## **Heavenly Aspirations**

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Entergy.

41<sup>st</sup> EEI Financial Conference J. Wayne Leonard Chairman and Chief Executive Officer November 7, 2006

### Safe Harbor and Reg G Compliance

In this presentation and from time to time, Entergy Corporation makes statements concerning its expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although Entergy Corporation believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Except to the extent required by the federal securities laws. Entergy Corporation undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, Forwardlooking statements involve a number of risks and uncertainties, and there are factors that could cause actual results to differ materially from those expressed or implied in these statements. Some of those factors (in addition to the risk factors in the Form 10-K as well as others described in the Form 10-Q for Entergy Corporation and its affiliates and in subsequent securities filings) include: resolution of pending and future rate cases and negotiations, including various performance-based rate discussions and implementation of new Texas legislation, and other proceedings, including those related to the Entergy System Agreement, Entergy's utilities' supply plan, recovery of storm costs, and recovery of fuel and purchased power costs, Entergy's utilities' ability to manage its operation and maintenance costs, the performance of Entergy's utility and non-utility generating plants, and particularly the capacity factor at its nuclear generating facilities, prices for power generated by Entergy's unregulated generating facilities, the ability to hedge, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Non-Utility Nuclear plants, and the prices and availability of fuel and power Entergy's utilities must purchase for their customers, and Entergy's utilities' ability to meet credit support requirements for fuel and power supply contracts, Entergy Corporation's ability to develop and execute on a point of view regarding prices of electricity, natural gas, and other energy-related commodities, changes in the financial markets, particularly those affecting the availability of capital and Entergy Corporation's ability to refinance existing debt, execute its share repurchase program, and fund investments and acquisitions, actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria, changes in inflation, interest rates, and foreign currency exchange rates. Entergy Corporation's ability to purchase and sell assets at attractive prices and on other attractive terms, volatility and changes in markets for electricity, natural gas, uranium, and other energy-related commodities, changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, the establishment of a regional transmission organization that includes the areas served by Entergy's utilities, and the application of market power criteria by the Federal Energy Regulatory Commission, changes in regulation of nuclear generation facilities and nuclear materials and fuel, including possible shutdown of nuclear generating facilities, particularly those in the northeastern United States, uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel storage and disposal, resolution of pending or future applications for license extensions or modifications of nuclear generating facilities, changes in law resulting from federal energy legislation, including the effects of the Public Utilities Holding Company Act of 1935 repeal, changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, mercury, and other substances, the economic climate, particularly growth in the areas served by Entergy's utilities, variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of Hurricanes Katrina and Rita and recovery of costs associated with restoration including Entergy's utilities' ability to obtain financial assistance from governmental authorities in connection with these storms, the outcome of the Chapter 11 bankruptcy proceeding of Entergy New Orleans, Inc. and the impact of this proceeding on other Entergy companies, advances in technology, the potential effects of threatened or actual terrorism and war, the effects of Entergy Corporation's strategies to reduce tax payments, the effects of litigation and government investigations, changes in accounting standards, corporate governance, and securities law requirements, Entergy Corporation's ability to attract and retain talented management and directors.

This presentation includes the non-GAAP measure of operational return on equity when describing Entergy's results of operations and financial performance. We have prepared a reconciliation of this measure to the most directly comparable GAAP measure. This reconciliation can be found on slide 55.

### "Lasciate ogne speranza, voi ch'intrate."



### The Divine Comedy By Dante Alighieri



### **Entergy's Utility Service Territory**



### **Poverty in Entergy's Utility Service Territory**



### **Entergy's Transmission System**

OC

**Entergy's Transmission System** 

Beaumont

- Over 15,000 miles of interconnected lines
- 195,000 annual energy schedules
- Peak of 995 schedules on one day
- 75,000 annual OASIS reservations (transmission service requests)

Maps by Global Energy Decisions

New Orleans

6

Jackson

Baton Rouge

### Generation



### System Agreement



### Entergy's Nuclear Fleet





"Midway upon the journey of our life l found myself within a forest dark. For the straight forward pathway had been lost."

"One of the biggest troubles for success is that its recipe is about the same as that for a nervous breakdown."



### **Non-Regulated Nuclear Fleet Issues**



"The road to success runs up hill, so don't expect to break any speed records."

> "After my weary body I had rested, The way resumed I on the desert slope,

So that the firm foot ever was the lower."



