

# Summer 2008 Limited-Term and Long-Term RFP LPSC Technical and Bidder's Conference

**ENTERGY SERVICES, INC.**

**June 19, 2008**

This presentation summarizes certain matters related to ESI's Summer 2008 Limited-Term and Long-Term Request for Proposals (as it may be amended or modified, the "Summer 2008 RFP").

## Agenda Items

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- **Introductions**
  
- **Summer 2008 RFP Overview**
  - Key Objectives of the RFP
  - Previous RFP Update
  - RFP Process - Steve Surina, Potomac Economics
  - RFP Timeline and Product Solicitation Overview
  - Bidder Registration and Proposal Submission Processes
  - Credit/Collateral Requirements
  - Proposal Evaluation Process & Overview of Resource Plan
  - RFP Evaluation Discussion - Potomac Economics
  
- **Lunch**
  
- **Q&A Session\***
  
- **Detailed Overview of Bidder Registration and Proposal Submission Process**
  
- **Q&A Session with Entergy's Independent Coordinator of Transmission**

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

## Introductions

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- **Entergy Services, Inc.**

- Patrick Cicio                      Director, Supply Procurement
- Mark Strength                     Manager, Supply Procurement
- Charles DeGeorge                Manager, Supply Planning & Analysis
- Lee Kellough                      Manager, Transmission Engineering
- Bob Cooper                        Director, Credit Risk
- Antonette Harvey                 RFP Administrator

- **Independent Monitor**

- Potomac Economics
  - David Patton
  - Robert Sinclair
  - Michael Chiasson
  - Steve Surina

# **Summer 2008 RFP**

## **Key Objectives of the RFP**

## Summer 2008 RFP – Key Objectives

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- **The primary objective of this RFP is to solicit competitive proposals capable of providing the Entergy Operating Companies with flexible and cost-effective generating resources to meet their customers' peak needs in a reliable and economical manner.**
- **This RFP primarily seeks incremental baseload, load following, and peaking resources over the limited-term and long-term delivery horizon with sufficient flexibility to meet these needs**
- **Although ESI anticipates selecting a mix of resources from among all product categories, proposals that provide flexible capability are qualitatively preferred**
  - The ability of a resource to provide flexible capability will be a key factor in the displacement analysis
  - Flexible capacity is generating capability whose output can be increased and/or decreased in response to the Entergy System requirements
  - Among the products solicited in this RFP, the following are best suited to provide flexible capability:
    - Dispatchable/Peaking MUCPAs (especially if resource equipped with AGC)
    - Short-Notice Peaking MUCCO
    - Ownership Acquisitions
- **The optimum portfolio resource mix (*i.e.*, the proportion of needs supplied by each product type) that actually will be procured from this Summer 2008 RFP will depend upon the relative prices and other characteristics of the various proposals offered by Bidders in response to this RFP**

# **Summer 2008 RFP**

## **Previous RFPs Update**



## Summary of Contracts Resulting From Previous RFPs

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 <a href="#">Note 1</a>	231 MW	101-121 MW <a href="#">Note 2</a>	718 MW	1,235- 1,276 MW
January 2003 Supplemental	222 MW	n/a	n/a	n/a	n/a	222 MW
Spring 2003	n/a	0 MW	381 MW	<a href="#">Note 3</a>	0 MW	381 MW
Fall 2003	n/a	0 MW	390 MW	n/a	n/a	390 MW
Fall 2004	n/a	n/a	1,250 MW	n/a	n/a	1,250 MW
2006 Long-Term	n/a	n/a	n/a	538 MW <a href="#">Note 4</a>	789 MW	1,327 MW
Fall 2006	n/a	0 MW	780 MW	n/a	n/a	780 MW
January 2008 RFP <a href="#">Note 5</a>	n/a	n/a	TBD	n/a	n/a	TBD
2008 Western Region RFP	n/a	n/a	TBD	n/a	n/a	TBD
<b>Total</b>	<b>222 MW</b>	<b>185-206 MW</b>	<b>3,032 MW</b>	<b>639 - 659 MW</b>	<b>1,507 MW</b>	<b>5,585- 5,626 MW</b>

**Note 1:** Includes a conditional option to increase the Capacity up to the upper bound of the range.

**Note 2:** The contracted Capacity will increase from 101 MW to 121 MW in 2010.

**Note 3:** It should be noted that this table does not reflect 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 the Entergy Arkansas Inc. ("EAI") wholesale baseload 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 baseload 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.

**Note 4:** Little Gypsy 3

**Note 5:** At the direction of the LPSC, but with full reservation of all legal rights, ESI issued the January 2008 RFP seeking fixed price unit contingent products. Although the LPSC request was directed to EGSI and ELL, ESI issued on behalf of all Entergy Operating Companies

**Summer 2008 RFP**  
**RFP Process Overview**  
**Steve Surina – Potomac Economics**



# **Summer 2008 RFP**

## **Timeline and Product Solicitation Overview**

## Summer 2008 RFP – Participant Process Highlights

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- **The final RFP will be issued on or about July 28, 2008**
- **Prior to that, ESI will accept written feedback from market participants and other interested parties on the draft RFP**
  - Comments must be provided to the RFP Administrator by July 7, 2008
- **Consistent with previous RFPs, questions received during the LPSC Technical and Bidder's Conference will be posted to the ESI RFP website:**
  - <https://emo-web.no.entergy.com/ENTRFP/index.htm>
- **It should be noted that the electronic proposal submission process used in previous RFPs will not be used in this RFP**
  - ESI is changing the proposal submission system to a web-based process which will streamline and enhance the efficiency of ESI's RFP Bidder Registration and Proposal Submission Processes
  - All Bidders will be required to utilize the RFP Web Portal to complete the Bidder Registration and Proposal Submission Processes
  - RFP hotline will be available during registration and proposal submission process

