

ENTERGY CORP /DE/  
Form 425  
March 07, 2013

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ITC/EMI  
ITC/EMI  
Technical Conference  
Technical Conference

March 7, 2013

Transmission Business

Filed by Entergy Corporation Pursuant to Rule 425

Under the Securities Act of 1933

Subject Company: Entergy Corporation

Commission File No. 001-11299

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Entergy Forward-Looking Information

Entergy Forward-Looking Information

In this communication, and from time to time, Entergy makes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new

information, future events, or otherwise. Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including (i) those factors discussed in Entergy's most recent Annual Report on Form 10-K, any subsequent Quarterly Reports on Form 10-Q, and other filings made by Entergy with the Securities and Exchange Commission (the SEC); (ii) the following transactional factors (in addition to others described elsewhere in this communication, in the proxy statement/prospectus included in the registration statement on Form S-4 that was filed by ITC Holdings Corp. (ITC) with the SEC in connection with the proposed transactions) involving risks inherent in the contemplated transaction, including: (1) failure to obtain ITC shareholder approval, (2) failure of Entergy and its shareholders to recognize the expected benefits of the transaction, (3) failure to obtain regulatory approvals necessary to consummate the transaction or to obtain regulatory approvals on favorable terms, (4) the ability of Entergy, Mid South TransCo LLC (TransCo) and ITC to obtain the required financings, (5) delays in consummating the transaction or the failure to consummate the transaction, (6) exceeding the expected costs of the transaction, and (7) the failure to receive an IRS ruling approving the tax-free status of the transaction; (iii) legislative and regulatory actions; and (iv) conditions of the capital markets during the periods covered by the forward-looking statements. The transaction is subject to certain conditions precedent, including regulatory approvals, approval of ITC's shareholders and the availability of financing. Entergy cannot provide any assurance that the transaction or any of the proposed transactions related thereto will be completed, nor can it give assurances as to the terms on which such transactions will be consummated.

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ITC Forward-Looking Information

ITC Forward-Looking Information

This document and the exhibits hereto contain certain statements that describe ITC management's beliefs concerning future business conditions and prospects, growth opportunities and the outlook for ITC's business, including ITC's business and the electric utility industry based upon information currently available. Such statements are forward-looking statements within the meaning of

Securities Litigation Reform Act of 1995. Wherever possible, ITC has identified these forward-looking statements by words such as anticipates, believes, intends, estimates, expects, projects and similar phrases. These forward-looking statements are based upon assumptions ITC management believes are reasonable. Such forward-looking statements are subject to risks and uncertainties which could cause ITC's actual results, performance and achievements to differ materially from those expressed in, or implied by, such statements, including, among other things, (a) the risks and uncertainties disclosed in ITC's most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q filed with the SEC from time to time and (b) the following transactional factors, in addition to others described elsewhere in this document, in the proxy statement/prospectus included in the registration statement on Form S-4 filed by ITC with the SEC in connection with the proposed transactions: (i) risks inherent in the contemplated transaction, including: (A) failure to obtain approval by the Company's shareholders; (B) failure to obtain regulatory approvals necessary to consummate the transaction or to obtain regulatory approvals on favorable terms; (C) the ability to obtain the required financings; (D) delays in consummating the transaction or the failure to consummate the transactions; and (E) exceeding the expected costs of the transaction due to legislative and regulatory actions, and (iii) conditions of the capital markets during the periods covered by the forward-looking statements. Because ITC's forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond ITC's control or are subject to change, actual results could be materially different from any or all of ITC's forward-looking statements may turn out to be wrong. They speak only as of the date made and can be affected by assumptions ITC might make or by known or unknown risks and uncertainties. Many factors mentioned in this document and throughout hereto and in ITC's annual and quarterly reports will be important in determining future results. Consequently, ITC cannot assure that ITC's expectations or forecasts expressed in such forward-looking statements will be achieved. Actual future results may vary from those expected. Except as required by law, ITC undertakes no obligation to publicly update any of ITC's forward-looking or other statements, or to revise the result of new information, future events, or otherwise.

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Additional Information and Where to Find It

Additional Information and Where to Find It

ITC filed a registration statement on Form S-4 (Registration No. 333-184073) with the SEC registering the offer and sale of shares of ITC common stock to be issued to Entergy shareholders in connection with the proposed transactions. This registration statement includes a proxy statement of ITC that also constitutes a prospectus of ITC.

This registration statement was declared effective by the SEC on February 25, 2013. ITC mailed the proxy statement/prospectus to its shareholders on or about February 28, 2013. ITC shareholders are urged to read the proxy statement/prospectus included in the ITC registration statement and any other relevant documents because they contain important information about TransCo and the proposed transactions. In addition, TransCo will file a registration statement with the SEC registering the offer and sale of TransCo common units to be issued to Entergy shareholders in connection with the proposed transactions. Entergy shareholders are urged to read the proxy statement/prospectus included in the ITC registration statement and the prospectus to be included in the TransCo registration statement (when available) and any other relevant documents, because they contain important information about ITC, TransCo and the proposed transactions.

The proxy statement/prospectus, prospectus and other documents relating to the proposed transactions (when they are available) can be obtained free of charge from the SEC's website at [www.sec.gov](http://www.sec.gov). The documents, when available, can also be obtained free of charge from Entergy upon written request to Entergy Corporation, Investor Relations, P.O. Box 61000 New Orleans, LA 70161 or by calling Entergy's Investor Relations information line at 1-888- ENTERGY (368-3749), or from ITC upon written request to ITC Holdings Corp., Investor Relations, 27175 Energy Way, Novi, MI 48377 or by calling 248-946-3000.

This communication is not a solicitation of a proxy from any security holder of ITC. However, Entergy, ITC and certain of their respective directors and executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from shareholders of ITC in connection with the proposed transaction under the rules of the SEC. Information about the directors and executive officers of Entergy, may be found in its 2012 Annual Report on Form 10-K filed with the SEC on February 27, 2013, and its definitive proxy statement relating to its 2012 Annual Meeting of Shareholders filed with the SEC on March 23, 2012. Information about the directors and executive officers of ITC may be found in its 2012 Annual Report on Form 10-K filed with the SEC on March 1, 2013, and its definitive proxy statement relating to its 2012 Annual Meeting of Shareholders filed with the SEC on April 12, 2012.



