

Benefits of Entergy Joining SPP

Decades of Successful Collaboration

- » Entergy was a founding member of SPP in 1941 and participated in all aspects of SPP's operations and planning through 1997 when it withdrew its membership.
- » SPP began providing operating and planning services to Entergy and its stakeholders under the Independent Coordinator of Transmission (ICT) contract in 2006.
- » Entergy has participated in SPP's Reserve Sharing Group since its formation in 1991. The group allows each member to reduce its energy reserve obligation as part of the larger group. Entergy's reduction is approximately 40%.

Today, SPP Serves Entergy By:

- » Ensuring power reliably gets to customers, preventing outages, and managing grid congestion
- » Independently administering Entergy's Open Access Transmission Tariff
- » Overseeing the Weekly Procurement Process, which facilitates integration of merchant/wholesale generation
- » Conducting long-term transmission planning

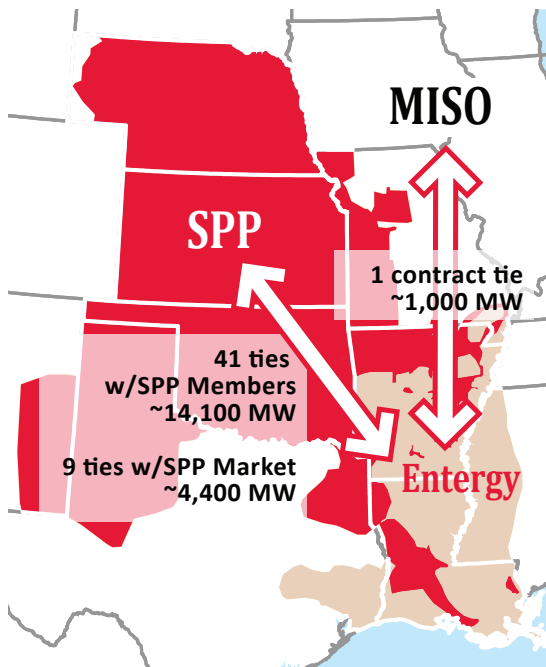
SPP has extensive experience and knowledge in operating Entergy's system in real-time and planning for its future needs.

Entergy's and SPP's Systems are Highly Integrated

- » 41 physical ties (~14,100 MW capacity) between SPP members and Entergy
- » 9 physical ties (~4,400 MW capacity) between Entergy and SPP market participants
- » Only 1 contract tie (through Associated Electric Cooperative) between Entergy and MISO (~1,000 MW)
- » No physical ties between Entergy and MISO

There would be significant reliability and operational impacts to SPP's and others' systems if MISO uses them without limitation to move power to Entergy. Even with proper limitations in place, necessary coordination with SPP and other parties creates additional complexities that do not exist today with SPP acting as either the RTO or ICT.

Entergy joining SPP as a full member would reduce seams issues, not create new and more complex ones.



2010 FERC-Sponsored Study¹: \$1.3B Benefit to Entergy/Cleco Joining SPP

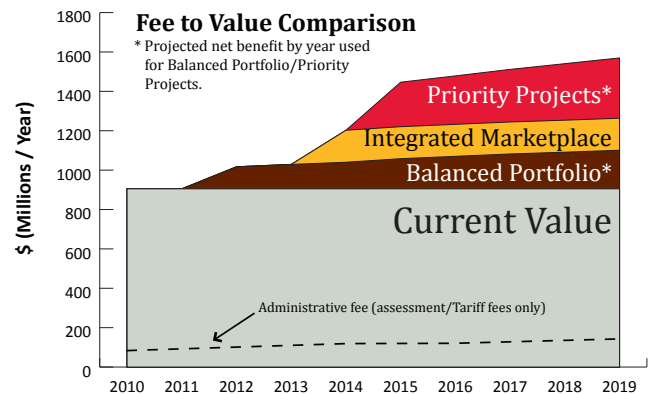
- » Net benefits of \$1.3 billion from 2013-2022 for SPP/Entergy region; benefits continue after study horizon
 - SPP and Entergy would save \$1.07 billion in production costs due to access to lower-cost generation
- » Qualitative benefits include improved:
 - Operational transparency
 - Efficiency
 - Competitiveness
 - Transmission planning and interconnection
- » SPP formed a task force with members to develop a strategy and proposal to address Entergy’s share of costs for SPP’s approved transmission upgrades. This effort is expected to be completed in 2Q 2011.

SPP’s Annual Value to Members = \$1,330M - 1,765M

- » SPP optimizes the regional coordination of power generation, transmission, and market systems, bringing a substantial increase in efficiency and economies of scale at a lower unit cost than members could achieve as stand-alone organizations.
- » SPP’s provision of reliability coordination, reserve sharing, region-wide transmission planning, open and transparent energy markets, and other centralized services is estimated to be \$1,330-1,765 million annually.
- » SPP is a true member-driven organization, which brings additional value. As a member, Entergy would have a voice and a vote - not just an advisory role - in making decisions about SPP’s business practices, tariff revisions, criteria changes, market design, budget, etc.

