



Entergy Membership Proposal

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Introduction

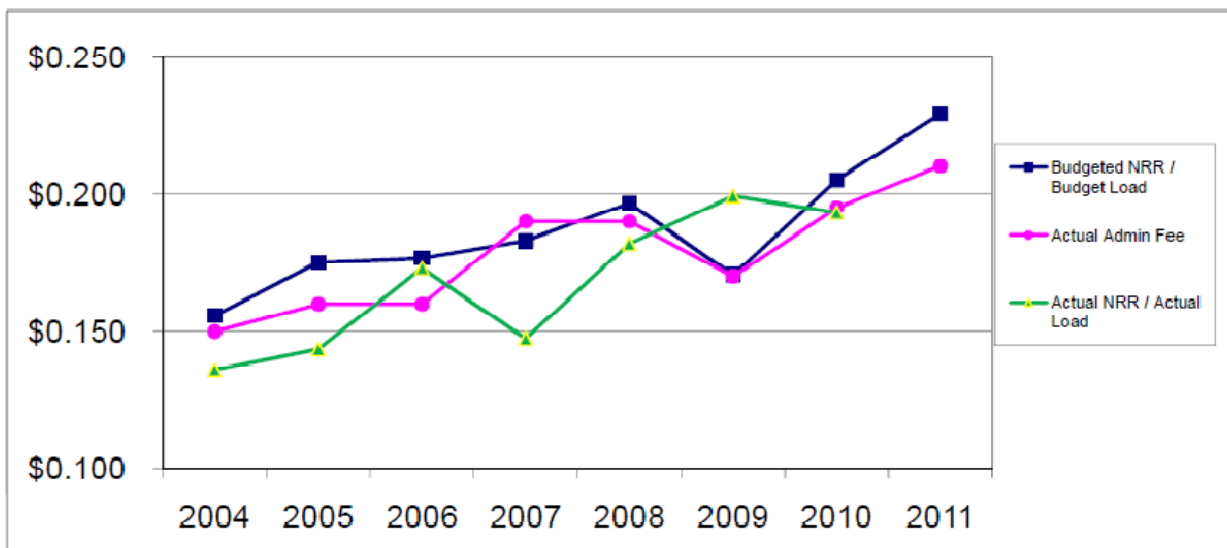
Southwest Power Pool’s (SPP) members, working through the Task Force for Interest in Entergy Membership (TFIEM), prepared this proposal to detail the general elements involved with Entergy’s potential integration into the SPP Regional Transmission Organization. The TFIEM summarized these issues to guide SPP staff and reach consensus within SPP’s membership on Entergy joining the organization. Each of the following sections reflects a general issue and includes a proposal for addressing it. To create a more holistic proposal, interactions between the areas were included for discussion.

This proposal is premised on Entergy putting its transmission facilities under the SPP Open Access Transmission Tariff (SPP Tariff) and executing a Membership Agreement as a Transmission-Owning Member of SPP. The proposal would also apply to Entergy Arkansas and/or CLECO putting their transmission facilities under the SPP Tariff and executing Membership Agreements as Transmission-Owning SPP members, except where noted below.

SPP Membership and Administrative Fees

The SPP annual membership fee is \$6,000 for each member. The SPP Board of Directors retains the authority to change this rate.

The administrative fee is annually set by the SPP Board of Directors based on the next year’s anticipated budget, including reconciliation from the previous year’s over- or under- collection. The fee applies to transmission service purchased under the SPP Tariff. It also applies to members’ network service that is grandfathered under the Tariff through collection of a membership fee based on the same determinates as Network Integration Transmission Service under the SPP Tariff. The following graph depicts the SPP administrative fee’s history and projections:



The 2011 SPP administrative fee is \$0.21/MWH. This fee is assessed pursuant to the SPP Tariff based on the twelve monthly coincident peaks' MWHs calculated for the previous year. Based on the 2011 budget approved by the SPP Board of Directors in October 2010, anticipated fees are \$0.255 for 2012 and \$.28 for 2013. These estimated fees include a projection that revenue from the Independent Coordinator of Transmission (ICT) contact between SPP and Entergy will continue through that period. If Entergy and CLECO put their transmission facilities under the SPP Tariff on 1/1/2013, the 2013 administrative fee would be approximately \$.204; this fee includes expenditures for Integrated Marketplace implementation. SPP's current Marketplace budget is \$101MM, and it is expected to be implemented on March 1, 2014.