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4  
Agenda  
Agenda  
03/07/13  
ITC/EMI Technical Conference  
Transaction Structure &

EMI  
Specific  
Implications

11:00

12:30  
Bready, Lewis  
Lunch

12:30  
1:15  
Afternoon  
Session  
(1:15  
pm

4:00  
pm)  
Rate  
Effects  
1:15

3:15  
Bready, Lewis  
EMI Retail Customer Rate Effects

Rate Construct

Forward Test Year

Bill Effects  
Any Potential Impacts on EMI  
Generation/Distribution Business  
Wholesale Rate Effects Post-MISO  
Wrap  
Up

3:15

4:00  
Grenfell  
Morning  
Session  
(8:00  
am

12:30  
pm)  
Welcome  
&

Logistics

8:00

8:15  
Fisackerly, Whitelocke  
Transformation  
Vision

8:15

9:15  
Welch, Bunting, Fisackerly

Why is this transformation necessary?

Why this structure?

Why with ITC?

Why now?

Why for EMI?  
Rationale  
for  
Transaction

-

9:15

11:00

Independence  
Welch

Operational  
Excellence  
Jipping,  
Riley

Storm Response

Regional  
Planning  
Vitez

IPL  
Transaction  
Experience  
&  
Results

Jipping

Local Presence

Break

15 mins

Financial

Flexibility

and

Growth

Lewis

Financial Strength of ITC *Bready*

& Engagement

w/Retail

Regulators

Jipping

Transaction Structure

EMI credit impact & debt issuance/retirement

Pre/Post Transaction Capital Structure

Transaction Impact on ADIT Liability

EMI Credit Ratings Impacts

5  
5  
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Experience  
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Jipping

Local Presence  
Break  
15 mins

Financial  
Flexibility  
and  
Growth  
Lewis

Financial  
Strength  
of  
ITC  
Bready

Rationale for Transaction - 9:15 11:00  
Rate Effects 1:15 3:15  
Wrap Up 3:15 4:00  
EMI Specific Implications 11:00 12:30  
Welcome & Logistics 8:00 8:15  
Morning Session (8:00 am 12:30 pm)  
&  
Engagement  
w/Retail  
Regulators  
Jipping

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Transformation Vision 8:15 9:15

6  
6

Significant capital requirements to continue modernizing the grid best handled by an independent company who can better manage the transmission portion of capital spend



Affords the EOCs financial flexibility to manage the necessary investment in G&D

Independent ownership and operation of Entergy Transmission System (ETS)  
extracts the greatest benefits in an RTO with a Day 2 market

Consistent with efforts towards independent transmission operation and ownership

Nation's first, largest, & only publicly-traded independent transmission company

A proven track record of best-in-class performance, improving reliability for ETS

Extensive  
experience  
with  
MISO  
and  
committed  
to  
facilitating  
the  
MISO  
Day  
2  
Market

Inter-RTO experience applicable to ETS's seams with SPP and other regions

Financially sound with strong investment grade credit ratings & access to capital

Opportunities for greater economies and efficiencies

Final step in over a decade of work to pursue best management structure for ETS

Eliminates perception of bias in transmission system planning and operations

Comparable  
sizes  
of  
ITC's  
and  
the  
EOCs  
(Entergy  
Operating  
Companies)  
transmission businesses allows for a tax efficient transaction not necessarily  
available in future  
The right  
transaction...  
...with the

right  
partner...  
at the right  
time

This transaction creates the right model  
for the benefit of our customers...now and into the future  
ITC Transaction is the Right Transaction  
ITC Transaction is the Right Transaction  
with the Right Partner at the Right Time  
with the Right Partner at the Right Time

7  
7  
7

U.S. Transmission Grid  
U.S. Transmission Grid  
Historically Fragmented and Inefficient  
Historically Fragmented and Inefficient

Historically, transmission infrastructure development in the U.S. primarily focused on connecting load and resources within balancing authority areas, with little interregional or national perspective. In contrast, U.S. Electric Power Transmission Grid

More than 211,000 high voltage transmission line miles

Operated by ~130 balancing authority areas (ownership is even more fragmented)

Source: FEMA, NERC

kV

kV

115

115

138

138

161

161

230

230

345

345

500

500



9  
9

Introduction

Industry Evolution

ITC s Business Model

ITC s Proven Track Record

Benefits Beyond MISO

Commitment to Louisiana & Communities we serve

Transaction Value for Louisiana

Strategic Overview

Strategic Overview

ITC

ITC

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Operational Excellence  
Jipping, Riley

Storm Response

Regional Planning  
Vitez

IPL Transaction Experience & Results  
Jipping

Local Presence  
Break  
15 mins

Financial Flexibility and Growth  
Lewis

Financial Strength of ITC  
Bready  
& Engagement w/Retail Regulators  
Jipping

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Transformation Vision 8:15 9:15

11

11

Transaction Rationale:

Transaction Rationale:

In the Public Interest

In the Public Interest

Independent model

Singular focus

Transaction  
results  
in  
two  
companies  
that  
are  
more  
specialized  
and  
focused

ITC  
on transmission and Entergy on generation and distribution

Operational excellence, cost efficiency, customer focus  
Wholesale markets and a regional planning view

Transaction  
facilitates  
infrastructure  
investment  
and  
fosters  
competition

activities  
that enhance wholesale electricity markets

Structural separation of the transmission business from generation and distribution  
businesses encourages greater participation in the transmission planning process  
and disclosure of information by third parties

Independent model aligns with national policy objectives  
Financial strength and flexibility

Transaction will yield separate companies with strong balance sheets and greater  
capability  
to  
finance  
the  
infrastructure  
investment  
requirements  
today  
and

in  
the  
future

Proven independent business model for owning and operating transmission systems  
Independence from all buyers and sellers of electric energy allows ITC to plan  
improvements to the electric transmission grid for the broadest public benefit

Operational Excellence:  
Operational Excellence:  
Quantitative Value of Reliability  
Quantitative Value of Reliability

Data from the SGS Study benchmarking study can be used to quantify the resulting improved reliability

The U.S. Department of Energy's Office of Electricity Delivery and Energy Reliability has developed a tool to estimate interruption costs and the benefits associated with reliability improvements

A one minute improvement in System Average Interruption Duration Index (SAIDI) for ITC *Transmission* and METC results in one year savings of \$7.7M

Compared to the performance of the median utility in the SGS Study, this amounts to a value of about \$153 million per year delivered by ITC's Michigan utilities

The calculation is based on data for the two largest load serving entities in Michigan from 2010 and 2011, with major storms e and METC data reflect a three year average SAIDI from the SGS Study, given that performance changes year over year.