## Summer 2008 RFP – Eligible RFP Participants

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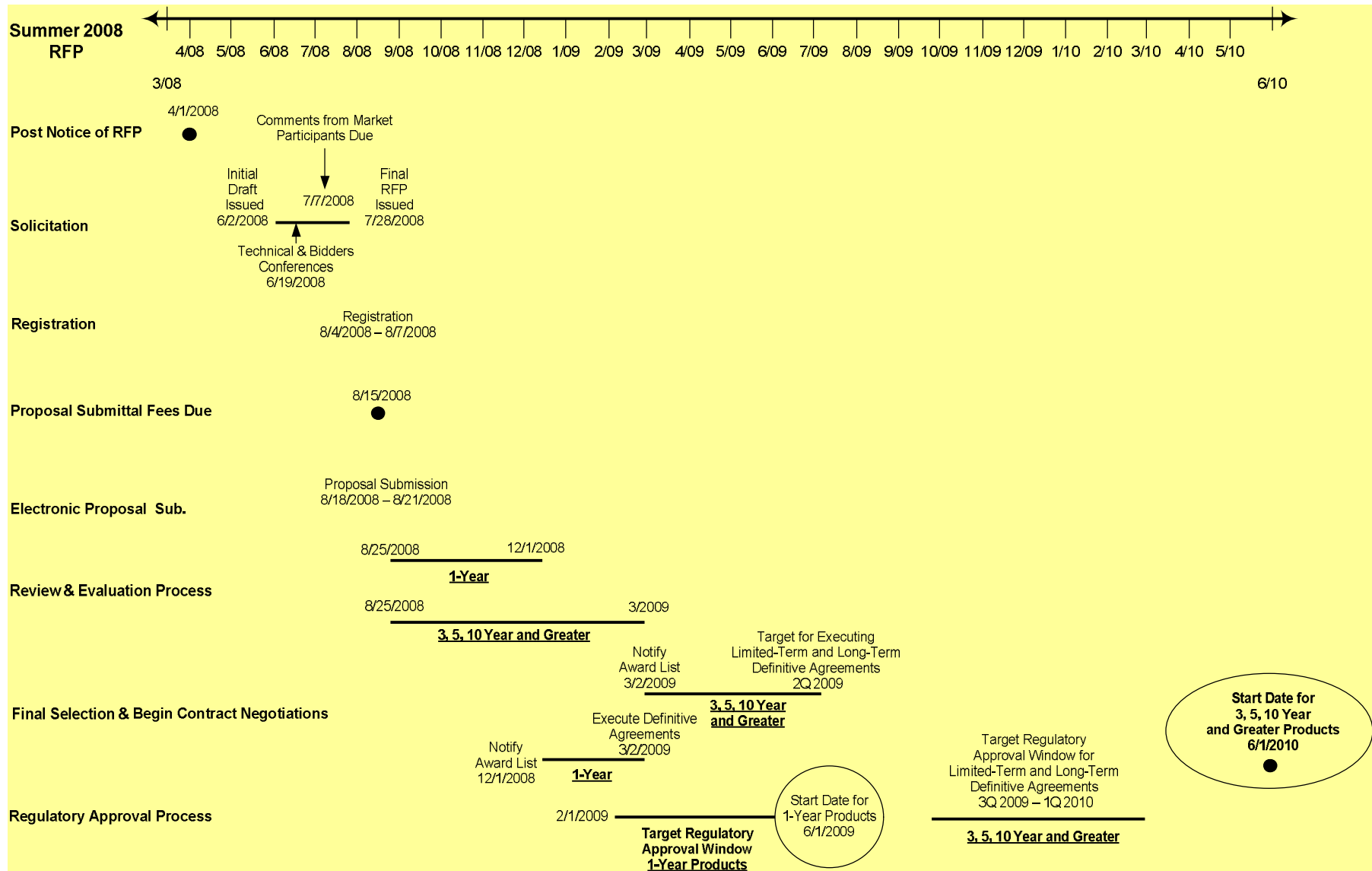
- **Eligible RFP Participants**
  - Electric Utilities
  - Marketers
  - Wholesale Generators
  - Independent Power Producers
  - Qualifying Facilities
  - Entergy Competitive Affiliates
  
- **There will be no self-build or self-supply option market tested in this RFP**

## Summer 2008 RFP – Product Solicitation Overview

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- **ESI is issuing this Summer 2008 RFP to solicit competitive proposals for the delivery of electric capacity, energy, and Other Associated Electric Products.**
  
- **In this Summer 2008 RFP, ESI seeks both limited term and long-term resources:**
  - Limited-term resources
    - Products are structured with delivery terms of one (1), three (3), and five (5) years
  - Long-term resources
    - Products are structured with delivery terms of ten (10) and Greater than 10 years including Life-of-Unit purchases
  - Ownership Acquisitions
    - Interim arrangements for capacity and energy while Buyer conducts due diligence and seeks regulatory approvals is contemplated in the respective term sheet
  
- **The Delivery Term Start Date for one (1) year products will be June 1, 2009**
  
- **The Delivery Term Start Date for three (3) year or greater products will be June 1, 2010**

# Summer 2008 RFP – Timeline



## Summer 2008 RFP – Product Solicitation Overview

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- ESI is soliciting the following range of products in this RFP

- **Baseload Product (*Product Package A*)**
- **Dispatchable MUCPA (*Product Package B*)**
- **Low Heat Rate MUCCO (*Product Package C*)**
- **Peaking MUCPA (*Product Package D*)**
- **Peaking MUCCO (*Product Package E*)**
- **Short-Notice Peaking MUCCO (*Product Package F*)**
- **Ownership Acquisition (*Product Package G*)**

## Summer 2008 RFP – Baseload Product (*Product Package A*)\*

	<u>Limited-Term</u>	<u>Long-Term</u>
<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>-- 1 year product -- <b>6/1/2009</b></li> <li>-- 3 &amp; 5 year products -- <b>6/1/2010</b></li> </ul>	<ul style="list-style-type: none"> <li>-- 10 year and greater products -- <b>6/1/2010</b></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>-- CCGT or a baseload technology expected to run in all hours of the Delivery Term subject to availability</li> <li>-- 97% availability in each month of Delivery Term for CCGT resource</li> <li>-- 90% availability in each month of Delivery Term for Solid Fuel resource</li> <li>-- 2% Capacity Payment discount for 1% availability shortfall</li> <li>-- 85% Rolling 12-month Availability Requirement with termination right</li> <li>-- Equivalent Planned Maintenance and Force Majeure Hours capped according to Delivery Term</li> <li>-- Seller has ability to offer replacement energy; Buyer may accept or reject</li> <li>-- QFs do not retain right to put to the host utility</li> </ul>	
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>-- 50 MW – 500 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) Fixed for all years of Delivery Term</li> </ul> </li> <li>-- Energy Payment (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Guaranteed Energy Price (fixed for all years)</li> <li>(ii) Fixed Heat Rate multiplied by the Fuel Price</li> </ul> </li> <li>-- Variable O&amp;M proposed by Seller (\$/MWh)</li> </ul>	<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)</li> <li>(ii) Option Premium specified annually</li> </ul> </li> <li>-- Energy Payment proposed by Seller (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Guaranteed Energy Price (specified annually)</li> <li>(ii) Fixed Heat Rate multiplied by the Fuel Price</li> </ul> </li> <li>-- Variable O&amp;M proposed by Seller (\$/MWh)</li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>-- Seller provides fuel</li> </ul>	<ul style="list-style-type: none"> <li>-- Seller provides fuel</li> </ul>

