual escalation option (PPI/CPI)</li> </ul> </li> <li>- Fixed Start-up Payment proposed by Seller (\$ per CT per Start)                             <ul style="list-style-type: none"> <li>(i) Will not change based on Hot or Cold Start; <b>and</b></li> <li>(ii) Annual escalation option (PPI/CPI)</li> </ul> </li> <li>- <b>For developmental resources, Bidders are instructed to exclude from their proposal pricing any cost estimates associated with interconnecting with the Entergy System</b></li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>- Buyer provides fuel (ESI will consider proposals for Seller to provide the fuel)</li> </ul>

\*Bidders are encouraged to carefully review the respective term sheet found in Appendix C of the RFP

# January 2009 Western Region RFP – Product Solicitation Overview Ownership Acquisition – Load-Following CCGT (Product Package B)\*



<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>- Bidders' proposals should support a target Commercial Operation Date no later than June 1, 2014</li> <li>- Proposals with an earlier start date will be considered</li> </ul>
<b>Key Product Terms</b>	<ul style="list-style-type: none"> <li>- Buyer seeking outright acquisition of a new or existing combined-cycle gas turbine (CCGT) generating unit</li> <li>- Key asset attributes include AGC, high turn-down ratio, flexible fuel supply, and locational benefit</li> <li>- Pre-commercial credit support will be required and will be tied to completion of major project milestones</li> </ul>
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>- Entire 2x1 CCGT train totaling approximately 450 to 650 MW; or</li> <li>- Entire 1x1 CCGT train totaling approximately 250 to 400 MW</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>- Pricing must be based on a single fixed payment</li> <li>- <b><i>For developmental resources, Bidders are instructed to exclude from their proposal pricing any cost estimates associated with interconnecting with the Entergy System</i></b></li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>- Resources with sufficient fuel supply flexibility are sought</li> </ul>

\*Bidders are encouraged to carefully review the respective term sheet found in Appendix C of the RFP



## January 2009 Western Region RFP – Product Solicitation Overview *Additional Key Considerations*

---

- **Regulatory Approvals**
  - All Definitive Agreements will be conditioned upon the fulfillment or waiver by ESI of applicable conditions precedent including:
    - approval of full recovery - through base rates, the fuel adjustment charge, and/or other mechanism - of all costs associated with the Definitive Agreement; and
    - other approvals - including a determination by the PUCT that ETI will remain a vertically integrated electric utility in the Eastern Interconnect - that ESI, in its own discretion, requires.
  
- **Contract Terms and Conditions**
  - ESI does not intend to post Model Contracts
  - ESI intends to utilize the Term Sheets provided in Appendix C as the basis for negotiation
  - The Term Sheets are expected to serve as the basis for final contract negotiations and execution without any material changes
  - Bidders should take the terms and conditions specified in the applicable Term Sheet into consideration in the pricing of their proposals
  - ESI does not expect to negotiate any of these key terms and requirements for the products *unless*
    - An otherwise economic resource is physically unable to meet, or is prevented by substantial and material circumstances from meeting, a requirement specified in the applicable Term Sheet; *and*
    - The Bidder has explained the fact of and basis for this situation in the Special Considerations section of its proposal.

## ***Special Considerations for Developmental Resources***

## January 2009 Western Region RFP – Special Considerations for CCGT Developmental Resources

---

- Bidders should be aware that, for CCGT developmental resources, ESI will require that certain criteria and/or standards be met as more thoroughly described herein and in the applicable product package term sheet located in Appendix C.
  
- **Transmission Considerations**
  - The Bidder/Seller assumes all risks with regard to transmission interconnection with the Entergy System, including but not limited to, the cost of interconnection, the treatment of any associated transmission service credits, and any charges associated with reliability requirements
  - For resources not currently interconnected with the Entergy System, ESI requests that Bidders *exclude* from their proposal pricing any estimates of the cost to interconnect with the Entergy System
    - To the extent a Bidder/Seller has already been provided an estimate of interconnection costs by Entergy's Independent Coordinator of Transmission ("ICT"), ESI encourages Bidders to exclude those costs from their proposal pricing, and instead submit that information as a special consideration to the proposal
  - **To be eligible to participate in the RFP**, Bidders who intend to submit a proposal(s) originating from a CCGT developmental resource not currently interconnected with the Entergy System must complete all of the following by April 16, 2009 (deadline for proposal submission):
    - Initiate the Large Generator Interconnection Procedures ("LGIP") by submitting an interconnection application to the ICT
    - Receive confirmation of a valid interconnection request from the ICT
    - Provide the RFP Administrator with the completed LGIP package as part of the response to Appendix H to the RFP
  - All generating resources are responsible for complying with Entergy's Open Access Transmission Tariff ("OATT") administered pursuant to FERC Order No. 2003-A's Standard Large Generator Interconnection Agreement and Standard Large Generator Interconnection Procedures
  - ***The transmission related information used in the RFP evaluation is not considered a substitute for the information received from the ICT utilizing the FERC approved procedures***
  - ***The transmission related information provided to ESI will be used for evaluation purposes only and cannot be used to confirm transmission service or grant an interconnection request***

