
Allocating RTO study costs and benefits among the Entergy OPCOs

LPSC Technical Conference

March 1, 2011

Overview of today's discussion

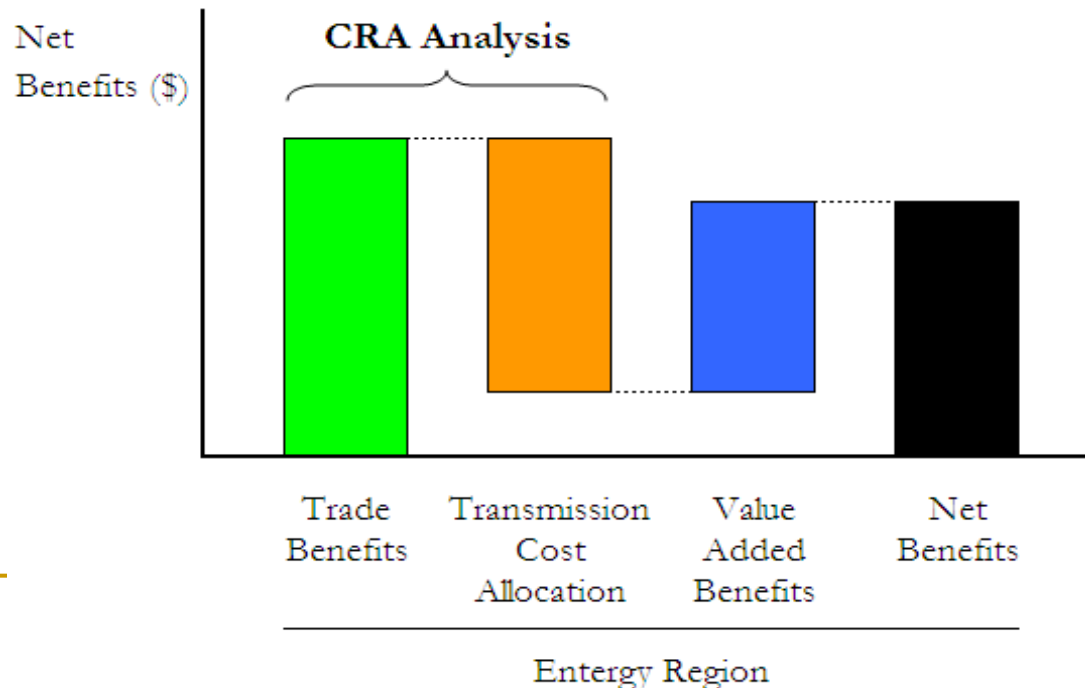
- Describe ESI's OPCO Allocation Analysis ("OAA")
- Review initial results of OAA applied to the FERC CBA Study
- Highlight expectations regarding results to be filed in May.

First discussion

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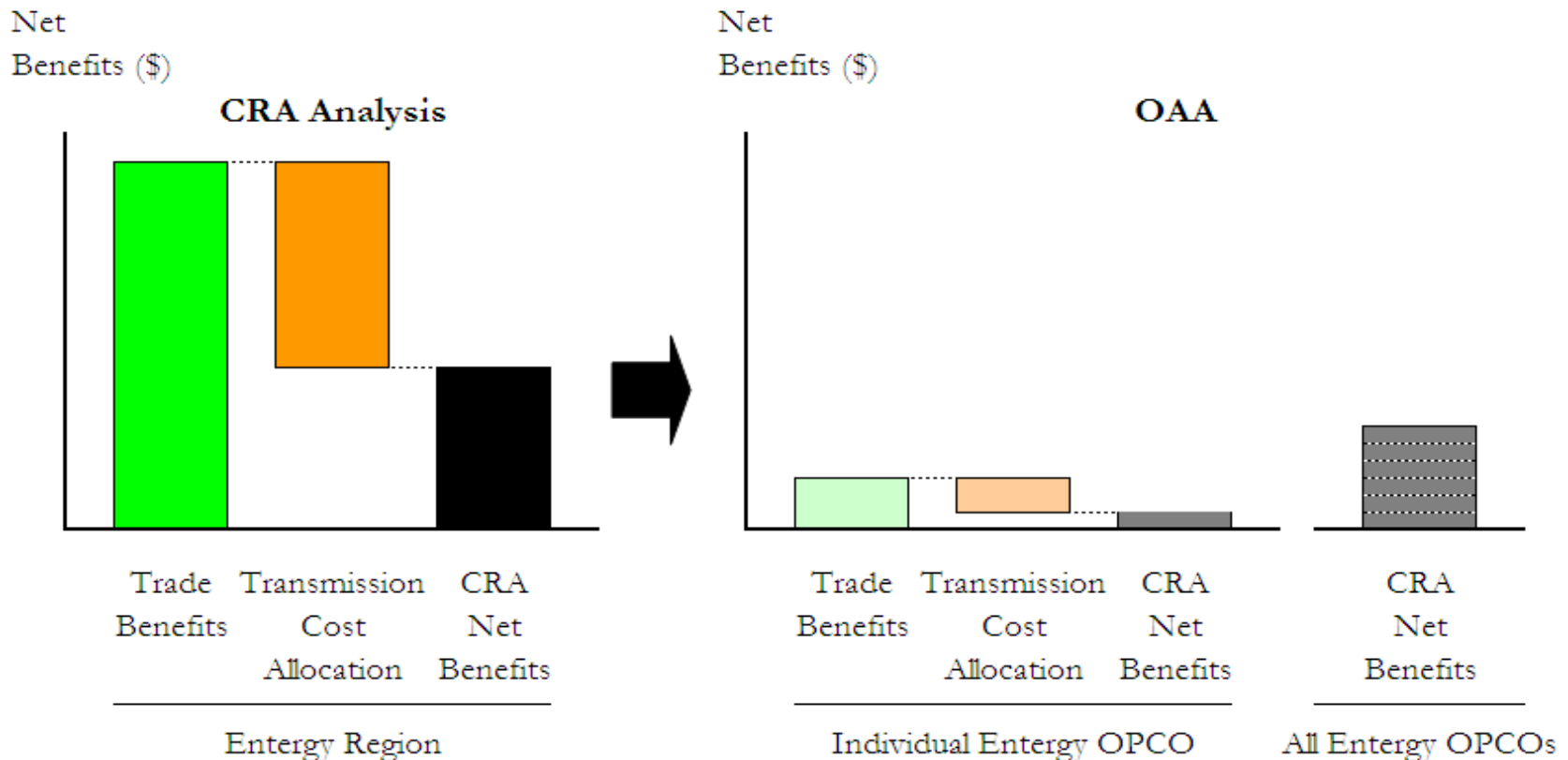
As noted earlier, the quantitative analysis compares three main items to identify the net cost or benefit of moving to an RTO

- The CRA analysis compares two of these items: trade benefits versus transmission cost allocation
- The third item, value added benefits, is based on analyses developed by SPP and MISO.