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

## Summer 2008 RFP – Dispatchable MUCPA (Product Package B)\*

	<u>Limited-Term</u>	<u>Long-Term</u>
<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>-- 1 year product -- <b>6/1/2009</b></li> <li>-- 3 &amp; 5 year products -- <b>6/1/2010</b></li> </ul>	<ul style="list-style-type: none"> <li>-- 10 year and greater products -- <b>6/1/2010</b></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>-- Tolling agreement with no minimum annual energy dispatch requirements</li> <li>-- 8 hour min run time if dispatched; max of 1 start per unit per day; 4 hour maximum 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 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> </ul>	
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>-- One entire 2x1 CCGT train totaling approximately 450 to 650 MW; or</li> <li>-- One entire 1x1 CCGT train totaling approximately 250 to 400 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) Fixed for all years of Delivery Term</li> </ul> </li> <li>-- Variable O&amp;M (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$1.00</li> </ul> </li> <li>-- Fixed Start-up Payment (\$ per CT per Start)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$12,500</li> </ul> </li> </ul>	<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)</li> <li>(ii) Option Premium defined annually</li> </ul> </li> <li>-- Variable O&amp;M (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Proposed by Seller</li> </ul> </li> <li>-- Fixed Start-up Payment (\$ per CT per Start)               <ul style="list-style-type: none"> <li>(i) Proposed by Seller</li> </ul> </li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>-- Buyer provides fuel</li> </ul>	<ul style="list-style-type: none"> <li>-- Buyer provides fuel</li> </ul>

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



## Summer 2008 RFP – Low Heat Rate MUCCO (Product Package C)\*

	<u>Limited-Term</u>	<u>Long-Term</u>
<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>- 1 year product -- <b>6/1/2009</b></li> <li>- 3 &amp; 5 year products -- <b>6/1/2010</b></li> </ul>	<ul style="list-style-type: none"> <li>- 10 year and greater products -- <b>6/1/2010</b></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>- Day-ahead and intra-day Call Option with no minimum annual energy dispatch requirements</li> <li>- Seller retains right to sell on non-firm, interruptible basis if Buyer does not exercise its Call Option</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 termination right</li> <li>- Equivalent Planned Maintenance and Force Majeure Hours capped according to Delivery Term</li> <li>- Can be combined with a Baseload Product</li> <li>- QFs do not retain right to put to the host utility</li> </ul>	
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>- 50 – 350 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) Fixed for all years of Delivery Term</li> </ul> </li> <li>- Variable O&amp;M (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$1.00</li> </ul> </li> <li>- Fixed Start-up Payment (\$ per MW per Start)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$50</li> </ul> </li> <li>- Energy payment based on Fixed Heat Rate;               <ul style="list-style-type: none"> <li>(i) 7,500 Btu/kWh for an 8 – 11 hour schedule</li> <li>(ii) 7,300 Btu/kWh for a 12 – 15 hour schedule</li> <li>(iii) 7,200 Btu/kWh for a 16 hour or longer schedule; and multiplied by the Gas Price</li> </ul> </li> </ul>	<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); or</li> <li>(ii) Option Premium defined annually</li> </ul> </li> <li>- Variable O&amp;M (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Proposed by Seller</li> </ul> </li> <li>- Fixed Start-up Payment (\$ per CT per Start)               <ul style="list-style-type: none"> <li>(i) Proposed by Seller</li> </ul> </li> <li>- Energy payment based on Fixed Heat Rate proposed by Seller;               <ul style="list-style-type: none"> <li>(i) _____ Btu/kWh for an 8 – 11 hour schedule</li> <li>(ii) _____ Btu/kWh for a 12 – 15 hour schedule</li> <li>(iii) _____ Btu/kWh for a 16 hour or longer schedule; and multiplied by the Gas Price</li> </ul> </li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>▪ Seller provides fuel</li> </ul>	<ul style="list-style-type: none"> <li>▪ Seller provides fuel</li> </ul>

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

## Summer 2008 RFP – Peaking MUCPA (Product Package D)\*

	<b><u>Limited-Term</u></b>	<b><u>Long-Term</u></b>
<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>-- 1 year product -- <b>6/1/2009</b></li> <li>-- 3 &amp; 5 year products -- <b>6/1/2010</b></li> </ul>	<ul style="list-style-type: none"> <li>-- 10 year and greater products -- <b>6/1/2010</b></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>-- Tolling agreement with no minimum annual energy dispatch requirements</li> <li>-- 4 hour min run time if dispatched; max of 2 starts per unit per day; 2 hour maximum between shutdown/start-up</li> <li>-- CT technology with Heat Rate Guarantee (+/- 3% bandwidth)</li> <li>-- Availability Requirement is 99% in Summer (Jun-Aug) and Winter (Dec-Feb); 96% for balance of calendar year</li> <li>-- 20% Capacity Payment discount for 1% availability shortfall</li> <li>-- 90% Rolling 12-month Availability Requirement with 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> </ul>	
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>-- Full Capacity of the specified CT generating unit</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) Fixed for all years of Delivery Term</li> </ul> </li> <li>-- Variable O&amp;M (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$2.00</li> </ul> </li> <li>-- Fixed Start-up Payment (\$ per CT per Start)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$12,500</li> </ul> </li> </ul>	<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); or</li> <li>(ii) Option Premium defined annually</li> </ul> </li> <li>-- Variable O&amp;M (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Proposed by Seller</li> </ul> </li> <li>-- Fixed Start-up Payment (\$ per CT per Start)               <ul style="list-style-type: none"> <li>(i) Proposed by Seller</li> </ul> </li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>-- Buyer provides fuel</li> </ul>	<ul style="list-style-type: none"> <li>-- Buyer provides fuel</li> </ul>

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

## Summer 2008 RFP – Peaking MUCCO (Product Package E)\*

<b><u>Limited-Term (only)</u></b>	
<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>- 1 year product -- <b>6/1/2009</b></li> <li>- 3 &amp; 5 year products -- <b>6/1/2010</b></li> </ul>
<b>Key Product Terms</b>	<ul style="list-style-type: none"> <li>- Unit contingent capacity and energy</li> <li>- Day-ahead and intra-day Call Option with no minimum annual energy dispatch requirements</li> <li>- Seller retains right to sell on non-firm, interruptible if Buyer does not exercise its Call Option</li> <li>- Availability Requirement is 99% in Summer (Jun-Aug) and Winter (Dec-Feb); 96% for balance of calendar year</li> <li>- 20% Capacity Payment discount for 1% availability shortfall</li> <li>- 90% Rolling 12-month Availability Requirement with termination right</li> <li>- Equivalent Planned Maintenance and Force Majeure Hours capped</li> <li>- Seller has ability to offer replacement energy; Buyer may accept or reject</li> <li>- QFs do not retain right to put to the host utility</li> </ul>
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>- 50 – 350 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) Fixed for all years of Delivery Term</li> </ul> </li> <li>- Variable O&amp;M (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$2.00</li> </ul> </li> <li>- Fixed Start-up Payment (\$ per MW per Start)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$75</li> </ul> </li> <li>- Energy payment based on Fixed Heat Rate (Btu/kWh):               <ul style="list-style-type: none"> <li>(i) Pre-set at 10,500 and multiplied by the Gas Price</li> </ul> </li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>▪ Seller provides fuel</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Seller provides fuel</li> </ul>