12

13

Operational Excellence:

Improving Reliability of Acquired Systems

Fewer outages:

According to the SGS Statistical Services' Transmission Reliability Benchmarking Study, *ITCTransmission*

and METC now perform with the best 10% of

companies for number of sustained outages per circuit. As ITC's



most recently acquired system, ITC Midwest improvement programs have had less time to be effective. However, performance showed continued improvement in 2011.

14  
Operational Excellence:  
Improving Reliability of Acquired Systems  
Shorter  
outages:  
According  
to  
the  
SGS

Study,  
average  
circuit  
outage  
duration  
for  
all  
three

ITC operating companies is less than the Region and Peer Group. Transmission circuit outages do not equate to end-use customer outages in most cases, except for ITC Midwest.

15  
15

Utilize standard equipment when possible to drive greater efficiencies (e.g. breaker replacement completed in two versus six weeks)

Utilize equipment with track record of longer life, resulting in lower maintenance and replacement costs

Engage in strategic alliances to ensure that needed equipment is available to meet project timelines

Purchasing power leads to better pricing when buying large volume of transmission equipment

Cost Efficiencies

Cost Efficiencies

Standardization and Specialization

Standardization and Specialization

Ability to attract and retain personnel with high levels of interest and expertise in electric transmission avoids turnover and training costs (important when facing near-term shortage of skilled workers)

16  
16  
16  
Customer Focus  
Customer Focus

Dedicated Stakeholder Relations group for all stakeholders,

providing advocacy and issue resolution at ITC

Stakeholders include investor-owned, municipal and cooperative utilities, independent power producers and retail load of large industrial and commercial retail customers connected at transmission level voltages

Proactively meet with stakeholders to identify stakeholder issues and resolve any concerns through one-on-one meetings and semi-annual

Partners  
in  
Business  
meetings

Energy policy, legislative and regulatory matters

Capital project, transmission planning and preventive maintenance

Operations preparedness for summer peak load and storm events

Transmission rates

Timely customer communication

Storm restoration

Planned outages to eliminate or minimize any potential risk and costs to industrial processes

Unplanned outages regarding cause, estimated duration, and future prevention

17  
17  
Storm Response  
Storm Response  
Utilizing Best Practices  
Utilizing Best Practices  
ITC Technical/Management



employee assigned to  
ETR System Command  
Center in Jackson, MS  
ITC employee  
ETR employee  
Storm response organization will be modified to ensure  
close coordination and interaction between Entergy and ITC  
Customer  
Transmission Prioritization  
Resource Coordination  
ETR System Incident  
Commander (SIC)  
ITC System Incident  
Commander (SIC)  
System Section  
Chiefs  
System Planning  
Section Chief  
System Resource  
Section  
System Logistics  
Section  
Restoration  
Prioritization Branch  
Director  
ITC Section  
Chiefs  
Entergy Liaison  
Coord.  
(New position)  
Functional Incident  
Commanders  
EMI  
Customer  
ITC Planning  
Section  
ITC Logistics  
Section  
ITC Resource  
Section  
Logistics Coordination  
(ex. Fossil, EOC,  
Nuclear, Gas)

18

18

18

Fosters Regional Planning

Fosters Regional Planning

ITC has track record of planning its transmission systems to:

Address local, state, and regional reliability needs

Increase the economic efficiency of the overall grid

Respond to transmission needs identified in state and regional processes

When deficiencies are identified on the transmission system, such as inadequate capacity to meet load under certain contingency conditions, ITC plans, develops and constructs transmission projects to address such deficiencies

ITC is committed to planning its transmission system in an open and transparent manner; ITC has its own processes that supplement the already open and transparent processes used by MISO

Transaction enhances customer benefits beyond what could be achieved through the Entergy Operating Companies proposed MISO membership

ITC has proven it has the expertise, resources, and capital not only to plan but also to construct needed investment

ITC's regional approach to transmission planning will enhance deliverability of generation throughout the region to provide a more economic source of energy for customers

19

19

19

IPL Transaction Experience & Results

IPL Transaction Experience & Results

ITC has invested approximately \$1.1 billion to improve the ITC

Midwest transmission system since acquisition of IPL assets

Projects needed to upgrade and improve existing lines and substations, construct new lines to serve load growth and improve reliability, resolve system constraints and provide interconnection for new load and generation

Major activities:

Built 26 new substations

Completed 32 major substation upgrades/expansions

Built nearly 26 miles of new line

Rebuilt nearly 400 miles of existing lines

Added four and replaced three major transformers

ITC Midwest reduced sustained outages from those experienced in 2008 (the last year IPL operated and maintained the system) by 50% in 2009, 24% in 2010, and 58% in 2011

Key

Project:

Salem-Hazleton

81-mile,  
345  
kV  
line  
connecting  
Dubuque  
and  
Buchanan  
Counties  
in  
eastern  
Iowa

Regional planning had long identified as needed to resolve system constraints and reduce energy costs.

Expected completion: 2013

20  
20  
ITC Midsouth Regulatory and External Affairs Organization  
ITC Midsouth Regulatory and External Affairs Organization  
ITC  
Chief Business Officer  
ITC

Midsouth  
Director,  
Regulatory  
Affairs  
ITC Midsouth  
Director,  
State Gov t  
Affairs  
ITC Midsouth  
Director,  
Local Gov t  
& Comm.  
Affairs  
ITC Midsouth  
Director,  
Stakeholder  
Relations

An ITC executive (VP and BU Head)  
will be responsible for the following  
ITC Midsouth functions:

Regulatory Affairs

State Government Affairs

Local Government and  
Community Affairs

Stakeholder Relations  
ITC Midsouth staff will be located  
throughout the Entergy footprint to  
perform these functions

Regulatory Affairs Managers  
will be located in each state  
capital

Managers and other support  
staff will be geographically  
dispersed to cover the other  
functions  
These employees and functions will  
report to ITC's Chief Business  
Officer  
Mississippi  
Arkansas  
Louisiana  
Texas  
ITC Midsouth  
VP and Business Unit Head

Mississippi  
Arkansas  
Louisiana  
Texas  
Mississippi  
Arkansas  
Louisiana  
Texas  
Mississippi  
Arkansas  
Louisianan  
Texas



21  
21  
21  
ETR Utilities  
ETR Utilities  
Capital Needs  
Capital Needs

Could Total ~\$13B-16B Over 2012-2018

Could Total ~\$13B-16B Over 2012-2018

Actual and Forecast Entergy Utilities

Investment

(\$B)

0

5

10

15

20

1999-2004

2005-2011

2012-2018

Average

2

= \$1.9B -

\$2.3B

Total = \$13.0B -

\$15.8B

Average

1

= \$1.4B -

\$1.7B

Total = \$9.7B -

\$11.7B

Average

1

= \$1.1B

Total = \$6.5B

???