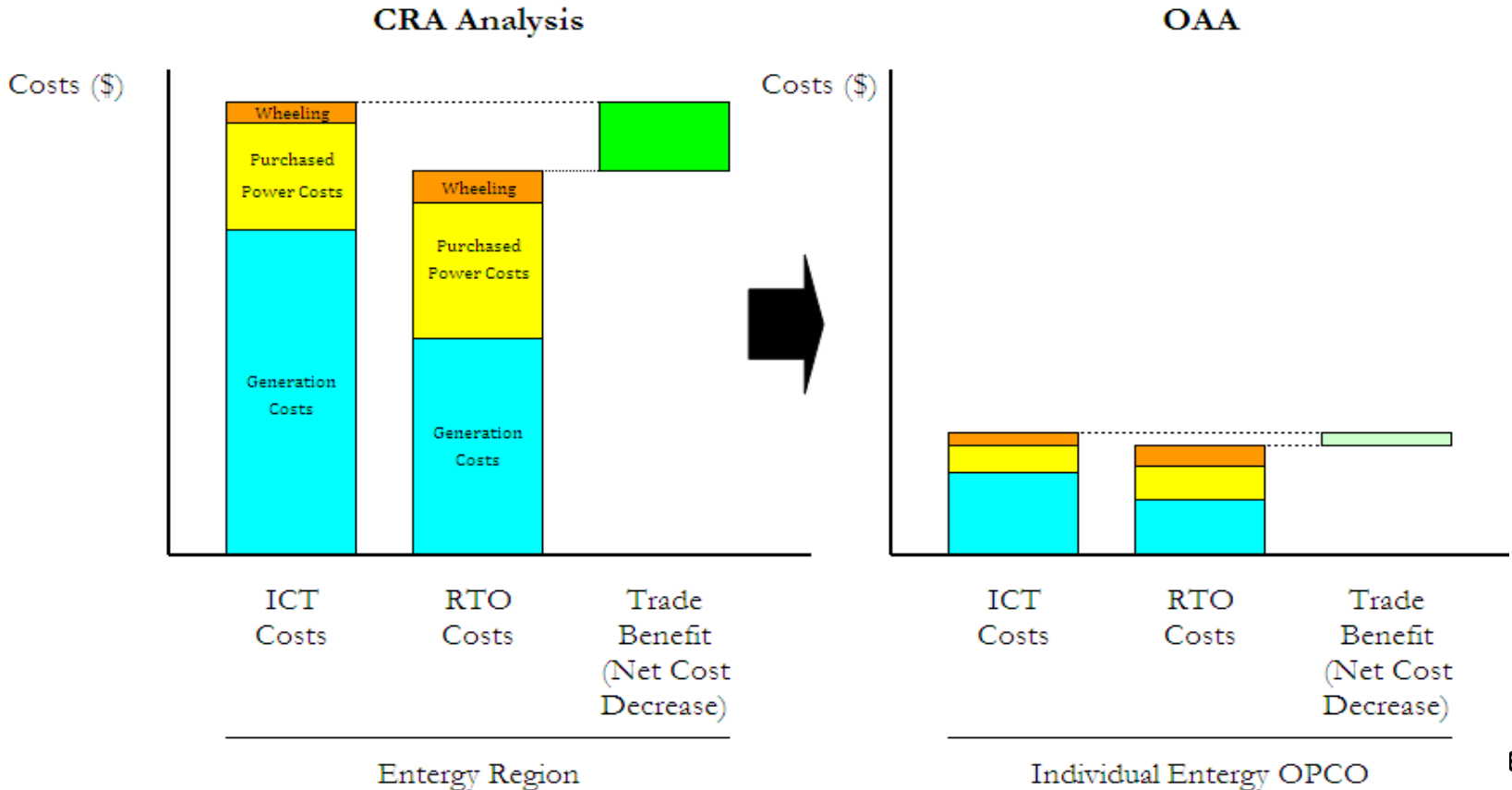
The OAA applies to the CRA analysis -- using its details to estimate benefits for each OPCO and Entergy as a whole

- As noted earlier, CRA net benefits are calculated for the Entergy region as a whole, not for the Entergy company.



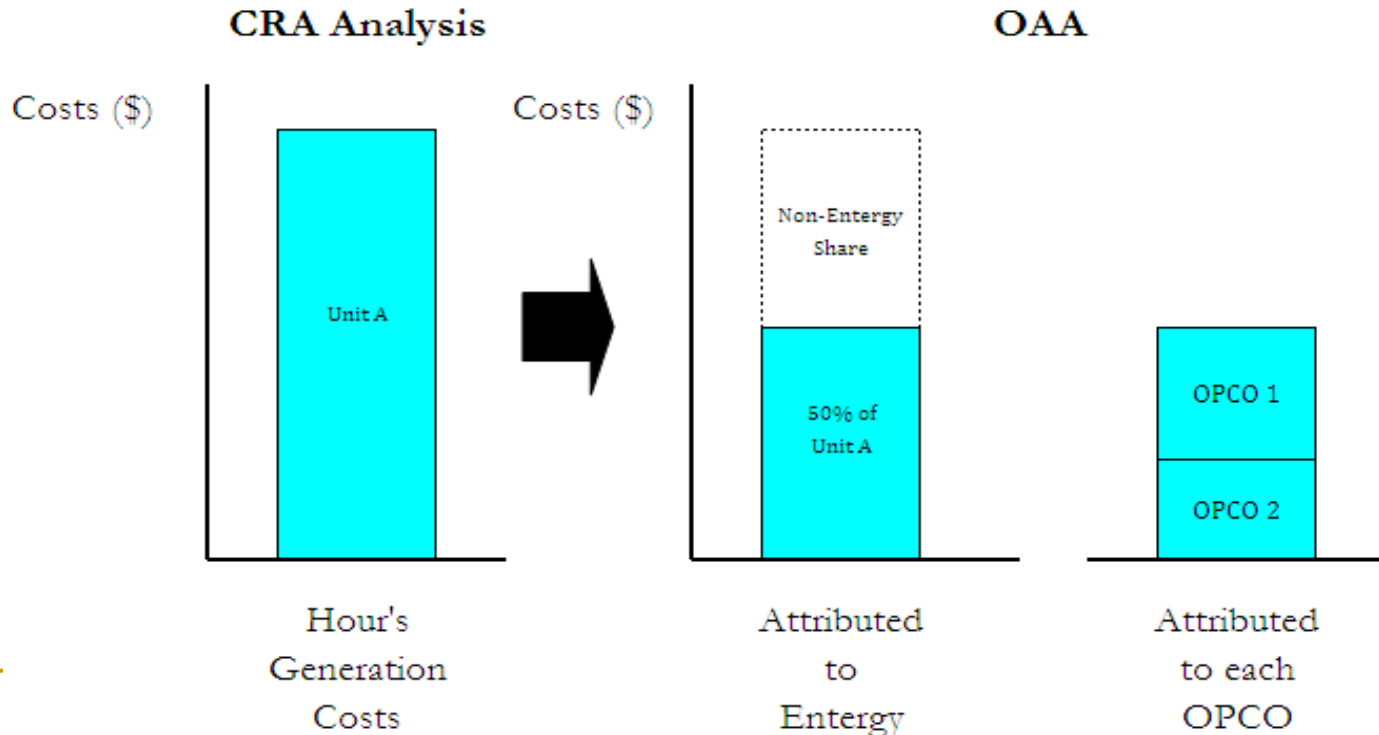
Trade benefits reflect the difference in costs under the ICT versus the RTO

