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Fall 2011

DAY 2 MARKET OFFERS COMPELLING BENEFITS

Today and tomorrow.

Meeting the energy demands of today and tomorrow is Entergy's focus. For more than a decade we have been evaluating new transmission options to serve our customers with reliable power at the lowest reasonable cost. As part of this effort, we are now proposing to join a regional transmission organization, the Midwest Independent Transmission System Operator or MISO. This fact sheet is one in a series on Entergy's proposal.

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RTOs and the Day 2 Market

The U.S. electrical grid is one of the largest and most complex machines ever built. Reaching coast to coast and comprising thousands of miles of wire and hundreds of generating plants, the electric system is the foundation of manufacturing, communications and business. No one questions that reliable, affordable electricity is essential to our nation's economy.

But how do we ensure this reliability, affordability and accessibility now and into the future? The industry has developed a network of regional transmission organizations and independent system operators that have established competitive wholesale electricity markets (Day 2 Markets) to address the evolving needs of our country.

The Day 2 Market

The term, Day 2 Market is an industry term used to describe a type of centralized wholesale market used in most regional transmission organizations. In a Day 2 Market, all generators in a region submit offers to the central market operator to supply power at a specific rate for the next day, or schedules reflecting their planned operations for the next day. The market operator then evaluates the offers and identifies the generators that are able to serve the projected energy needs reliably and at the lowest reasonable cost to customers. In this way, the Day 2 Market becomes the basis for an efficient commitment and dispatch of power across the entire RTO footprint. Not every need can be established a



day in advance, however, so the RTO runs a similar bid-based, real-time market to balance supply and demand on a minute-to-minute basis.

MISO's Day 2 Market

An established Day 2 Market is one of the many advantages of Entergy joining MISO, and is expected to result in notable customer benefits. In 2009 The Brattle Group, a Cambridge, Massachusetts-based consulting firm, found notable benefits from MISO's Day 2 Market, including lower power production costs, grid efficiency improvements and better transmission congestion management.

A study done by Entergy included independent analysis of the production cost savings from joining an RTO and actual proposals from the Southwest Power Pool and MISO on how certain costs would be shared with the Entergy region. The study

concluded that joining MISO could save Entergy customers up to \$1.4 billion in power production costs from 2013 to 2022. While both MISO and Southwest Power Pool were assumed to have a Day 2 Market, only MISO currently has an operating Day 2 Market today.

...joining MISO could save Entergy customers up to \$1.4 billion in power production costs from 2013 to 2022.





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RTO's MOVE POWER MORE EFFICIENTLY

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What are "RTOs?"

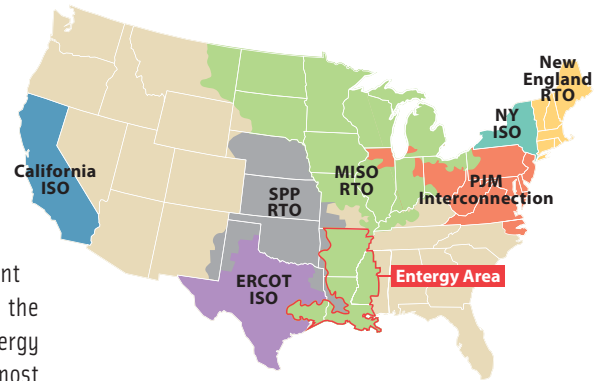
Electricity is a unique commodity because it cannot economically be stored for later use. It has to be generated in real-time as it is consumed. Yet with weather patterns, demand cycles and maintenance schedules, it is common for the supply and demand within any given area to change dramatically from moment to moment. What is needed is a way to match the supply of available generation and customer energy demands from moment to moment in the most efficient manner and at the lowest reasonable cost. That's the service provided by regional transmission organizations with Day 2 Markets.

For the electricity industry, an RTO is both a "commodities market" and "air traffic control." The RTO facilitates the buying and selling of bulk power while maintaining reliability. RTOs continually balance supply and demand, manage network congestion and create an open, transparent and competitive market for buyers and sellers of wholesale electricity. Most RTOs oversee hundreds of power plants and manage the flow of electricity across tens of thousands of miles of transmission lines.

