

ESI's January 2009 Western Region Request for Proposals (RFP) for Supply-Side Resources

Questions and Answers

Updated as of April 3, 2009

Q-1) Regarding credit requirements, when would a Letter of Intent be executed?

Answer: At the conclusion of Phase II of the evaluation process, ESI intends to notify all bidders whether their proposal(s) have been selected for primary and secondary award, or rejected from further consideration. Initially, ESI expects to negotiate a Letter of Intent only for the proposal(s) selected for primary award. ESI is targeting to complete negotiations of all definitive agreements associated with a transaction during the 2nd Quarter 2010, and so an LOI would need to be executed as soon as possible following the start of negotiations.

Q-2) If as the RFP states, Bidders are to assume the cost of interconnection, but are requested to exclude from their proposal pricing any cost estimates associated with interconnection, how will the Bidder/Seller be allowed to recover these costs?

Answer: The Bidder/Seller will be given the opportunity to update its product price during negotiations solely for purposes of including the final cost estimates from the formal LGIP interconnection process provided by the Entergy Transmission Business Unit or Independent Coordinator of Transmission.

Q-3) Does Entergy want interconnection cost information that Bidders may have at the time of proposal submission?

Answer: To the extent they have information pertaining to the estimated cost associated with the preliminary design to interconnect with the Entergy System, ESI requires Bidders to exclude any such cost estimates from their proposal pricing, and instead submit the information as a special consideration to each proposal.

Q-4) What is the status of the Eastern Interconnection determination?

Answer: The PUCT has not set a date for issuing a final order in Docket No. 33687, ETI's Transition to Competition docket, in which the issue of ETI's power region, and the timing associated with a move from SERC, if applicable, will be addressed. However, the PUCT has scheduled a pre-hearing conference for early March, at which time the PUCT will address the procedural schedule for this case. The Company will update this response after the procedural schedule has been established.

Update to Q-4): Parties have agreed to a procedural schedule whereby updated filings will be made in this case, followed by the convening of two technical conferences. No date for a hearing has yet been established.

Q-5) Will regulatory resource certification for a resource selected from this RFP be considered separately from whether ETI will remain in the Eastern Interconnection?

Answer: Yes. In the current Transition to Competition docket, ESI expects the PUCT to rule on whether ETI will remain in the Eastern Interconnection. Upon the conclusion of this RFP process and once a definitive agreement is reached, ESI will seek necessary regulatory approval(s) for the resource selected through the RFP process.

Q-6) For questions posed to the RFP Administrator, what is the expected turnaround for posted responses to the RFP website?

Answer: The length of time required to respond to questions submitted to the RFP Administrator, and post the questions and responses on the RFP Website, will be highly dependent on the number and nature of the questions received. Initially the RFP Administrator will acknowledge that the question(s) have been received. For questions related to administration of the RFP that do not require technical or otherwise specific subject matter expertise, ESI will endeavor to provide a response within 1 business day. For questions that require specific Subject Matter Expert input for purposes of developing a response, ESI will endeavor to provide a response within 1 – 3 business days. All questions and responses will be posted to the list of Q&A on the RFP Website.

Q-7) How will the Bidder's confidentiality and/or confidential information be protected in the Q&A process?

Answer: The RFP Administrator and the Independent Monitor (IM) will review and, as necessary, redact all questions and answers posted to the RFP Website to ensure that they will not contain any identifying or otherwise confidential information. To assist in this procedure, ESI requests Bidders to refrain from submitting questions containing confidential information. If a Bidder believes it is necessary to submit a question containing confidential information, then, before submitting the question, the Bidder should, without providing any confidential information, notify the RFP Administrator in writing of the purpose of the question and the nature of the confidential information contained therein, so that ESI can determine whether the Bidder's question requires the disclosure, either by the Bidder or by ESI, of confidential information. ESI will seek concurrence with the IM in making this determination and will then notify the Bidder through

the RFP Administrator of its determination so the Bidder can proceed accordingly. Should any question require non-public disclosure of confidential information, it will be handled in accordance with the procedures laid out in Section 2.4 of the RFP's Main Document.

Q-8) Appendix C, page C-A-3, Minimum Run and Maximum Start Requirements: Please clarify if there is an option between the 8hr/ 1 start or the 6hr/2 starts....can the respondents select either/or?