- With detailed generation costs, purchased power costs, and wheeling costs, the OAA can distinguish individual OPCOs within the overall Entergy region.



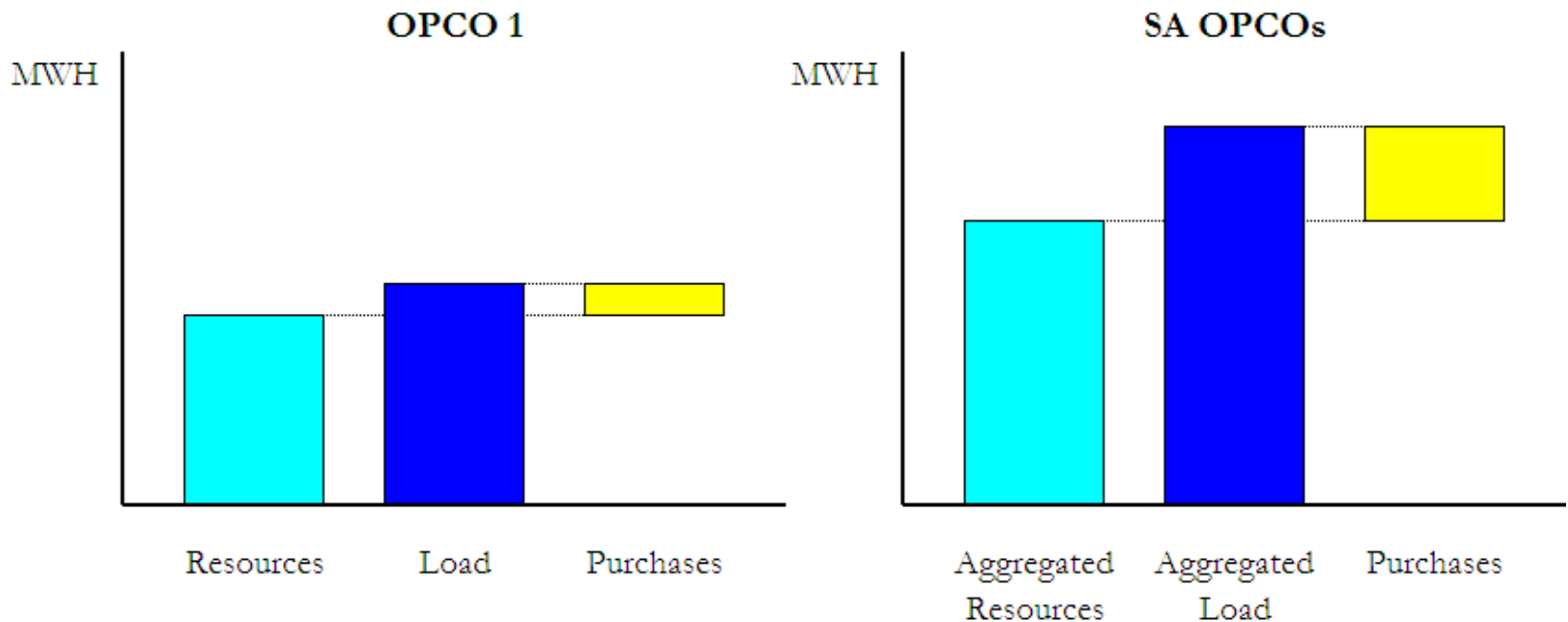
Hourly generation costs at each Entergy unit are an output of the CRA analysis

- Generation costs include fuel, O&M, start-up, and emissions costs
- The OAA distinguishes Entergy's ownership share of each unit as well as each OPCO's ownership share.



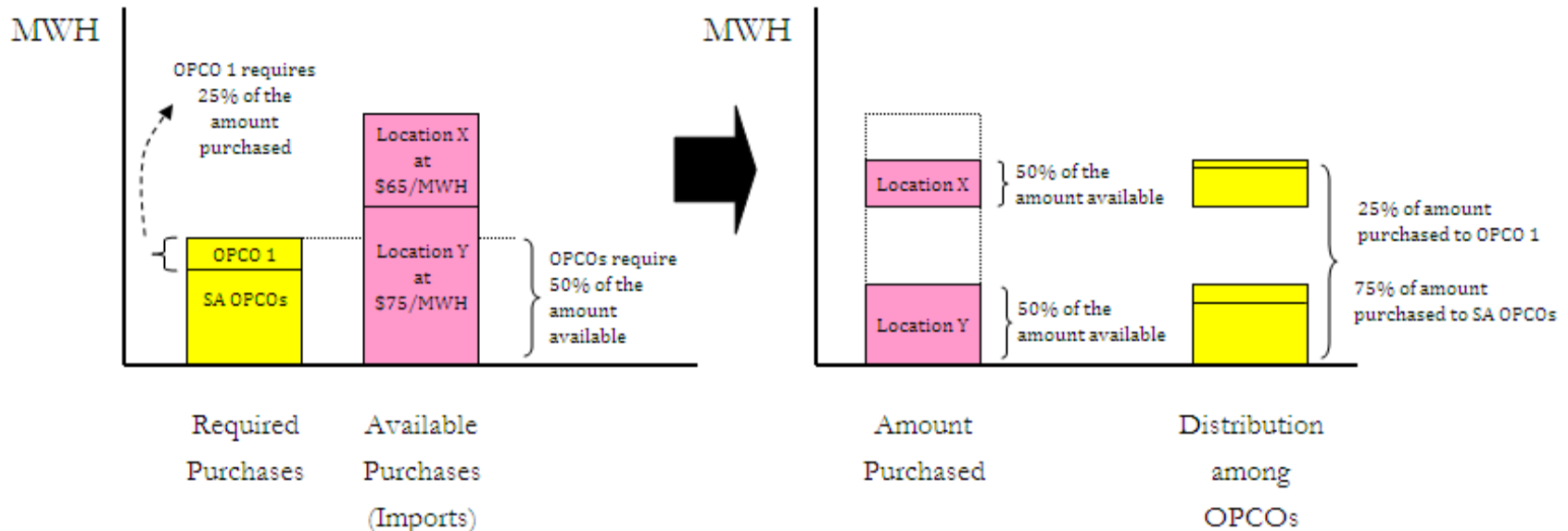
Hourly purchases are determined based on the net energy position of the OPCOs

- Load is compared to total resources in each hour to determine if purchases are required
 - The load and resources of OPCOs participating in the System Agreement (“SA OPCOs”) are aggregated for this determination.