Effect of EPA rules?

Aging infrastructure?

1. Range

based

on

actuals

plus

storm

capital.

2.

Range

based

on

projections

of

ETR

Utilities

base

capital

plan

plus  
potential  
spend  
3.  
Potential  
spend  
related  
to  
potential  
economic  
development  
projects,  
potential  
new  
generation  
investment,  
and  
potential  
new  
storm  
spend.

Potential  
storm  
spend  
for

forward looking period is an estimate based on annual average spend over 2005-10 to illustrate potential of capital requirements

Potential spend is not included in base capital plan

Note: *ETR Utilities includes EAI, ELL, EGSL, EMI, ETI, ENO, SERI, ESI,*

*EOI, SFI; EOCs include EAI, ELL, EGSL, EMI, ETI, and ENO*

Actual excluding storms (Transmission and Non-Transmission)

Potential spend

Past storm spend

Base case

conservative (Transmission and Non-Transmission)

EOC Transmission

EOC

Transmission

EOC

Transmission

3

22

22

22

EMI Total Capital Needs Could Total

EMI Total Capital Needs Could Total

~\$1.5B

~\$1.5B

\$1.6B Over 2012-2018

\$1.6B Over 2012-2018

Actual and Forecast Capital Investment  
for EMI (\$B)

0.5

1.5

0

2012-2018

2005-2011

1999-2004

2

1

Average

2

= \$213M -

\$232M

Total = \$1.5B -

\$1.6B

Average

1

= \$164M -

\$177M

Total = \$1.2B -

\$1.2B

Average

1

= \$148M

Total = \$0.9B

Actual excluding storms (Transmission and Non-Transmission)

Past storm spend

Potential spend

???

Effect of EPA rules?

Aging infrastructure?

1. Range

based

on

actuals

plus

storm

capital.

2.

Range

based

on

projections

of

EMI s

base

capital

plan  
plus  
potential  
spend  
3.  
Potential  
spend  
related  
to  
potential  
economic  
development  
projects,  
potential  
new  
generation  
investment,  
and  
potential  
new  
storm  
spend.

Potential  
storm spend for forward looking period is an estimate based on annual average spend over 2005-10 to illustrate potential of capital requirements

of  
event  
risks.

Potential  
spend  
is  
not  
included  
in  
base  
capital  
plan.

Transmission  
Transmission  
Transmission  
Base case

conservative (Transmission and Non-Transmission)

3

23

23

23

Note: Historical data excludes storm capital, as there is no capital associated with future storms in base capital plan projections

Numbers presented are only for EOCs (EAI, EGSL, ELL, EMI, ETI, ENO) and excludes SERI/ESI

EOCs

EOCs

Transmission Capital

Transmission Capital

Could Total ~\$3.5B Over 2012-2018

Could Total ~\$3.5B Over 2012-2018

Average = \$254M

Total = \$1.8B

Average= \$502M

Total = \$3.5B

Actual and Forecast Transmission Investment for EOCs

(\$B)

2005-2011

1999-2004

2012-2018

0

2

1

4

3

Projected base case capital

plan as of August 2012

Actual

Average= \$200M

Total = \$1.2B

Transmission Capital Spending for EOCs Could Increase

Nearly 100% in the Next Seven Years



24

24

24

EMI Transmission Capital

EMI Transmission Capital

Could Total ~\$0.5B Over 2012-2018

Could Total ~\$0.5B Over 2012-2018

Average= \$68M

Total = \$474M

Actual and Forecast Transmission Investment for

EMI

(\$M)

200

0

2012-2018

2005-2011

1999-2004

400

100

300

500

Average= \$36M

Total = \$216M

Projected base case capital

plan as of August 2012

Transmission Capital Spending for EMI Could Increase

Nearly 83% in the Next Seven Years

Actual

Average = \$37M

Total = \$259M

Note: Historical data excludes storm capital, as there is no capital associated with future storms in base capital plan projections

25

25

25

EMI Transmission CapX as Multiple of Depreciation

EMI Transmission CapX as Multiple of Depreciation

Nearly Twice as High as Non-Transmission

Nearly Twice as High as Non-Transmission

EMI Average CapX as Multiple of  
Depreciation (2012-18 Average)

For EMI,

Transmission

Constitutes ~47% of

Capital in Excess of

Depreciation, despite

being 22% of rate

base

3.0

4

3

2

1

0

1.6

Transmission

Non-

Transmission

Note: Based on figures filed in testimony at MPSC

26  
26  
26  
Benefits from  
Benefits from  
Financial Flexibility for Entergy  
Financial Flexibility for Entergy

Transmission-Related Cash  
Capital Requirements Go Away  
Utility Operating Cash Flow Minus  
Cash Construction Expenditures

2014E

2018E; \$B

Status Quo

With ITC

Transaction

Utility Debt Obligations

2018E; \$B

Stronger Utility Balance Sheet Improves Ability  
to Invest in Generation and Distribution

Status Quo

With ITC

Transaction

Note: As detailed in direct testimony, Transaction has two separate effects on remaining entity's cash flow:

OCF: EOCs no longer earn on transmission rate base spun-off (negative effect on cash flow)

Cash Construction Expenditures: transmission related cash capital requirements go away (positive effect on cash flow for EOCs)