## January 2009 Western Region RFP – Special Considerations for CCGT Developmental Resources

---

- **Operational and Performance Considerations**
  - The Entergy System requires generating units to provide a range of operational functions and “flexible capacity” to maintain the operational flexibility needed to meet the ever-changing demands of the Entergy System, as more thoroughly described in slide 14 above and in section 1.5.2 of the main RFP document
  - Fuel supply is a critical component of a resource’s ability to provide flexible capability, which will require ESI to seek clarification on a number of fuel supply and transportation related criteria, including, but not limited to:
    - » planned and/or existing pipeline interconnections;
    - » type and sources of supply as well as points of receipt;
    - » type of service (e.g. firm, interruptible, ratable, instantaneous);
    - » ability/obligation of interconnected pipelines to provide adequate pipeline pressure to serve the generating unit(s) over the full operational output range;
    - » pipeline market zone applicable for the delivery point into the generating facility;
    - » information regarding existing/planned supply and/or transportation agreements currently in place;
    - » number of pipes to be directly connected to the facility; and
    - » plans for dual or alternative fuel capability.
  
- **The operational and performance-related criteria described above are key components of a resource’s ability to meet the requirements for products solicited in this RFP and will therefore be part of the quantitative and qualitative evaluation of proposals submitted in response to this RFP**
  
- **Treatment of Development Risk in the Evaluation Process**
  - ESI recognizes that the status of developmental resources submitted in response to the RFP are likely to differ, and, as a result, the precision of proposed pricing parameters will also likely vary.
  - During the evaluation process, the RFP Evaluation Team will consider how much of this price and cost uncertainty will be borne by ESI versus the Bidder/Seller based on the details of the respective proposal under consideration. Although greater precision in costs and other characteristics is preferred, uncertainty on these factors will not necessarily disqualify a proposal from further consideration.