RTO operations are overseen by the U.S. Federal Energy Regulatory Commission. There are currently seven RTOs in the United States, shown in the adjacent diagram.

What is MISO?

The Midwest Independent Transmission System Operator or MISO is one of America's first RTOs, established in 2001. It is one of the largest and most established, and its operations have been modeled by others. When Entergy joins MISO, it will gain access to an extensive and efficient marketplace spanning 12 states from the Gulf Coast to the Canadian border. MISO is known as a world-class grid operator that will strengthen and improve the reliability of power to Entergy's customers.



What are the benefits?

RTOs deliver significant benefits to utility customers. When Entergy joins MISO, our customers will benefit from enhanced reliability, lower production costs and smart long-term planning.

For Entergy customers, MISO's large and diverse portfolio of generating plants creates a balance between coal, nuclear, natural gas, and renewable generation that lowers the risk of overdependence on any one type of fuel. This large generation pool coupled with MISO's more efficient dispatch of generation is expected to result in lower production costs for Entergy customers. MISO is projected to save our customers up to \$1.4 billion in production costs over a period of 10 years.

Further, in MISO, the costs of future transmission projects are allocated to market participants in proportion to the benefits they are expected to realize from those projects. Because such costs are reflected in the rates our customers pay, this balancing of costs and benefits is an important protection to our customers. And because many of the administrative and operating costs of an RTO do not increase proportionately with size, spreading these costs over a larger base of users reduces the average unit cost for each user. MISO's large scale makes these benefits substantial.



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MISO OFFERS A VAST MARKETPLACE

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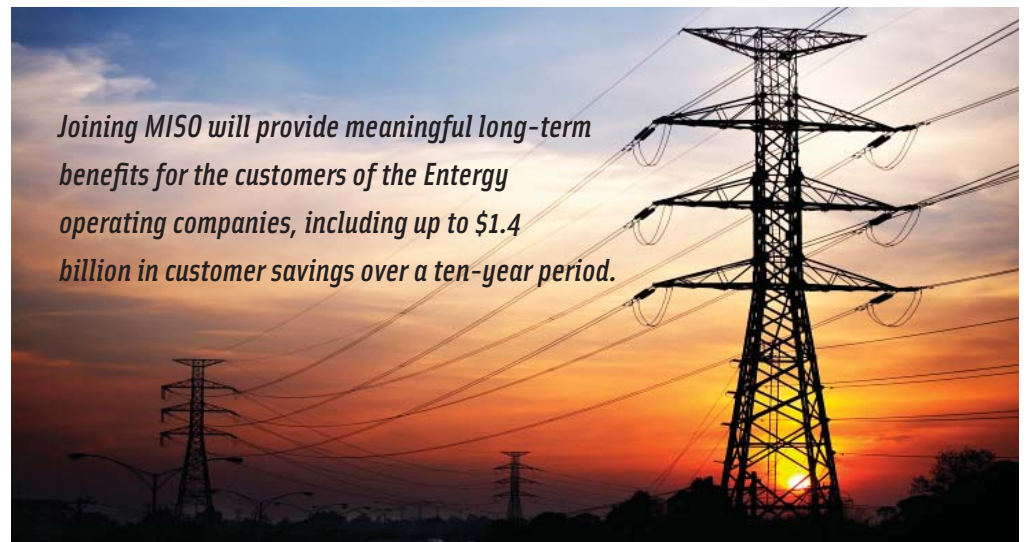
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Entergy's Transmission System

Entergy has built, maintained and operated an extensive high-voltage transmission system capable of transporting bulk power from its variety of nuclear, coal, gas-powered and hydroelectric generating plants to customers throughout the region.

After completing an extensive study, Entergy has proposed joining a regional transmission organization – the Midwest Independent Transmission System Operator or MISO – to manage the transmission system while providing Entergy a vast marketplace in which it can buy and sell power.