## Functional

### Functional: Generation – Declining Cost Curve

#### **Supply Portfolio Current State**



- Entergy <u>short</u> position
  - 3 GW base load (growing at ~2% annually)
    2-5 GW load following 2006-2015 planning horizon
- Entergy region overbuilt with reserve margin ~60%
- System not currently in rough production cost equalization

#### **Pet-Coke Development**



Little Gypsy Repower (Shortlisted 2006 longterm RFP) 500 MW CFB Coal and/or Pet-Coke

**Competitive Advantages** 

- Waste by-product
- High heat content
- Abundant supply
- Fuel \$6.40-15.40/MWh delivered

#### **New Nuclear Development**





#### **Competitive Advantages**

- Clean
- Low volatility
- Federal incentives up to \$18/MWh



### Functional: Generation – Declining Cost Curve Alternatives and Potential Value Added

#### **Alternatives for Supply Plan**



**Key Questions** 

- Which of the available supply resources offer the lowest cost?
- Can risks be allocated to natural risk owners?
- How much capital will be required and when?
- Will regulators support investments, and at what return levels?



### **Functional: Transmission**

#### **Transmission Current State**



- To be installed by 11/06
- Weekly procurement process by 5/07
- Regulators' concerns
  - FERC: transparency and independence
  - States: reliability, cost and control over terms and conditions



#### **Comparison of Alternatives**

	Option	<b>Benefits/Concerns</b>	
	Independent Coordinator of Transmission	<ul> <li>Balances states' and FERC's concerns</li> </ul>	
		<ul> <li>Pricing = participant funding (cost causation)</li> </ul>	
		Regulators hold local utilities <u>accountable</u>	
	Regional Transmission Organization	<ul> <li>Pricing mechanism??? (cost causation)</li> </ul>	
		<ul> <li>Perception of independence improved</li> </ul>	
		• 'Passive' ownership?	
		<ul> <li>Loss of local jurisdiction</li> </ul>	
)7	Independent Transmission Company	<ul> <li>Pricing mechanism??? (cost causation)</li> </ul>	
		Directly accountable to owners/pure play	
		<ul><li>FERC incentives</li><li>Unlimited footprint</li></ul>	
		<ul> <li>Loss of local jurisdiction</li> </ul>	



\*Subject to regulatory approval

### Functional: Distribution – Gas LDC

#### **Gas Distribution Current State**



- New Orleans' gas system severely affected by Hurricane Katrina
- Stronger after gas system rebuild completed
- 157,000 customers in two utilities/ cities
- Embedded in larger electric businesses
- \$115M rate base

#### **New Orleans Gas System**



## Number of Gas Customers 000s



20

### Functional: Distribution – Gas LDC Alternatives and Potential Value Added

#### **Alternatives for Gas Local Distribution Companies ENOI and EGSI** Expand? **Outsource?** Sell? **Small Gas LDCs Potential Value Added Key Questions** Is Entergy a natural **Shareholders Stakeholders** owner? Would customers be better **Proceeds fund** Accountable served at lower cost? other aspirations as pure play Efficiencies • What is the cost of capital Diversion of for LDC? attention • Scale Expertise How much to rebuild N.O. system (insurance, CDBG, etc. included with all

alternatives)?

### Functional: Entergy Nuclear

#### **Entergy Nuclear Current State**



- ~5,000 MW (with pending acquisition) selling on wholesale basis in NYISO, NEPOOL and MISO markets
- Commodity Exposure
  - Next two years 80% or more of output sold; after that <60%</li>
  - Hedge strategy allows up to 15% of output sold on merchant basis
- \$2.6B book value in 2005

#### Entergy Nuclear Hedged Output 06E-10E; % of MWh



#### **Pending Palisades Acquisition**



Palisades 798 MW @ \$303/kW 15-year unit-contingent PPA @ average \$51/MWh

#### Status

- Closing estimated 2Q07
- 2007 Guidance Assumption = \$0.20 EPS

### **Consolidation of Overhead**

Midwest

1,598 MW

(contract)





-

(pending

ortheast

.200 WW

5,120 MW

Non-regulated Units

Maps by Global Energy Decisions

### Entergy Plants Advantaged By Location, Reliability, Emission Levels

### Northeast Regional Issues

#### Environmental

 7 states in pact to reduce greenhouse gases 10% by 2019 (includes NY and VT)
 Need zero emission and low marginal generation

Transmission Constraints into New York City, Boston, and Connecticut

\$2.7 - 4.2B transmission projects proposed in ISO-NE to relieve congestion

#### Supply/Demand

Tightening reserves margins (ISO-NE expected to be ~15% in 2007) and costly permitting processes Activist NIMBY groups

Maps by Global Energy Decisions

Non-attainment areas
(8-hour ozone standard)

### Significant Number of Consolidation Opportunities Remain

Small Nuclear Fleet Operators 05; small fleet operators' average vs. Entergy's fleet average

> Capability Factor 88% vs. 92%

Last Refueling Outage 48 days vs. 28 days\*

INPO Index **8**9 vs. 92

Maps by Global Energy Decisions

\*Average based on normal refueling outages.



