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 bu
conditions and prospects, growth opportunities and the outlook for ITC s business, including ITC s business and the electric t
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 su anticipates , believes , intends , estimates , expects , projects and similar phrases. These forward-looking stateme upon assumptions ITC management believes are reasonable. Such forward-looking statements are subject to risks and uncertai which could cause ITC s actual results, performance and achievements to differ materially from those expressed in, or implie statements, including, among other things, (a) the risks and uncertainties disclosed in ITC s most recent Annual Report on For any subsequent Quarterly Reports on Form 10-Q filed with the SEC from time to time and (b) the following transactional facto to others described elsewhere in this document, in the proxy statement/prospectus included in the registration statement on For was filed by ITC with the SEC in connection with the proposed transactions): (i) risks inherent in the contemplated transaction (A) failure to obtain approval by the Company s shareholders; (B) failure to obtain regulatory approvals necessary to consumm 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 transa legislative and regulatory actions, and (iii) conditions of the capital markets during the periods covered by the forward-looking Because ITC s forward-looking statements are based on estimates and assumptions that are subject to significant business, eco competitive uncertainties, many of which are beyond ITC s control or are subject to change, actual results could be materially 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 affe assumptions ITC might make or by known or unknown risks and uncertainties. Many factors mentioned in this document and t hereto and in ITC s annual and quarterly reports will be important in determining future results. Consequently, ITC cannot ass ITC s expectations or forecasts expressed in such forward-looking statements will be achieved. Actual future results may vary Except as required by law, ITC undertakes no obligation to publicly update any of ITC s forward-looking or other statements, 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. 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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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

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5
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15 mins

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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

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

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

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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

8
8

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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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
10
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

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Operational Excellence:
Improving Reliability of Acquired Systems
Fewer outages:
According to the SGS Statistical Services' Transmission Reliability Benchmarking Study, ITC*Transmission* 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.

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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.

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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)

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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
lowa

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

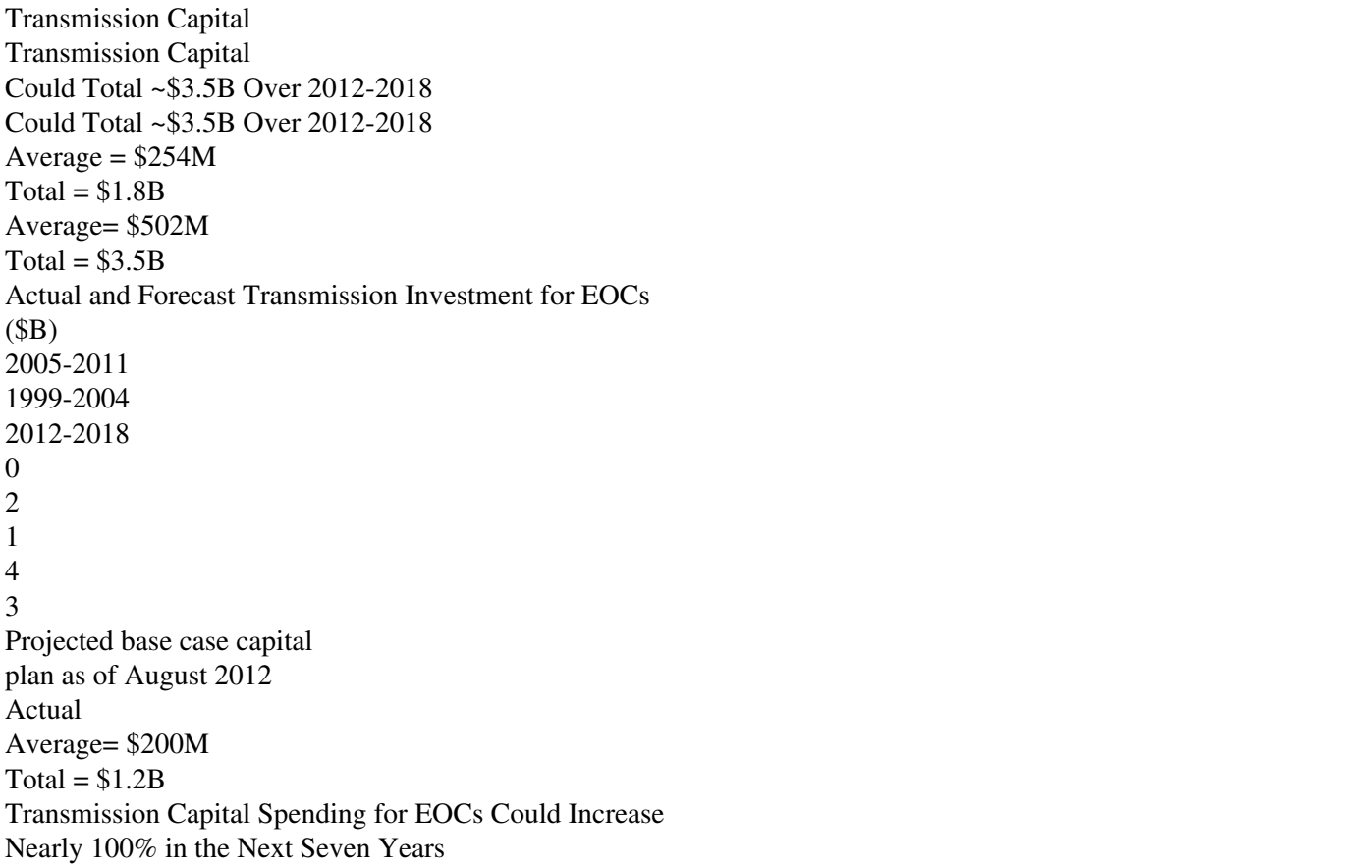
plus
potential
spend
3.
Potential
spend
related
to
potential
economic
development
projects,
potential
new
generation
investment,
and
potential
new
storm
spend.
Potential
storm
spend
for
forward looking period is an estimate based on annual average spend over 2005-10 to illustrate potential of capital requirement
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