Answer: Yes, Bidders have an option with respect to minimum run time and maximum starts. For Product Package A (Long-Term Tolling PPA), ESI expects a minimum run time of no more than eight (8) hours and a maximum of one (1) Start per CT per day, but prefers proposals that have a lower minimum run time (no more than six (6) hours) and a higher number of maximum starts (two (2) or more) per CT per day. During the proposal submission process, the Bidder will be prompted to specify the minimum run time and maximum starts per CT per day that it is proposing.

Q-9) Appendix C, page C-A-3, Fixed Start-up Payment: Confirm that this payment does not include fuel.

Answer: For Product Package A (Long-Term Tolling PPA), ESI expects Bidders to propose a Fixed Start-Up Payment (\$/CT per Start) that includes all non-fuel related start-up charges.

Q-10) Where do the Proposal Submission Agreement and Confidentiality Agreements come in? I cannot find how these get executed and when.

Answer: Proposal Submission Agreement: To complete the proposal submission process, ESI requires that Bidders execute a Proposal Submission Agreement for each proposal they submit. Using the web-based proposal submission platform illustrated in Appendix B, Bidders will be prompted to execute the Proposal Submission Agreement in one of two ways; 1) If, during Bidder Registration (Phase I described in Appendix B), a Bidder elects to use the electronic signature process, then once all necessary information has been provided for each proposal, the Bidder will be prompted to enter its unique and secure Signature ID to complete the proposal submission process; or 2) If, during Bidder Registration a Bidder elects not to use the electronic signature process, then once all necessary information has been provided for each proposal, the Bidder will be prompted to review and sign the signature page of the Proposal Submission Agreement and fax it to the RFP Administrator.

Please note that, if a Bidder elects not to use the electronic signature process, the proposal submission process is not complete until the RFP Administrator receives a copy of the signed signature page of the Proposal Submission Agreement for *each* proposal being submitted. The Proposal Submission Agreement is posted on the January 2009 Western Region RFP Website.

Confidentiality Agreement: ESI maintains the confidentiality of all bidder information as a matter of course and protocol and does not typically execute a separate Confidentiality Agreement at this stage of the RFP. The Confidentiality Agreement that is posted on the January 2009 Western Region RFP Website would only be executed if it were determined to be necessary to do so per Section 2.4 of the main RFP document.

Q-11) The Independent Monitor (IM) should be a party to the CA and the requirement that documents “bear the designation ‘Confidential Information’” should be struck from the CA. How should the drafting of a revised CA be accomplished, when would the CA be due, and how do we transmit it (email, fax or web portal)?

Answer: As discussed in the IM Scope document posted on the RFP Website, the IM's multipurpose role is designed to ensure ESI designs and executes the RFP on a fair and impartial basis. The IM is subject to the terms of an Agreement For Use and Non-Disclosure of Confidential Information between the IM and ESI. However, the IM will not be a party to any legally binding agreement or commitment between ESI and any Bidder/Seller. Please see the response to question #10.

Q-12) Does Appendix I apply to Product A - Long-Term Tolling PPA submittals?

Answer: Yes, in certain cases. Bidders who intend to submit a proposal for Product Package A from an existing CCGT resource should respond to each request in Appendix I marked by an “*” by no later than 5:00m CPT April 16, 2009. Bidders will be notified if and when it will be necessary to submit a response to the remaining questions.

Q-13) Where can we find the bank routing information necessary for the wire transfer of the fees payment?

Answer: Bank wire information will be provided on the invoice sent to the Bidder after Bidder Registration is complete.

Q-14) How will the evaluation process compare transmission uprates on the Entergy system? Will results be made available to the bidders who remain in the process as a result of short listing?

Answer: During the evaluation process, ESI will evaluate all conforming proposals consistent with the process outlined and described in Appendix E. This includes the deliverability evaluation as described in Appendix E-2. Without additional detail regarding the question about comparison of uprates on the Entergy System, ESI cannot provide a more specific response. Regarding study results from the deliverability evaluation, upon request from Bidder, ESI will provide those study results that have been posted on the public section of Entergy's OASIS.

Q-15) [In clarification to the first part of question 14,] are there additional Entergy Texas integration costs savings, beyond those identified in the integration studies, that will be considered in the evaluation of bids from WOTAB generation resources located favorably to Entergy Texas' distribution system as compared to procurement from surrounding service territories (i.e. SPP/CSW)? Can Entergy describe the expected cost savings that would result from favorably located WOTAB resources?

Answer: The purpose of the January 2009 Western Region RFP is to solicit proposals for long-term load-following CCGT resources located in the Western Region of the Entergy System that meet the planning criteria for the Entergy System as further described in the main RFP document. The RFP was not designed to evaluate or utilize the Entergy Texas Integration Study, or consider any impacts that integration may have on the Entergy System, due to the fact that the approved planning process for the Entergy System is based on current System design. The resources proposed into the RFP must be located within the Western Region to be considered eligible to participate.

