MEMORANDUM

To: Interested Parties and Stakeholders

From: Gregory W. Camet

Date: November 1, 2010

Re: Initial OPCO Allocation Analysis for the CBA Study

On September 30, 2010, the Charles River Associates (“CRA”) released the results of its “Cost-Benefit Analysis of Entergy and Cleco Power Joining the SPP RTO” (the “CBA”). That study, which was prepared by CRA and Resero Consulting pursuant to an agreement with the Federal Energy Regulatory Commission (“FERC”), did not consider the effects of joining the SPP RTO on the individual Entergy Operating Companies.¹ In the RFP that led to the selection of CRA/Resero Consulting, the FERC indicated that “[f]ollowing completion of the CBA Study, Entergy, using its own resources, will calculate the allocation of costs and benefits determined in the CBA study among the Entergy Operating Companies.”

The attached study describes and summarizes the initial calculations that Entergy Services, Inc., (“Entergy Services”) on behalf of the Entergy Operating Companies, has performed to evaluate the allocation of costs and benefits presented in the CBA study among the Operating Companies (the OPCO Allocation Analysis, or “OAA”). Entergy Services will discuss this initial allocation calculation at the November 17, 2010 E-RSC Working Group meeting. Through processes established by the Entergy-Regional State Committee (“E-RSC”) and the E-RSC Working Group (“WG”), Entergy Services is in the process of developing the effect on the Entergy Operating Companies of an alternative methodology, requested by certain members of the E-RSC Working Group, for allocating “uplift”² costs. Entergy Services intends to provide the results of this alternative allocation approach by December 1, 2010.

The initial OAA attached hereto applied an Entergy Services-developed methodology to the results of the CRA/Resero Consulting CBA. To the extent that the FERC, the E-RSC or E-RSC Working Group, Entergy Services, or other Stakeholders identifies any corrections, changes, or modifications to the CRA/Resero Consulting CBA, those changes would need to subsequently be reflected through a re-application of the OAA

² See Section 2.2.1 of the attached study for more detail regarding uplift costs and the current methodology being used to allocate these costs.
methodology to that new analysis. Although Entergy Services is not raising any such
concerns at this time, the preparation and dissemination of this report is not intended to
preclude Entergy Services or any other stakeholder from raising any such issues in the
future. Similarly, the preparation and dissemination of this report is not intended to
preclude further modifications to the OAA in response to additional stakeholder input.

As noted above, Entergy Services intends to address the OAA at the November 17, 2010
E-RSC Working Group meeting.

cc: Ben Bright, Southwest Power Pool