The City of Liberty
City Council
Special Called Meeting
~ Agenda ~

1829 Sam Houston
Liberty, TX 77575
www.cityofliberty.org

Dianne Tidwell
City Secretary
(936) 336-3684

Tuesday, July 23, 2013 | **6:00 PM** | **City Council Chambers**

THE City Council of Liberty, Texas reserves the right to meet in closed session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551 of the Texas Government Code.

I. CALL TO ORDER

Attendee Name	Present	Absent	Late	Arrival
Mayor Carl Pickett	☐	☐	☐	
Councilperson Diane Huddleston	☐	☐	☐	
Councilperson Dennis Beasley	☐	☐	☐	
Councilperson Frank Jordan	☐	☐	☐	
Councilperson Louie Potetz	☐	☐	☐	
Councilperson Libby Simonson	☐	☐	☐	
Councilperson David Arnold	☐	☐	☐	

II. ACKNOWLEDGEMENT OF GUESTS AND VISITORS / PUBLIC COMMENT

Public Comment is reserved for members of the public who would like to address the City Council regarding agenda and non-agenda items. Please be aware that, under Texas Law, the Council may not deliberate or take any action during Citizen's comments for items not on the agenda. In some situations, City Staff may be able to respond to the public comment with a factual statement or clarification. The City Council may have the item placed on a future agenda for action or refer the item to Management and Staff for study or conclusion.

III. PRESENTATIONS / REPORTS

A. Information Item (ID # 2757)

Project Updates - City Mgr. G. Broz

B. Information Item (ID # 2758)

SRMPA Update - Mayor Pickett

C. Information Item (ID # 2759)

H-GAC Update - Councilperson Jordan

D. Information Item (ID # 2760)

Financial Report - Finance Dir. N. Herrington

IV. CONSENT AGENDA

All consent items listed are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council Member so requests, and if such a request is made, the item will be removed from the Consent Agenda and considered in a normal sequence on the agenda.

1. Council Action (ID # 2761)

Consider Approval of Change Order No. 1 to the Contract with E.P. Breaux for the Boomerang Substation Project, and Take Any Action Deemed Necessary.

- Breaux CO #1 (PDF)

V. REGULAR AGENDA

A. Regular Session

1. Council Action (ID # 2762)

Consider a Request for Funds from the Executive Director of Bridgehaven Children’s Advocacy Center.

- Bridgehaven Request 2013 (PDF)

2. Council Action (ID # 2767)

Consider a Request from the Liberty County Central Appraisal District to Place a Back-Up Generator on the East Side of Their Facility, and Take Any Action Deemed Necessary.

- CAD Generator Info (PDF)

3. Council Action (ID # 2770)

Consider Award of Bid for Group Dental and Medical Insurance.

4. Resolution (ID # 2766)

Consider a Resolution in Support of a Proposal by Entergy Texas, Inc. Regarding Change of Ownership and Control of Transmission Business, Transfer of Certification Rights, and Related Relief with the Public Utilities Commission of Texas.

- Entergy Letter-Merger (PDF)
- Entergy Merger Attachment (PDF)

5. Council Action (ID # 2763)

Consider Ratifying the Liberty Community Development Corporation’s Action Regarding Right-Of-Ways for the Street Extension Project, and Take Any Action Deemed Necessary.

6. Council Action (ID # 2764)

Consider Ratifying the Liberty Community Development Corporation’s Action Regarding an Engineering Proposal for the Design and Bid of the Street Extension Project, and Take Any Action Deemed Necessary.

7. Council Action (ID # 2765)

Consider Ratifying the Liberty Community Development Corporation’s Action Regarding Funding Options for the Street Extension Project, and Take Any Action Deemed Necessary.

8. Council Action (ID # 2768)

Consider Approval of an Expenditure to Remount and Refurbish a Frazer Type 1 12' Generator Powered Module Onto a New Ford F-350 Diesel Chassis, and Take Any Action Deemed Necessary.

- Frazer Remount 2013 (PDF)

9. Council Action (ID # 2769)

Consider Revisions to the Oil and Gas Ordinance, and Take Any Action Deemed Necessary.