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

# Summer 2008 RFP – Short-Notice Peaking MUCCO (Product Package F)\*

<b><u>Limited-Term (only)</u></b>	
<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>-- 1 year product -- <b>6/1/2009</b></li> <li>-- 3 &amp; 5 year products -- <b>6/1/2010</b></li> </ul>
<b>Key Product Terms</b>	<ul style="list-style-type: none"> <li>-- Unit contingent capacity and energy</li> <li>-- <u>Option 1</u>: Day-ahead and intra-day Call Option with no minimum annual energy dispatch requirements</li> <li>-- <u>Option 2</u>: Intra-hour Call Option with no minimum annual energy dispatch requirements</li> <li>-- Under Option 2, Seller <i>does not</i> retain right to sell on non-firm basis if Buyer does not exercise its Call Option</li> <li>-- Availability Requirement is 99% in Summer (Jun-Aug) and Winter (Dec-Feb); 96% for balance of calendar year</li> <li>-- 20% Capacity Payment discount for 1% availability shortfall</li> <li>-- 90% Rolling 12-month Availability Requirement with termination right</li> <li>-- Equivalent Planned Maintenance and Force Majeure Hours capped</li> <li>-- Seller has ability to offer replacement energy; Buyer may accept or reject</li> <li>-- QFs <i>do</i> retain right to put to the host utility</li> </ul>
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>-- 50 – 350 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) Fixed for all years of Delivery Term</li> </ul> </li> <li>-- Variable O&amp;M (\$/MWh)               <ul style="list-style-type: none"> <li>(i) Pre-set at \$2.00</li> </ul> </li> <li>-- Energy payment based on Fixed Heat Rate (Btu/kWh):               <ul style="list-style-type: none"> <li>(i) Pre-set at 12,500 and multiplied by the Gas Price</li> </ul> </li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>▪ Seller provides fuel</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Seller provides fuel</li> </ul>

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

## Summer 2008 RFP – Ownership Acquisition (Product Package G)\*

<b><u>Acquisition</u></b>	
<b>Delivery Term Start Date</b>	<ul style="list-style-type: none"> <li>- Target start date for any interim arrangement for capacity and energy pending regulatory approvals -- <b>6/1/2010</b></li> </ul>
<b>Key Product Terms</b>	<ul style="list-style-type: none"> <li>- Buyer seeking outright acquisition of a simple-cycle CT, or a combined-cycle gas turbine (CCGT), or a baseload Solid Fuel generating unit</li> <li>- Key asset attributes include AGC, high turn-down ratio, flexible fuel supply, and locational benefit</li> </ul>
<b>Capacity Quantity</b>	<ul style="list-style-type: none"> <li>- Entire CT total approximately 160 MW; or</li> <li>- Entire 2x1 CCGT train totaling approximately 450 to 650 MW; or</li> <li>- Entire 1x1 CCGT train totaling approximately 250 to 400 MW; or</li> <li>- Entire baseload Solid Fuel generating unit or portion of unit</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>- Pricing shall be based on a single fixed payment</li> <li>- For resources located outside of the Entergy Control Area, Bidders are instructed to include the total estimated costs of any transmission upgrades and tariff rates charged to deliver energy from the proposed resource to the Entergy Control Area</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

## Summer 2008 RFP – Environmental Change in Law\*

	<u>Limited-Term</u>	<u>Long-Term</u>
<b>Baseload Product</b>	<p>If Bidder intends to submit a proposal regarding Environmental Change in Law costs, ESI requires Bidders specify the following:</p> <p>(i) Amount of the deductible (amount for Seller’s account before Buyer obligated to share in costs) on a per occurrence or aggregate basis</p> <p>(ii) Whether there will be a “dead zone” (i.e. a period after start of delivery term in which no Environmental Change in Law costs will be borne by Buyer)</p> <p>(iii) Fixed percentage share to be borne by Buyer (or other pro rata basis for sharing such costs based on energy takes)</p> <p>(iv) Minimum notice to Buyer required prior to any Buyer sharing of Environmental CIL costs</p> <p>(v) Any other material term</p>	<p>If Bidder intends to submit a proposal regarding Environmental Change in Law costs under a long-term proposal for Buyer to share in Environmental Change in Law capital costs, ESI requires Bidder specify the following in addition to the specification required under a limited-term proposal:</p> <p>(i) Amount/percentage increase in Buyer’s costs that would trigger termination right</p> <p>(ii) Seller’s proposed discount or finance rate for purposes of calculating Buyer’s payment obligation for capital items and term of amortization</p>
<b>Dispatchable MUCPA</b>		
<b>Low Heat Rate MUCCO</b>		
<b>Peaking MUCPA</b>		
<b>Peaking MUCCO</b>		
<b>Short-Notice Peaking MUCCO</b>		N/A

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

## Summer 2008 RFP – Additional Key Considerations

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- **Regulatory Approvals**
  - All definitive agreements shall be conditioned upon receipt of regulatory approvals, including the recovery of the cost of the resource, acceptable to ESI in its sole discretion
    - Buyer retains termination right if regulatory approval including full cost recovery not received
    - Because of shortened time period for regulatory approval of products with a one (1) year delivery term, the applicable term sheets include a termination provision if regulatory approval has not been achieved by, or is denied, 120 days after the commencement of the Delivery Term
  
- **Contract Terms and Conditions**
  - ESI does not intend to post Model Contracts
  - ESI intends to utilize EEI Master agreements as the basis for negotiation
  - Any additional provisions or special considerations have been provided in the applicable Term Sheets located in Appendix C of the RFP
  - 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

## Summer 2008 RFP – Additional Key Elements

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- **Proposal submittal fees will be required for each registered proposal.**
  - The Proposal Submission Fee is \$5,000 per registered proposal
    - Bidders submitting linked proposals (Baseload Product and Low Heat Rate MUCCO product only) that are to be evaluated on a combined basis only will be charged one proposal submittal fee.
  