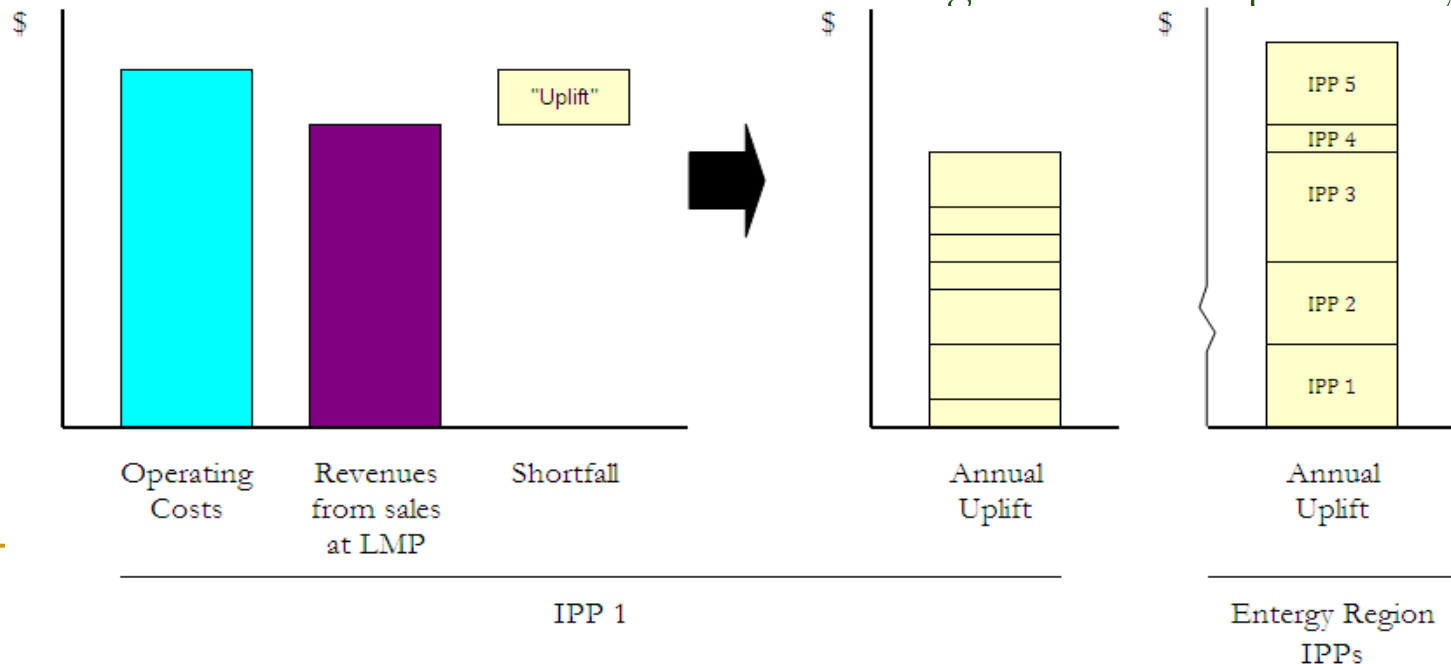
The cost of hourly purchases depends on the sources available in the hour

- Available sources can be Entergy region IPPs and/or imports from border regions
- The cost is based on the market price at each location -- referred to as the locational market price or “LMP” -- which is derived by CRA
- The cost and MWH of purchases made for SA OPCOs are allocated to each OPCO based on its share of coincident peak load.



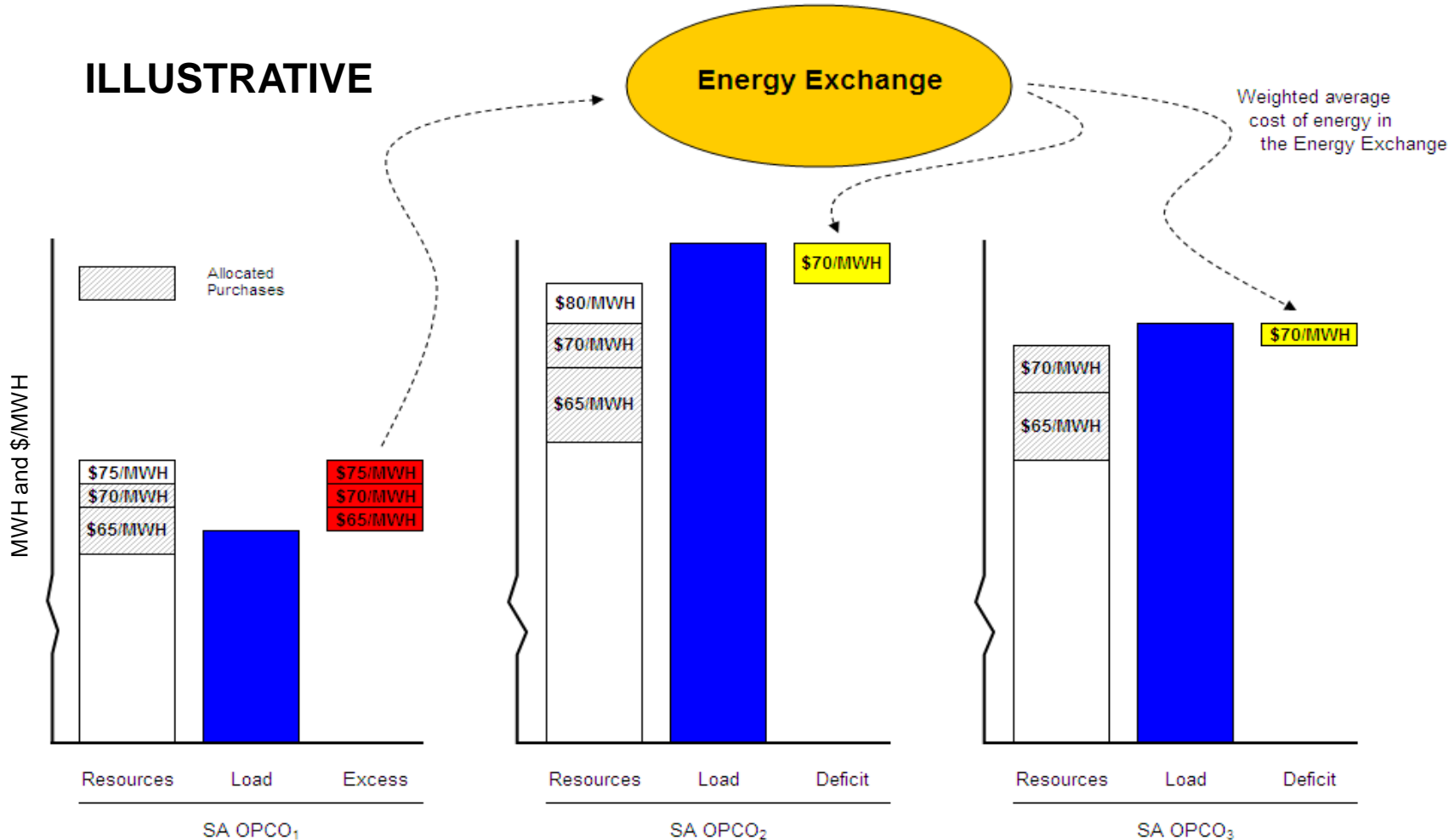
The cost of IPP purchases may include an adder to ensure that IPPs are fully compensated for their operating costs