Net

effect

on

EOCs

is

positive

as

transmission

Cash

Construction

Expenditures

over

2014-2018

is

higher

than

transmission

OCF

20%

\$2.7B

4.34

5.20

0

2

4

6

0

3

6

9

12

27  
27  
27  
Benefits  
Benefits  
from  
from

Financial  
Financial  
Flexibility  
Flexibility  
for  
for  
EMI  
EMI  
Transmission-Related Cash  
Capital Requirements Go Away  
EMI Operating Cash Flow Minus  
Cash Construction Expenditures  
2014E  
2018E (\$M)  
EMI Debt Obligations  
2018E (\$M)  
Stronger Balance Sheet Improves Ability  
to Invest in Generation and Distribution  
Status Quo  
With ITC  
Transaction  
Status Quo  
With ITC  
Transaction  
0  
100  
200  
300  
400  
1,000  
0  
500  
1,500  
298  
334

Note: As detailed in direct testimony, Transaction has two separate effects on remaining entity's cash flow:

OCF: EOCs no longer earn on transmission rate base spun-off (negative effect on cash flow)

Cash Construction Expenditures: transmission related cash capital requirements go away (positive effect on cash flow for EOC)

Net  
effect  
on  
EOCs  
is  
positive  
as  
transmission  
Cash  
Construction  
Expenditures  
over



2014-2018  
is  
higher  
than  
transmission  
OCF  
12%  
\$353M

28

28

Financial Strength and Flexibility

Financial Strength and Flexibility

Transaction offers the financial strength of ITC and improves that of EMI to support the escalating capital investment requirements facing the electric

industry

ITC has a singular focus with no internal competition or competing priorities for capital or other resources; provides a stronger, separate balance sheet to support the transmission capital requirements

ITC better positioned to efficiently capitalize the significant and sustained level of transmission investment required in the Entergy region, including Mississippi

Post-close, EMI would be better positioned to attract capital separately to finance needed

investments

in

generation

and

distribution

at

lower

costs

and

to

manage

future uncertainty regarding event risk (e.g., new regulatory requirements or major storms)

ITC's MISO operating companies are deemed to be of higher credit quality than EMI, as well as most vertically-integrated utilities

Enables consistent and predictable access to cost-effective capital, even during challenging economic times; supports enhanced liquidity

Given significant and sustained level of transmission capital investment requirements, as well as unforeseen needs, credit quality and access to capital are paramount

29

29

29

Credit Quality Enhancement Overview

Credit Quality Enhancement Overview

Debt Cost Savings

Debt Cost Savings

Expect new ITC operating companies to have ratings equivalent to that of

ITC's existing MISO operating companies

FERC rate construct utilized by ITC's operating companies viewed favorably by the rating agencies and investors, which supports lower debt financing costs

ITC is seeking FERC rate construct for its new operating companies as part of this transaction

Results in lower borrowing costs of approximately 45 bps to 205 bps relative to the status quo EOCs, depending on Op Co and market conditions

Merger between Entergy's Transmission Business and ITC is expected to lead to material interest expense savings, which will benefit Entergy's customers

Reflected in both the initial capitalization of the new ITC operating companies, including ITC Mississippi, as well as future debt financings to fund transmission investment requirements

Aggregate debt financing cost savings estimated in the range of \$24 million to \$27 million in 2014 (first full year of ownership) for the new ITC operating companies

Over a five-year period (2014-2018), estimate debt financing cost savings for the new ITC operating companies in a range of approximately \$125 million to \$156 million (in nominal dollars)

30  
30  
Agenda  
Agenda  
03/07/13  
ITC/EMI Technical Conference  
Transaction Structure &

Bready, Lewis

Lunch

12:30

1:15

Afternoon Session (1:15 pm

4:00 pm)

Bready, Lewis

EMI Retail Customer Rate Effects

Rate Construct

Forward Test Year

Bill Effects

Any Potential Impacts on EMI

Generation/Distribution Business

Wholesale Rate Effects Post-MISO

Grenfell

Fisackerly, Whitelocke

Welch, Bunting, Fisackerly

Why is this transformation necessary?

Why this structure?

Why with ITC?

Why now?

Why for EMI?

Independence

Welch

Operational

Excellence

Jipping,

Riley

Storm Response

Regional

Planning

Vitez

IPL

Transaction

Experience  
&  
Results  
Jipping

Local Presence  
Break  
15 mins

Financial  
Flexibility  
and  
Growth  
Lewis

Financial  
Strength  
of  
ITC  
Bready  
Morning Session (8:00 am 12:30 pm)  
Wrap Up 3:15 4:00  
Rate Effects 1:15 3:15  
EMI Specific Implications 11:00 12:30  
Welcome & Logistics 8:00 8:15  
&  
Engagement  
w/Retail  
Regulators  
Jipping  
Rationale for Transaction - 9:15 11:00

Transaction Structure

EMI credit impact & debt issuance/retirement

Pre/Post Transaction Capital Structure

Transaction Impact on ADIT Liability

EMI Credit Ratings Impacts  
Transformation Vision 8:15 9:15



31  
31  
Transaction Overview  
Transaction Overview  
Entergy  
Shareholders  
Transmission

Business

\$1,775M of new debt will be raised  
~\$1.2B of the new debt will be raised at the transmission operating companies  
~\$575M will be raised directly by Entergy and will be subject to a debt-for-debt exchange with debt issued by MidSouth TransCo  
Mid South TransCo  
TransCo  
OpCos  
(Six)  
Entergy will create and distribute shares of Mid South TransCo to Entergy shareholders  
(Mid South TransCo will own all of Entergy's transmission operating companies upon separation)  
Immediately prior to the merger, ITC will distribute \$700M to existing shareholders, funded by new debt at ITC Holdings  
(Required to align ITC's equity value with that of the Entergy Transmission Business)  
ITC  
Shareholders

Entergy  
Shareholders

Mid South

TransCo

TransCo

OpCos

(Six)

Entergy

Shareholders

ITC

Shareholders

Merger Sub

Mid South TransCo will immediately merge with ITC Merger Sub and will become a wholly-owned subsidiary of ITC; Entergy shareholders will receive 50.1% ownership in the combined company

1

2

3

4

31

32  
32  
Post Spin-Merge  
Post Spin-Merge  
Transaction Structure  
Transaction Structure  
100%

Entergy  
Shareholders  
Mid South  
TransCo LLC  
OpCos  
ITC  
Shareholders  
ITC  
OpCos  
49.9%

Note: Chart represents ownership structure immediately upon closing of the transaction.