- **No Bidder will be excluded or prohibited from participating in this RFP on the basis of credit**
  
- **Proposals from QFs will not be provided any form of preference or enjoy any priority of selection in the RFP based solely on their QF status**
  - However, the RFP includes the ability to link two products and the design of a third product all of which have been developed in order to facilitate the participation of QFs in this RFP



# **Summer 2008 RFP**

## **Bidder Registration and Proposal Submission Process**

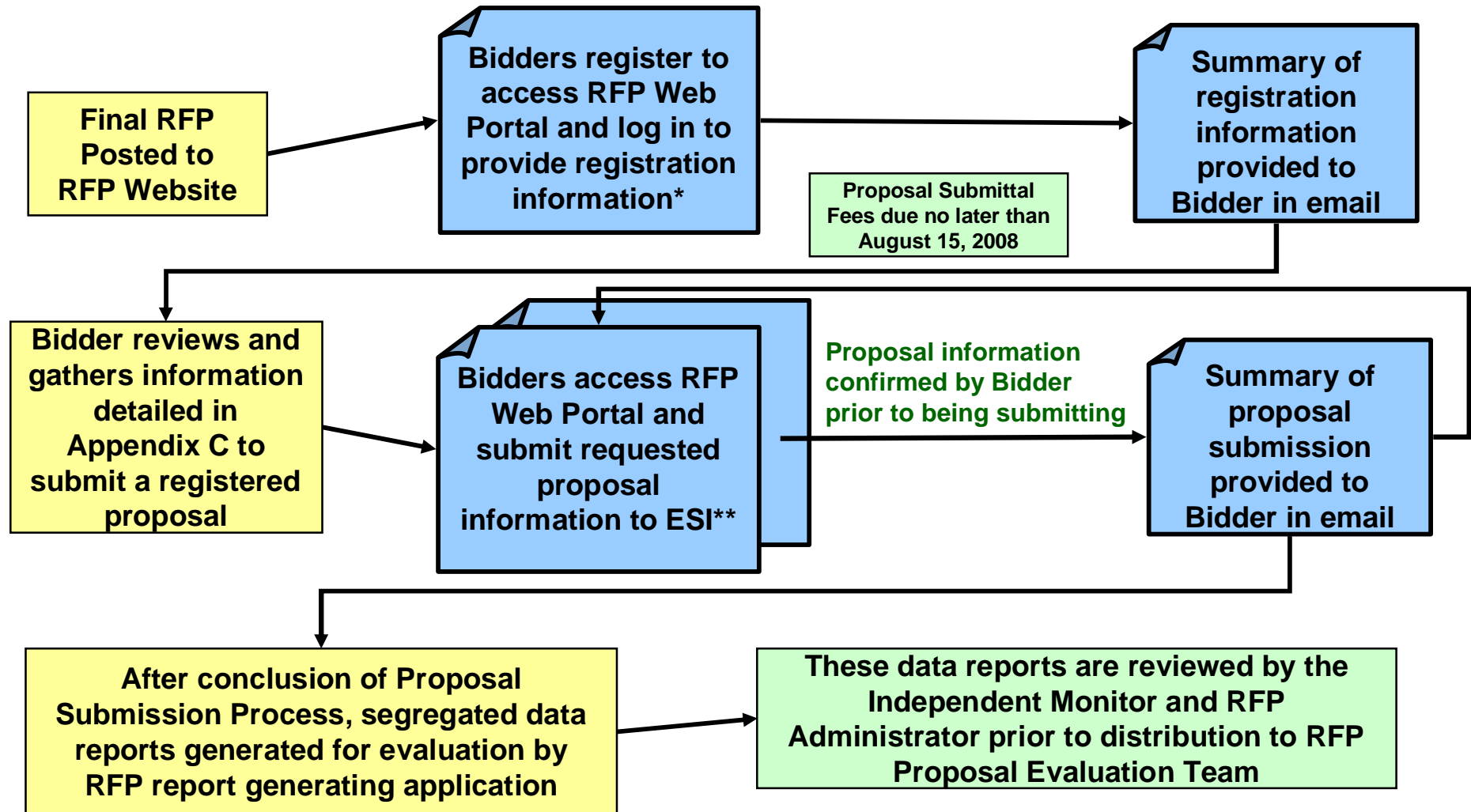
## Summer 2008 RFP – Bidder Registration & Proposal Submission

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- **Consistent with previous RFPs, ESI intends to utilize an electronic proposal submission process. The benefits of this process include:**
  - Consistent data and formats for required information
  - Elimination of potential transcription errors and reduction of need to interpret information
  - Enhanced security and segregation of data (less human intervention)
  - Improved ability to store and retrieve electronic files (with information removed from view, as appropriate)
  - Pre-formatted reports and pre-determined access to information
  
- **New for the Summer 2008 RFP, ESI will utilize a secure RFP Web Portal**
  - Bidder's 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 is in the process of developing the technical appendix to assist Bidders with using the RFP Web Portal that will be posted with the final RFP
    - ESI will also provide an opportunity prior to the start of Bidder Registration for Bidders to access the RFP Web Portal and test the processes and receive technical support

# Summer 2008 RFP – Bidder Registration & Proposal Submission

ILLUSTRATIVE



\* Deadline for Bidder registration is 5:00 p.m. CPT August 7, 2008

\*\* Deadline for submission of all proposals is 5:00 p.m. CPT August 21, 2008

## Summer 2008 RFP – Proposal Submission Fees

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- **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.
  - Bidders will be invoiced a \$5,000 Proposal Submittal Fee for each registered proposal
    - Combination products, as detailed in the RFP, will be invoiced \$5,000 per combination
  - ***ESI must receive the Proposal Submittal Fee for each registered proposal no later than 5:00 p.m. CPT on August 15, 2008***
  - 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 shall not be permitted to complete the Proposal Submission Process for such registered proposal(s)

# **Summer 2008 RFP Credit/Collateral Requirements**

## Summer 2008 RFP – Development of Credit Requirements

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- **No Bidder will be excluded or prohibited from participating in this RFP on the basis of credit.**
- **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.**
- **All Bidders have the same credit requirements from initial proposal submission, through the awarding process, up to the signing of Definitive Agreements.**

## Summer 2008 RFP – Credit Requirements

- **None at time of proposal submission**
- **None at time of proposal awards**
- **Acceptable forms of collateral for consideration by ESI may include:**
  - Parental Guaranty
  - Letters of Credit
  - Cash
  - Lien On Asset
  - Other acceptable solutions suggested by Bidder
- **The following tables below provide the operational collateral requirements for each limited-term and long-term 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 an independent amount of collateral equal to \$500,000 per 100 MW of Contract Capacity until the Delivery Term Start Date, after which the assessment of the operational exposure will apply

<b>Limited-Term Product Type</b>	<b>EXPOSURE</b> (\$ per 100 MW per year)
Baseload Product (CCGT and Solid Fuel)	\$1,200,000
Dispatchable MUCPA	\$1,200,000
Low Heat Rate MUCCO	\$850,000
Peaking MUCPA	\$500,000
Peaking MUCCO	\$350,000
Hour-Ahead MUCCO	\$175,000

