

EAI 2016 Request for Proposals for Long-Term Renewable Generation Resources (RFP)

Questions and Answers (8/9/2016)

- Q-1. Is an interconnection onto [a non-EAI-owned] substation, which is directly interconnected onto an EAI transmission line, considered EAI transmission system for purposes of an asset acquisition proposal in the RFP?**
- A-1. No. For a generating resource offered in an asset acquisition proposal in the RFP, the resource must interconnect directly with EAI's transmission system such that, should EAI acquire the resource, EAI would own all of the associated interconnection facilities on either side of the interconnection point. Because the substation referenced in Q-1 is not owned by EAI, EAI would not own all of the interconnection facilities associated with the resource in question. As a result, an acquisition proposal for a resource directly interconnected to the substation referenced in Q-1 would be non-conforming.
- Q-2. There is a project with a deadline to enter the [REDACTED] (according to the [REDACTED] parking rules). [REDACTED] has indicated by email, anticipating FERC acceptance of queue reform tariff filing, the project can enter the [REDACTED] without suffering loss of queue position. Will this project meet the requirements for a Developmental Resource?**
- A-2. EAI is unable to answer the question definitively based on the information provided. The RFP will require the bidder of a Developmental Resource to show that it (or its designee) has obtained, or has submitted a request to the appropriate utility or transmission provider to obtain, the necessary interconnection service and transmission service for the resource, as specified in the RFP. If the bidder has not obtained the necessary service, the bidder must also show that it (i) has submitted the required request for service by the request submission deadline prescribed in the RFP, (ii) has maintained a valid position in the service queue, and (iii) has not otherwise lost the right to obtain or receive the service.
- Q-3. Would offering an availability guarantee (instead of guaranteeing minimum energy production) disqualify a bid? Or is this an acceptable non-conforming position?**
- A-3. The RFP will specify which renewable technologies will require a minimum energy production guarantee. An availability guarantee in lieu of an output guarantee will not be acceptable for those technologies.
- Q-4. It was mentioned that projects/ proposals need to include congestion adders, it was also mentioned that proposals not delivered to the EAI Native Load Point, but delivered to the EAI Transmission System are accepted as long as they include an expected congestion cost "study". Can you confirm that a project delivering to EAI transmission (not EAI CP Node) will not reflect congestion cost to the EAILD Point rather a study?**

A-4. The RFP will require that proposals provide financial delivery of energy to the EAILD commercial pricing (“CP”) node, and that EAI will consider delivery at another CP node on the EAI transmission system. If a bidder submits a proposal that contemplates the financial delivery of energy to another point on the EAI transmission system other than the EAILD CP node, the bidder should include with their proposal a detailed analysis estimating the expected congestion costs between the proposed financial delivery point and the EAILD CP Node. In that case, the bidder’s proposal should not include any estimate for the congestion costs between those two points in the proposal pricing.

Q-5. Can Entergy provide scheduling services to the successful bidder? Beyond Day-Ahead scheduling, what predictions of future generation will be required?

A-5. Unless EAI has elected to serve as the market participant in MISO for the proposed resource under the applicable power purchase agreement (“PPA”) arising out of the RFP, EAI will not provide scheduling services to the seller. The RFP documents will describe the expectations regarding generation forecasts and any required minimum or guaranteed deliveries of energy, capacity-related benefits, and environmental attributes, which will be based on predictions and expectations of future generation.

Q-6. Can you please share any results or process feedback from the 2014 EAI RFP? Was a project selected? If not, what issues were encountered? How will the current 2016 RFP improve upon the 2014 RFP?

A-6. In its 2014 Request for Proposals, EAI sought up to 200 MW of long-term renewable generation resources. EAI placed two renewable proposals offered into that RFP on the primary selection list and entered into a PPA (for approximately 81 MW from a new solar photovoltaic facility) based on one of the proposals. The PPA received approval from the Arkansas Public Service Commission (“APSC”) in Docket No. 15-014-U on September 24, 2015. Additional information about the 2014 RFP, the resulting PPA, and the APSC regulatory docket can be found at the following links:

<http://entergyarkansas.com/rfp/2014.aspx>;

<http://www.entergynewsroom.com/latest-news/entergy-arkansas-shines-light-81-megawatt-solar-power-facility/>; and

<http://www.state.ar.us/psc>.