33

33

33

\$1.775B of Debt Proceeds Used to Retire Preferred and

\$1.775B of Debt Proceeds Used to Retire Preferred and

Pay Down Debt in Proportion to Transmission Assets

Pay Down Debt in Proportion to Transmission Assets

The allocation for EMI was estimated in order to:

Retire all Preferred at each Operating Company

Target a post-transaction weighted average cost of capital (WACC) that is substantially unchanged from the pre-transaction WACC

EOC

Amount (\$M)

1

EAI

502

EGSL

263

ELL

413

EMI

290

ENO

22

ETI

284

Total

1,775

The amount of debt proceeds allocated to each EOC is an estimate based on a forecast. The final amounts allocated to each EOC may vary to the extent forecast assumptions differ from the circumstances that exist at the time of closing.

34

34

34

EMI Credit Metrics are Expected to be

EMI Credit Metrics are Expected to be

Maintained Through the Transaction

Maintained Through the Transaction



Direct Testimony of Expert Witness Dr. Michael Tennican

will reduce the Operating Companies' total debt and total capitalization...

...will eliminate substantial capital expenditures for transmission

...will reduce EMI's needs for debt financing...

"...should not affect EMI's current investment-grade rating...

...should help preserve or possibly enhance Entergy's S&P rating...

...should preserve EMI's access to debt capital on reasonable terms even in difficult market conditions...

1. Testimony of Dr. Michael Tennican before the MPSC, Docket 12-UA-358

Any potential credit ratings improvement for EMI could result in savings for Mississippi customers through lower cost of debt

35

35

EEI Data: 54% of Utilities Ended at a

EEI Data: 54% of Utilities Ended at a

Lower Credit Grade in 2011 Compared to 2001

Lower Credit Grade in 2011 Compared to 2001

Cumulative % of Companies at Lower/Higher Rating

in 2011 Compared to 2001

54

Downgrades

No changes

Total

100

19

27

Upgrades

Source: EEI 2011 Q3 Credit Ratings Charts

36

36

36

Transaction Protects EMI from  
Transaction Protects EMI from  
Negative Impact to Credit Ratings  
Negative Impact to Credit Ratings

Current EMI  
credit rating at  
Baa3

Transaction  
protects EMI from  
credit downgrade  
risk; one notch  
hypothetical  
downgrade could  
increase cost of  
debt by 75 bps

Transaction  
protects EMI from  
credit downgrade  
which could cost  
customers ~\$4.4M  
in additional  
interest costs  
from 2014-2018

Estimates are hypothetical forecasts to illustrate effect on cost of debt and  
benefits to customers  
exact values will depend on market conditions

Source: Bloomberg Fair Value 10-year credit ratings for utilities.

Utility Bond Yields by  
Credit Rating vs. Treasury  
Bills (Ten-Year Average  
Spreads)

A2
155
Baa3
400
200
0
129
Baa1
Baa2
171
208
Ba2
357
bps
Illustrative
-149
-37
-16
-25

37

37

37

Re-Measurement of ADIT

Comparable  
equity

values  
of  
ITC  
and  
the  
Entergy  
Operating  
Companies  
combined  
T-business *at this point*  
in time enable execution of a Reverse Morris Trust  
transaction structure where T-business is spun-off to existing ETR shareholders and  
merged with ITC

Through the Reverse Morris Trust Transaction structure,  
EMI  
will  
not  
incur  
a  
tax  
liability

Under a taxable transaction, the tax basis of EMI s transmission assets would be  
reset and  
Accumulated  
Deferred  
Income  
Taxes  
( ADIT )  
would  
be  
re-measured,  
resulting  
in  
lower  
balances  
of  
ADIT

Because ADIT ultimately lowers T-rates in cost of service ratemaking, re-measuring  
ADIT would otherwise result in higher T-rates in a taxable transaction, all other  
things being equal

As a result of the RMT transaction structure,  
EMI s  
transmission  
assets  
will  
have

the  
same  
tax  
basis  
post-transaction  
as they had prior to the Transaction

Accordingly,

the  
negative  
rate  
effects  
for  
customers  
that  
otherwise  
would  
have  
resulted  
from  
a  
change  
in  
tax  
basis  
under  
a  
taxable  
transaction  
are  
avoided

RMT Transaction Structure Avoids  
Preserving Tax Basis for EMI and Protecting Customers  
from Negative Rate Effects of a Taxable Transaction



Agenda  
Agenda  
03/07/13  
ITC/EMI Technical Conference  
Afternoon Session (1:15 pm  
4:00 pm)  
Rate Effects 1:15

3:15

Bready, Lewis

EMI Retail Customer Rate Effects

Rate Construct

Forward Test Year

Bill Effects

Any Potential Impacts on EMI  
Generation/Distribution Business

Wholesale Rate Effects Post-MISO

Wrap Up

3:15

4:00

Grenfell

Morning Session (8:00 am

12:30 pm)

Welcome

&

Logistics

8:00

8:15

Fisackerly, Whitelocke

Welch, Bunting, Fisackerly

Why is this transformation necessary?

Why this structure?

Why with ITC?

Why now?

Why for EMI?

Rationale

for

Transaction

-

9:15

11:00

Independence

Welch

Operational Excellence  
Jipping, Riley

Storm Response

Regional Planning  
Vitez

IPL Transaction Experience & Results  
Jipping

Local Presence  
Break  
15 mins

Financial Flexibility and Growth  
Lewis

Financial Strength of ITC  
Bready  
& Engagement w/Retail Regulators  
Jipping  
Transaction Structure  
EMI credit impact & debt issuance/retirement  
Pre/Post Transaction Capital Structure  
Transaction Impact on ADIT Liability  
EMI Credit Ratings Impacts

Bready, Lewis  
EMI  
Specific  
Implications

11:00

12:30

Transaction Structure &

Lunch

12:30

1:15

38

Transformation Vision 8:15 9:15

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39

39

Significant variability in average residential bills

Significant variability in average residential bills

yearly variation between \$1 and \$18 over 2001-2011

yearly variation between \$1 and \$18 over 2001-2011

Henry Hub  
Gas Index  
(\$/mmBtu)

2.7  
3.1  
5.4  
5.9  
8.3  
6.5  
6.9  
9.0  
3.8  
4.4  
4.0

Henry Hub Gas Index  
(\$/mmBtu)

15  
10  
5  
0

EMI

Avg.