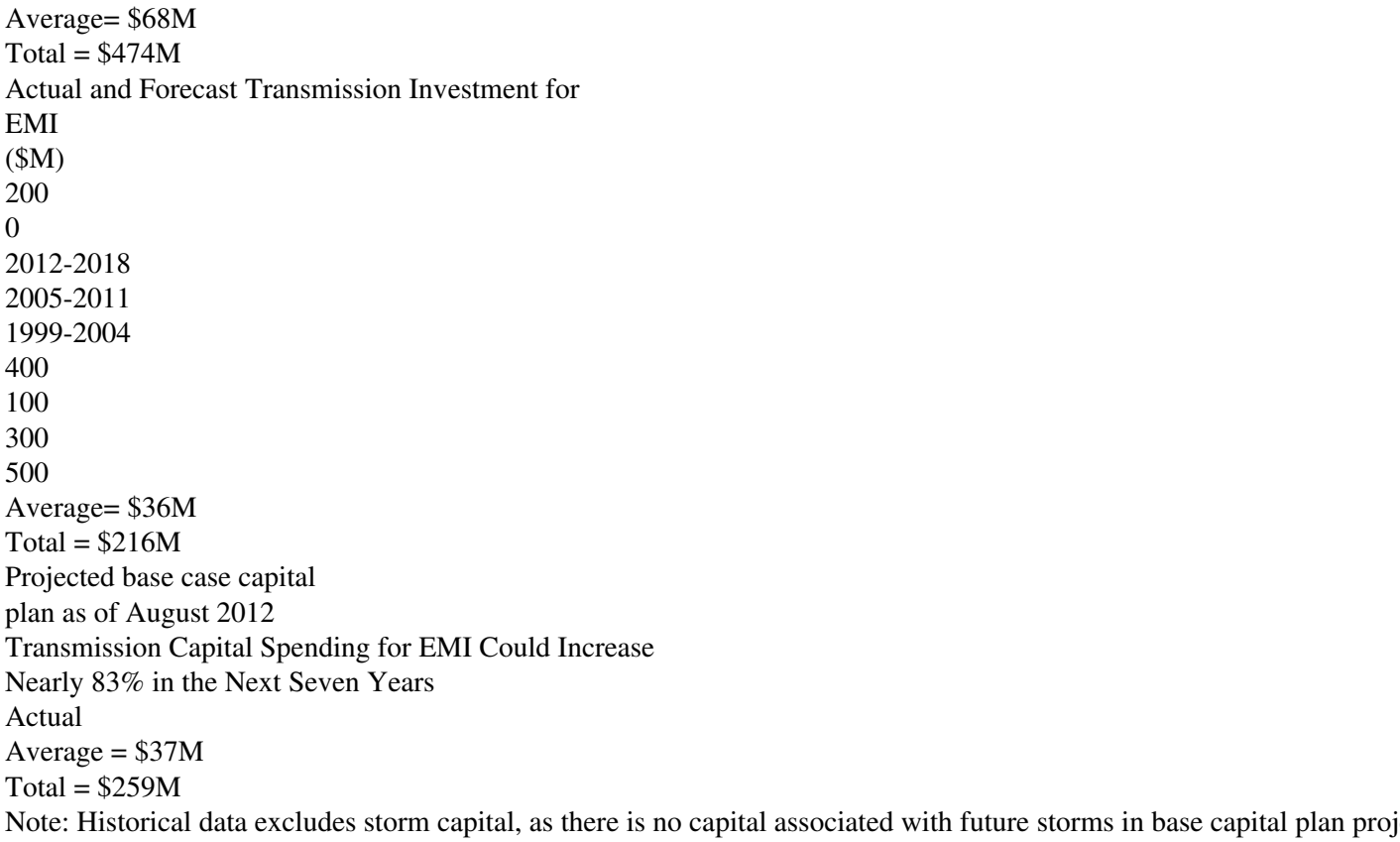
$1.6B Over 2012-2018
$1.6B Over 2012-2018
Actual and Forecast Capital Investment
for EMI ($B)
0.5
1.5
0
2012-2018
2005-2011
1999-2004
2
1
Average
2
= $213M -
$232M
Total = $1.5B -
$1.6B
Average
1
= $164M -
$177M
Total = $1.2B -
$1.2B
Average
1
= $148M
Total = $0.9B
Actual excluding storms (Transmission 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 cap
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