- If an IPP's daily operating costs are less than its daily LMP revenues, this shortfall is tracked and aggregated over the year by CRA
- The OAA allocates these aggregated IPP "uplift" costs to the load in the region by including an adder to the LMP paid for IPP energy
 - A sensitivity case is also calculated in which Entergy IPP uplift costs under the RTO are allocated based on regional load responsibility.



The cost of purchases is also affected by System Agreement Exchange transactions reflected in the OAA

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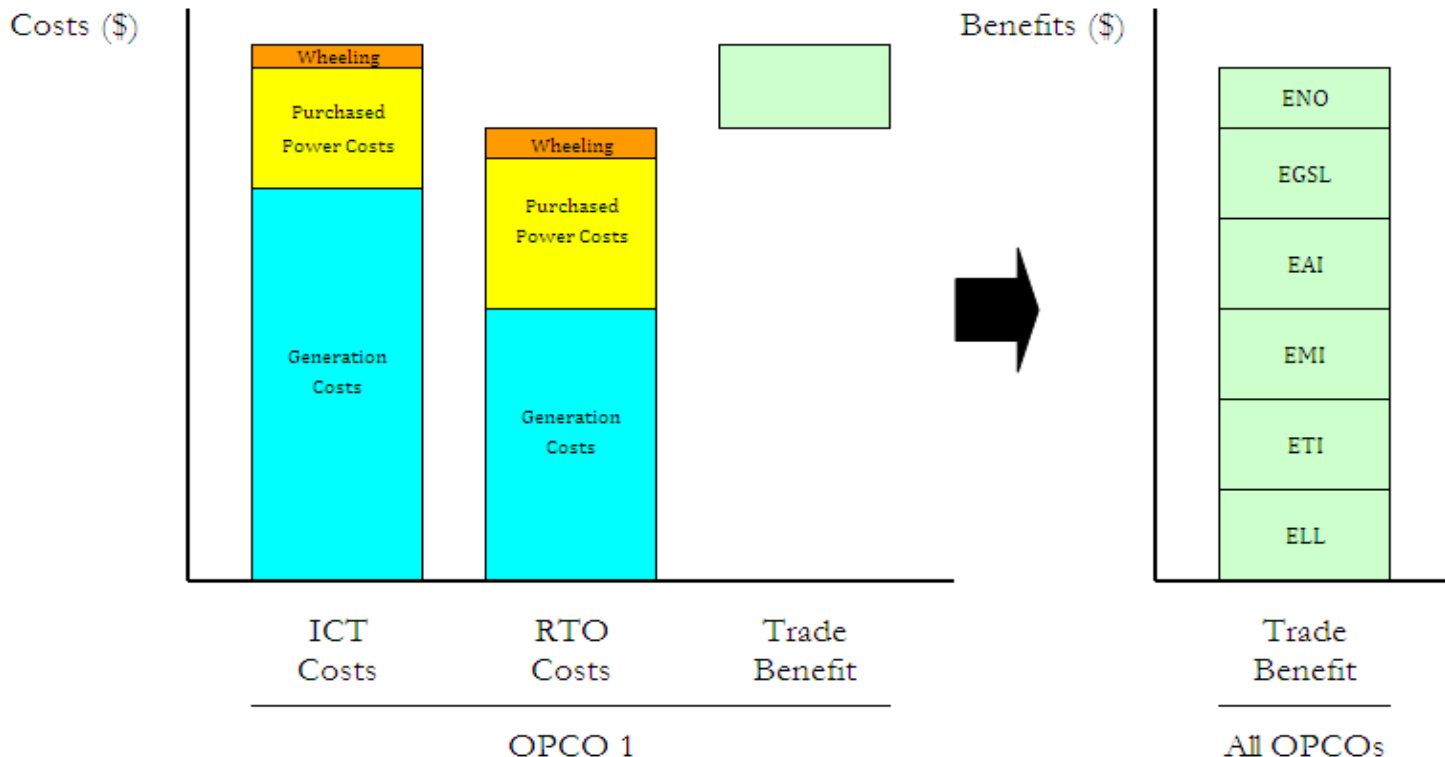
* Note: The cost of energy in the Exchange is based on the CRA cost information for each resource.

Hourly sales are determined in a similar manner

- If load exceeds total resources in an hour, a sale is made
 - The load and resources of SA OPCOs are aggregated for this determination
- Sales are made to the border regions (exports)
 - The sales price is the weighted average LMP of these border regions
- If the SA OPCOs make a sale, the sales margin (i.e. sales revenues minus the cost of supplying the sale) is allocated to each OPCO based on its share of coincident peak load.