## ***Bidder Registration & Proposal Submission Processes***

## January 2009 Western Region RFP – Bidder Registration & Proposal Submission

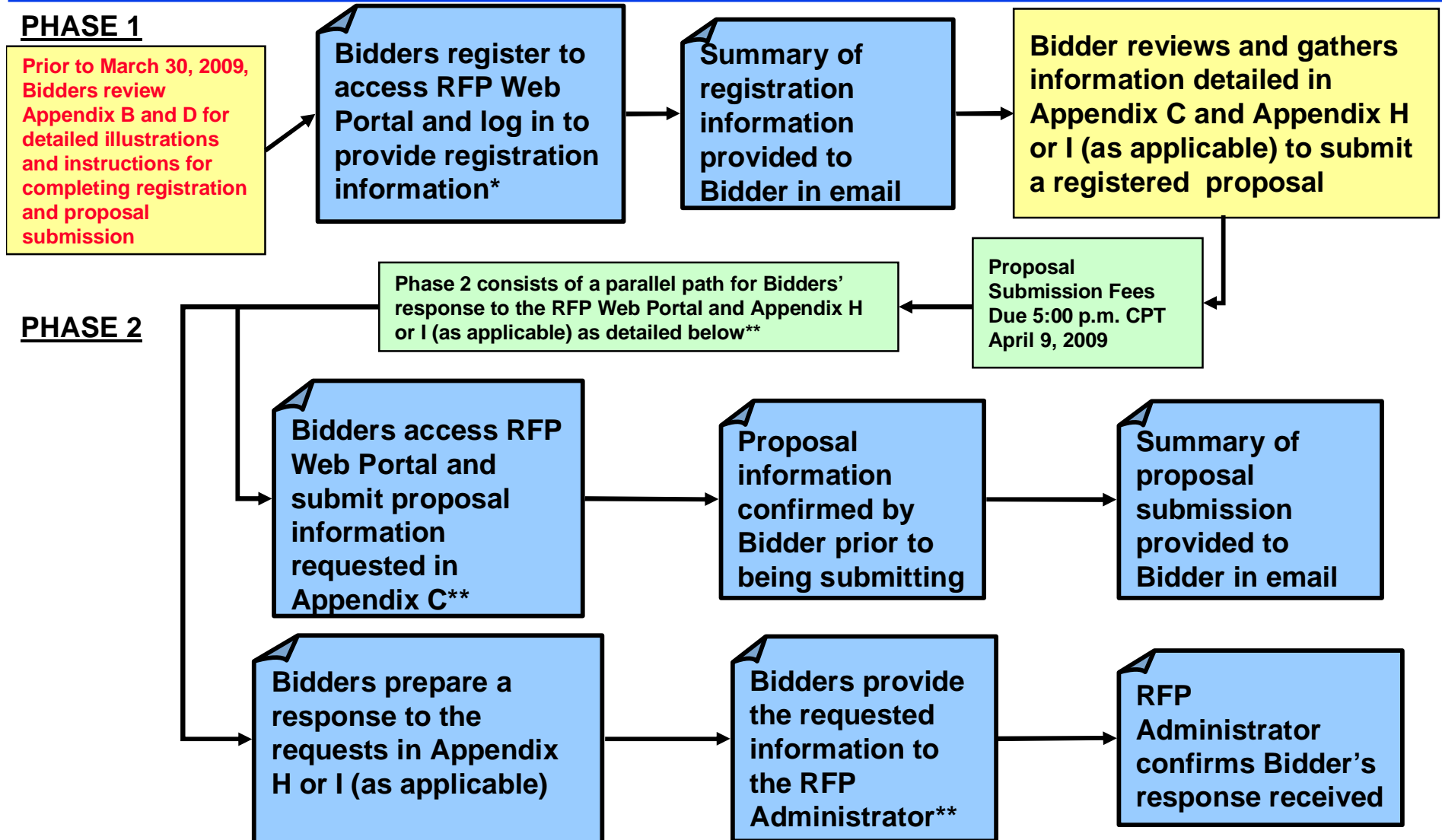


- **Consistent with previous RFPs, ESI intends to utilize an electronic proposal submission process.**
- **Specifically for the January 2009 Western Region RFP, ESI will utilize a secure RFP Web Portal**
  - Bidders will register for the RFP and submit proposals using secure web-based forms via the RFP Web Portal
    - Advantage is that forms have defined fields where applicable that limit the Bidder's entry such that it conforms to the product type
      - Eliminates previous steps in the process
      - Reduces the need for ESI to issue clarifying questions
    - ESI has developed a technical appendix to assist Bidders with using the RFP Web Portal that has been posted as Appendix B to the January 2009 Western Region RFP
- **Bidders should review Appendix B, D, as well as the Addendum to this Teleconference presentation for detailed instructions on completing the registration and proposal submission process**
- **Bidders are encouraged to submit questions regarding the RFP to the RFP Administrator prior to the start of Bidder Registration using the contact information provided in section 2.4 of the main RFP document**

# January 2009 Western Region RFP – Bidder Registration & Proposal Submission



ILLUSTRATIVE



\* Deadline for Bidder registration is 5:00 p.m. CPT April 2, 2009. Phase I includes registration of Bidder, as well as all plants and associated proposals.

\*\* Deadline for submission of all proposals is 5:00 p.m. CPT April 16, 2009.

## January 2009 Western Region RFP – Proposal Submittal Fees

---

### ▪ **Proposal Submission Fees**

- Within two (2) Business Days of receiving the executed Bidder Registration Process Signature Page, ESI will invoice Bidder, by Proposal Identification Number, the Proposal Submittal Fee that is due for each registered proposal.
  - A Bidder may submit one or more proposals, which may be alternatives to each other, but each alternative proposal will be considered a separate proposal and will require the payment by Bidder of an additional Proposal Submittal Fee
- Bidders will be invoiced a \$5,000.00 Proposal Submittal Fee for each registered proposal
- ***ESI must receive the Proposal Submittal Fee for each registered proposal no later than 5:00 p.m. CPT on April 9, 2009***
  - The RFP Administrator will confirm with Bidder once payment is received
- Failure to submit the Proposal Submittal Fee(s) by this deadline will cause the registered proposal(s) to be rejected as non-conforming and Bidder will not be permitted to complete the Proposal Submission Process for such registered proposal(s)



