

RESPONSE TO COMMENTS OF LPSC STAFF

Set forth below are the responses of Entergy Services, Inc., on behalf of Entergy Gulf States Louisiana, L.L.C. and Entergy Louisiana, LLC, to the Comments of the Staff of the Louisiana Public Service Commission. For ease of reference, ESI is following the order and numbering in the Staff's Comments.

In its Comments, the LPSC Staff also submitted five additional questions regarding the RFP process. ESI will post the responses to these questions in the Question and Answer section of the RFP Website.

1. Displacement Analysis—The LPSC Staff asks that ESI include a description of the displacement analysis methodology and a timeline in the Final RFP. The Staff also asks that ESI allow bidders to comment. Finally, the Staff asks that ESI consider one-year contracts for energy displacement, not as part of the separate analysis but simply as part of the overall evaluation.

Response of ESI

ESI intends to perform a displacement analysis on the Limited-Term proposals. A description of this analysis will be included in the Final RFP, and ESI will accept bidder comments. However, the timeline for the displacement analysis has not been developed, other than to establish the date when bidders of limited-term and long-term resources (of a term of 3 or more years) will be notified as to whether their proposals are eligible to be included in the displacement analysis. A timeline for the displacement analysis will be posted on the RFP Website as soon as one has been developed. It is difficult to establish this timeline up front because ESI does not know how many proposals for incremental resources will be selected and how many of the remaining proposals will be eligible for inclusion in the displacement analysis.

With regard to the proposals for one-year products, ESI is planning to perform a production cost analysis on each of the conforming proposals and does not plan to eliminate a proposal that provides significant savings to customers simply because it exceeds the incremental target for one-year proposals, unless the acceptance of the proposal would create operational problems (for example, the Entergy System has a limited need for off peak block energy). Thus, although a separate displacement analysis will not be performed, the energy displacement proposed by the Staff will be considered in the evaluation.

At this time, ESI does not intend to include long-term proposals that are not selected as incremental resources in the displacement analysis. ESI intends to provide a preference

to long-term resources in the RFP selection. In addition, ESI does not believe that it is in the best interest of customers to build out the long-term portfolio through a single RFP. Rather, ESI believes it will provide greater benefits to customers if resources are selected over time. There also is a practical limit to the number of long-term transactions in which ESI may engage simultaneously. These limits are driven by considerations of access to capital, the rate effects of funding a large number of long-term resources simultaneously, and ESI's ability to close on multiple long-term transactions given the resources needed to conduct due diligence and negotiate these transactions. Finally, ESI is continuing efforts outside of the Summer 2008 RFP process to meet its long-term needs, such as the possible construction of new nuclear generation. It would not be appropriate to foreclose such efforts by acquiring an excessive number of long-term resources.

2. Long-Term Fixed Price Resources—The LPSC Staff asks for a more detailed discussion of this product in the Main Body. The Staff indicated its belief that ESI has complied with the LPSC directive.

Response of ESI

ESI will provide the more detailed discussion requested by the Staff.

3. Capacity Targets—The LPSC Staff notes a concern that the RFP did not specify the capacity targets by term, but based on the response to Question 4, which clarified that ESI is seeking long-term resources as a preference and will fill in with limited-term resources as needed, the Staff is satisfied that appropriate direction has been provided to stakeholders regarding this issue. The Staff requests that ESI clarify that the limited-term resources not selected for award will be considered in the displacement analysis.

Response of ESI

ESI will clarify in the RFP both points noted in the Comments.

4. Environmental Change in Law—The LPSC Staff suggests that ESI clarify that the position of a bidder regarding whether the bidder will agree to absorb change-in-law costs will be taken into account in the economic ranking. ESI clarified this in response to Staff Question 20, and the Staff seeks a similar clarification in the RFP. The Staff asks further that ESI clarify how CO2 costs, which are being modeled, fit within the framework for change-in-law costs and ask ESI to specify that, if a bidder agrees to accept the risk of CO2 costs, ESI will not model those costs separately for that proposal.

ESI Response

ESI will include the requested clarification in the RFP, including an affirmative statement that, if a bidder accepts the risk of CO2 costs, ESI will not apply the costs that it is modeling for CO2 in the evaluation of that proposal.