The OAA sums generation and purchased power costs across all hours to determine each OPCO's annual trade benefits

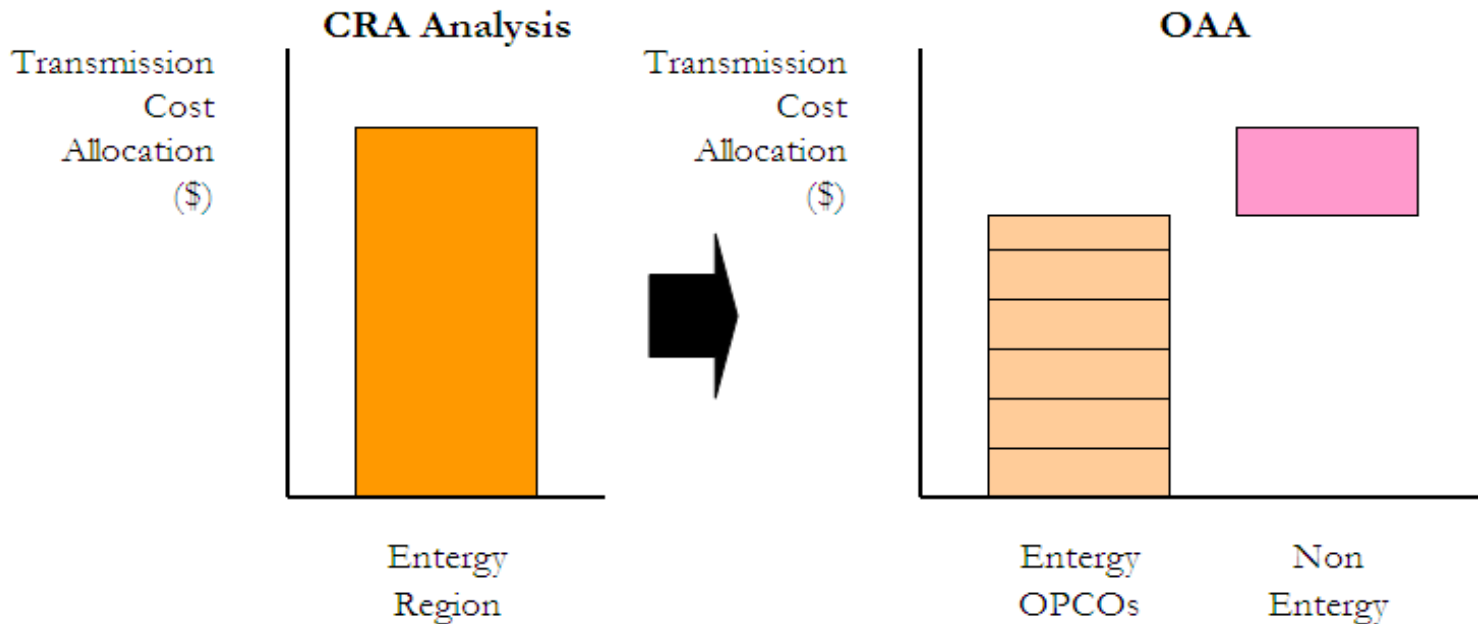
- Resulting trade benefits generally indicate that an OPCO can replace higher cost generation and purchases incurred under the ICT with lower cost purchases if it joins an RTO.



* Note: CRA wheeling costs and revenues are currently allocated to each OPCO based on load-responsibility.

The OAA also estimates the RTO transmission costs allocated to each OPCO and to Entergy as a whole

- Like trade benefits, CRA allocates RTO transmission costs to the Entergy region as a whole, not to the Entergy company
- The OAA allocates RTO transmission costs to each OPCO based on its load-responsibility within the Entergy region.



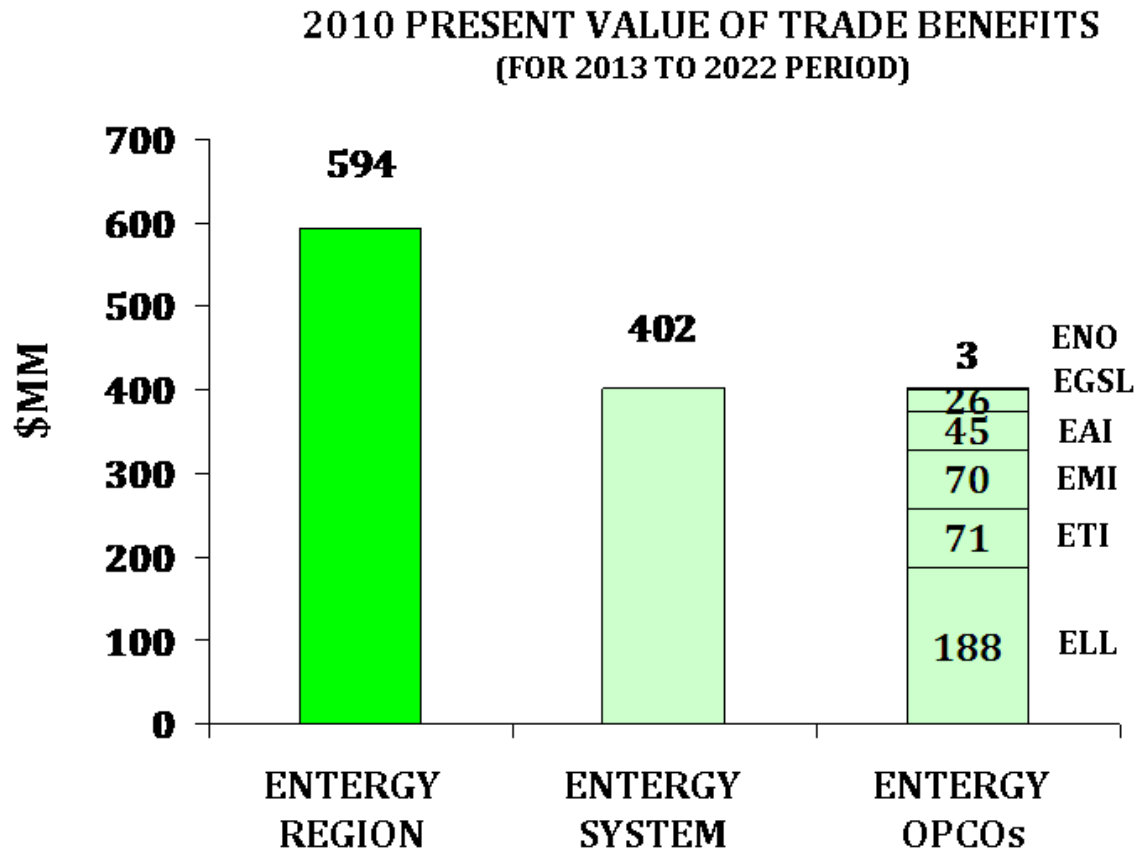
* Note: RTO administrative costs are also included in this OAA allocation.

Next discussion

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- Highlight expectations regarding results to be filed in May.

