ENTERGY CORP /DE/
Form 425
May 31, 2012

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Update on
Update on
Entergy Transmission
Entergy Transmission

Spin/Merger with ITC
Spin/Merger with ITC
CLECO/NRG
May 31, 2012
Presented by Entergy Louisiana and Entergy Gulf States Louisiana
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 Annual Report on Form 10-K for the year ended December 31, 2011, its 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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Rate Effects of Spin-Merge Transaction
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of
ETR

ITC

Spin-Merge
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Approvals Required
Storm Response

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The Merger Transaction
The Merger Transaction
End State
End State

Entergy Utility Operating Companies

comprised of:

Generation

Distribution

Entergy expects to receive gross cash proceeds of $1.775B from new indebtedness that will be assumed by ITC at close

Each Operating Company's capital structure anticipated to be consistent with current state following the transaction

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
Entergy Shareholders
Parent Creditors
Entergy Utility OpCos
Entergy Wholesale Commodities OpCo Creditors
Entergy Shareholders
Mid South Transco LLC (New Holdco)
ITC Shareholders

ITC
ITC Merger
Sub
Transco Subs
Illustrative
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Benefits of ETR
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Increases flexibility of investment alternatives

Protects credit quality of Entergy OpCos

Supports efficient infrastructure investment
Overview of Benefits to Customers
Overview of Benefits to Customers
Through Spin-Merge
Through Spin-Merge

Combines best operating practices of both companies

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

Enhanced credit quality improves access to capital for Transmission business
Financial
Flexibility
Operational
Excellence
Independent
and
Transparent
ITC Model

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The Utility Industry Is Facing Huge Need for Capital
The Utility Industry Is Facing Huge Need for Capital

Estimated at $2.2T Over the Next 20 Years

Estimated at $2.2T Over the Next 20 Years
Growth / Investment
Issues Facing Utility Industry
Over Next 20 Years
Source: Internal analysis; Bloomberg
Generation
Transmission
Distribution
Projected Industry Capital Investments
Over Next 20 Years
$T
???
Current Market Cap
Other = 0.15
8

9
9
Challenges facing the electric utilities industry
Addressing challenges

"the real tests lie ahead, when federal environmental mandates and consequent

spending requirements are more certain, when state renewable portfolio standards begin to command heightened expenditures in earnest, and when an aging infrastructure reveals its vulnerability

"a sustained, collaborative and open working relationship among the principal vested interests will be critical to the execution of corporate, environmental and public policy initiatives"

"we view most favorably those commissions that establish rates that reasonably reflect the costs incurred by a utility, including a return on equity, and where timely adjustments to these rates are made to recognize changes in costs

Note: Comments sourced from Energy Biz article written by Richard W. Cortright, Jr., managing director in Standard & Poor's U.S. Utilities and Infrastructure Ratings group dated Feb 07, 2012

Standard and Poor's Outlook

"Utility Credit Ratings Critical to Raising Capital

Money Needed to Build Wires and Plants

Capital Trends

Capital Trends

Rating Agency Considerations

Rating Agency Considerations

"For an industry that is among the most capital-intensive in the United States, failure to maintain investment grade could have significant upward cost implications"
"public service commissions continue to be reasonably supportive despite frequently lower authorized returns."
"a preference for expense deferrals may develop, and a proclivity for less competitive authorized returns will almost certainly prevail. Such a turn of events would likely result in a shift of our stable outlook on overall U.S. electric utility credit quality to negative."

