

Summary of the Evaluation of Possible Regional Transmission Organization (“RTO”) Membership by the Entergy Operating Companies

- Over the past decade, Entergy has carefully evaluated a number of alternatives regarding the best management structure for its transmission system.
- Recently, Entergy has conducted a detailed evaluation of the options available to the Entergy operating companies with respect to the future operational control of the Entergy transmission system.
- This evaluation considers the possibility of continuing the Independent Transmission Coordinator (“ICT”) arrangement with the Southwest Power Pool (“SPP”) or joining either the SPP RTO or the Midwest Independent Transmission System Operator (“Midwest ISO”) RTO as a member.
- Entergy has concluded that joining the Midwest ISO will provide meaningful long-term benefits for the customers of the Entergy operating companies.
- This conclusion is based on Entergy’s analysis that clearly shows there are compelling benefits to joining an RTO with substantial scale and a “Day 2” market – i.e., an RTO that includes day-ahead and real-time energy markets; and that the Midwest ISO is the preferable RTO option for the Entergy operating companies.

There are Compelling Benefits to joining an RTO with substantial scale and a Day 2 Market

- Joining an RTO with a Day 2 market is a better choice than continuing the current ICT arrangement for several reasons:
 - An RTO Day 2 market can efficiently integrate transmission and generation resources on a large transmission system, like Entergy’s, that includes vertically integrated utilities, substantial merchant generation, and multiple embedded wholesale customers.
 - The larger geographic footprint of an RTO enhances the resource options available to serve the Entergy operating companies’ load.
 - Transmission congestion in a Day 2 RTO is managed more efficiently on an economic basis rather than by curtailing transactions.
 - An RTO with Day 2 markets will provide increased transparency and independence in the decision-making process.
- Independent cost-benefit studies conducted by Charles River Associates show that joining an RTO with a Day 2 market (either SPP or the Midwest ISO) will result in production cost benefits for the Entergy region.

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The Midwest ISO is the Preferable RTO Option for the Entergy Operating Companies

- Both SPP and the Midwest ISO are interconnected with the Entergy operating companies.
- Of these two RTO options, the Midwest ISO is preferable for the Entergy operating companies for several reasons:
 - An analysis done by Entergy based on CRA analysis and other inputs shows that joining a Day Two market could result in substantial customer savings in power production costs. The analysis concluded that joining MISO could save customers more than \$1 billion in power production costs for the 2013 to 2022 timeframe.
 - The Midwest ISO has a mature, operating Day 2 market. In contrast, SPP’s Day 2 market is still in the planning stages.
 - Because the Midwest ISO has a fully-developed and operational Day 2 market, the Entergy operating companies will be able to realize the benefits of those markets immediately and will not be exposed to market start-up risks, delays and uncertainties.
 - Because the Midwest ISO has a fully-developed and operational Day 2 market, the market start-up costs are known and many of those costs have already been paid off through amortization. History shows that estimates of Day 2 market start up costs have often been underestimated by a wide margin.
 - The Midwest ISO is larger than the SPP in terms of geography, load and available generation resources.
 - The larger size of the Midwest ISO will result in greater production cost benefits and reduce the share of administrative costs allocated to the Entergy operating companies.
 - Generally, the transmission cost allocation policies in the Midwest ISO are based on cost-causation principles to a greater extent than the SPP’s and are less likely to result in transmission cost shifts to the Entergy operating companies.
- Entergy’s quantitative analysis shows that the net benefits to the customers of the Entergy operating companies will be greater if the Entergy operating companies join the Midwest ISO rather than SPP.
 - Entergy’s net benefits analysis considers the trading benefits identified in the CRA studies plus additional quantifiable production cost benefits. The analysis also considers RTO administrative costs and allocated transmission costs.