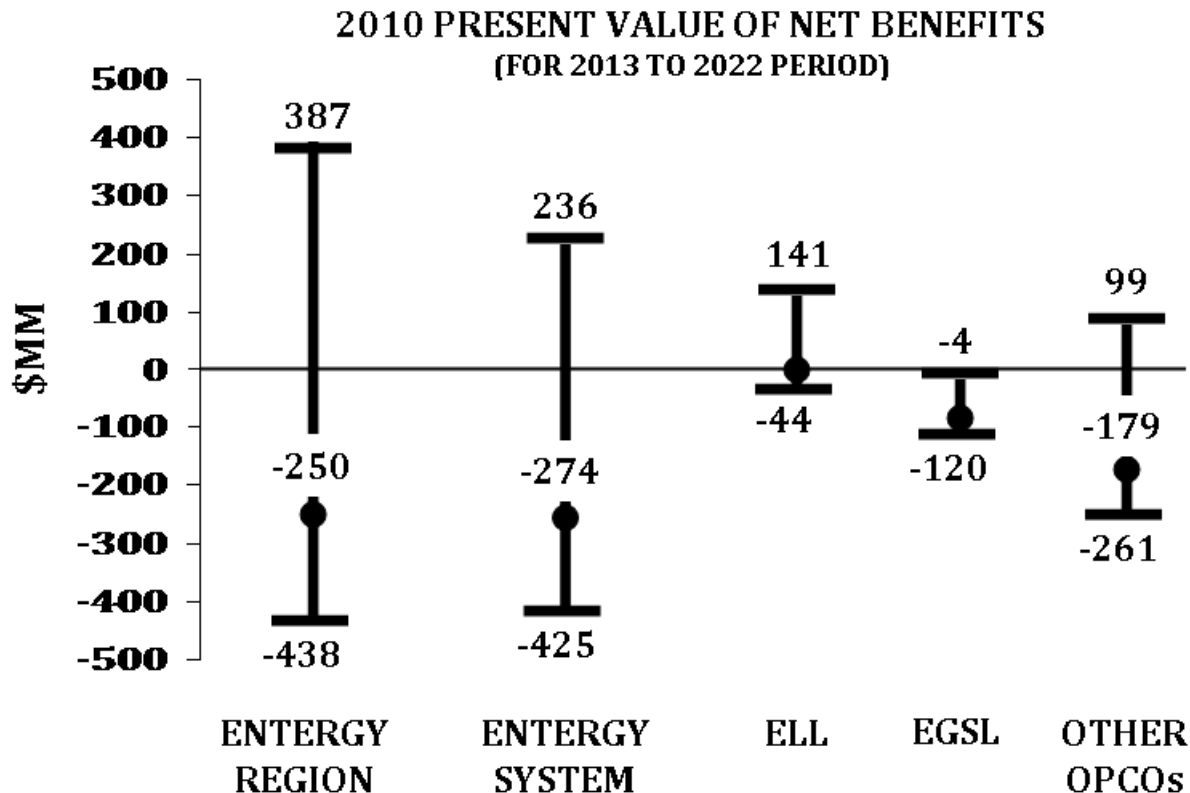
Initial results of the OAA applied to the FERC CBA Study indicate positive trade benefits to the Entergy OPCOs from joining the SPP RTO

- CRA is currently updating the FERC CBA Study results.



Initial OAA results of the net benefits of joining the SPP RTO depend on the SPP transmission cost allocation

- The high-to-low values below reflect the range of net benefits that correspond to the range of transmission costs allocated to the Entergy region as provided by SPP.



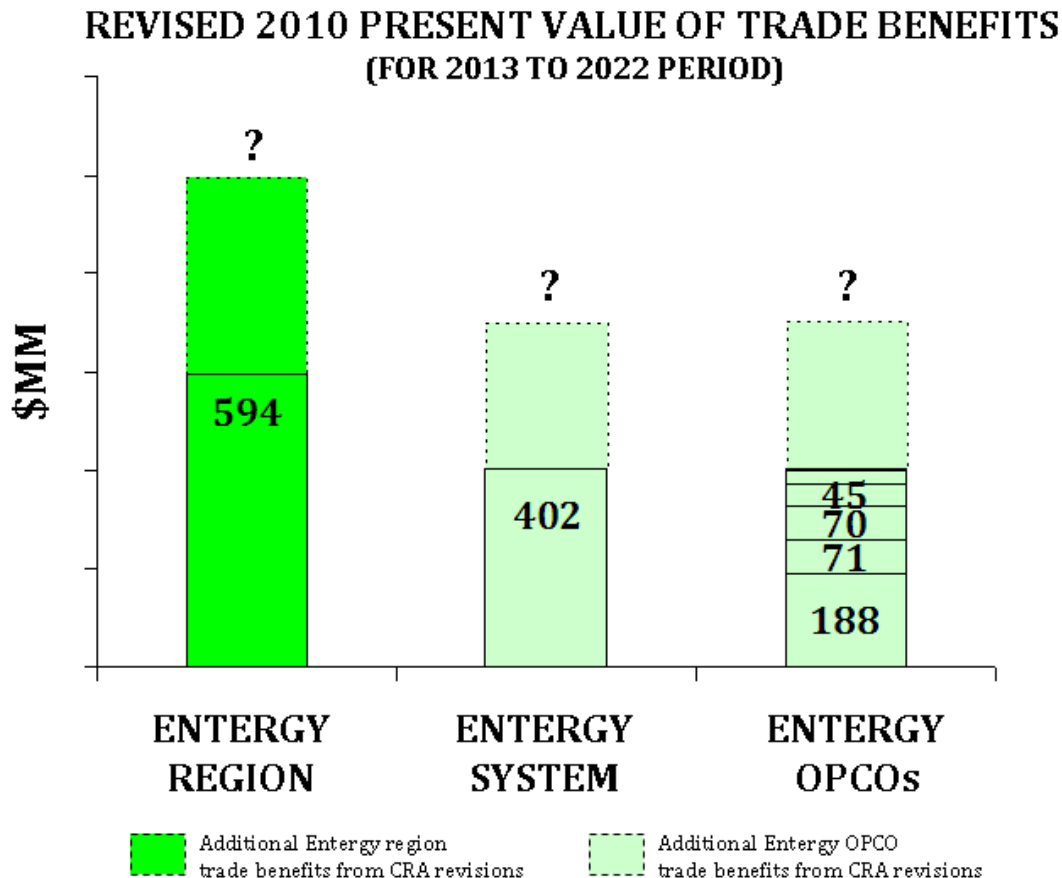
* Note: SPP administrative costs are also included in these results.