10
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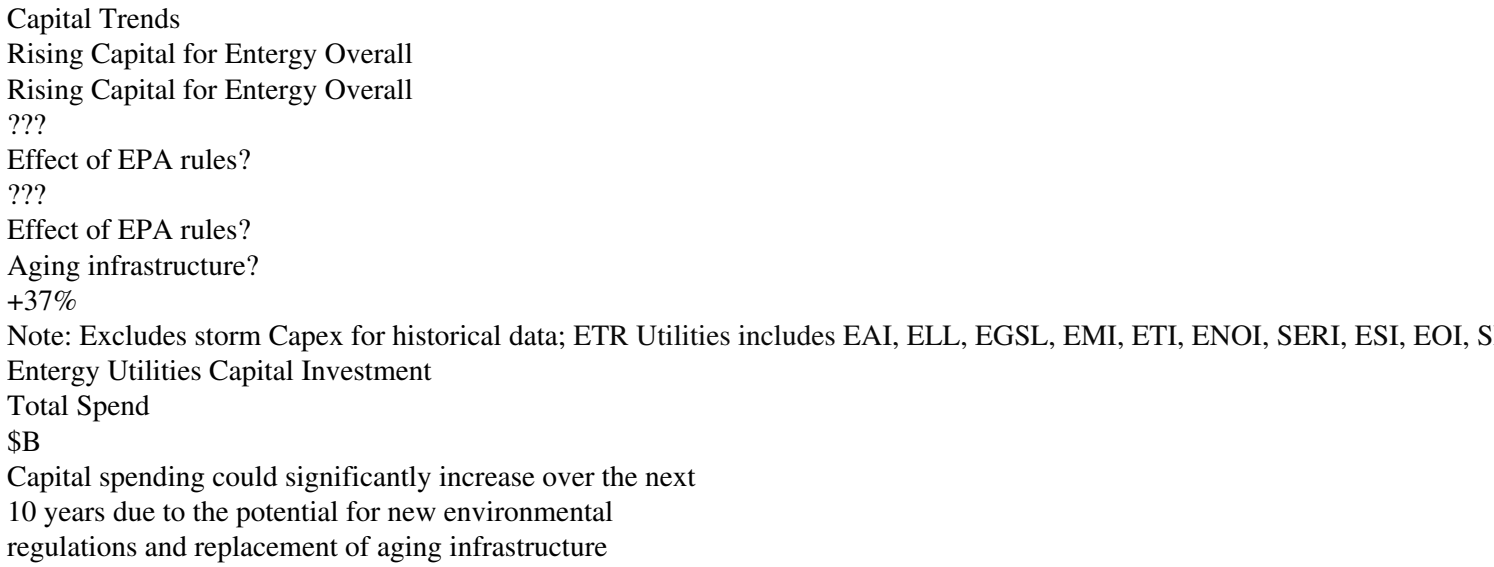
Duke / Progress
Northeast Utilities / NSTAR
PPL / LG&E
First Energy / Allegheny
Exelon / Constellation
Industry Is Responding to Capital Investment
Industry Is Responding to Capital Investment
Challenges with Different Approaches
Challenges with Different Approaches

Create larger footprint; upsize balance sheet
Achieve greater certainty in regulations
Align business model with capital needs
Consolidate
Build
Regulatory
Flexibility /
Certainty
Change
Business
Model

e.g., Formula rate plans, future test years,
specific rider recovery, CWIP in rates, etc.

e.g., AEP Transco
e.g., FPL Rate Hike Request

11
11
5.3
7.2
2011-2014
2007-2010
2015-2021
2003-2006
4.3
+21%
Capital Trends


Capital Trends
Rising Capital for Entergy Overall
Rising Capital for Entergy Overall
???
Effect of EPA rules?
???
Effect of EPA rules?
Aging infrastructure?
+37%
Note: Excludes storm Capex for historical data; ETR Utilities includes EAI, ELL, EGSL, EMI, ETI, ENOI, SERI, ESI, EOI, S
Entergy Utilities Capital Investment
Total Spend
$B
Capital spending could significantly increase over the next
10 years due to the potential for new environmental
regulations and replacement of aging infrastructure

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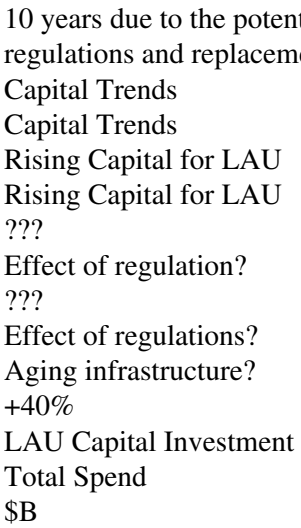
Capital Trends
Capital Trends
Rising Capital for Entergy s Transmission Business
Rising Capital for Entergy s Transmission Business
Entergy Projected Transmission Capital Investment
2012E-2014E; $M
0
100
200
300
400
500

600
2012E
2013E
2014E
Projected
Depreciation
Expense

13
13
13
For ETR Utilities, Spend on Major Storms
For ETR Utilities, Spend on Major Storms
Amounted to ~$2.6B Over 2005-2010
Amounted to ~$2.6B Over 2005-2010
Event
Year
Spend
($M)
1
Hurricane Katrina
2005
1,117
Hurricane Rita
2005
645
Hurricane Gustav
2008
680