**Key Questions** 

- How do you obtain highest value for clean, reliable energy?
- Can you mitigate firm LD risk?
- What is the cost of capital?
- Are business development options expected to come to market?



### "Smooth seas do not make skilliul sailors."

#### **Storm Reserves – Current State**



Storm reserves requested or approved

- \$328M total in LA, N.O., MS
- \$35M accrual increase in AR
  - TX next base rate filing
- Securitize in LA and MS
- Stafford Act allows FEMA to reimburse costs for publicly-owned utilities only



#### Infrastructure Improvements



#### Status

- \$6B federal funding for flood protection
- Army Corps of Engineers repairing 34 pump stations
- Congress considering legislation for offshore royalty sharing for coastal restoration

### Functional: System Storm Restoration Alternatives and Potential Value Added

#### **Alternatives for System Storm Restoration**



# Geographical

Used with permission from Trillium Press.

### **Geographical:** Arkansas Current State

#### **EAI Current State**

#### <u>Illustrative</u>



-6%

### Geographical: Arkansas Alternatives and Potential Value Added



**Key Questions** 

- Can a less controversial system agreement be developed?
- What are expectations for future commodity costs?
- Will supply plan efforts achieve closer equalization of costs?



### **Geographical: New Orleans**

#### **ENOI Current State**



- Operating in Chapter 11
- Footprint > population
  - Load at ~65% of typical prior to Katrina
  - System reliability below pre-Katrina levels
  - Higher storm risks
  - \$0.4B rate base in 2005

#### **Recent Developments**

#### **Community Development Block Grants**



Louisiana Recovery Authority

- \$200M funding
- Approved by board of directors on 10/12/06

#### **Rate Case Settlement**



**City Council of New Orleans** 

- \$14.9M rate increase phased-in through 1/1/08
- \$75M storm reserve over 10 years

#### Plan of Reorganization Filing



Entergy New Orleans, Inc.

- Full compensation plan
- ETR remains equity owner
- If approved, could emerge in mid- to late 2007

### Geographical: New Orleans Alternatives and Potential Value Added



### **Geographical: Texas**

#### **EGSI-TX Current State**



- Regulatory status
  - Two riders implemented in 2006
  - Storm recovery case ongoing
  - Rate freeze can end mid-2008
- Retail Open Access

Texas legislature's preference

 Studying potential Qualified Power Regions (ERCOT, SPP, ICT)

Jurisdictional split targeted end of 2007

• \$1.4B rate base (2004 test year)\* \*Last filed rate base.

#### **EGSI-TX Recent Financial Results**

Operational ROE\* 03 and 05; %



\*Consistent with management's allocation of capital between the jurisdictions.





## Structural

### Structural: Holding Company Structure

#### Holding Company Current State



- Two distinct businesses
  - Regulated utility
  - Wholesale non-regulated nuclear
  - Nuclear in both
- Operate in different markets (south vs. northeast/midwest)
- Business mix currently weighted towards utility with growth in nuclear

#### **Structuring Issues**



Entergy Nuclear Hedging and Structuring

Transmission Structuring



Gas LDC Business Strategy



Entergy Arkansas System Agreement



Entergy Texas Jurisdictional Split/ROA



Entergy New Orleans Bankruptcy

### Structural: Holding Company Structure Alternatives and Potential Value Added

#### **Alternatives to Current Structure**



## Societal

### **Societal: Environmental**

#### **Environmental Current State**



- Index Listings
  - Worldwide Dow Jones Sustainability Index Conly U.S. utility
  - Climate Leadership Index
- Climate Leaders participant
  - Stabilize CO<sub>2</sub> emissions at 20% below 2000 levels from 2006-2010

Exceeded commitment to stabilize CO<sub>2</sub> at 2000 levels from 2001-2005

#### **States' Initiatives on Greenhouse Gases**



Regional Greenhouse I Gas Initiative 7 Northeast States



California Greenhouse Gas Plan

**Entergy's Position** 



**Represents** 

6% of annual emissions on 15% of U.S.