## ***Representative RFP Schedule***

## January 2009 Western Region RFP – Representative Schedule

---

- The following represents the target RFP schedule\*:

<u>Milestone</u>	<u>Date</u>
➤ Issue Western Region RFP	January 15, 2009
➤ Bidders' Teleconference	February 18, 2009
➤ ESI Responds to Bidder Questions/Posts Answers to RFP Website	Through March 27, 2009
➤ Bidder Registration	March 30 – April 2, 2009
➤ Proposal Fees Due	April 9, 2009
➤ Proposal Submission Period	April 13 – April 16, 2009
➤ Announce Preliminary Shortlist (as necessary)	June 2009
➤ Announce Primary/Secondary Awards	September 2009
➤ Begin Comprehensive Due Diligence & Negotiations	October 2009
➤ Notify Secondary Award List of Intent to Proceed	December 1, 2009
➤ Execute Definitive Agreement	2 <sup>nd</sup> Quarter 2010
➤ Target for Receipt of Regulatory Approvals	2 <sup>nd</sup> Quarter 2011

\*This schedule is representative only and subject to change. Any schedule changes will be posted to the RFP Website.

# Proposal Review and Overall Evaluation Process

# January 2009 Western Region RFP – Proposal Evaluation Process

## Process Objective & Overview

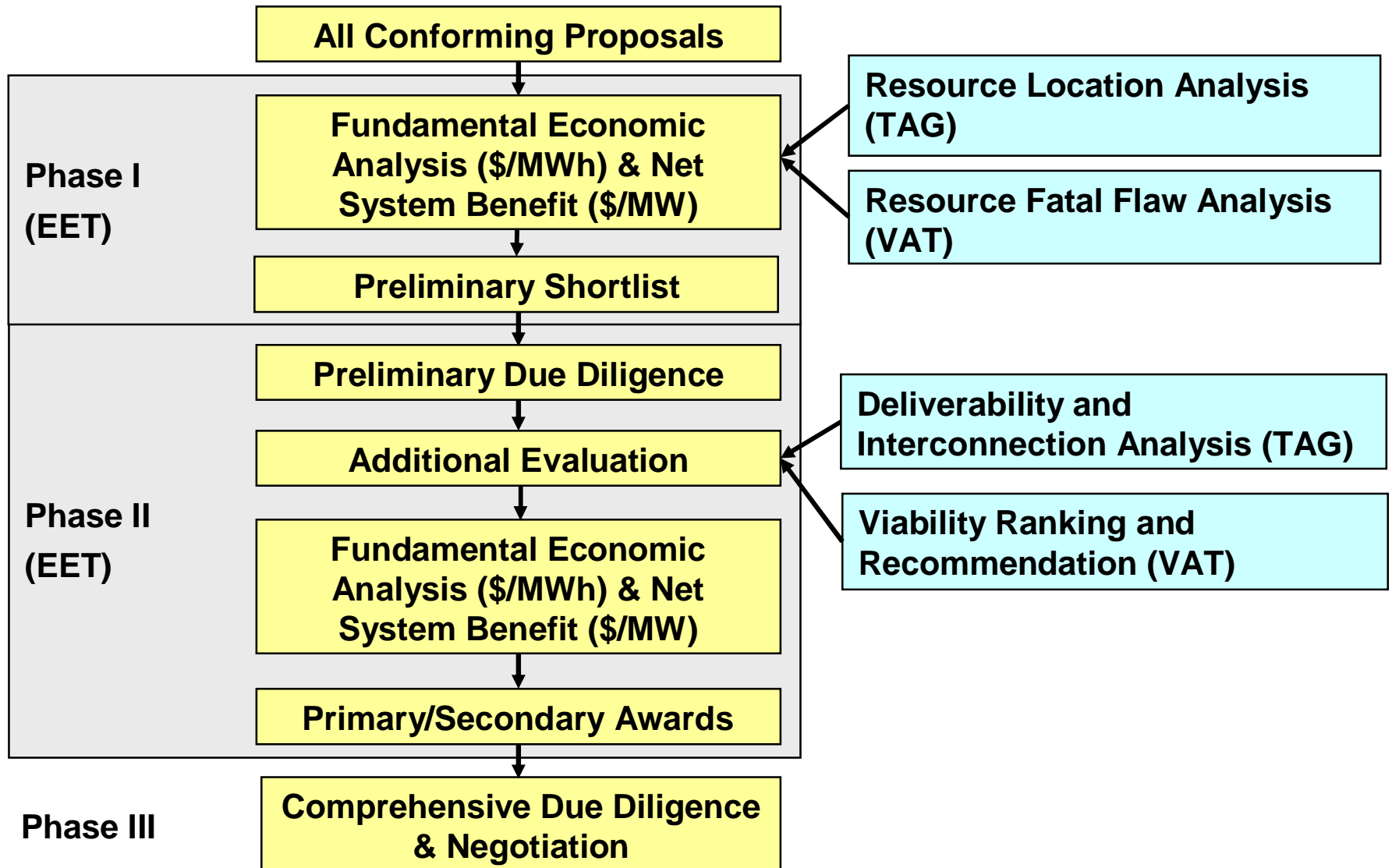
---

- **The primary objective of the proposal evaluation process is to identify the proposal(s) that meet the supply objectives of the Entergy System at the lowest reasonable cost consistent with the provision of reliable service.**
  
- **Evaluation process is designed to be:**
  - Fair
  - Impartial
  - Applied consistently
  
- **The evaluation will be carried out in 3 distinct phases:**
  - Phase I – Preliminary Assessment
    - Resulting in a Preliminary Shortlist (as necessary)
  - Phase II – Detailed Evaluation
    - Resulting in a Primary/Secondary Award List
  - Phase III – Comprehensive Due Diligence & Negotiation
    - Initially focused only on the proposal(s) selected for primary award
    - Bidder(s) on Secondary Award List notified of Proposal Status by December 1, 2009
  
