

ENTERGY CORP /DE/
Form 425
July 18, 2012

Update on
Update on
Entergy Transmission
Entergy Transmission
Spin/Merger with ITC

Spin/Merger with ITC
Meeting with TIEC
July 18, 2012
Presented by Entergy Texas
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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 Annual Report on Form 10-K for the year ended December 31, 2011, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, and other filings made by Entergy with the Securities and Exchange Commission; (ii) the following transactional factors (in addition to others described elsewhere in this presentation and in subsequent securities filings) 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, 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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Additional Information and Where to Find It

Additional Information and Where to Find It

ITC and Transco will file registration statements with the Securities and Exchange Commission (SEC) registering shares of ITC common stock and Transco common units to be issued to Entergy shareholders in connection with the proposed transactions. ITC will also file a proxy statement with the

SEC that will be sent to the shareholders of ITC. Entergy shareholders are urged to read the prospectus and/or information statement that will be included in the registration statements and any other relevant documents, because they contain important information about ITC, Transco and the proposed transactions. ITC shareholders are urged to read the proxy statement and any other relevant documents because they contain important information about Transco and the proposed transactions. The proxy statement, prospectus and/or information statement, 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.

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ITC Spin-Merge Transaction Overview
Rate Effects of Spin-Merge Transaction
Benefits

of
ETR

ITC
Spin-Merge
Transaction
Approvals Required
Storm Response
2014 Billing Process Post Spin/Merge

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The Merger Transaction
The Merger Transaction
End State
End State

Entergy Utility Operating Companies comprised of:

Generation

Distribution

~\$1.775B of debt will be issued by Entergy in connection with the internal separation of the transmission business, the proceeds from which will be used for debt reduction

Each Entergy Utility Operating Company's capital structure after the spin-off and merger anticipated to be consistent with capitalization prior to the transaction

Entergy

Shareholders

Parent

Creditors

Utility

OpCos

Entergy

Wholesale

Commodities

OpCo

Creditors

Entergy

Shareholders

Mid South

TransCo LLC

(New Holdco)

ITC

Shareholders

ITC Merger

Sub

Transco Subs

Illustrative

Prior to the merger, ITC expects to effectuate a \$700M recapitalization currently anticipated to be a special dividend

Entergy shareholders to merge spun transmission business with ITC merger subsidiary

New Holdco to survive

Entergy
shareholders
to
receive
50.1%
of
ITC
stock

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Benefits of ETR
ITC Spin-Merge Transaction
ITC Spin-Merge Transaction Overview
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Financial
Flexibility
and Growth
Operational
Excellence

Independent
and
Transparent
ITC Model
Overview
Overview
of
of
Benefits
Benefits
to
to
Customers
Customers
Through
Through
Spin-Merge
Spin-Merge

Increases flexibility of Entergy's investment alternatives

Protects credit quality of Entergy's Operating Companies

Supports efficient infrastructure investment

Improves access to capital for transmission business

Combines best operating practices of both Entergy and ITC

Brings ITC's experience and track record of safe and reliable operations to ensure continued strengthening of overall grid performance

Leverages Entergy employees knowledge and experience and fully utilizes Entergy's world-class storm restoration process

Provides singular focus on transmission system performance, planning and operations

Aligns with national policy objectives to facilitate investment in local, regional and inter-regional transmission, advance open access initiatives and promote access to competitive energy markets

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Supply Chain
Operations
Resource
Logistics
Administration

Preliminary pre-design phase vision

Final design scheduled 9/2012

ITC employee

ETR employee

ETR System Incident

Commander (SIC)

John Mullins

ITC System Incident

Commander (SIC)

Greg Grillo

System Section

Chiefs

System Planning

Chief

Planning Support

Branch Director

Restoration

Prioritization

Risk Analysis

Situation Branch

ITC Storm

Response

Organization

ITC-ETR

liaison

(New

position)

Functional Incident

Commanders

(ex. Fossil, Distribution,

Nuclear, Gas)

Supply Chain

Operations

Resource

Logistics

Administration

ITC Technical/Mgmt

employee assigned to

ETR storm response

center in Jackson

Storm

Storm

Response

Response

Organization

Organization

Will

Will

Be

Be

Modified
Modified
to
to
Ensure
Ensure
Close
Close
Coordination
Coordination
and
and
Interaction
Interaction
Between
Between
Entergy
Entergy
and
and
ITC
ITC

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

Analysis assumes MISO base ROE for Entergy transmission business (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 ROE and capital structure impacts

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

MSS-2 construct eliminated post-transaction

Current estimation

reflects

effect

of

paying

load

ratio

share

of

Transmission

cost factoring in zonal investment and retail share of Transmission investments

Rate Impacts Split into WACC, Rate Timing, and

Rate Impacts Split into WACC, Rate Timing, and

Net Other Effects for Retail Customers

Net Other Effects for Retail Customers

WACC

Effects

Rate

Timing

Effects

Net Other

Effects

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Illustrative

Note:

Contents exclude estimated
one-time rate timing effect of

\$228.18 in 2014 due to
conversion to forward test
year
reflects amounts that
would have been collected in
future years
ETI
LIPS
Bill