5. Demand Response, Energy Efficiency, and Renewable Resources—The LPSC Staff agrees with the proposed treatment set forth in the Main Body of the Draft RFP but asks that, in addition to receiving informal information from potential providers of such

resources, ESI permit providers of such resources to submit indicative proposals. The Staff notes that the indicative proposal would be evaluated separately from the other proposals and on a separate schedule. The Staff also asks that ESI confirm that providers of indicative proposals or other resource information be afforded the same confidentiality protection as other bidders.

ESI Response

ESI will accept indicative proposals for demand response, energy efficiency, and renewable resources and will state this in the Main Body of the RFP. However, it is not practical for ESI to accept such proposals through the RFP Web Portal that will be used for the submission of formal proposals in response to the RFP because of the manner in which the RFP Web Portal operates. The indicative proposals may be submitted directly to the RFP Administrator at the address listed in the Main Body of the RFP, along with any other information the provider may wish to offer regarding its product.

The analysis of information and/or indicative proposals relating to demand response, energy efficiency, and renewable resources will take place after the selection of proposals for the products sought formally by the RFP.

ESI will maintain the confidentiality of all information and indicative proposals received from providers of demand response, energy efficiency, and renewable resources. However, it should be noted that the evaluation protocols referenced in Appendices E-1, E-2, and G will not be followed because those resources are not being evaluated within the RFP itself and are not competing against proposals submitted in response to the RFP for the products sought in the RFP. Further, it is expected that the demand response, energy efficiency, and renewable resources involve new technologies and/or alternate types of fuels with which ESI may not be familiar. Thus, ESI believes that a multi-disciplinary evaluation process will allow a fuller consideration of the merits of such resources and how they may fit within the needs of the Entergy System.

6. IM Scope of Work—The LPSC Staff has clarified its role regarding the IM and that it intends to call the IM as a witness in any certification proceedings for resources obtained through the RFP. The Staff wishes ESI to clarify that the Staff has unfettered access to the IM and, further, that the IM may ask the LPSC Staff to review its Report before it is issued, although this would not be required and is solely up to the IM. The Staff also seeks clarification that the IM must report any unresolved disputes with ESI involving the RFP immediately to the Staff.

ESI Response

ESI accepts and appreciates the clarification of the relationship between the Staff and IM. ESI will make the revisions noted in the Staff's comments to clarify the unfettered access to the IM possessed by the LPSC Staff and by the staff of any interested regulatory commission overseeing the RFP process (it was never ESI's intention to suggest otherwise). ESI will revise Appendix G to note that the IM may, if it wishes, share a draft of its Report with the LPSC Staff and the staff of any interested commission overseeing the RFP process.

7. Evaluation Modeling Assumptions—The LPSC Staff is satisfied with the commitment made in Question 5 to provide those assumptions to the Staff for review.

ESI Response

As noted in the response to LPSC Staff Question 5, ESI will make its modeling assumptions available to the LPSC Staff for review, as well as to the Staff of any interested regulatory commission overseeing the RFP process.

8. Model Contracts—The LPSC Staff suggests that ESI clarify that the Definitive Agreements will be based on the EEI Master Agreement. The Staff further asks that ESI clarify that any bidder exceptions to the EEI Master Agreement be stated in the Special Considerations.

ESI Response

ESI will make the requested clarifications in the RFP. However, ESI wishes to be clear that it discourages bidders from requiring exceptions to the EEI Master Agreement.

9. Credit and Collateral—The LPSC Staff is satisfied with the responses to Staff Questions 13 (declining collateral requirements as term of contract progresses to termination) and Question 11 (no parental guarantee for competitive affiliates).

ESI Response

ESI reaffirms its commitments made in response to Staff Questions 13 and 11.

10. Debt Imputation—The LPSC Staff asks that ESI provide a debt imputation calculation with actual values.

ESI Response

ESI will provide a sample calculation using the actual weighted average cost of capital of one of the Louisiana Operating Companies. However, it is important to understand that a number of factors may affect the level of debt that may be imputed to a purchase power agreement (“PPA”), and ESI reserves the right to recognize such factors in its consideration of this issue. ESI has agreed to evaluate PPAs with and without debt imputation so that ESI’s evaluation of this issue will be fully transparent. Further, for purposes of the RFP proposal evaluation, ESI intends to use a projected capital structure that is not specific to a single Operating Company because ESI will not know to which Operating Company the selected resources will be allocated during the economic evaluation process. The projected information is confidential and proprietary and will be provided to the IM and to the LPSC Staff and the staffs of interested regulatory commissions overseeing the RFP process.