<b>Long-Term Product Type</b>	<b>EXPOSURE</b> (\$ per 100 MW)
<u>Long-Term PPA:</u> Baseload Product (CCGT and Solid Fuel)	\$20,000,000
<u>Long-Term PPA:</u> Dispatchable MUCPA (CCGT) Low Heat Rate MUCCO (CCGT)	\$10,000,000
<u>Long-Term PPA:</u> Peaking MUCPA	\$5,000,000

## Credit Review and Collateral Timeline

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- **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, determine the Maximum Uncollateralized Supplier Exposure for each Bidder**
  - The Bidder Credit Rating has no effect on the selection of proposals to the primary award list and/or the secondary award list
  - 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 and will be provided to the negotiation team
  
- **Credit exposures will be evaluated and discussed with Bidders who are selected for the primary award list and/or the secondary award shortlist. At the time that a Bidder is notified of its selection to the primary and/or the secondary award shortlist, Bidders will be asked to discuss the appropriate forms of collateralization for their particular proposal(s)**
  
- **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.**



# **Summer 2008 RFP**

## **Proposal Evaluation Process & Resource Needs**

# Summer 2008 RFP – Proposal Evaluation Process & Resource Needs

## Supply Objectives

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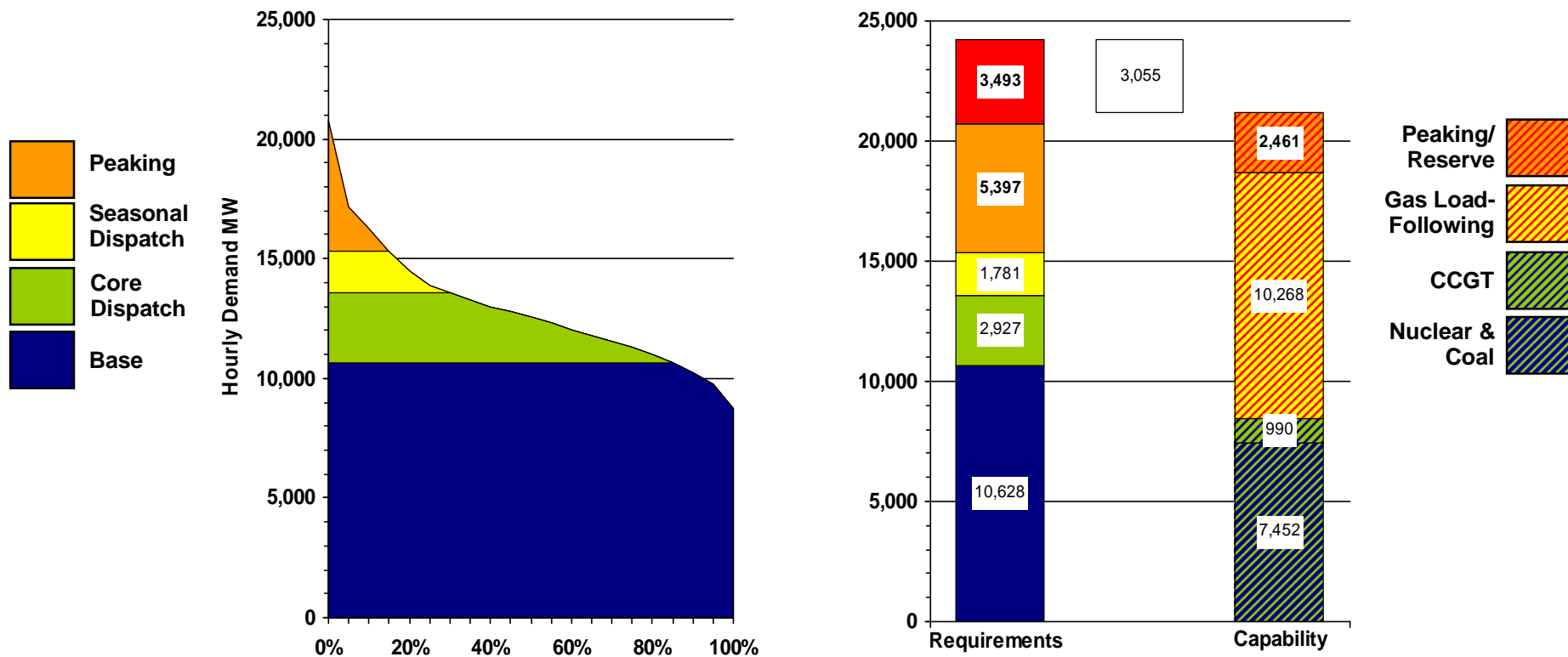


The supply needs of the Operating Companies are described by the following six basic resource supply objectives:

- Reliability – The SSRP should provide adequate resources to meet customer peak demands with adequate reliability.
- Base Load Production Costs – The SSRP should provide low-cost base load resources to serve base load requirements, which are defined as the firm load level that is expected to be exceeded for at least 85% of all hours per year.
- Flexible Capability and Load-Following Production Costs – The SSRP should provide efficient, dispatchable, load-following resources to serve the time-varying load shape levels that are above the base load supply requirement. Further the SSRP should provide sufficient flexible capability to respond to factors such as load volatility caused by changes in weather or by inherent characteristics of industrial operations, the need for meeting energy imbalances caused by independent power producers interconnected to the System, and the need to absorb energy that may be put to the System by cogenerators.
- Generation Portfolio Enhancement – The SSRP should provide a generation portfolio that is more efficient than the current fleet and avoids an over-reliance on aging resources.
- Price Stability Risk Mitigation – The SSRP should mitigate the exposure to price volatility associated with uncertainties in fuel and purchased power costs.
- Supply Diversity Risk Mitigation – The SSRP should mitigate the exposure to major supply disruptions that could occur from specific risks such as outages at a single generation facility.

# Summer 2008 RFP – Proposal Evaluation Process & Resource Needs

## Entergy System Long-term Resource Requirements and Capability for 2008



	Base Load	Core Dispatch	Seasonal Dispatch	Peaking Plus Reserve	Total
Resources (MW)	7,452	990	10,268	2,461	21,171
Requirement (MW)	10,628	2,927	1,781	8,890	24,225
Excess / (Deficit) (MW)	(3,176)	(1,937)	8,487	(6,429)	(3,055)

Supply role requirements are intended as general guidelines for portfolio planning purposes without consideration of practical operational requirements. In assessing the portfolio relative to these guidelines, each unit has been assigned within a specific supply role. In actuality, the distinction between supply roles is neither sharp nor static.

# Summer 2008 RFP – Proposal Evaluation Process & Resource Needs

## Flexible Capability Requirements

The System must commit sufficient dispatchable capacity with adequate fuel supply to ensure ability to respond to changing load levels and System conditions.