generating

capacity



### **Societal:** Poverty

#### **Poverty Current State**



20-30% of Entergy's customers live at or below the poverty line

- 40% of children in N.O. live in poverty
- Low income customers pay their bills on time and rarely complain, but don't have means to weather crisis situations
- Costs American households an average of more than \$20,000 per year
- Low income customers represent \$0.6B annual revenues to Entergy

#### **Profile of Poverty**



High correlation between poverty and crime (poverty increases crime 60%)

Crime costs U.S. \$1 trillion per year

14 million American children live in hunger

35% have to choose between food and rent

28% have to choose between medical care and food

Approximately 3.5 million Americans are homeless

1/3 have no health insurance

#### **Societal:** Poverty **Alternatives and Potential Value Added** Alternatives to Break the Cycle of Poverty Asset Creation/ 20-30% Customers Education **Employment** Affordable Weatherization Live in Poverty Housing **Potential Value Key Questions Shareholders Stakeholders** How much federal, state and local dollars can be Public Benefit Funds **Greater regional** raised? economic growth 7:1 payback to society **Better skilled** • How can we make more Lowers total bill employee pool money available for low Less pollution **Reduced disconnects/** income energy assistance? **Conserves** natural bad debts What adjustments can be resources made to credit and Less crime Eliminating poverty is collection policies? equivalent of giving Pre-K education average household 9:1 payback to society 30% increase in income Reduced need for public assistance

Reduced health care 43 costs

### **Societal: Safety**

#### Safety Current State



- Commitment
  - Zero accidents
  - 50% reduction in LWDIR vs. 2005
- OSHA VPP Star Status at 33 Entergy sites
  - 28% of Entergy's 117 VPP feasible sites have been certified
  - Recognized by OSHA as the first company to obtain VPP Star Status for mobile work force locations (Transmission and Distribution)

#### Safety Record

Lost Workday Incident Rate (LWDIR) 98 vs. 05; per 100 employees





Companies evaluated based on their performance in three dimensions: economic, environmental and social

In the social reporting dimension, Entergy scored (best in class) in occupational safety and health criteria for the last two years and 100% in the 2006 survey

### Societal: Safety Alternatives and Potential Value Added

#### **Alternatives to Meet Safety Commitment**



**Key Questions** 

- What techniques will produce cultural organizational change towards safety?
- What level of management review will foster and reinforce safety first?

#### **Potential Value Added**

**Stakeholders** 

Priceless

#### **Shareholders**

- Safety = better workmanship
- More efficient/ effective workforce
- Higher employee morale
- Lowers costs
- Improves regulatory compliance

"As I look back on my life, I see it as one long obstacle course with myself as the main obstacle." Jack Paar

Heaven Garden of Eden Last Gluttony Greed loth Irath Envy Dride

### **Operational Aspirations**

#### **Utility Aspirations**

Clean, reliable, affordable power in challenging geographic/demographic environment



### **Operational Aspirations**

#### **Nuclear Aspirations**

Safe, secure, vital resources in growing and carbon-constrained environment

#### Operational

- Continuous operations breaker to breaker
- □ Safety first
- □ Expand fleet (3rd region)
- Consolidate overhead

#### Structural

- Premium for reliability, clean and/or location
- Lower cost of capital

#### **Social Aspirations**

Healthy, educated and productive society breaking the cycle of poverty for customers

#### Operational

- Eradicate extreme poverty in Entergy's utility region
- □ Eliminate lost-time accidents
- □ Workforce as diverse as territory

- **Cleanest generator in America**
- □ Mandatory greenhouse gas level
- Conserve natural resources, eliminate inefficient usage

### "Don't aim for success if you want it; just do what you love and believe in, and it will come naturally." David Frost

<u>Illustrative</u>





### The Divine Comedy – Purgatory



"Basic economics – sometimes the parts are worth more than the whole."





### **Questions?**

## Appendix



## Appendix: Reg G Reconciliations

Table 1: Return on Equity - Entergy Gulf	States-Texas		
Reconciliation of GAAP to Non-GAAP Mea	asures		
2003 and 2005			
(%)			
	_	2003	2005
As-Reported ROE	(a)	(3.0)	8.2
Less Special Items			
, Voluntary severance plan		(0.8)	-
SFAS implementation		(0.2)	-
River Bend loss provision		(8.6)	-
Total special items	(b)	(9.6)	-
Operational ROF	(a)-(b)	6.6	82
	(a)-(b)	0.0	0.2