Q-16) Does the self build option assume a water-cooled or air-cooled combine cycle unit at Lewis Creek?

Answer: Because ESI's Self-Build Option will be a proposal in the January 2009 Western Region RFP to compete with all other proposals received, it is being developed separate and apart from this RFP process. Company personnel involved in the design, implementation and execution of this RFP have signed Confidentiality Agreements prohibiting them from obtaining any information regarding the Self-Build Option, and similarly situated personnel involved in the development of the Self-Build Option have signed Confidentiality Agreements prohibiting them from involvement in the RFP process. As a result, we are unable to provide a response to the question posed.

Q-17) Regarding Product Package A: If the generator is able to declare commercial operations sooner than June 1, 2014, will ETI be willing to contract for power prior to June 1, 2014 under the terms outlined in this RFP?

Answer: As stated in the Term Sheet for Product Package A, ESI prefers a start date of June 1, 2014; however, an earlier start date will not be rejected as non-conforming. ESI will evaluate an earlier start date taking into consideration System resource needs for earlier years.

Q-18) Regarding Product Package A: It appears based on the CCGT generating unit capacity (2x1 CCGT totaling 450 MW to 650 MW) that "F" or "G" class gas turbines are being used. Will ESI consider other types (or technology) of CCGTs that may provide much greater operating flexibilities?

Answer: ESI will evaluate all conforming proposals for a CCGT load-following resource submitted in response to the RFP, and does not require that a CCGT resource be based on a specific class of combustion turbine to be eligible to participate in the RFP. It should be noted, however, that all generating resources, including CCGT developmental resources proposed in this RFP, in the process of becoming interconnected with the Entergy System are responsible for meeting any standard generator characteristics required under Entergy's OATT.

Q-19) Regarding Product Package A: According to the RFP (see Section 1.3.2 "Delivery Term"), for PPA proposals, a term less than 20 years will not be rejected as non-conforming. That said, your definition of "Long-Term" is defined as "10 years or greater" (Section 1.1). Therefore, please confirm that the shortest term acceptable in this RFP for a PPA is 10 years. If not, please specify the minimum term that will be acceptable for a PPA.

Answer: As stated in the Term Sheet for Product Package A, ESI prefers a minimum Delivery Term of twenty (20) years up to the life-of-unit; however, proposals with a shorter Delivery Term will not be rejected as non-conforming. Due to the unique planning requirements of the Western Region of the Entergy System, ESI has not committed to a minimum acceptable Delivery Term in this RFP. ESI will evaluate all conforming proposals received for CCGT load-following resources currently located, or planned to be located, within the Western Region of the Entergy System.

Q-20) Regarding Product Package A: Please confirm that the maximum acceptable minimum run time per CT for the Buyer is 8 hours. If not, please specify the value.

Answer: Yes. The maximum acceptable minimum run time per CT is 8 hours.

Q-21) Regarding Product Package A: What are the maximum expected run hours per CT per start?

Answer: As stated in the Term Sheet for Product Package A, the maximum acceptable minimum run time that can be committed to by ESI, if and

when a resource is dispatched, is 8 hours. The maximum run time per CT per start that will be estimated for a resource for purposes of evaluation ultimately will depend on the modeling of multiple criteria and System conditions that will not be known until the evaluation is conducted and the results reviewed. The IM will oversee the application of these modeling criteria to ensure that they are applied fairly to all proposals.

Q-22) Regarding Product Package A: What are the maximum expected run hours per CT per calendar year? As you may know run hours and factored starts have an impact on LTSA and timing of when various inspections/maintenance needs to be performed such as combustion inspection, hot gas path and major inspection.

Answer: Although ESI would ultimately expect a resource selected from this RFP to be dispatched over time, Product Package A does not provide a minimum annual energy requirement and therefore ESI cannot commit to a minimum or maximum run time per CT per calendar year. The actual run time per CT per calendar year that will be estimated for a resource for purposes of evaluation ultimately will depend on the modeling of multiple criteria and System conditions that will not be known until the evaluation is conducted and the results reviewed. The IM will oversee the application of these modeling criteria to ensure that they are applied fairly to all proposals.

Q-23) Regarding Product Package A: Summer and Winter Dependable Capacity—Are these gross or net (less parasitic load) dependable capacities? The definitions in the Appendix-A does not state this clearly.