- **The proposal evaluation process will be carried out by four separate evaluation teams:**
  - Economic Evaluation Team (“EET”, see Appendix E-1)
  - Transmission Analysis Group (“TAG”, see Appendix E-2)
  - Viability Assessment Team (“VAT”, see Appendix E-3)
  - Credit Evaluation Team (“CET”, see Appendix F)
    - Each proposal will be analyzed by the CET to assess potential credit risks, however, a proposal will not be eliminated from consideration during Phase I or II on the basis of credit
  
- **To facilitate the Phase II evaluation, ESI intends to meet directly with Bidders to facilitate the preliminary due diligence efforts of the VAT and TAG**
  - The primary purpose of the meetings will be to:
    - Allow the VAT and TAG Subject Matter Experts to directly engage Bidders in a dialogue on the details and status of a proposal(s)
    - Allow Bidders to update the VAT and TAG regarding overall project development status
  - The Independent Monitor will approve and provide oversight to all Phase II meetings between Bidders and the VAT/TAG

# January 2009 Western Region RFP – Proposal Evaluation Process Process Flow



ILLUSTRATIVE



## ***Economic Evaluation***

## January 2009 Western Region RFP – Economic Evaluation Process Process Overview

---

- **Proposals will be evaluated individually in both Phase I and Phase II based on results of the following over a common 30-year horizon:**
  - Fundamental Economic Analysis – Levelized \$/MWh evaluation of the full-in fixed and variable economic costs
  - Net System Benefit Analysis - Levelized \$/MW evaluation of net variable costs and purchased power savings less the incremental fixed costs for each proposal
  
- **Other considerations in the Economic Evaluation Process Include:**
  - Production costing sensitivities may be performed
  - Effect of imputed debt on purchased power agreement proposals
  - Transmission deliverability benefits and costs
  - RMR assessment
  - Qualitative considerations with input from the VAT and TAG