Regarding “lessons learned” from the 2014 RFP, EAI is adding additional details in the 2016 RFP around several key commercial terms for clarity.

Q-7. What communication is allowed from now until the official release of the RFP?

A-7. For matters relating to the RFP, a potential bidder may contact the RFP Administrator at eaifrp@entergy.com and/or the Independent Monitor for the RFP, Elizabeth Benson, at erbens@aol.com. Until the creation of the proposal selection list(s) (if any) for the RFP, any

contact or communication concerning the RFP between any potential bidder, on the one hand, and EAI, ESI, or any affiliate or its respective representatives other than the RFP Administrator, on the other hand, is not allowed. The same restriction applies to any contact or communications between different potential bidders or their representatives. The above restrictions, which will be reflected in the RFP documents, will not apply to the extent the contact or communication has been authorized in writing by the RFP Administrator (after consultation with the IM) or by the terms of the RFP. Of course, potential bidders are permitted to communicate internally within their organizations and to their representatives with regard to this RFP as necessary.

Q-8. What are examples of related products i.e., ethanol or ancillary services?

A-8. Ancillary Services is a good example of “Other Electric Products”. The RFP will contain a detailed definition of “Other Electric Products”.

Q-9. Are there restrictions on non-US entities participating?

A-9. Based on EAI’s preliminary analysis, the RFP is not expected to include specific restrictions on participation by non-U.S. entities. However, a bidder’s status as a non-U.S. entity could factor into the evaluation of its proposal. Any restrictions or limitations on transactions between EAI and a non-U.S. entity counterparty pursuant to applicable laws, rules and regulations or any adverse effect on EAI’s rights, obligations, or risk under any contract with a non-U.S. counterparty arising out of the RFP due to such status could negatively impact EAI’s evaluation of a foreign bidder’s proposal.

Q-10. What is the interest of EAI in hybrid on-site (within EAI Zone 8) solar asset purchase or PPA, and a larger wind PPA?

A-10. The RFP will require that each proposal be based on a single resource and a single eligible technology type.

Q-11. For the LOI is an LOC required or can there be other forms of security? Is there a difference in required security between the LOI and the PPA? Please explain.

A-11. The security required for a Letter of Intent (LOI) arising out of the RFP is a letter of credit in the amount of \$2 million, although the terms of the RFP will not preclude EAI from electing to accept in its sole discretion another form of security. The security for a PPA arising out of the RFP is expected to take the form of a buyer offset right, a letter of credit, and a parent guaranty, but could also include cash collateral, a lien on the power generation project and/or other assets, other forms of credit support acceptable to Entergy Arkansas in its sole discretion, or combinations of the foregoing. The amount and type of the security required for a PPA will be determined independent from those required for the LOI. The RFP documents will provide general guidance regarding the seller’s credit support requirements for a PPA.

Q-12. Can the interconnection request be down-sized between entering the feasibility cycle and posting requirements for the DPP?

A-12. Yes, MISO has advised that an interconnection request for a resource located in MISO can be down-sized before entering the Definitive Planning Phase (DPP) of the study. Any proposal subject to a down-sized interconnection request will remain subject to the requirements of the RFP, including, without limitation, those relating to minimum capacity size and interconnection, deliverability and transmission service.

Q-13. Does Entergy's commitment to purchase energy under a must take PPA proposal result in an on-balance sheet impact?

A-13. The effect any proposed PPA would have on EAI's financial statements is dependent on the specific facts and structure of the proposed PPA. There are multiple ways that a PPA proposal could result in an on-balance sheet effect, including, but not limited to, through lease, variability interest entity or derivative accounting. See an overview of the Accounting evaluation on slide 53 of EAI's Bidder Conference Presentation materials (http://www.energy-arkansas.com/rfp/energy_capacity.aspx). The Accounting Evaluation Team will review the bidder's proposal to assess its effect on EAI's financial statements and may ask clarifying questions in that regard as part of the evaluation of the bidder's proposed PPA.