VI. ADJOURNMENT

Motion To: Adjourn

CERTIFICATION

I certify that the attached Notice of Meeting was posted on the bulletin board and in the Message Centers located on the east and west sides of the City Hall Administration Building, located at 1829 Sam Houston on the 19th day of July, 2013 at 5:00 p.m. This notice will remain so posted continuously for at least 72 hours preceding the scheduled time of said meeting in accordance with Chapter 551 of the Texas Government Code.

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Dianne Tidwell, City Secretary

NOTICE

In compliance with the Americans with Disabilities Act, the City of Liberty will provide reasonable accommodation for persons attending and/or participating in this Council Meeting. To better serve you, requests must be made at least 24 hours prior to the meeting. Contact the City at (936) 336-3684 or by Fax at (936) 336-9846. The building is wheelchair accessible, with parking available, on the west side of the building.

I certify that the attached Notice and Agenda of items to be considered by the City Council was removed by me from the bulletin board at the City Hall on the ________ day of ____________________, 2013.

The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Reports

INFORMATION ITEM (ID # 2757)

DOC ID: 2757

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The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Reports

INFORMATION ITEM (ID # 2758)

DOC ID: 2758

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The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Reports

INFORMATION ITEM (ID # 2759)

DOC ID: 2759

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The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Reports

INFORMATION ITEM (ID # 2760)

DOC ID: 2760

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The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Change Orders

COUNCIL ACTION (ID # 2761)

DOC ID: 2761

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Ernest P. Breaux Electrical Inc.

Contractors | MOST DEPENDABLE | Engineers

PROJECT: Liberty-Boomerang Substation
JOB NUMBER: 2012-1204
CHANGE ORDER – EPB121204-001- Rev 1
DATE: 6-5--2013
DESCRIPTION: Change Order Request #001- Rev1– Revised A-07 CT- Stand/structure and C-05 components.

Attn: Mr. Jarod Taylor,

Detailed description of the out of scope work:

1. Modify design/construction on CT stand and components, designated as A-07 and C-05 per two emails from Mr. Jarod Taylor, Engineer dated 4-18-2013 (see attached).

Requested Change Order Amount: **$ 3,608.45**

REQUESTED BY: Ernest P. Breaux Electrical, Inc.
Edward S. Bienvenu, Project Manager

DATE: 6-5-2013

Original Contract Sum……………………………………………$	693,728.00
Net Change from Previously Authorized Change Orders……..$	0.00
The contract Sum Prior to this Change Order was…………….$	693,728.00
The Contract Sum Will be Increased …………………………$	3,608.45
The New Contract Sum Including This Change Order……….$	697,336.45
The Contract Time Change Will be…………………………………	7 Days

Authorization is required before we can proceed. Your prompt attention is appreciated.

The above change is approved:

By: ___________________________ Date: __________

P.O. Box 11640 • New Iberia, LA 70562-1640 • 337-364-8183 • Fax: 337-364-8231
www.epbreaux.com

Attachment: Breaux CO #1 (2761 : Breaux - Change Order #1)

The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Requests for Financial Assistance

COUNCIL ACTION (ID # 2762)

DOC ID: 2762

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Gary Broz

From: Liz Pruitt <lpruitt@bridgehavencac.org>
Sent: Tuesday, July 09, 2013 11:18 AM
To: 'Gary Broz'
Cc: pbarron@bridgehavencac.org; aconner@libertycad.com
Subject: City Council Meeting-July 23rd

Mr. Broz,
Could you please put Bridgehaven CAC on the agenda for July 23rd to discuss possible funding for our organization? Paula Barron, Executive Director will present.
If you have any questions, please contact our office at 936-258-0400.

Thank you.