## ***Deliverability Evaluation***



# January 2009 Western Region RFP – Deliverability Evaluation Process

## Process Overview

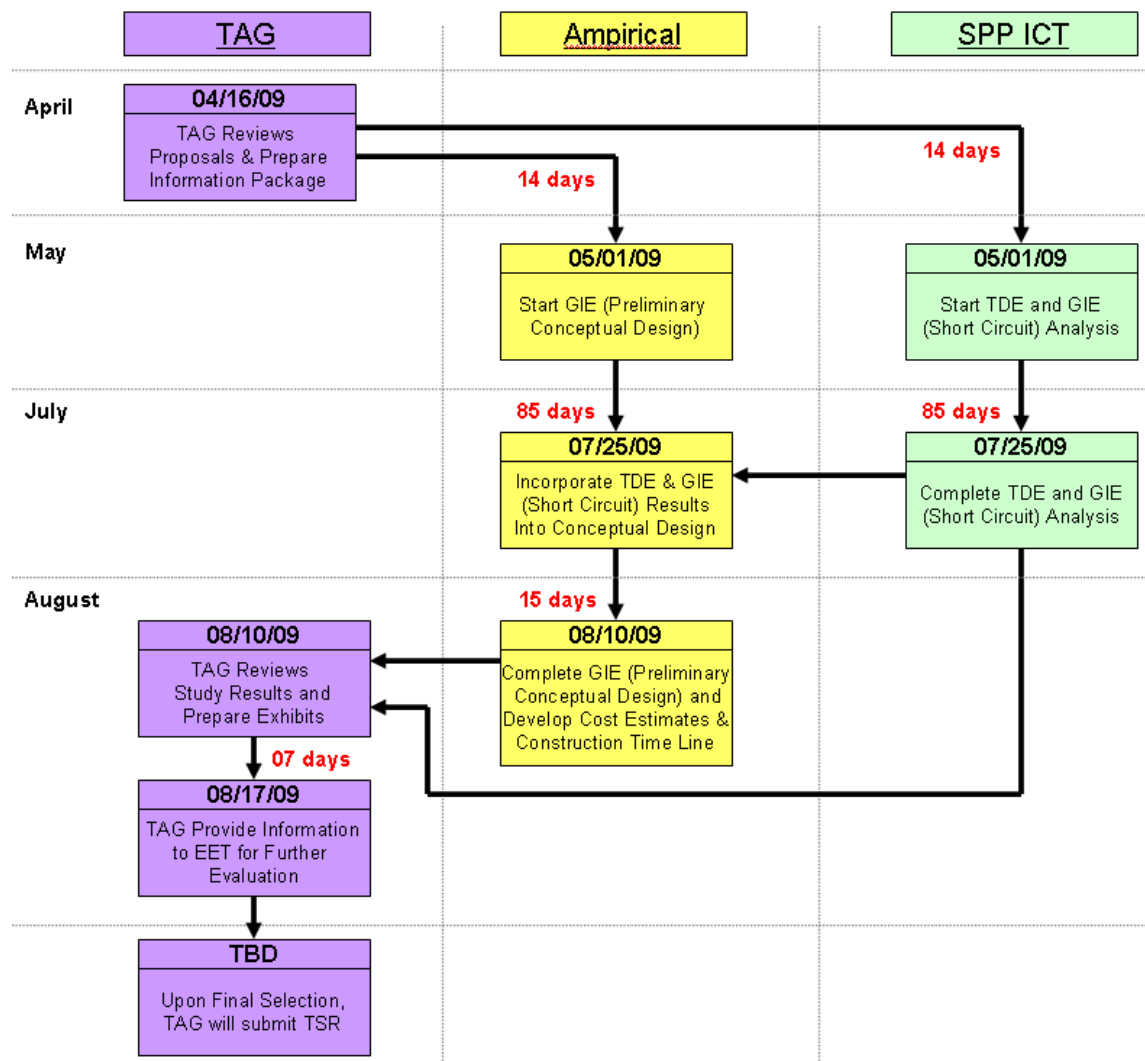
---

- To assist in developing the information necessary to conduct the Deliverability Evaluation, the TAG has engaged the ICT and Ampirical Solutions, LLC (“Ampirical”) as described below and further in Appendix E-2
- During Phase I of the Proposal Evaluation Process, TAG will identify any obvious non-conforming factors related to transmission design/deliverability and determine whether the resource is located in the Western Region.
- **The Transmission Deliverability Evaluation (“TDE”) and Generation Interconnection Evaluation (“GIE”) will both be conducted during Phase II**
  - The **TDE** methodology seeks to identify transmission constraints that may limit deliveries to the Entergy network customers from resources proposed in to the RFP. Also, the TDE will estimate the cost to secure firm transmission service.
  - The **GIE** methodology seeks to identify the minimal transmission interconnection facilities required to physically connect a new generating facility to the Entergy transmission system.
- **The ICT will conduct a TDE “Information Only” transmission availability study**
  - The study will identify deliverability needs for the entire Entergy System, as well as perform a sensitivity analysis to assess deliverability within the Western Region.
  - The ICT will provide cost estimates for any required upgrades that have been identified in previous ICT Facility Studies. Ampirical will provide any remaining cost estimates that have not been determined.
  - The results of the studies are estimated to be received within 100 days of submission.
- **The GIE Information Only studies will be conducted by both the ICT and Ampirical.**
  - Ampirical will determine a preliminary design of the transmission interconnection facilities, estimate the cost and lead time requirements for the construction and equipment of the interconnection facilities.
  - The ICT will conduct short circuit analysis to identify under-rated breakers in the vicinity of the proposed generating facility.
  - The results of the studies are estimated to be received within 100 days of submission.
- **During Phase II, the TAG will evaluate whether the electrical location of a proposed resource has the possibility to reduce the flow on the Western Region interface or serve as a substitute for units subject to Reliability Must Run (“RMR”) guidelines issued by Entergy Transmission Business Unit (“TBU”).**
- **At the conclusion of the Deliverability Evaluation, the TAG will provide the EET with the following:**
  - An estimate of the total cost to deliver the Capacity Quantity of the proposed or existing resource (including the cost to interconnect with the Entergy System)
  - Additional data or information related to the proposed or existing resource’s potential impact to the Entergy System or RMR guidelines