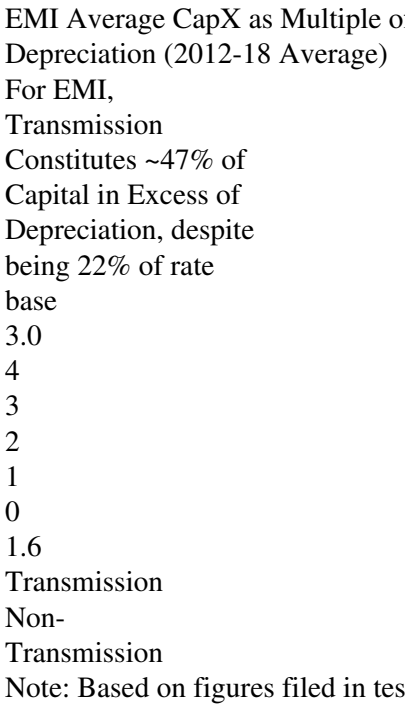

Transmission Capital
Transmission Capital
Could Total ~$3.5B Over 2012-2018
Could Total ~$3.5B Over 2012-2018
Average = $254M
Total = $1.8B
Average= $502M
Total = $3.5B
Actual and Forecast Transmission Investment for EOCs
($B)
2005-2011
1999-2004
2012-2018
0
2
1
4
3
Projected base case capital
plan as 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




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




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 EOC
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


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)

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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