5,000
kW,
80%
Load
Factor;
\$
170,000
168,000
166,000
164,000
162,000
4,000
2,000
0

Illustrative Bill
if ITC owns
T assets
post-transaction
~166,959.02
2014

Net Other Effects
~(451.91)
2014

WACC Effects
~448.58

Illustrative Bill
if ETR owns
T assets
status quo
166,962.35

Note: Illustrative bill is the average of the 2011 Typical Monthly Bills for a Large Industrial Power Service (LIPS) customer using an actual future customer bill. Illustration does not

include
effects
of
any
future
potential
changes
in
fuel
prices,
rate
cases
between
now
and

transaction close date, or rate timing effects such as adoption of Forward Test Year or modified depreciation schedules.

ETI Typical LIPS Customer Bill Not Expected to

ETI Typical LIPS Customer Bill Not Expected to

Increase Post Spin-Merge Due to Transaction Effects

Increase Post Spin-Merge Due to Transaction Effects

~(3.33)

0.0%

Over the long term, customer

bill effects expected to be

mitigated by...

Enhanced Financial

Flexibility

Operational Excellence

Reliability, System

Performance, Scale

Efficiencies, etc.

Independent and

transparent ITC model,

which supports robust

markets and competition

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Proposed
MISO
Attachment O *
for ITC
Reviews

Attachments

*Attachment O:

FERC approved formula rate template
establishing formula to calculate revenue requirements;

does

not

require

FERC

approval

for

annual

updates

One-Time

Request/Approval

ITC Wholesale Rate Calculation Process

ITC Wholesale Rate Calculation Process

Updates

Attachment O Rate

Templates

(includes forward test
year estimate and prior
year true-up)

Reviews

Attachment

O Rate

Templates

Annual

Post Final

Attachment

O Rate

Templates

Mods

Req d?

Y

N

Add l

Data

Req d?

Y

N

Prepare

Data

Requested

~ Dec 1

Reviews

Proposal

Apprvd

?

N

Y

Post
Attachment
O Rate
Templates
~ Sept 1

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Projected Rate
Base
PAR
PGRRBGG
PGRRWGG

PNRR
PAOCNRWTU
Projected Weighted
Average Cost of
Capital
(WACC)
x
Projected Expenses
(O&M, Depreciation,
Taxes)
Projected Attachment
GG (sch 26) Rev
Requirement
Revenue Credits
(rent of property, short
term point-to-point
revenue, etc.)
Projected Network
Load
12CP Load
(ITCM Annual Sys Avg
Peak in kW month)
True Up Adjustment
Over (Under)
Recovery from Prior
Year + Interest
Projected Allowed Return
(PAR)
Projected Gross Revenue
Requirement before Attachment
GG (Schedule 26) offset
(PGRRBGG)
Projected Attachment O
Calculated Network Rate (\$/kW
month) For Next Calendar Year
without True Up
(PAOCNRWTU)
Projected Attachment O
Calculated Network Rate for Next
Calendar Year with True Up
=
=
=
=
=
=
Projected Gross Revenue
Requirement with Attachment GG
(Schedule 26) offset
(PGRRWGG)

Projected Net Revenue
Requirement
(PNRR)

+

+

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ITC Attachment O

ITC Attachment O

Wholesale Rate Calculation

Wholesale Rate Calculation

Step 1

Step 2

Step 3

Step 4

Step 5

Step 6

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2014 Billing Process Post Spin/Merge
2014 Billing Process Post Spin/Merge
Billing Calc for
ITC and MISO Srvs
per applicable rate

schedules
Wholesale
Transmission
Customers
including
Submit
Reservation
Request
OASIS
(point-to-point
usage)
Receive
Revenue for
Usage of ITC
Transmission
Receive
Cash
Retain
Revenue for
MISO Srvs
Generate Retail
Customer
Bill by Class
Receive Bill
(\$ owed,
usage, etc.)
Wire
Payment
Retail
Cust.
Bill
Req d?
Y
N
End
Network
Load
(usage)

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Pathway to Completion

Pathway to Completion

Required Approvals

Required Approvals

Authority

Requirements
Entergy retail
regulators

Change of control of transmission assets

Affiliate transaction approvals related to steps in the spin / merge

Authorization to incur debt in some jurisdictions
FERC

Change of control of transmission assets (203 filing)

Acceptance of jurisdictional agreements (205 filing)

Authorization to assume debt / issue securities (204 filings)

Changes to System Agreement to remove provisions related to transmission
planning and equalization

ITC filing to establish new rate tariffs for the ITC operating companies
Hart-Scott-
Rodino Act

Pre-merger notification to review potential antitrust and competition issues
IRS

Private letter ruling substantially to the effect that certain requirements for
the tax-free treatment of the distribution of Transco are met
Securities and
Exchange
Commission

ITC Form S-4 and Proxy Statement (including audited Transco financial
statements and disclosures), and

Transco Registration Statement
ITC shareholders
Approvals required for:

Merger,
Issuance of shares to ETR shareholders, and
Amendment to ITC charter to increase authorized number of shares