- **Upon completion of Phase II and determination of the shortlist, TAG will submit a formal Transmission Service Request (“TSR”) to the ICT on OASIS through the active transmission reservation queue.**
- **For any proposal(s) selected on the shortlist not currently interconnected with the Entergy System, ESI requires that Bidders assume responsibility for completing the interconnection process.**

# January 2009 Western Region RFP – Deliverability Evaluation Process Process Flow

ILLUSTRATIVE

- The following flowchart describes the TDE and GIE process and highlights the interaction between the TAG, ICT, and Ampirical as more thoroughly described in Appendix E-2.



Timeline is representative only and subject to change

## ***Viability Assessment***

## January 2009 Western Region RFP – Viability Assessment Process Process Overview

---

- Due to the limited in-region generation capacity, ESI anticipates the majority of proposals received will be proposed to originate from CCGT developmental resources
- In order to determine the overall viability of proposals for developmental resources received in response to the RFP, the Viability Assessment Team (“VAT”) has been established
  - Appendix E-3 describes the process and general criteria under which the VAT will conduct its assessment
- The VAT will consist of Subject Matter Experts from 4 core subject matters critical to a thorough assessment of project viability, including:
  - Project Status/Plant & Equipment/Operations & Maintenance
  - Environmental
  - Fuel Supply & Transportation
  - Commercial
- The VAT will be responsible for conducting a review and assessment of the technical, environmental, fuel related, and commercial merits of a proposal for a resource to be located in the Western Region of the Entergy System
- During Phase I, the VAT will evaluate and assess, based on a fatal flaw review and analysis, whether each proposal for a developmental resource is capable of meeting the target Commercial Operation Date of June 1, 2014
- During Phase II, the VAT will conduct a more thorough and detailed evaluation and assessment in order to develop a final ranking and recommendation
  - At the conclusion of the VAT’s Phase II analysis, the final ranking and recommendation will be provided to the EET for further review and incorporation into the economic analysis
- For proposals that originate from an existing asset in commercial operation, the VAT will also provide an assessment under the same timeframe and consistent with the scope of the process outlined in Appendix E-3, as applicable.

## ***Credit/Collateral Requirements***

## January 2009 Western Region RFP – Development of Credit Requirements

---

- No Bidder will be excluded or prohibited from participating in this RFP on the basis of credit.
- Historically, market participants have requested flexibility in meeting collateral requirements.
- As in previous RFPs, ESI has agreed to consider alternate forms of collateral including liens on assets and taking into consideration a portion of the Bidder's exposure to Buyer as incurred in the proposal.