The following services are provided under charges in the administrative fee, unless otherwise noted.

Integration Process

SPP and Entergy would develop a plan and schedule to accomplish a timely and successful integration. Specific areas to be covered in that integration plan are addressed in the following subsections.

If the integration plan is executed prior to SPP's implementation of the Integrated Marketplace, the integration schedule would require approximately nine months to a one year.

Reliability Coordination

Since SPP currently provides Reliability Coordination services to Entergy under the ICT contract and the function is covered by NERC standards, SPP does not anticipate any significant issues or changes to current Reliability Coordination methods or functions.

Tariff Administration

As part of the integration plan and schedule, SPP would work with Entergy to transition the administration of Entergy's transmission facilities under the SPP Tariff. To begin this transition, SPP would need a list of all Entergy transmission facilities and transmission service agreements that are in place or anticipated to be in place on the integration date. SPP will make a FERC filing requesting approval for putting Entergy's facilities under the SPP Tariff; the filing must include a list of Entergy transmission facilities and recognize the Entergy transmission service agreements as grandfathered under the SPP Tariff.

SPP would provide information to Entergy and/or its transmission service customers about how grandfathered transmission service agreements would be operated under the SPP Tariff. SPP and Entergy will assist customers in converting these agreements to transmission service under the SPP Tariff. The timing and financial settlement of such conversions would be mutually agreed to by Entergy and the customer.

Any service under the Entergy Open Access Transmission Tariff with rollover rights would be required at the rollover time to rollover to service under the SPP Tariff. Grandfathered transmission service of existing Network Resources is normally converted to SPP service without study. Entergy's retail Network Load would be converted to SPP Network Integration Transmission

Service and/or Point-to-Point Service. Because Entergy has an Order 888/890 transmission tariff in place, conversion is expected to be accomplished without a transmission service study. Under Schedule 11 of the SPP Tariff, all loads under the Entergy transmission system would be responsible for paying their allocation of regional transmission costs assigned to the Entergy transmission system. If those loads are under a grandfathered agreement, Entergy will need to work with those parties to understand how the charges will be handled.

The integration plan and schedule would include how the Entergy and SPP Generation Interconnection and Transmission Service queues would be combined, respecting the various phases of studies under both Entergy's and SPP's Tariffs. Any resource or load interconnected to the Entergy transmission system at the time of integration would be considered grandfathered (unless there are valid reasons it should not be) and would not have to go through any SPP interconnection study processes.

Additional work and coordination would be needed to transition scheduling and OASIS functions; however, the TFIEM does not anticipate any issues with these transitions.

Seams Agreements

The integration plan and schedule will include any required analysis with SPP seams partners to address changes in seams agreements and/or their implementation that are needed because of the Entergy's integration. The TFIEM does not anticipate any issues with these changes, and expects that flowgate analysis, the possible creation of new flowgates, and the allocations of flowgate capacity would be the largest effort required.

SPP would negotiate seams agreements with any transmission provider that is interconnected to or affected by Entergy with which SPP does not already have an agreement (including Southern Company and TVA).

Energy Markets

When integrating Entergy's transmission facilities under the SPP Tariff, all resources and load served by Load-Serving Entities on those facilities would be required to register in the SPP Energy Imbalance Service Market; however, resources are not required to offer into the market. Those resources and loads would be integrated through the SPP registration process. SPP and Entergy would determine which parties need to register and assist with the process. Entergy's inadvertent accounts would also need to be integrated into SPP's inadvertent accounting.