Hurricane Ike
2008
626
Ice Storm EAI 2009
2009
119
Ice Storm EAI Jan 2010
2010
12
In the past, ETR utilities have had to effectively respond to major storms which have required unplanned capital expenditures ~$3.2 billion over 2005-2010
Strong balance sheet and credit ratings critical for quickly mobilizing capital and resources to respond to emergencies
1. Includes capital and O&M spend
Note: 2011 CapX estimated to be $2.11B. 2011 capital spend related to major storms was $112M

14
14
2011-2014
2003-2006
3.5
2007-2010
1.7
2.5
2015-2021
Note: Excludes storm Capex for historical data
+46%
Capital spending could significantly increase over the next


10 years due to the potential for new environmental regulations and replacement of aging infrastructure
Capital Trends
Capital Trends
Rising Capital for LAU
Rising Capital for LAU
???
Effect of regulation?
???
Effect of regulations?
Aging infrastructure?
+40%
LAU Capital Investment
Total Spend
$B

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of
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Storm Response Organization Will Be Modified to Ensure Close Coordination and Interaction Between Entergy and ITC

Storm Response Organization Will Be Modified to Ensure Close Coordination and Interaction Between Entergy and ITC

Between Entergy and ITC
System Section
Chiefs
System Planning
Chief
Supply Chain
Operations
Resource
Logistics
Administration
Planning Support
Branch Director
Restoration
Prioritization
Risk Analysis
Situation Branch
ITC Storm
Response
Organization
(details TBD in
design phase)
ITC-ETR
liaison
(New
position)
ITC Technical/Mgmt
employee assigned to
ETR storm response
center in Jackson
Preliminary pre-design phase vision
Final design scheduled 9/2012
ITC employee
ETR employee
Functional Incident
Commanders
(ex. Fossil, Distribution,
Nuclear, Gas)
ITC System Incident
Commander (SIC)
(Greg Grillo)
ETR System Incident
Commander (SIC)
(John Mullins)

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of
ETR

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18
18
Henry Hub Gas Index
$/mmBtu
15
10

5
0
ELL
Avg.
Monthly
Residential
Bill
-
1,000
kWh
$
150
100
50
0
2011
95.93
2010
93.70
2009
83.35
2008
109.77
2007
99.55
2006
92.70
2005
96.83
2004
78.99
2003
84.12
2002
72.57
2001
80.97
Significant Variability in Average Residential Bills
Significant Variability in Average Residential Bills
Yearly Variation Between $2 and $26 Over 2001-2011
Yearly Variation Between $2 and $26 Over 2001-2011
Illustrative
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
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
ELL Avg. Monthly Residential Bill
1,000 kWh
$
Henry Hub Gas Index
13% reduction in customer
bills since 2008
-$26.43
(-24%)
-13%
+$2.23
(+2%)

19
19
19
Henry Hub Gas Index
$/mmBtu
15
10

5
0
EGSL
Avg.
Monthly
Residential
Bill
-
1,000
kWh
$
150
100
50
0
2011
93.55
2010
93.91
2009
82.35
2008
108.99
2007
101.47
2006
108.24
2005
101.34
2004
80.95
2003
87.16
2002
75.12
2001
89.25
14% reduction in customer
bills since 2008
Significant Variability in Average Residential Bills
Significant Variability in Average Residential Bills
Yearly Variation Between $1 and $27 Over 2001-2011
Yearly Variation Between $1 and $27 Over 2001-2011
Illustrative
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
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
EGSL
Avg.
Monthly
Residential
Bill

1,000
kWh
$
Henry Hub Gas Index
-$26.64
(-24%)
+$0.37
(0%)
-14%

20
20
Transmission Constitutes ~12% of ELL Rate Base
Transmission Constitutes ~12% of ELL Rate Base
and ~13% of EGSL Rate Base (2010)
and ~13% of EGSL Rate Base (2010)
ELL Last Filed Rate Base

$B
4
3
2
1
0
Estimated
RemainCo
Rate Base
2.8
Estimated
Transmission
Rate Base
0.4
Aggregate
Rate Base
3.2
EGSL Last Filed 2010 Rate Base
$B
4
3
2
1
0
Estimated
RemainCo
Rate Base
Estimated
Transmission
Rate Base
0.3
Aggregate
Rate Base
2.1
2.4
Estimated ELL
Transmission
Rate Base
Is ~12%
of Total
Estimated
EGSL
Transmission
Rate Base
Is ~13%
of Total
1. Total Electric Rate Base sourced from Jan 2012 Investor News 2. Transmission Rate base sourced from May 2011 annual FI
filing as of 12/31/10
Note: Figures are rounded for approximation