## January 2009 Western Region RFP – Credit Requirements

- **None at time of proposal submission**
- **None at time of proposal awards**
- **\$2MM Letter of Credit (“LOC”) at execution of a Letter of Intent (“LOI”) between ESI and Bidder/Seller**
- **Acceptable forms of collateral for consideration by ESI may include:**
  - Parental Guaranty, Letters of Credit, Cash, Lien On Asset, or Other acceptable solutions suggested by Bidder
- **The table below provides the pre-commercial and operational collateral requirements for each product category**
  - Regardless of the uncollateralized exposure afforded a Bidder (see Appendix F), upon execution of a Definitive Agreement, all counterparties will be expected to post a minimum amount of collateral until the Delivery Term Start Date, after which the assessment of the delivery term exposure will apply

Long-Term Product Types	Project Development Security/Milestones	Provide a two million dollar (\$2,000,000) LOC Due Upon Execution of LOI	Performance Collateral Requirements*	Additional Collateral Obligations For All Acquisitions	Potential Forms of Collateralization**
<b>Long-Term Tolling PPA – Load-Following CCGT</b>	Pre-Commercial Period Security/Milestones will be negotiated during the Definitive Agreement. Milestones may include, without limitation:	Upon execution of an LOI, each Bidder must provide a \$2,000,000 standby letter of credit.	CCGT: Ten million dollars (\$10,000,000) per 100 MW contracted for.	For all acquisitions (Existing or proposed CCGT resources), Bidder will also have post closing indemnity obligations. Additional credit support may be required to secure such indemnity obligations.	<ul style="list-style-type: none"> <li>•Parental Guaranty</li> <li>•Letter of Credit</li> <li>•Cash</li> <li>•Lien on asset</li> <li>•Other acceptable solutions suggested by Bidder</li> </ul>
<b>Ownership Acquisition – Load-Following CCGT</b>	<ul style="list-style-type: none"> <li>• Execution of Project Engineer, Procure, and Construction Contract(s)</li> <li>• Receipt of critical permits (e.g., air)</li> <li>• Receipt of binding financing commitments for the project</li> <li>• Delivery of major components to the Facility site (e.g. combustion turbines)</li> <li>• Completion of gas and power interconnection facilities and other major components/systems/facilities</li> <li>• Target Commercial Operation Date</li> </ul>		No performance collateral required for existing projects. For development-based projects, Bidder should describe with specificity its proposed collateral or security postings throughout the development phase (including amounts or means of determining the amounts, type(s), and other relevant information), interim development milestones, consequences for failing to meet an interim milestone, delay damages, final deadline for achieving commercial operation, and Buyer lien and step-in rights.		

\* ESI may take into consideration a portion of the Bidder’s exposure to Buyer as incurred in the proposal; ESI reserves the right to adjust Performance Collateral Requirements in the event that a proposal contains a distinct timing mismatch in regards to Bidder contractual performance requirements and payments to be made by Buyer.

\*\* Form of collateralization for Performance Collateral Requirements will be subject to, among other things, the valuation of such collateral requirements and the Bidder Credit Rating, in each case as determined by CET.

## January 2009 Western Region RFP – Credit Review and Collateral Timeline

---

- **Bidder Credit Rating (or Bidder’s Credit Support Provider’s Credit Rating) will be assigned by the Credit Evaluation Team (“CET”) for all proposals when they are received**
- **Based on Bidder Credit Rating, the CET will determine the Maximum Uncollateralized Supplier Exposure for each Bidder**
  - It is possible that a Bidder could offer multiple proposals that in the aggregate exceed the Maximum Uncollateralized Supplier Exposure established by the CET. Consequently, in the evaluation of the awarded proposals, the Maximum Uncollateralized Supplier Exposure will apply to the combined aggregate exposures of all proposals submitted by a Bidder
- **Credit exposures will be evaluated and discussed with Bidders who are selected for the primary and/or secondary award list. At the time that a Bidder is notified of its selection to the primary and/or secondary award list, Bidders will be asked to discuss the appropriate forms of collateralization for their particular proposal(s)**
  - Bidders should prepare to provide information regarding their plan for meeting the credit/collateral requirements specified in Appendix F of the RFP in the special considerations section of the proposal or in the response to Appendix H (if applicable)
- **Bidder Credit Rating will have no impact on the selection of proposals for primary/secondary award**
- **During the negotiation of the Definitive Agreement, ESI will determine the required form of the collateral requirements, if any, for the selected proposal. This requirement will be due at execution of a Definitive Agreement.**



## **Q&A Session**

**ESI requests that Bidders submit all questions in writing to the RFP Administrator at [ESIRFP@ENTERGY.COM](mailto:ESIRFP@ENTERGY.COM)**