Liz Pruitt
Program Assistant
936-258-0400

The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Miscellaneous Issues

COUNCIL ACTION (ID # 2767)

DOC ID: 2767

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Liberty County Central Appraisal District

P. O. Box 10016 -- 2030 Sam Houston -- Liberty, TX 77575-2916
www.libertycad.com

CHIEF ADMINISTRATOR
Alan D. Conner

MAIN OFFICE -- LIBERTY
Phone (936) 336-5722
CLEVELAND BRANCH OFFICE
Phone (281) 593-1605
DAYTON BRANCH OFFICE
Phone (936) 257-8395

July 17, 2013

Tom Warner
City Engineer
1829 Sam Houston
Liberty, Texas 77575

Re: Request for permission to place back-up generator on east side of Appraisal District building

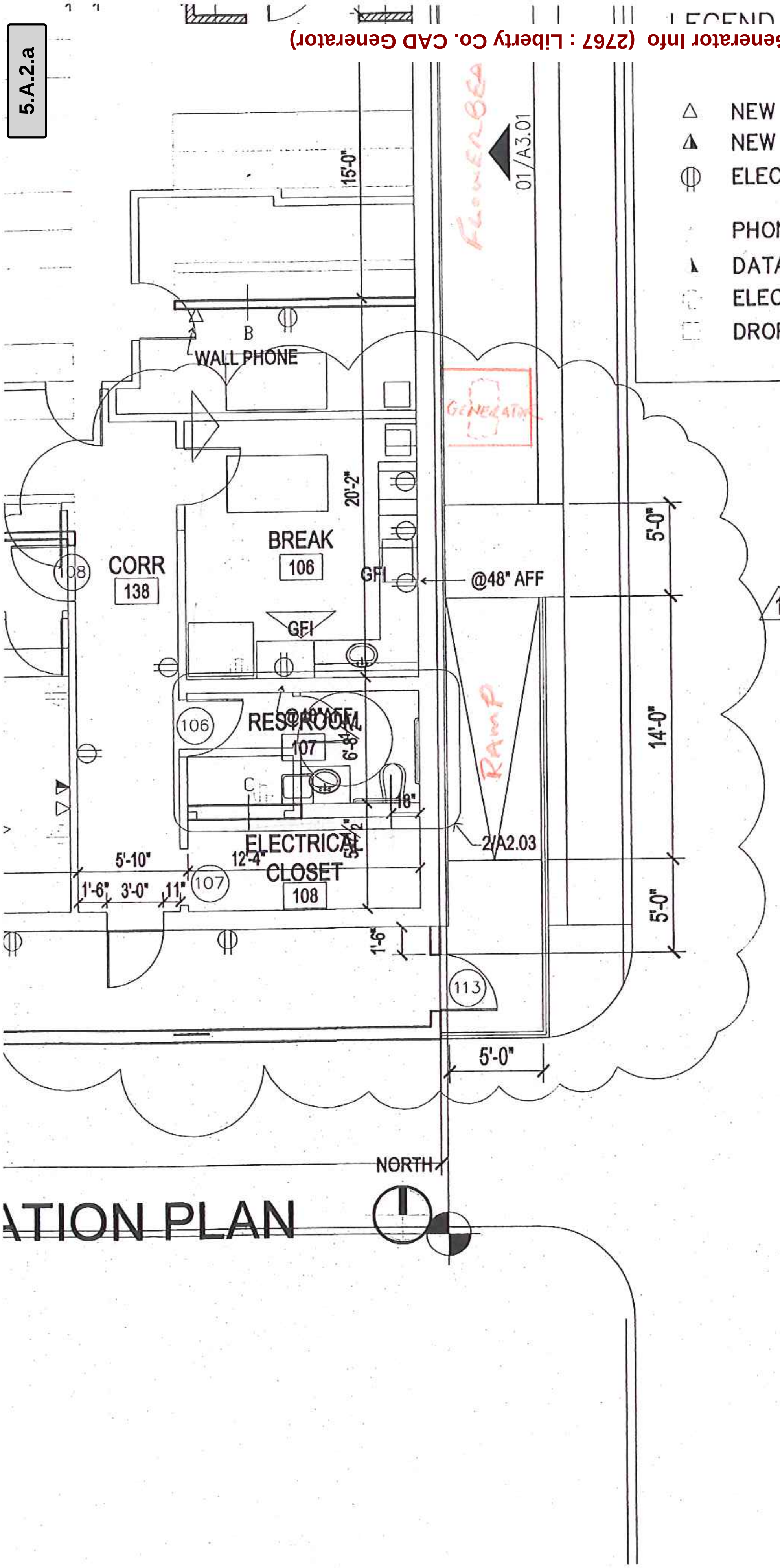
Dear Tim,

As we discussed during your visit to the Appraisal office on July 15, 2013, the Appraisal District would like to request the City of Liberty's permission to install a back-up generator on the east side of our building along Fannin Street. The proposed location would be just north of our handicap ramp in the existing flower bed.