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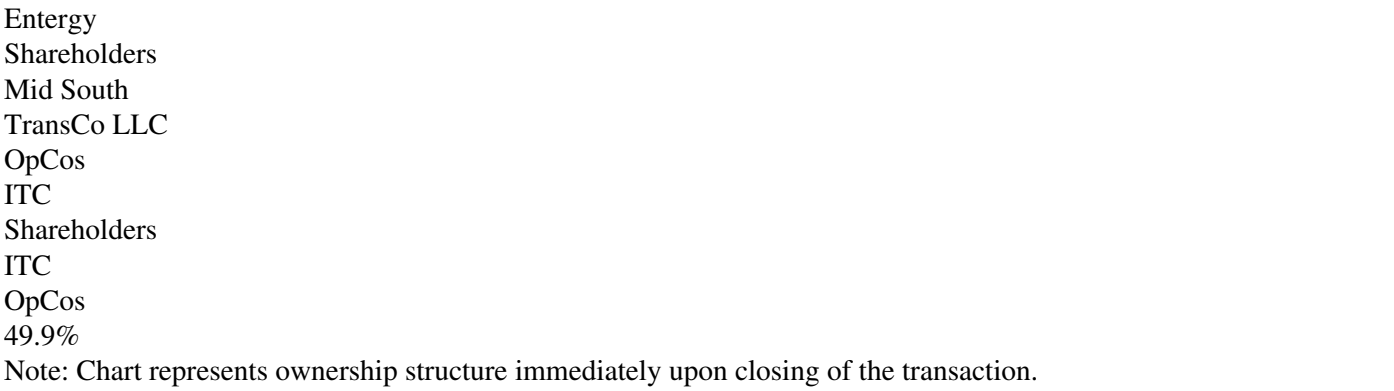
31
Transaction Overview
Transaction Overview
Entergy
Shareholders
Transmission

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
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%




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 EMl s needs for debt financing...

"...should not affect EMl 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

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Rate Construct

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3:15
4:00
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&
Logistics

8:00

8:15
Fisackerly, Whitelocke
Welch, Bunting, Fisackerly

Why is this transformation necessary?

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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
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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-tran
monthly bill includes fuel and portions of the fixed customer charge and energy charge allocated to generation and distributio
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

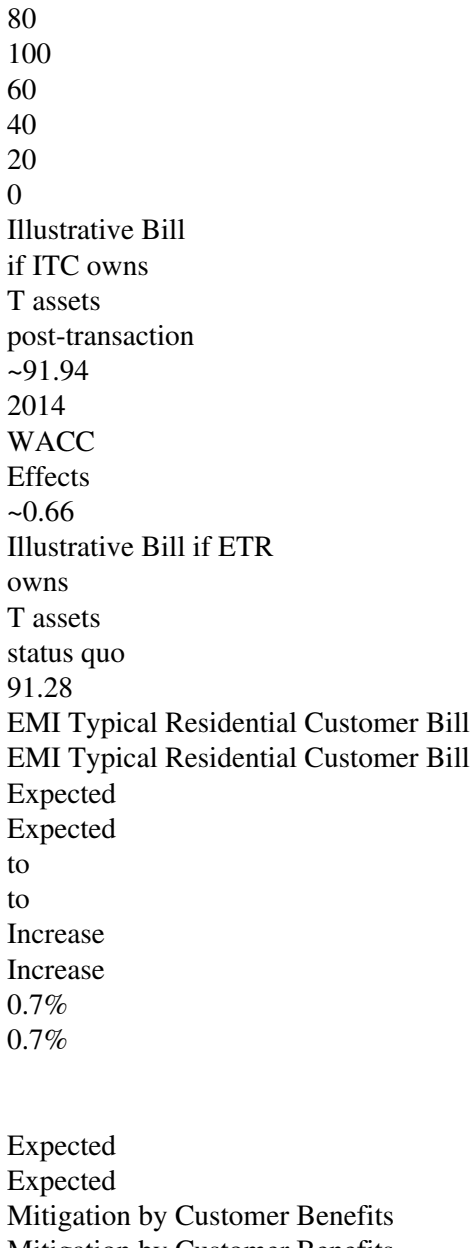
One-time impact of conversion to forward test year

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. Cal
indicative of the rate effects of the spin-merge transaction and is not meant to project an actual future customer bill. Illustration
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 actu
customer bill. Illustration does not include effect of $5.45 due to accelerated elimination of MSS-2 for EMI or rate timing effec
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 ac 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 /kWm
under 12 CP would be a $1.85 /kWm 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

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Welch, Bunting, Fisackerly

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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