If the integration will take place coincident with or after Integrated Marketplace implementation, SPP and Entergy would have to integrate Entergy into the SPP Consolidated Balancing Authority. If there is sufficient time and Entergy agrees to fund the analysis, SPP will provide a study of Transmission Congestion Rights estimated for Entergy based on similar examples provided to SPP members by the Market Working Group.

If Entergy Arkansas joins SPP as a Transmission Owner, SPP would work with Entergy Arkansas to develop a transition plan from its required 12/15/2013 exit date from the Entergy System Agreement to the Marketplace implementation date; this might require SPP to work as the Entergy Arkansas Balancing Authority during the transition.

SPP is developing the next evolutionary step in its regional markets: the Integrated Marketplace. The Marketplace will add a Day Ahead Market and Reliability Unit Commitment for energy and Operating Reserves. A Real-Time Balancing Market will replace the current Energy Imbalance Service Market, and will incorporate price-based Operating Reserve procurement. The Marketplace will include Transmission Congestion Rights to address the financial impacts of price disparity between generation and load. The Market Protocols have been accepted by SPP, and a decision about implementation will be made in SPP's April 2011 organizational group meetings.

Transmission Expansion Planning

To become an SPP member, Entergy's transmission facilities would be required to be integrated under the SPP Tariff. The current process would be to wait for the next phase of the SPP Integrated Transmission Planning process (ITP20, ITP10, or ITP Near-Term) to determine appropriate transmission plans.

Depending on the timing of integration, SPP may have to assess Entergy's transmission facilities to determine if they meet NERC standards/SPP Criteria and if additional transmission facilities would be required. Entergy would bear the cost of additional transmission facilities that are needed before the integration date. This assessment would include a review of Entergy's current Operating Guides based on SPP's use of Operating Guides in its business practices.

SPP performed that analysis assuming an integration date of January 2013, and determined no additional facilities were required beyond those already in the Entergy Construction Plan and Horizon Plan. However, if projects in the Entergy Construction Plan and Horizon Plan or in SPP's transmission plans significantly change, or an integration date beyond January 2013 is determined, SPP reserves the right to re-evaluate projects needed to meet SPP Criteria. Entergy would be responsible for the cost of projects determined as needed prior to integration. Any needed transmission expansion would be documented as part of the integration process. SPP and Entergy would need to integrate the Local Area Procedures, including transmission switching and generator redispatch processes, into SPP's existing congestion management process.

Generation Capacity Margin

SPP would work with Entergy to assess its compliance with SPP Criteria for Generation Capacity Margin.

Cost of Integration

Based on current practice, SPP's expenses (except those noted above for needed transmission facilities) for the integration would be borne by SPP and recovered through the SPP administrative fee. SPP and Entergy would negotiate any significant unanticipated or significant unusual expense incurred by SPP that is not considered in this proposal.

Transmission Revenue Sharing

On the effective integration date that FERC accepts, revenues from SPP transmission service would be shared with Entergy as an SPP Transmission Owner as provided under the SPP Tariff. As noted in the FERC-sponsored report, [Cost-Benefit Analysis of Entergy and Cleco Power Joining the SPP RTO](#), “depancaking” transmission rates between SPP and Entergy/CLECO would eliminate the need for some Point-to-Point transmission service and change allocation of revenues that would continue to be derived from Point-to-Point service. Elimination of this revenue will depend on several factors, including the current service agreement term, the agreement of both parties to convert to SPP service, and the need for continued service.

Regional Cost Allocation

Except for the Balanced Portfolio and Priority Projects, costs of SPP and Entergy transmission projects will be allocated based on their Need By Date: the date by which the project needs to be constructed. Currently, SPP determines the Need By Date for SPP projects, and the ICT determines the Need By Date for Entergy projects. Costs of Entergy and SPP projects that have a Need By Date after the integration date (including those for which Notifications to Construct have been issued) would be included in the regional transmission rates applied to all transmission service within the expanded SPP system. Regionally allocated costs for SPP projects with a Need by Date before integration will apply only to the SPP Tariff zones that are in effect immediately prior to integration. Cost allocation for Entergy projects with a Need by Date before integration will remain as previously allocated under Entergy’s tariff; these could include projects directed by the Entergy Regional State Committee or otherwise approved by Entergy prior to integration.