Monthly

Residential

Bill

1,000

kWh

(\$)

150

100

50

0

2011

91.28

2010

89.81

2009

92.18

2008

99.44

2007

96.30

2006

111.07

2005

98.93

2004

80.78

2003

85.28

2002

77.37

2001

83.46

18% reduction in customer  
bills since 2006

EMI Avg. Monthly Residential Bill-  
1,000 kWh(\$)

Henry Hub Gas Index

Note: Residential bills are the average of the Typical Monthly Bills in that year for a residential customer using 1,000 kWh, ex

Source: Entergy Regulatory Services, Typical Bill Report

Illustrative

-18%

+1.47

(+2%)

+18.14

(+22%)

40

40

40

Transmission Constitutes a Small Portion of a  
Transmission Constitutes a Small Portion of a  
Typical Mississippi Customer's Total Bill  
Typical Mississippi Customer's Total Bill

6.6%

Transmission

Non-Transmission

93.4%

Typical EMI Customer Bill

Note: Average of January 2011 – December 2011 typical bills for a residential customer using 1,000 kWh per month; non-transmission monthly bill includes fuel and portions of the fixed customer charge and energy charge allocated to generation and distribution as the inclusion of various riders.



41  
41  
41

Transition from current retail rate construct to FERC-regulated rate construct  
expected for ITC

Analysis assumes MISO base ROE for new ITC operating companies (12.38%) and capital structure currently utilized by ITC operating companies (60% equity/40% debt)

Benefits of credit quality improvement resulting from transition to FERC-regulated rate construct partially offset impacts Rate Impacts Split into Rate Construct, Rate Timing, Rate Impacts Split into Rate Construct, Rate Timing, and Other Effects for Retail Customers and Other Effects for Retail Customers

Forward Test Year: Eliminates regulatory lag in recovery of capital investments

One-time impact of conversion to forward test year

Reflects amounts that would have been collected in future years

Schedule MSS-2 construct eliminated post-Transaction

Current estimation reflects effect of paying load ratio share of Transmission cost factoring in zonal investment (single MS zone) and retail share of Transmission investments Rate Construct Effects Rate Timing Effects Other Effects

42  
42  
42  
120  
EMI Residential Bill  
1,000 kWh  
(\$)

80  
100  
60  
40  
20  
0

Illustrative Bill

if ITC owns

T assets

post-transaction

~91.94

2014

WACC

Effects

~0.66

Illustrative Bill if ETR

owns

T assets

status quo

91.28

EMI Typical Residential Customer Bill

EMI Typical Residential Customer Bill

Expected

Expected

to

to

Increase

Increase

0.7%

0.7%

Expected

Expected

Mitigation by Customer Benefits

Mitigation by Customer Benefits

Note:

Contents exclude estimated

one-time 2014 rate timing

effects of \$0.73 due to

conversion to forward test year

reflects amount that would

have been collected in future

years

and of \$0.93 due to

accelerated elimination of

MSS-2 for EMI

Illustrative

~0.66

0.7%

Note: \$91.28 is the average of the 2011 Typical Monthly Bill for a residential customer using 1,000 kWh, excluding taxes. Call indicative of the rate effects of the spin-merge transaction and is not meant to project an actual future customer bill. Illustrations include rate timing effects such as adoption of forward test year.

Over the long term,  
customer bill effects  
expected to be mitigated  
by...

Enhanced Financial  
Flexibility

Operational Excellence

Independent and  
transparent ITC model

Regional Planning

43

43

43

Modest Bill Effect of 0.7% on

Modest Bill Effect of 0.7% on

Selected Commercial and Industrial Class

Selected Commercial and Industrial Class

Expected Mitigation by Customer Benefits

Expected Mitigation by Customer Benefits

2014 Transaction Bill Effects

Selected

Retail Class

Retail Class

Description

Typical

Bill

WACC

Effects

Total

Effect

%

Change

EMI

GS

25 kW, 30% Load Factor

\$548.50

3.86

3.86

0.7%

Illustrative

Note: Calculation indicative and illustrative of the rate effects of the spin-merge transaction and is not meant to project an actual customer bill. Illustration does not include effect of \$5.45 due to accelerated elimination of MSS-2 for EMI or rate timing effect due to adoption of forward test year.

44

44

44

Sensitivity of Residential Rate Effects

Sensitivity of Residential Rate Effects

to Variations in Spend

to Variations in Spend



Sensitivity to  
10% Increase  
in Spend  
Total  
Transaction  
Bill Effect  
Sensitivity to  
10% Increase  
in Spend  
Total  
Transaction  
Bill Effect  
Sensitivity to  
10% Decrease  
in Spend  
Sensitivity to  
10% Decrease  
in Spend

1.  
Typical  
EMI  
bill  
of  
\$91.28  
reflects  
the  
average  
of  
the  
2011  
Typical  
Monthly  
Bills  
for  
residential  
customer  
using  
1,000  
kWh,  
excluding  
taxes.

Note: Calculation is indicative and illustrative of the rate effects of the spin-merge transaction and is not meant to project an actual customer bill.

EMI

\$91.28

EMI

\$91.28

+ \$0.11

O&M  
Spend  
+ \$0.03  
Capital  
Expenditure  
Spend  
\$0.66  
\$0.66  
-  
\$0.11  
-  
\$0.03  
Typical Monthly  
Residential  
Bill  
1  
Typical Monthly  
Residential  
Bill  
1

45

45

45

Change in How Wholesale Rates are Determined Due to

Change in How Wholesale Rates are Determined Due to

Adoption of MISO's 12 CP Demand Methodology

Adoption of MISO's 12 CP Demand Methodology

Note:

Amount

paid

remains

the

same

because

the

customer

consumes

the

same

amount

of

transmission

service

in

both

methodologies.