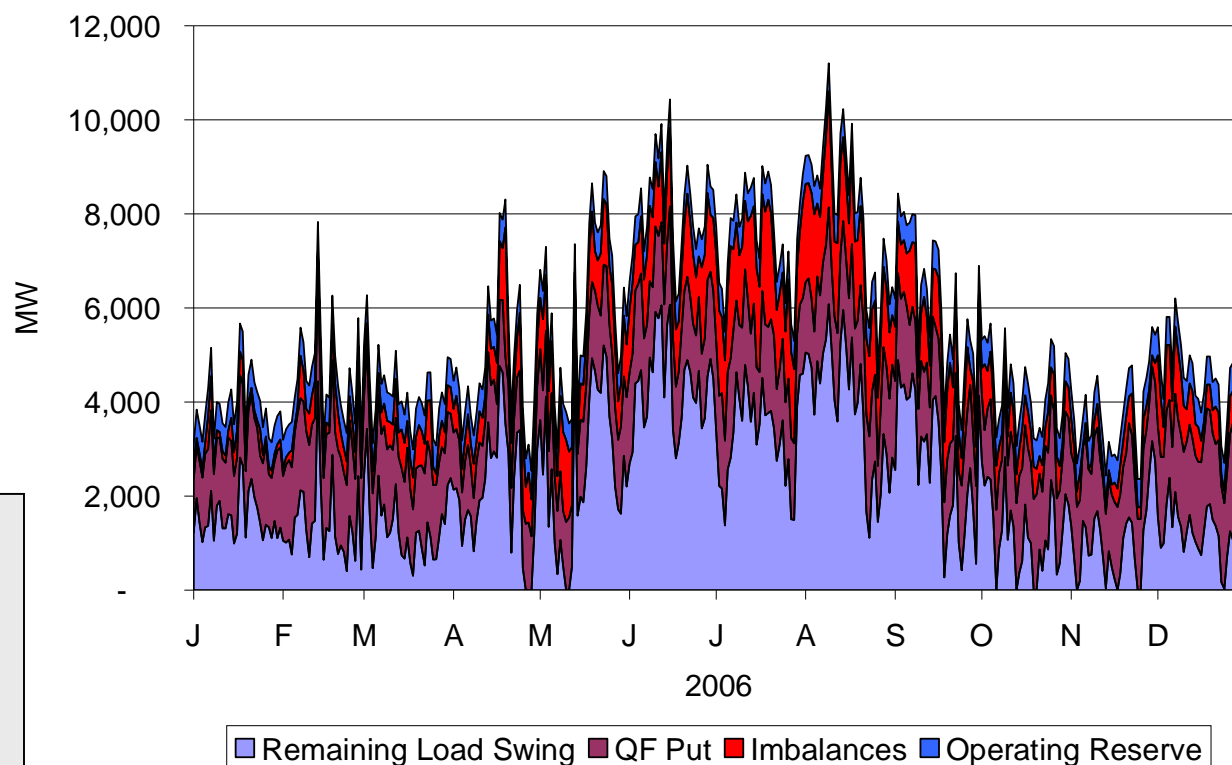
### Key Drivers of Flexible Capacity Need

1. Load Swing
2. QF Put
3. Generator Imbalances
4. Operating Reserves

#### Note

• Remaining Load Swing represents load levels after consideration of block energy purchases that were used to meet System load swing requirements.

Flexible Capacity Requirement



# Summer 2008 RFP – Proposal Evaluation Process & Resource Needs

## Targeted Need



(MWs)

	2009	2010	2011	2012	2013	2014
<b>Total Reliability Requirement</b>	<b>24,805</b>	<b>25,142</b>	<b>25,414</b>	<b>25,936</b>	<b>26,335</b>	<b>27,084</b>
<b>DSM</b>	<b>69</b>	<b>127</b>	<b>219</b>	<b>338</b>	<b>468</b>	<b>608</b>
<b>Owned and Purchased Resources</b>	<b>23,969</b>	<b>23,553</b>	<b>23,353</b>	<b>22,808</b>	<b>22,808</b>	<b>23,116</b>
<b>Remaining Need</b>	<b>767</b>	<b>1,462</b>	<b>1,842</b>	<b>2,789</b>	<b>3,059</b>	<b>3,359</b>

### Targeted Need from RFP

<b>1 Year</b>	<b>Up to 750 MW</b>
<b>3 or more Years</b>	<b>Up to 1,500 MW</b>

## Summer 2008 RFP – Proposal Evaluation Process & Resource Needs

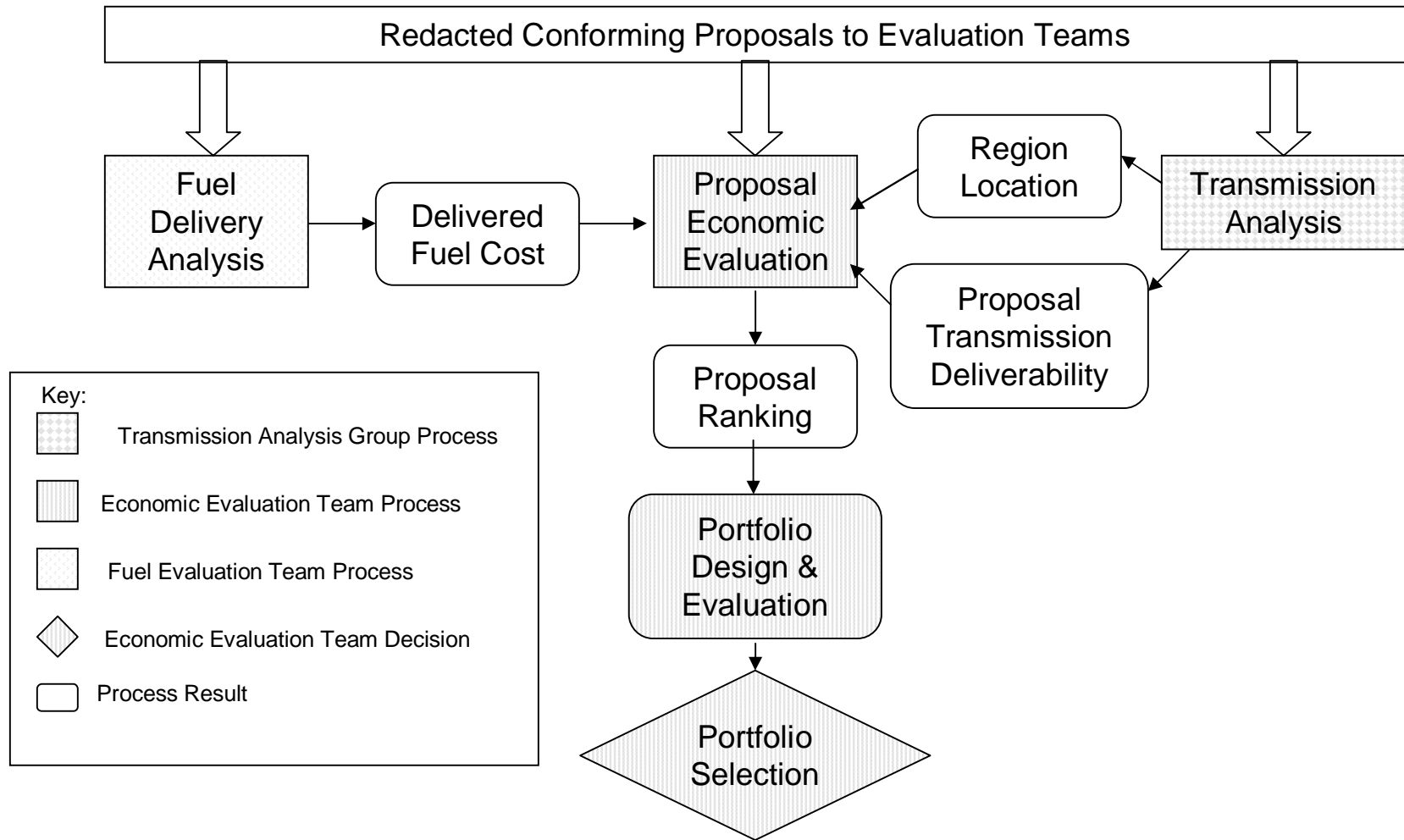
### Proposal Evaluation Process Objectives