Q-14. Is there a maximum size on projects? I know EAI wants 100 MW total and projects are to be a minimum of 30 MW, but I have not seen a maximum size.

A-14. The required maximum installed capacity for a proposal will be 100 MW.

Q-15. What is Entergy's preferred transmission strategy regarding wind energy power plants located in Northern MISO?

A-15. Please refer to pages 28 through 31 of the Bidders Conference Presentation, which can be found at http://energy-arkansas.com/rfp/energy_capacity.aspx.

Q-16. What are Entergy Arkansas' transmission arrangements with SPP? Would Entergy Arkansas receive power at an RTO border point?

A-16. EAI has no transmission arrangements with SPP. EAI is interconnected with three current members of SPP (AEP-SWEPCO, OGE, and the Southwest Power Administration). Bidders will be responsible to arrange for the firm transmission service needed to physically deliver the offered capacity and energy to the MISO transmission system. For additional information, please refer to pages 28 through 31 of the Bidders Conference Presentation, which can be found at http://energy-arkansas.com/rfp/energy_capacity.aspx.

Q-17. If coming from outside Southern MISO, does Entergy Arkansas have a preference for a particular node for delivery of power?

A-17. EAI prefers resources located in the current MISO Local Resource Zone 8. The preferred financial delivery point is the EAILD CP node. Please refer to pages 28 through 31 of the Bidders Conference Presentation, which can be found at http://entergy-arkansas.com/rfp/energy_capacity.aspx.

Q-18. What is the definition of a “registered proposal”?

A-18. A registered proposal is a proposal that has been submitted after Bidder’s completion of the Bidder Registration Process, which is outlined in Bidders Conference Presentation posted on the EAI RFP Website http://entergy-arkansas.com/rfp/energy_capacity.aspx, and will be described in detail in the RFP documents. The Bidder Registration Process will include, among other things, submission of a Bidder Registration Agreement and payment of a Proposal Submittal Fee of \$5,000 for each proposal. See the response to Q-19 for additional information regarding what constitutes a proposal.

Q-19. If a company creates one proposal with multiple project options presented, does that constitute a single \$5,000 response fee, or is there a fee for each project variation? What if it’s the same project, with options presented for pricing? What would cause there to be more than one \$5,000 response fee due?

A-19. Proposals that are alternatives to each other or otherwise require separate evaluation by the RFP evaluation teams, such as in each of the examples provided in the question above, will be considered separate proposals, each requiring payment of a separate \$5,000 Proposal Submittal Fee.

Q-20. Is there any update on the timing of the release of the final Entergy Arkansas RFP documents? Are any draft RFP documents available for review in the interim?

A-20. Entergy Arkansas (EAI) plans to release final RFP documents in late May 2016. In the meantime, please refer to EAI's RFP Website at http://entergy-arkansas.com/rfp/energy_capacity.aspx, and, specifically, to the Draft Minimum Developmental Requirements document and the Bidders Conference Presentation. EAI reminds potential bidders that these documents are preliminary and that the final RFP documents will control.

Q-21. Was attendance at the bidder’s conference mandatory in order to submit a bid proposal?

A-21. No, attendance at the EAI RFP Bidders Conference on April 26, 2016 was not required to submit a proposal.

Q-22. Is the min and max MWs (30 and 100) for the proposal in AC or DC?

A-22. The 30 MW minimum and 100 MW maximum contract capacity amounts for proposals offered into the RFP are based on AC voltage.

Q-23. Can a developer submit a proposal for a PPA and/or Acquisition under one proposal with a single \$5000 fee?