That generator would be 20 to 25 KW in size and powered by natural gas. The area required for the pad and generator would be approximately 6' x 6'. The generator will only supply power to our computer server room, phone system, alarm system and security lights. Thank you in advance for your consideration.

Sincerely,

Alan Conner RPA,RTA,CTA

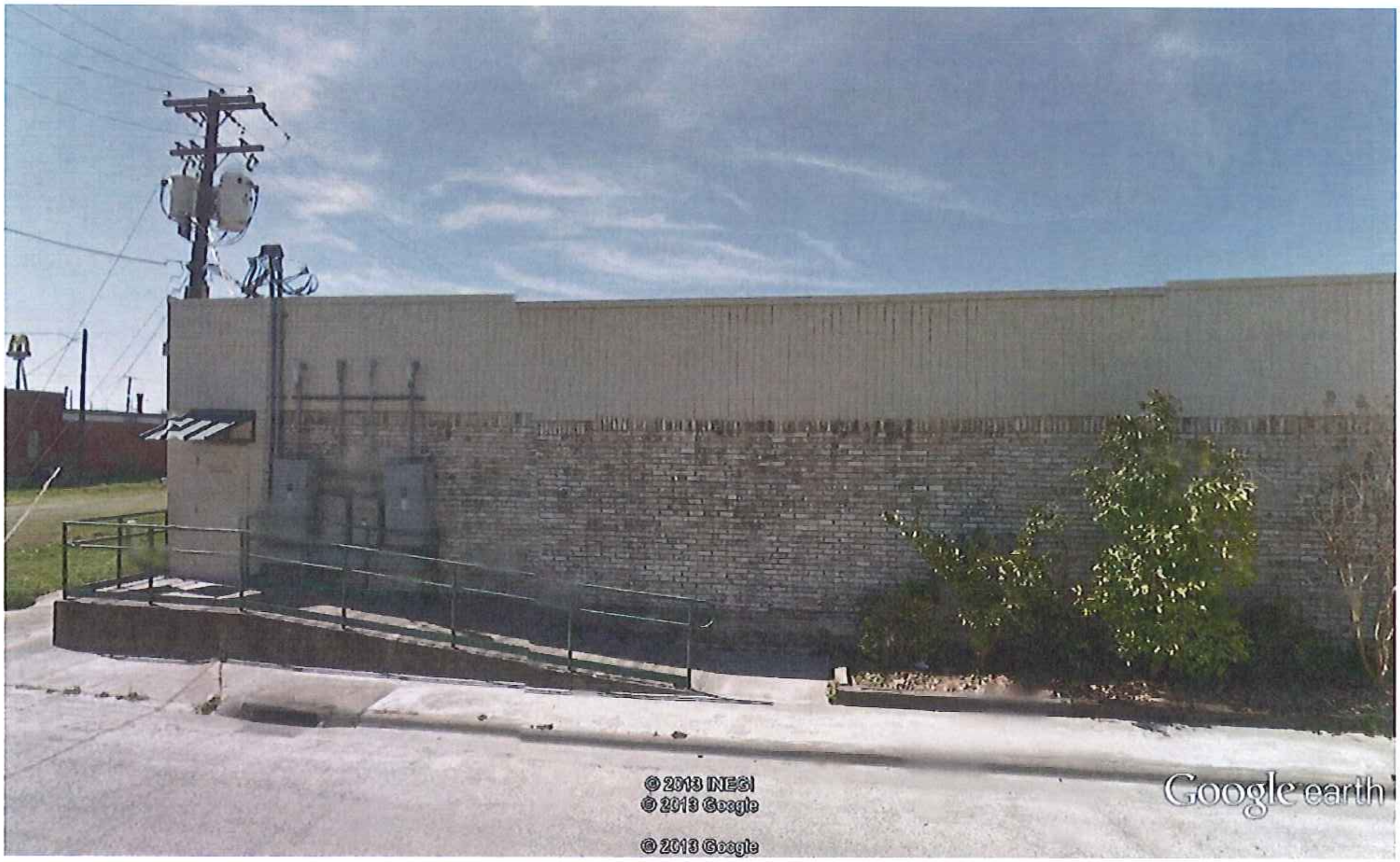


LEGEND

- △ NEW PHONE OUTLET
- ▲ NEW DATA COMMUNICATION OUTLET
- ⏀ ELECTRICAL POWER OUTLET
- PHONE OUTLET TO REMAIN
- DATA COMMUNICATION OUTLET TO REMAIN
- ELECTRICAL POWER OUTLET TO REMAIN
- DROP POLE AND WIRING TO BE REMAIN

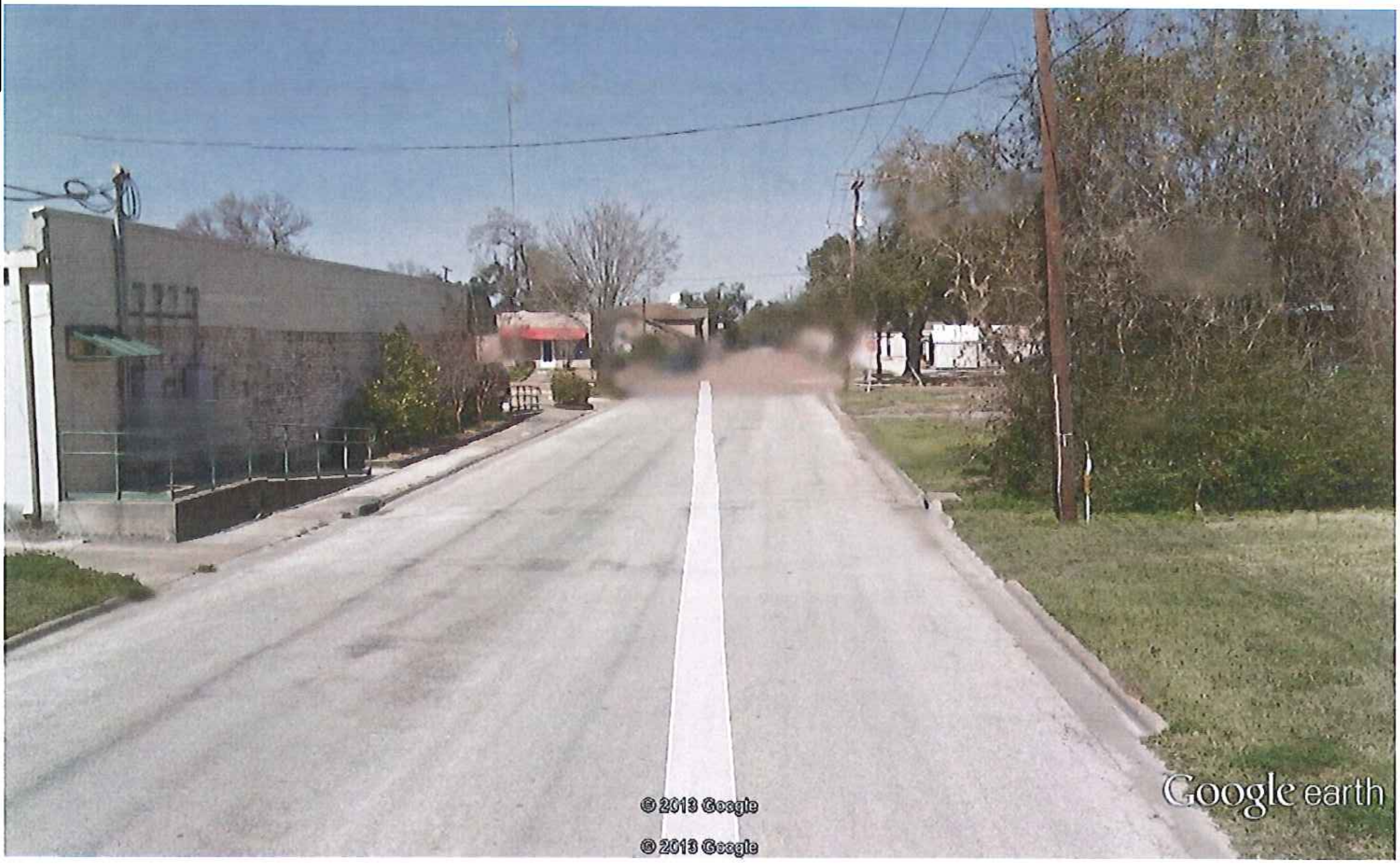
1 FLOOR PLAN

1/8"=1'-0"