The

methodology affects the units of measuring rates and the units of measuring consumption but the amount paid is same and is re consumed

In both methodologies aggregate amount paid by customer consuming a certain amount

of

Transmission

service

will

remain

the

same

A

B

Current ETR OATT

ETR OATT with 12 CP

2014 Transmission Net Revenue Requirement

2014 Transmission Net Revenue Requirement

Single annual peak demand x 12 months

Aggregated 12 coincident peaks (CP) demand over year

Same Revenue Requirement numerator

Same Revenue Requirement numerator

Same Revenue Requirement numerator

Same Revenue Requirement numerator

Single highest peak in a month x 12

Sum of peak demands in each month of year

Higher demand denominator

Lower demand denominator

\$ 2.43 / kWm

\$ 1.85 / kWm

46

46

Wholesale Rates for EMI Customers

Wholesale Rates for EMI Customers

Increase Post-Transition to MISO

Increase Post-Transition to MISO

Estimated 2014 WS rates post

transition to MISO with 4  
Transmission Pricing Zones  
3.65

Estimated Net Rate Effect  
of adopting default MISO  
ROE and implementing 4  
Transmission Pricing Zones  
1.22

Estimated 2014 WS rates paid  
under ETR OATT under One  
Transmission Pricing Zone  
2.43

3  
4

Estimated 2014 Wholesale Transmission Rate Effects  
\*\*\*using 12 CP methodology\*\*\*  
(\$/kWm)

2  
1  
0

Note:

Calculation  
indicative  
and  
illustrative  
is  
not  
meant  
to  
project  
an  
actual  
future  
customer  
bill.

Estimates  
are  
preliminary  
and  
draft  
prior  
to  
rate  
filings  
in first quarter of 2013  
Wholesale rate  
effects estimation  
does not factor  
in any production  
costs savings and

other benefits to  
be achieved  
through transition  
to MISO RTO

Rates have been estimated using 12 CP methodology used under MISO Attachment O. Current ETR OATT methodology uses a single annual peak rather than 12 CP. Change in methodology does not imply a change in Revenue Requirements hence customers do not pay different amounts under 12 CP employed by MISO vs. single annual peak employed by ETR. The equivalent number to \$2.43 /kWh under 12 CP would be a \$1.85 /kWh under single annual peak. The per unit estimation may be different but the amount paid by the customer is the same.

Illustrative

\*  
\*  
\*

Includes estimated one-time rate effect of ~\$0.30 due to conversion to forward test year reflects amounts that would have been collected in future years

47

47

47

Transaction-Related Filings Pending Before the  
Transaction-Related Filings Pending Before the  
Federal Energy Regulatory Commission  
Federal Energy Regulatory Commission



1Q2013, EMI and other EOCs will file MISO Attachment O formula rate at the FERC to be effective in the event the ITC transaction is not consummated

Joint ITC/Entergy Corp/ESI/EOCs filing:

EC12-145-000

Transaction approval (FPA 203)

ER12-2681-000

Formula rate and related agreements approval (FPA 205)

EL12-107-000

Declaratory Order regarding dividend payments from capital accounts (FPA 305)

ER12-2682-000

transmission assets into MISO if Transaction closes before full

ER12-2683-000

potential period before MISO provision)

ER12-2693-000

ES13-5-000

ES13-6-000

financing  
(FPA 204)

ES11-40-002

MISO

filing:

Module

B-1,

Interim

provisions

for

integration

of

the

ESI

filing

on

behalf

of

EOCs:

Ancillary

services

tariff

(to

cover

ESI  
filing  
on  
behalf  
of  
EOCs:  
Amends  
the  
Entergy  
System  
Agreement to delete MSS-2 upon closing of the Transaction  
ITC filing:  
Authorization for financing (FPA 204)  
ESI  
filing  
on  
behalf  
of  
the  
Wires  
Subs:  
Authorization  
for  
Entergy-MISO integration  
EOCs  
filing:  
Authorization  
for  
financing  
(FPA  
204)

48

48

48

2014 Rate Effect from ITC Transaction for

2014 Rate Effect from ITC Transaction for

Typical Mississippi Wholesale Customer

Typical Mississippi Wholesale Customer

Expected Mitigation by Customer Benefits

Expected Mitigation by Customer Benefits

Note:

Includes estimated one-time rate effect of ~\$0.30

due to conversion to

forward test year

reflects

amounts that would have

been collected in future

years; excludes offsetting

depreciation study impact

of ~\$0.15

Estimated EMI Wholesale Transmission Rate Effects

(\$/kWm)

(1)

3.75

ITC Ownership

(0.13)

Credit Quality Impacts

4

0

2

3

1

Rate Construct

Effects from FERC

Regulated Model

0.23

Estimated ETR

Ownership in MISO \*

3.65

5

\* Reflects ETR transition into MISO including establishment of four transmission pricing zones and 12.38% ROE

(1) Does not apply to GFA customers

Illustrative

Net Effect of

~\$0.10 or 2.7%

Expected FERC Construct

Effects

Customer bill effects

expected to be mitigated

by...

Operational Excellence

Reliability, System

Performance, etc.

Independent and

Transparent ITC Model

Enhanced Financial  
Flexibility

Regional Planning

49  
49  
Agenda  
Agenda  
03/07/13  
ITC/EMI Technical Conference  
Transaction Structure &

EMI Specific Implications

11:00

12:30

Bready, Lewis

Lunch

12:30

1:15

Afternoon Session (1:15 pm

4:00 pm)

Rate

Effects

1:15

3:15

Bready, Lewis

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Rate Construct

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Any Potential Impacts on EMI

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Wholesale Rate Effects Post-MISO

Wrap Up

3:15

4:00

Grenfell

Morning Session (8:00 am

12:30 pm)

Welcome

&

Logistics

8:00

8:15

Fisackerly, Whitelocke

Welch, Bunting, Fisackerly

Why is this transformation necessary?

Why this structure?

Why with ITC?

Why now?

Why for EMI?

Rationale  
for  
Transaction

-

9:15

11:00

Independence  
Welch

Operational Excellence  
Jipping, Riley

Storm Response

Regional Planning  
Vitez

IPL Transaction Experience & Results  
Jipping

Local Presence  
Break  
15 mins

Financial Flexibility and Growth  
Lewis

Financial Strength of ITC  
Bready  
& Engagement w/Retail Regulators  
Jipping

Transaction Structure

EMI credit impact & debt issuance/retirement

Pre/Post Transaction Capital Structure

Transaction Impact on ADIT Liability

EMI Credit Ratings Impacts  
Transformation Vision 8:15 9:15