SPP has issued Notifications to Construct for Balanced Portfolio projects, and did not quantify the projects’ benefits for Entergy; their cost allocation applies to SPP Tariff zones in effect immediately prior to integration.

Priority Projects costs will not be allocated to Entergy until the required unintended consequences cost allocation (cumulative benefit cost inequity) review. Attachment J, Section III.D.4 of the SPP Tariff requires the Transmission Provider (SPP) to review cost allocation analysis results with SPP’s Regional Tariff Working Group, Markets and Operations Policy Committee, and Regional State Committee (RSC). If the results show an imbalanced cost allocation in one or more zones, SPP will ask the RSC to provide its recommendations, if any, to adjust or change allocated costs under Attachment J. Based on the RSC’s recommendation, the SPP Board of Directors will initiate the appropriate filings with FERC which, if accepted, will be implemented. The intent of this review is to ensure that the current cost allocation methodology does not have any unintended consequences, such as Entergy or any member incurring Priority Project costs beyond their projected benefits, or Entergy using these regionally funded projects without receiving a reasonable allocation of their cost.

Regulatory Approvals

SPP would provide information and regulatory support for Entergy to obtain any necessary regulatory approvals for becoming a Transmission Owning member, including its facilities under the SPP Tariff, and participating in SPP's markets. The TFIEM expects Arkansas, Louisiana, Mississippi, New Orleans, and Texas to require some type of approval. SPP will make the necessary FERC filings to integrate Entergy's transmission facilities into SPP's Tariff.

Withdrawal Provisions

The SPP Membership Agreement requires a member to give withdrawal notice of one year. A withdrawing member is responsible for a share of SPP's obligations of at the time of withdrawal. Based on an estimated Net Energy for Load of 109,154 GWWhs for Entergy, its withdrawal obligation would be approximately \$57.4 MM. Entergy Arkansas' NEL of 23,387 GWWhs would require a \$12.6 MM withdrawal fee, and CLECO's NEL of 9,180 GWWhs would require a \$5.2 MM withdrawal fee.

SPP is developing changes to these Membership Agreement provisions following implementation of the Highway/Byway regional cost allocation methodology.

Governance

Entergy would have all the rights and obligations of SPP membership, including the right to vote in SPP's organizational groups. SPP and Entergy would nominate representatives to any existing stakeholder groups in which Entergy wants to serve. SPP is open to other discussions about Entergy's representation in SPP.

The SPP RSC would address changing its membership to reflect Entergy's integration.

NERC Regional Entity

NERC requires every Bulk Electric System operator to register its functions in a Regional Entity (RE). SPP encourages but does not require its Transmission Owning members to register with the SPP RE. Registration in the SPP RE brings advantages such as inclusion in transmission system evaluations, training and education programs, and other efficiencies. SPP will discuss this issue with Entergy if it expresses an interest in participating in the SP RE.

Anticipated SPP Changes

Two significant efforts are underway that might affect Entergy if it integrates into the SPP Tariff.

SPP is implementing the Integrated Marketplace and its associated Tariff changes (sometimes referred to as “Day 2” markets). SPP will provide with Entergy needed information on the impacts of these changes.

The SPP Corporate Governance Committee is working on changes to SPP’s governing documents to address a withdrawing member’s ongoing obligations for transmission construction and regional cost allocation that were approved while the entity was a member.

SPP does not have in process any other significant changes to SPP functions or governing documents.

Membership Involvement

SPP and its members will be available for discussions with Entergy personnel about the methods and processes members use to participate fully in the SPP Regional Transmission Organization.

Due Diligence

SPP and Entergy will work together to perform any due diligence that is needed by either party.