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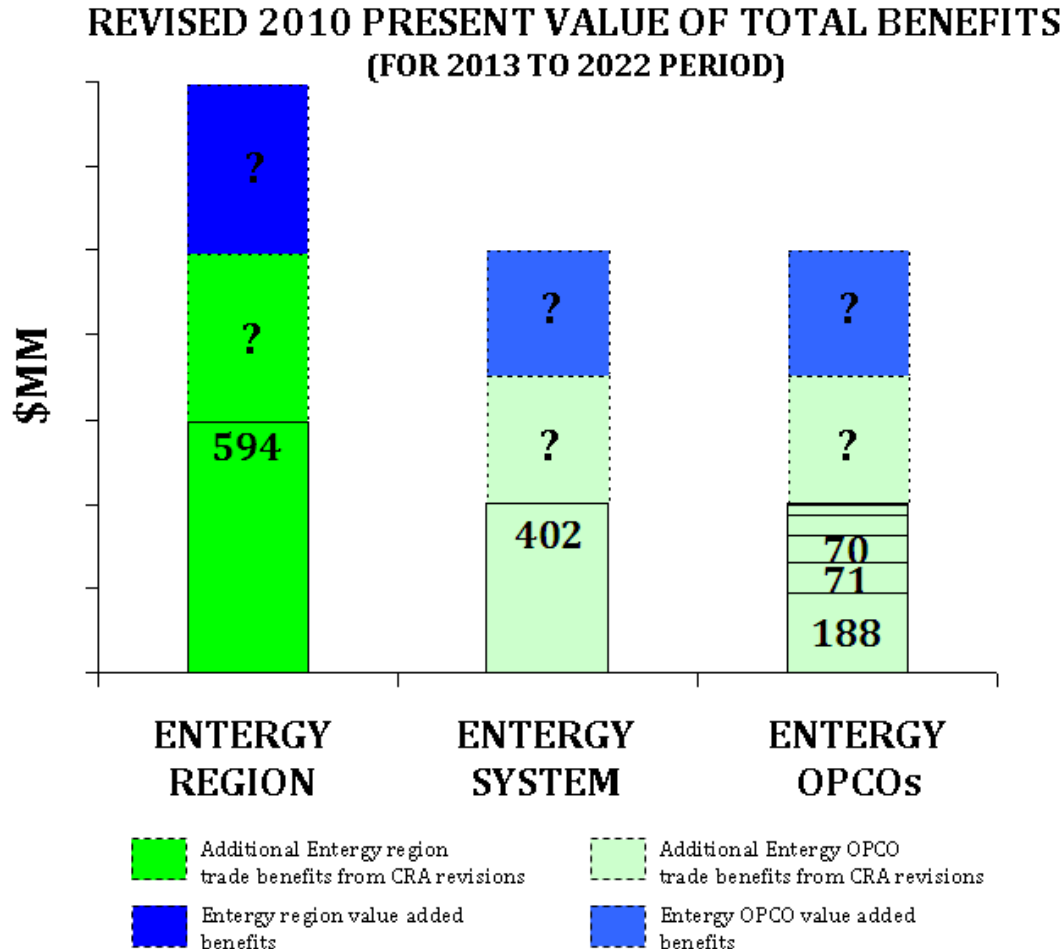
Early indications are that the trade benefits corresponding to the revised FERC CBA Study will be higher

- The detailed information necessary for the OAA has not yet been provided by CRA.



When combined with the value added benefits being developed, total benefits could be significantly higher

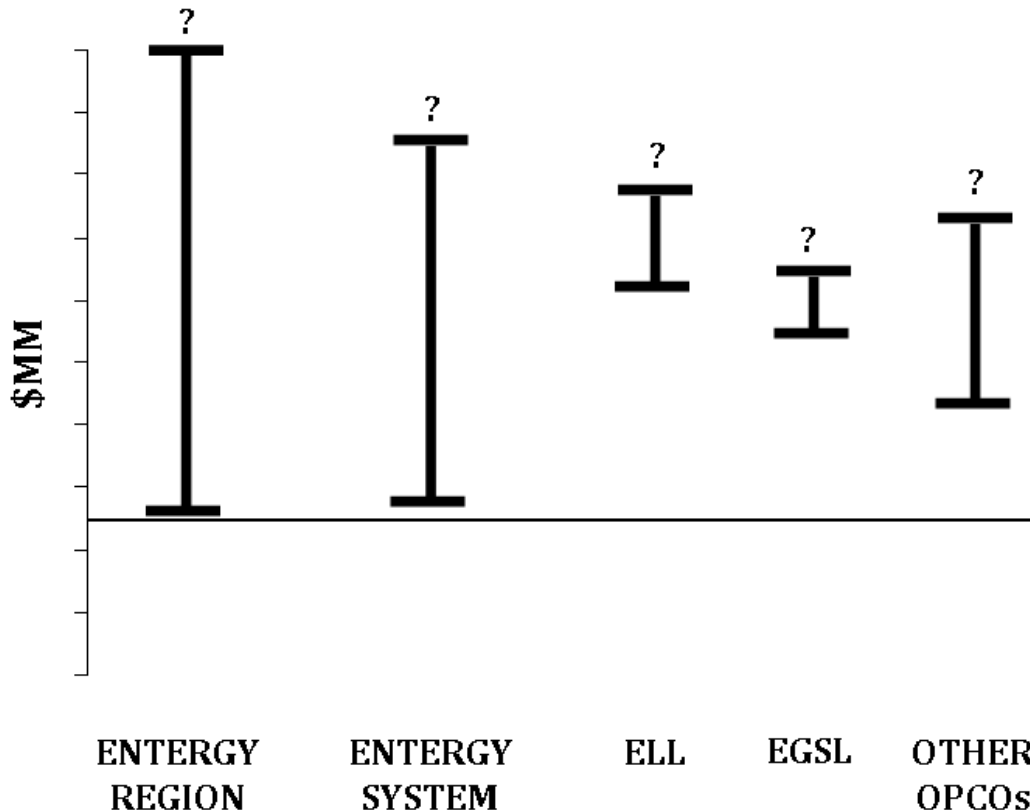
- Entergy's review of value added benefits is currently underway.



While the final impact will depend on revisions to SPP transmission costs, total net benefits are likely to be higher

- Transmission costs have also been revised by SPP.

**REVISED 2010 PRESENT VALUE OF NET BENEFITS
(FOR 2013 TO 2022 PERIOD)**



* Note: SPP administrative costs are also included in these results.

The May filing will ultimately compare SPP results with a comparable set of results for MISO

**2010 PRESENT VALUE OF NET BENEFITS
(FOR 2013 TO 2022 PERIOD)**