A-23. No. As discussed in Section 4.2 of the Main Body and in the response to Q-19 in the Bidder Q&A posted to the EAI RFP website (http://energyarkansas.com/rfp/energy_capacity.aspx), proposals that are alternatives to each other will be considered separate proposals, each with its own \$5,000 Proposal Submittal Fee. A proposal for a PPA is an alternative to a proposal for an acquisition. Assuming the developer referenced in the question would offer one PPA and one acquisition in the RFP, there would be a total of two proposals and \$10,000 in Proposal Submittal Fees due.

Q-24. Would a hub delivery be acceptable (Arkansas hub) as well? Under what conditions?

A-24. The RFP requires that proposals provide financial delivery of energy to the EAILD commercial pricing ("CP") node, and that EAI will consider delivery at another CP node on the EAI transmission system. See the response to Q-4 and Q-17 for additional clarification. EAI will not consider a trading hub such as the MISO Arkansas trading hub as being another CP node on the EAI transmission system.

Q-25. [REDACTED] will interconnect directly with the EAI transmission system. Is our assumption correct that in this case the Physical Point of Delivery will be equal to the Financial Settlement Point (and for further avoidance of doubt also the Electrical Interconnection Point and IC node)? In other words, given we will interconnect directly to EAI, is there still a potential financial settlement to be taken into account? Please note that a financial settlement risk would render the PPA severely unbankable/unfinanceable for any professional solar RFP bidder.

A-25. Please see the responses to Q-4 and Q-17.

Q-26. Given the above interconnection assumption and the assumption that 100% of the energy to be delivered under the PPA will be delivered to EAI, does EAI require us to be a MISO Market Participant? Would it not make much more sense that EAI is such Market Participant from the COD onwards? If EAI would still require us to be the starting Market Participant, can you elaborate on your reason why this would be required?

A-26. EAI expects that the seller initially will serve as the Market Participant in MISO. The RFP documents provide that EAI will have the right to determine from time to time throughout the term of the applicable PPA whether it or the seller will serve as the Market Participant for the resource. EAI's Market Participant expectations are based in part on its experiences in MISO and its understanding of the MISO market.

Among other reasons, EAI believes that having the seller act as Market Participant will facilitate the day-ahead and real-time operational interface with MISO and provide other administrative efficiencies.

Q-27. Is PPA Termsheet Section 14 applicable to capacity resource PPA's only or also applicable to energy resource PPA's [REDACTED]?

A-27. Section 14 of the PPA Term sheet is applicable to all PPAs whether those PPAs include a specific capacity payment or not.

Q-28. Is PPA Termsheet Section 23 (in its entirety but also specifically the 2nd paragraph) applicable to capacity resource PPA's only or also applicable to energy resource PPA's? Please note that a [REDACTED] PPA would severely become unbankable/unfinanceable for any professional [REDACTED] RFP bidder if indeed it could be confronted with energy curtailment in case MISO market pricing (day ahead or other) would be lower than the agreed PPA rate in some hours of the year. So called "merchant PPA's" are not bankable/financeable in current US financing markets.

A-28. Section 23 of the PPA term sheet, including the provisions addressing Seller's compensation for Buyer-Curtailed Energy, is applicable to all resources that meet the requirements of the RFP.

As described in Section 2.2.1. of the Main Body of the RFP, a Bidder not wishing to agree to a specific term set forth in the applicable Term Sheet, may take exception to that term and provide a reasonably detailed explanation of Bidder's position in the "Special Considerations" section of its proposal. EAI is in no way obligated to agree to any Special Consideration offered by a Bidder.

Q-29. [REDACTED] We fully understand the principle of the Special Considerations in the RFP which will be evaluated by EAI at EAI's sole discretion. [REDACTED]

[REDACTED] regardless of the location of the PDP, all projects that qualify for the requirements of the RFP will have to provide for pricing at the EAILD CP node, [REDACTED] as we would connect to the EAI transmission system, we would have to take the financial risk of congestion within the EAI transmission to its EAILD CP node.