Here are facts and highlights about the Entergy transmission system:

- Entergy's transmission system moves electric power across more than 15,500 miles of interconnected transmission lines to approximately 1,300 substations.
- The system is part of the Eastern Interconnection, the network of interconnected transmission systems that move bulk power throughout the eastern part of the United States and eastern Canada.
- The transmission system moves power from generating plants to distribution points for delivery to wholesale customers and cooperatives in addition to approximately 2.7 million retail customers of Entergy's six operating companies across a 114,000 square-mile area.
- The Entergy operating companies operate under the oversight of six regulatory authorities, one of which is the Federal Energy Regulatory Commission. The other five regulatory agencies are the public utilities commissions of the four states in which the Entergy operating companies serve as well as the City Council of New Orleans.

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MISO OFFERS A VAST MARKETPLACE



continued

Entergy's Transmission Timeline

- **1949** Middle South Utilities, Inc., Entergy's forerunner, is formed with utility companies in Louisiana, Arkansas and Mississippi.
- **1989** Middle South Utilities, Inc. officially changes its name to Entergy Corporation.
- **1993** Entergy completes merger with Gulf States.
- **2000** Entergy files for approval of Southwest Power Pool/Independent Transmission Company Partnership RTO proposal.
- **2001** FERC denies formation of Southwest Power Pool/Independent Transmission Company Partnership RTO.
- **2001** Entergy files its intent to participate in development of SeTrans, a southeastern RTO to be comprised of Entergy Companies, Southern Company and other electric utilities, cities and electric cooperatives.
- **2003** SeTrans suspended.
- **2004** Entergy files original Independent Coordinator of Transmission proposal with FERC.
- **2006** FERC issues a series of orders that approved Entergy's proposal to establish the ICT arrangement, a four-year experiment under which Entergy continues to own the transmission system, while the ICT performs certain functions under Entergy's Open Access Transmission Tariff.
- **2007** Entergy Gulf States completes its planned separation into Louisiana and Texas companies.
- **2009** Entergy-Regional State Committee is established to provide input and guidance on various transmission issues, including what transmission system expansions and upgrades best serve the Entergy region.
- **2010** FERC approves a two-year extension of the ICT arrangement. The extension allows time for Entergy, its regulators and stakeholders to study alternatives for future operation of the transmission system.
- **2011** On April 25, Entergy announced that, based on comprehensive review and analysis, it has concluded that joining the Midwest Independent Transmission System Operator or MISO will provide meaningful long-term benefits for the customers of the Entergy operating companies, including up to \$1.4 billion in customer benefits over a ten-year period.



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CUSTOMER BENEFITS HIGHLIGHT MOVE TO MISO

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Entergy's Plan to Join MISO

On April 25, 2011, Entergy announced that based on comprehensive review and analysis, joining the Midwest Independent Transmission System Operator or MISO would provide meaningful long-term benefits for the customers of the Entergy operating companies. On May 12, the Entergy utility companies in Arkansas, Mississippi, Louisiana and Texas provided detailed analyses supporting these conclusions to their retail regulators, and the companies anticipate submitting formal proposals to those regulators later in 2011 with a target implementation date for joining MISO of December 2013.

Over the past two years, Entergy has been evaluating certain new transmission options to serve its customers with reliable power at the lowest reasonable cost. Projections show the net benefits for Entergy's customers to be up to \$1.4 billion over 10 years, primarily the result of joining a large and more efficient marketplace.



Entergy's move to MISO would generate meaningful benefits:

- Up to \$1.4 billion in total savings to customers from 2013-22
- Reliability will be strengthened and improved
- Superior, state-of-the-art electricity market.

The Charles River Associates Studies

In 2009, the Federal Energy Regulatory Commission engaged Charles River Associates to examine the costs and benefits of the Entergy operating companies and Cleco Power (a Louisiana utility which is adjacent to the areas served by Entergy Louisiana and Entergy Gulf States Louisiana) joining the Southwest Power Pool Regional Transmission Organization.