21
21
21
Rate Impacts: Transmission Constitutes a Small
Rate Impacts: Transmission Constitutes a Small
Portion of an ELL Customer's Total Bill
Portion of an ELL Customer's Total Bill

Typical
ELL
Customer
Bill
Illustrative
Non-Fuel
43.0%
4.0%
53.0%
Transmission
Fuel

22
22
22
Rate Impacts: Transmission Constitutes a Small
Rate Impacts: Transmission Constitutes a Small
Portion of an EGSL Customer's Total Bill
Portion of an EGSL Customer's Total Bill
Typical
EGSL
Customer
Bill
Illustrative

Non-Fuel
38.9%
6.6%
54.5%
Transmission
Fuel

23
23
23

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
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
Rate
Construct
Effects
Rate
Timing
Effects

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
Other Effects

24
24
2014 Benefits
From Higher
Credit Quality
resulting from
Rate

Construct
~(0.27)
2014 Rate
Construct
Effects from
FERC
regulated
model
~0.84
Illustrative
Bill if ETR
owns
T assets
current state
~95.93
100
98
96
~96.31
+0.38
0.4%
0
Illustrative
Bill if ITC
owns
T assets
post
transaction
2
4
~(0.19)
6
2014 net
other
effects*
ELL
Residential
Bill
-
1,000 kWh
$
90
92
94
ELL Typical Residential Customer Bill Expected
ELL Typical Residential Customer Bill Expected
to
to
Initially Increase 0.4% Due to Rate Construct Effects
Initially Increase 0.4% Due to Rate Construct Effects

Expected Mitigation by Customer Benefits
Expected Mitigation by Customer Benefits
Illustrative
Expected Rate
Construct Effects*
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
*Refer to previous slide where rate construct and other assumptions are detailed
Note: Illustrative bill is the average of the 2011 Typical Monthly Bills for a residential customer using 1,000 kWh, excluding t
rate effects of Transaction and is not meant to project an actual future customer bill. Estimation does not include effects of mo
prices or rate cases between now and time of deal close
Note: Contents exclude estimated
one time rate timing effect of $0.65 in
2014 due to conversion to forward
test year -
reflects amounts that
would have been collected in future
years

25
25
92
88
8
EGSL Residential Bill-1,000 kWh
$

100
4
0
96
~94.59
2014 net
other
effects*
~0.36
2014 Benefits
From Higher
Credit Quality
resulting from
Rate
Construct
Illustrative
Bill if ITC
owns
T assets
post
transaction
2014 Rate
Construct
Effects from
FERC
regulated
model
~0.92
Illustrative
Bill if ETR
owns
T assets
current state
93.55
~(0.24)
EGSL
EGSL
Typical
Typical
Residential
Residential
Customer
Customer
Bill
Bill
Expected
Expected
to
to
Initially Increase 1.1% Due to Rate Construct Effects

Initially Increase 1.1% Due to Rate Construct Effects

Expected Mitigation by Customer Benefits
Expected Mitigation by Customer Benefits
Illustrative
Expected Rate
Construct Effects*
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
*Refer to previous slide where rate construct and other assumptions are detailed
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rate effects of Transaction and is not meant to project an actual future customer bill. Estimation does not include effects of mo
prices or rate cases between now and time of deal close.
Note: Contents exclude estimated
one time rate timing effect of $0.65 in
2014 due to conversion to forward
test year -
reflects amounts that
would have been collected in future
years
+1.04
1.1%

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26
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Pathway to Completion
Pathway to Completion
Required Approvals
Required Approvals
Jurisdiction / Authority

Approval(s)
MISO RTO

Final approval of move to MISO RTO by all retail jurisdictions

Final FERC approval of move to MISO RTO
Entergy Retail
Regulators
(APSC, LPSC, MPSC,
PUCT, CCNO)

Change of control of transmission assets

Authorization to incur debt in some jurisdictions
FERC

Change of control of transmission assets

Establishment of new regulatory construct for new ITC
subsidiaries

Authorization for operating company financings
Hart-Scott-Rodino Act
(DOJ / FTC)

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

Ruling regarding tax-free treatment of the distribution of Mid
South TransCo LLC (new Holdco)
ITC Shareholders

Merger

Amendment to ITC Articles of Incorporation to increase the
number of authorized shares

Authorization for issuance of greater than 20% of
outstanding shares
*Approval may be required in Missouri due to limited assets in those territories. Approval for Financings may be required in T
be required in Oklahoma for ITC