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- The primary objective of the proposal evaluation process is to identify those proposals 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

# Summer 2008 RFP – Proposal Evaluation Process & Resource Needs

## Evaluation Overview



## Summer 2008 RFP – Proposal Evaluation Process & Resource Needs Comparison of Proposals

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- **Evaluation of Limited-Term one-year proposals, Limited-Term 3-year and 5-year proposals, and Long-Term proposals will be performed separately:**
  - Similar but distinct processes
  - Proceed on different schedules
  - Tools and assumptions may differ
  
- **Limited-Term one-year proposals:**
  - Delivery term to start June 1, 2009
  - Shorter evaluation period in order to meet regulatory approval time-line
  - Intended to meet reliability needs
  
- **Limited-Term 3-year and 5-year and Long-Term Proposals:**
  - Delivery term to start June 1, 2010
  - Develop portfolios which meet system needs in an economical manner
  - Limited-Term 3-year and 5-year Proposals will be compared and ranked
  - Long-Term Proposals will be compared and ranked
  - Limited-Term Proposals and Long-Term Proposals will not be compared



## Summer 2008 RFP – Proposal Evaluation Process & Resource Needs Fundamental Economic Analysis

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- **Proposals will be evaluated individually based on the levelized cost expressed in \$/MWh over the relevant time period:**
  - 1, 3, or 5 years for Limited-Term proposals
  - 30 years for Long-Term proposals (with defined replacement costs for periods not covered)
  
- **Operating assumptions will reflect the planned operating role:**
  - Low capacity factor for peaking proposals
  - Higher capacity factor for dispatchable proposals
  - Baseload capacity factor for baseload CCGT and solid fuel proposals
  
- **Effect of imputed debt on purchased power agreement proposals will be performed**
  
- **Transmission deliverability benefits and cost will be considered**

## Summer 2008 RFP – Proposal Evaluation Process & Resource Needs

### Net System Benefit Analysis

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- **Proposals will be evaluated individually based on the net system benefit expressed in net present value \$/MW added over the relevant time period:**
  - 1, 3, or 5 years for Limited-Term proposals
  - 30 years for Long-Term proposals (with defined replacement costs for periods not covered)
- **Production costing simulations will be performed for baseload and dispatchable proposals**
- **Effect of imputed debt on purchased power agreement proposals will be performed**
- **Terminal value considerations may apply**
- **Transmission deliverability benefits and cost will be considered**

## Summer 2008 RFP – Proposal Evaluation Process & Resource Needs Portfolio Design

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- **Meet the supply objectives of the Entergy System at the lowest reasonable cost consistent with the provision of reliable service**
  
- **Due to terms, assess Limited-Term one-year proposals separately from:**
  - Limited-Term 3-year and Limited-Term 5-year proposals
  - Long-Term proposals
  
- **Match resources with portfolio needs**
  - Fill first with Long-Term Proposals
  - Provide flexible capability
  
- **Consider locational benefits**
  - Dispersed geographically
  - Preference for resources located in WOTAB and Amite South regions
  
- **Include assessment of:**
  - Diminishing benefits that occurs as more resources at higher cost are added to the portfolio
  - Varying terms
  - Mix of products
  - Robust across a broad range of assumptions

## Summer 2008 RFP – Summary of Transmission Deliverability Analysis for each Proposal

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- TAG will determine the region of each proposal and if the proposal has the ability to substitute for a RMR unit.
- The proposals will be provided to the ICT for the “information only” study. The proposals will be divided into two categories:
  - Proposals beginning on June 1, 2009 (results due in 90 days)
  - Proposals beginning on June 1, 2010 (results due in 120 days)
- **Results for each category will be analyzed by TAG using the following criteria:**
  - Proposals beginning on June 1, 2009 with available transmission capacity will be provided to the EET for further evaluation (redispatch and undesignation mitigation strategies will be considered). Proposals that do not have available transmission capacity and no mitigation alternatives will be eliminated from further evaluation
  - Three year and five year proposals beginning on June 1, 2010 with available transmission capacity will be provided to the EET for further evaluation (redispatch and undesignation mitigation strategies will be considered). Proposals that do not have available transmission capacity and no mitigation alternatives will be eliminated from further evaluation
  - All ten year proposals or life of unit resources beginning on June 1, 2010 will be considered for further evaluation utilizing undesignation or upgrade mitigation strategies

## Summer 2008 RFP – Summary of Transmission Deliverability Analysis for Selected Portfolios

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- **The EET will provide TAG with portfolios to conduct transmission portfolio analysis.**
  - TAG will provide the total transmission capability of each portfolio to the EET using the identified mitigation strategies defined in the “information only” studies.
  
- **The iteration between TAG and EET will continue until the desired least cost portfolio is determined.**
  
- **The desired portfolio will be submitted to the ICT on OASIS in the active transmission reservation queue to obtain confirmation of the network resource status through the System Impact Study process**
  
- **If constraints are identified for the limited term products based on transactions in the transmission results WITH priors that can not be mitigated through undesignation or redispatch of network resources, then a facility study may be requested**
  
- **If constraints are identified for the limited term products based on transactions in the transmission results WITHOUT priors that can not be mitigated through undesignation or redispatch of network resources, then negotiations with the bidder of the proposal may cease**
  
- **If constraints are identified for the long term products that cannot be mitigated through undesignation or redispatch of network resources, then a Facility Study will be requested**

# **Summer 2008 RFP**

## **RFP Evaluation Discussion – Potomac Economics**

## Question & Answer Session