In addition to Southwest Power Pool, Entergy also evaluated the customer benefits of joining MISO. Entergy engaged Charles River Associates to conduct a study specifically reviewing the costs and benefits of Entergy joining MISO. The report, which was released on March 10, 2011, found that joining an RTO with a Day 2 Market would produce meaningful benefits for the Entergy region. The report did note that these benefits were "highly dependent" on allocation of transmission costs.

continued





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CUSTOMER BENEFITS HIGHLIGHT MOVE TO MISO



continued

The CRA report examined costs and benefits of RTO membership to the Entergy region. Using the CRA studies as a foundation, Entergy performed analysis to evaluate what portion of the Entergy region benefits would be realized by the customers of the Entergy operating companies. The results of Entergy's analysis show that joining MISO is a better option for customers than SPP because of larger expected production cost benefits and a transmission cost allocation policy that better aligns costs and benefits to Entergy customers.

Next Steps in Joining MISO

On May 12, the Entergy operating companies provided detailed analysis to their retail regulators supporting the conclusion that joining MISO will provide meaningful long-term benefits for their customers. The Entergy operating companies anticipate submitting formal filings with their respective retail regulators later this year regarding a change of control of their transmission assets to MISO. Later, the proposal to join MISO will be taken up by the Federal Energy Regulatory Commission. The target implementation date for joining MISO is no later than December 2013.



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A LARGER GEOGRAPHIC FOOTPRINT

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Economies of Scale with MISO

A primary advantage of joining the Midwest Independent Transmission System Operator or MISO is the large size of the organization's footprint – spanning 12 U.S. states. With the addition of the Entergy system, MISO's geographic footprint will extend from Canada to the Gulf Coast; joining this vast marketplace will provide notable efficiencies and benefits for Entergy customers.

MISO's large and diverse pool of power generating resources creates a balance between coal, nuclear, natural gas and renewable generation that mitigates the risk associated with an overdependence on any one type of fuel.

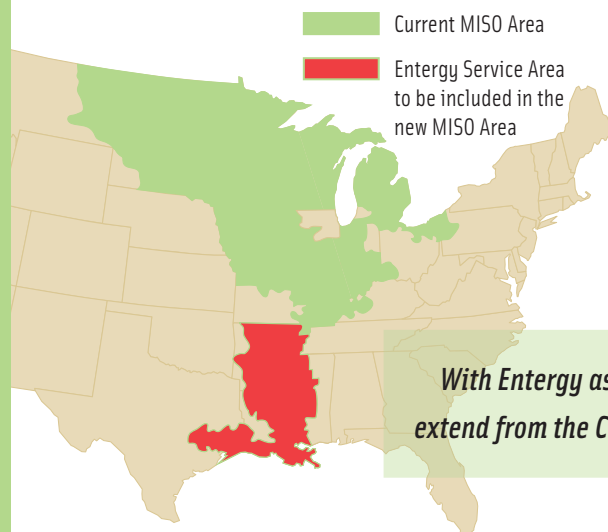
Additionally, the large and diverse pool of generators participating in MISO's Day 2 Market enables a more efficient commitment and dispatch of resources.

However, diversity is not the only benefit of scale. Many of the administrative and operating costs of an RTO do not increase proportionately with size, so the opportunity to spread those costs over a larger base of users reduces the average unit cost for each user. By joining MISO, Entergy customers are projected to save up to \$1.4 billion in production costs over the first 10 years of participation.

Highlights of MISO Benefits

The following reflect some of the details behind the selection of MISO:

- Up to \$1.4 billion in total customer savings from 2013-22
 - Customers of every operating company projected to see savings
 - Benefits are greater than other alternatives
- Superior, state-of-the-art electricity market
 - MISO's Day 2 Market is well established and its effectiveness documented by The Brattle Group, INFORMS, and others
 - Effective and economical method to match electric buyers and sellers
 - Ensures most efficient commitment and dispatch of resources and congestion relief
 - Access to a vast and efficient marketplace spanning 12 U.S. states
- Rational transmission building approach
 - MISO costs are better allocated to the entities expected to realize the benefits of those projects.



With Entergy as a member, MISO's footprint would extend from the Canadian border to the Gulf of Mexico.