2009 Study²: Annual \$2.4M “Rate Depancaking” Savings

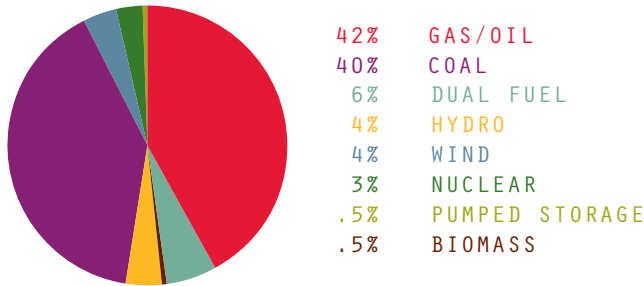
- » Today, to move power between Entergy and SPP, transactions are charged both an Entergy and SPP rate. A 2009 study found that a single “depencaked” rate for transactions between Entergy and SPP would annually save Entergy \$4.4 million. Total net benefits to the SPP and Entergy region would be \$2.4 million.
- » SPP members Cleco, Lafayette Utilities System, Arkansas Electric Cooperative Corporation, and Louisiana Energy and Power Authority are embedded in the Entergy footprint and have to pay two rates. If Entergy joined the SPP RTO, these utilities – along with all SPP members and Entergy – would be able to move power throughout the Entergy and SPP systems with just one rate.



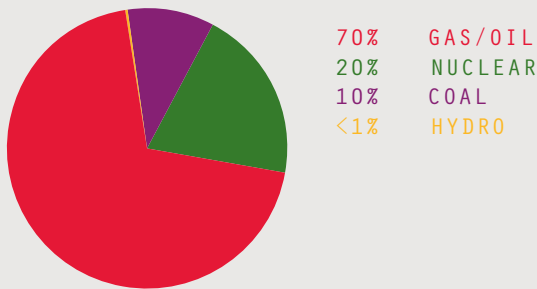
¹ SPP.org > ICT&ITO > ICT > Entergy Regional State Committee > Entergy CBA Documents > [Cost-Benefit Analysis of Entergy and Cleco Power Joining the SPP RTO](#) (FERC Entergy-SPP CBA FINAL Report September 30 2010)

² SPP.org > ICT&ITO > ICT > Stakeholder Policy Committee > Rate Pancaking Task Force Documents > [Economic Impact of Eliminating Pancaked Transmission Rates between Entergy and SPP](#) (CRA SPP-Entergy Rate Pancaking Study)

SPP's Generation Mix



Entergy's Generation Mix



Operational Efficiencies

- » Combining large and diverse systems creates greater diversity in generation sources, mitigating fuel price risks.
- » Joining SPP would lower Entergy's required reserve margin to 13.6%. A 2010 cost-benefit study³ estimated the resulting savings for Entergy Arkansas alone would top \$10 million annually.
- » All generation resources in the Entergy region (including generation owned by others) may participate in SPP's current Energy Imbalance Market and the Integrated Marketplace, which launches in 2014 and will include a Day Ahead Market. A 2009 cost benefit study⁴ found the Integrated Marketplace will bring an additional \$100 million in annual net savings for current SPP market participants.

SPP's 2010 Customer Survey Finds High Satisfaction

- » In SPP's 2010 Stakeholder Satisfaction Survey, 71% of respondents responded favorably to the statement, "Overall, I am satisfied with SPP's service". Of the respondents who interact with other organizations/providers, 46% rated SPP about the same, while 47% rated SPP somewhat better or much better.⁵
- » According to MISO's 2010 Customer Opinion Report, "Only 29% of respondents are satisfied with Midwest ISO overall. Nearly half of respondents (48%) are more satisfied with other ISOs with which they interact than they are with Midwest ISO."⁶

State Regulators Provide Direction

SPP's Regional State Committee (RSC), comprised of regulatory commissioners from SPP's member states, has primary responsibility for:

- » Cost allocation for transmission upgrades
- » Allocation of firm transmission rights in SPP's markets
- » Approach for regional resource adequacy

SPP files with FERC the RSC's methodologies in these areas under the Federal Power Act.

SPP and its members work closely with regulators to gain consensus on these important issues.

³ SPP.org > ICT&ITO > ICT > Entergy Regional State Committee > EAI Addendum Studies > [Cost-Benefit Analysis of Entergy Arkansas, Inc. Joining the SPP RTO](#) (EAI-SPP CBA Final Report October 27 2010)

⁴ SPP.org > Market > [Market Reports > Southwest Power Pool Cost Benefit Study for Future Market Design Final Report](#)

⁵ SPP.org > Documents and Filings > Org Group Documents > [2010 SPP Org Group, Stakeholder, RE Surveys](#)

⁶ Midwestiso.org > Stakeholder Center > Customer Satisfaction > [2010 Customer Opinion Survey](#)