Answer: Summer and Winter Dependable Capacity should be proposed as the generating unit capability, net of any station requirements.

Q-24) Regarding Product Package A: Standard Baseload Capacity is an undefined term in Appendix-A. In the term sheet does this correspond to 1x1 or 2x1 operation? The operating ranges and heat rates change considerably over these two modes of operation.

Answer: Bidders should provide a Summer and Winter Dependable Capacity and associated Heat Rate at Standard Baseload Capacity, which corresponds to all CTs in service (i.e. highest mode of operation, or per the example in the question, a 2x1 mode). During the proposal submission process, Bidders will be provided an opportunity to submit a Summer and Winter Dependable Capacity and associated Heat Rate for an alternative number of CTs in service (i.e. preferably the lowest mode of operation, or per the example in the question, a 1x1 mode). Both the Standard Baseload Capacity and any Alternative Capacity should be independent of any Supplemental Capacity (i.e. inlet cooling, duct firing, etc.). Bidders will be provided an opportunity to submit the Summer and Winter Dependable output associated with any Supplemental Capacity available.

Q-25) Regarding Product Package A: Guaranteed Heat Rate—The RFP states in Section 1.4.1 that “bidder will propose a Guaranteed Heat Rate that must be guaranteed within a bandwidth of plus or minus 3%.” However, the term sheets show to input heat rates at MW minimum and MW maximum at 97 degrees F and 56% RH. Is it ESI's view that this +/- 3% will cover the variations of temperature and relative humidity over the various temperature/relative humidity conditions?

Answer: Yes, however, the information requested on the minimum and maximum output and associated heat rate at standard reference conditions is for evaluation purposes only, and any definitive agreement would be expected to contain schedules with both Summer and Winter heat rate curves that include additional Heat Rate points between the minimum and maximum capability of the unit as specified during the proposal submission process. The bandwidth would apply equally to all points provided in a definitive agreement, including the minimum and maximum provided during proposal submission.

Q-26) Regarding Product Package A: Does the MW minimum and MW maximum correspond to 1x1 or 2x1 operation?

Answer: During the proposal submission process, Bidders will be provided an opportunity to provide a MW minimum and maximum for both a high and low mode of operation (e.g. 2x1 and 1x1, if applicable).

Q-27) Regarding Product Package A: How do you expect to arrive at heat rates between the MW minimum and MW maximum?

Answer: For purposes of the evaluation, ESI requests that Bidders submit a MW minimum and maximum, and corresponding heat rates, associated with the applicable mode of operation. ESI does not require that Bidders submit output or heat rate data and information other than what is requested during the proposal submission process, but will review any additional information provided in the Special Considerations for a proposal.

Q-28) Regarding Product Package A: Please confirm that the Buyer will provide all the fuel (including start up fuel).

Answer: For Product Package A, ESI requests that Bidders submit a proposal consistent with the product design as a tolling agreement, in which Seller will facilitate Buyer's ability to procure all fuel necessary to start-up and dispatch the generating unit under a definitive agreement.

Q-29) Section 1.3.3 (Self Build Option) of the RFP states that “ESI filed a draft air permit with TCEQ in January 2008.” Please provide the applicable permit number for this self build option.

Answer: The information regarding ESI's Self-Build Option draft air permit that has been made publicly available can be obtained from the Texas Commission on Environmental Quality's website.

Q-30) Is the self build option predicated on retiring any of the existing generating units at Lewis Creek?

Answer: Because ESI's Self-Build Option will be a proposal in the January 2009 Western Region RFP to compete with all other proposals received, it is being developed separate and apart from this RFP process. Company personnel involved in the design, implementation and execution of this RFP have signed Confidentiality Agreements prohibiting them from obtaining any information regarding the Self-Build Option, and similarly situated personnel involved in the development of the Self-Build Option have signed Confidentiality Agreements prohibiting them from involvement in the RFP process. As a result, we are unable to provide a response to the question posed.

Q-31) Is the self build option located in a non-attainment region? If yes, has the project secured the necessary environmental offsets for NOx?

Answer: Because ESI's Self-Build Option will be a proposal in the January 2009 Western Region RFP to compete with all other proposals received, it is being developed separate and apart from this RFP process. Company personnel involved in the design, implementation and execution of this RFP have signed Confidentiality Agreements prohibiting them from obtaining any information regarding the Self-Build Option, and similarly situated personnel involved in the development of the Self-Build Option have signed Confidentiality Agreements prohibiting them from involvement in the RFP process. As a result, we are unable to provide a response to the question posed.