[REDACTED] [We would¹] add a Special Consideration that

- a. Our pricing is for a Financial Settlement Point equal to the PDP, not the EAILD CP**
- b. Our proposal cannot not take into account Buyer Curtailment risk at the EAILD CP**

[REDACTED] Taking into account [REDACTED] above Special Considerations, would [REDACTED] EAI [REDACTED] evaluate [REDACTED]

¹ Text added by IM so sentence can be understood.

proposal or would you consider both points as not evaluable/discussable for EAI during potential further PPA negotiations as being absolute showstoppers for EAI?

A-29. With regard to congestion risk, Entergy Arkansas will consider financial points of delivery other than the EAI Load (EAILD) commercial pricing node. Please see the answers to Q-4 and Q-17 (including the link to the bidder conference presentation) for more information. With regard to the Buyer-Curtailed Energy provision, your correspondence indicates that [REDACTED] believes it must include in any proposal it submits in the RFP a special consideration that would eliminate Entergy Arkansas' discretionary curtailment rights. Entergy Arkansas strongly encourages [REDACTED] to review all of the terms of item 23 of the PPA Term Sheet (Appendix B-1), particularly the provisions addressing the seller's compensation for discretionary curtailments by Entergy Arkansas. [REDACTED] may submit a special consideration that would propose the exclusion of Entergy Arkansas' discretionary curtailment rights in any contract [REDACTED] arising out of the RFP, but Entergy Arkansas is unable to advise you in advance whether or the degree to which any such special consideration would adversely affect the consideration/evaluation of the proposal.

Q-30. Please clarify the methods and factors used to evaluate proposals from a capacity and economic perspective. Is LCOE the most important factor to Entergy [REDACTED] Arkansas when performing the economic evaluation or will the profile of energy delivery be weighed against LCOE to give energy provided at certain times of the day an advantage?

A-30. In the 2016 EAI Renewables RFP, the most important factor for EAI in the economic evaluation of proposals is the customer net benefit projected to be provided by each proposal. The determination of projected net benefit considers the energy production profile of each resource and its levelized cost of energy (LCOE). In some instances, LCOE analysis will be relied upon during the Phase I evaluation as a screening method to identify resources that are the most likely to provide the greatest net benefit. LCOE comparisons will be made by technology type.

Q-31. Please provide the calculation that will be used to determine liquidated damages paid for failure to deliver Annual Guaranteed Energy Quantity.

A-31. The calculation of liquidated damages for the PPA seller's failure to meet the Annual Guaranteed Energy Quantity is expected to be the product of (i) the amount of the shortfall (in MWh) multiplied by (ii) the sum of (x) a material, fixed dollar amount per MWh and (y) if positive, the difference, if any, between the average of the day-ahead LMPs (expressed in \$/MWh) at the Financial Delivery Point for contract energy delivered by the PPA seller to EAI during the applicable contract year minus the contract energy price under the PPA.

Q-32. The way the PPA term sheet is written, there is only a 12.15% chance that the Seller will not drop below the Annual Guaranteed Energy Quantity at least once during the maximum delivery term. Would Entergy consider:

- a. A higher guarantee (P95) that's adjusted for weather; OR

b. A more reasonable threshold that has a lower chance of being hit. For instance, 85% of a P50 energy number

A-32. EAI believes an Annual Guaranteed Energy Quantity based on the P90 amount is reasonable and consistent with industry norms. The PPA term sheet provides, and EAI expects, that the Annual Guaranteed Energy Quantity will be based on the P90 amount. If a Bidder offers a proposal with an Annual Guaranteed Energy Quantity based on an amount other than the P90 amount, the evaluation of that proposal will be adversely affected and offering a different Annual Guaranteed Energy Quantity could be a basis for elimination. Bidders considering whether to propose one or more Special Considerations are strongly encouraged to review Section 2.2.1. of the Main Body of the RFP.

Q-33. Will EAI execute a Confidentiality Agreement prior to submission of bids, or must the Bidder solely rely on Appendix G and Section 6.5 of the Main Body?

A-33. Bidder should rely on Appendix G and Section 6.5 of the Main Body.