Google earth

miles 2
km 4



Google earth

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km 3

Google earth

miles 3
km 4

The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Insurance

COUNCIL ACTION (ID # 2770)

DOC ID: 2770

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The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Miscellaneous Issues

RESOLUTION (ID # 2766)

DOC ID: 2766

A RESOLUTION OF THE CITY COUNCIL OF LIBERTY, TEXAS, IN SUPPORT OF A PROPOSAL BY ENTERGY TEXAS, INC. AND ITC HOLDINGS CORP. REGARDING THE CHANGE OF OWNERSHIP AND CONTROL OF TRANSMISSION BUSINESS, TRANSFER OF CERTIFICATION RIGHTS, AND RELATED RELIEF IN PUBLIC UTILITY COMMISSION DOCKET NO. 41223 UPON THE GUARANTEE OF ENUMERATED CONDITIONS

WHEREAS, on or about February 19, 2013 Entergy Texas, Inc. ("Entergy") and ITC Holdings Corp. ("ITC Holdings") filed an Application for Approval of Change of Ownership and Control of Transmission Business, Transfer of Certification Rights, Certain Cost Recovery Approvals, and Related Relief with the Public Utility Commission of Texas ("PUC" or "Commission") and docketed as PUC Docket No. 41223; and

WHEREAS, Entergy is a utility serving customers within the municipal limits of City and regulated by the City; and

WHEREAS, ITC Holdings is the first, largest, and only publicly traded independent transmission company in the nation; and

WHEREAS, City intervened as part of the Entergy Service Area Cities' Steering Committee in Docket No. 41223 and filed expert testimony in opposition to Entergy's and ITC Holding's Application, as originally filed, as the quantitative and qualitative benefits of the transaction were not readily discernible and insufficient to offset the anticipated transmission costs resulting from the transaction; and

WHEREAS, City's expert testimony determined that Commission could find that the transaction is in the public interest by imposing the conditions listed below, the first two of which guarantee that no transmission cost increase resulting from ITC Holding's increased rate of return would be charged to customers in Texas without first finding that the economic benefits of the transaction offset the increased transmission costs. The conditions recommended by Cities' expert testimony are as follows:

1. ETI's customers should be left no worse off in terms of costs under the transaction than under continued ETI ownership, and should be entitled to rate refunds or credits if necessary to ensure this;
2. Any transmission-related cost increases must first be approved by Texas regulatory authorities and must be offset by quantifiable transaction benefits;

3. ETI/ITC shall not seek to recover any costs incurred to effectuate the ITC transaction from its customers;
4. ITC shall assume all liabilities for unfunded retirement or other obligations such as historical transmission storm damage;
5. ITC should be subject to applicable Texas or multi-state regulatory oversight to the extent such oversight does not conflict with FERC regulation;
6. The PUCT should maintain input on transmission planning activities, and ETI/ITC should support an oversight group similar to the existing Entergy Regional State Committee;
7. ETI should keep the PUCT apprised of ITC transaction activities in other EOC jurisdictions, and provide all transaction-related orders and updates, studies, reviews, reports, and analyses as required under the orders;
8. ITC should provide the PUCT any periodic filings required by other regulatory jurisdictions related to transmission system safety and reliability;
9. ITC should provide the PUCT a transmission-related vegetation management plan to ensure continued maintenance of the Texas transmission system;
10. ETI/ITC should provide an emergency response plan that reflects coordination and communication between ETI, ITC, PUCT and emergency responders; and
11. In the event any EOC or ITC Company commits to provide rate discounts or concessions to customers in any other EOC jurisdiction, ETI and ITC must offer substantially the same concession to customers in Texas.

WHEREAS, on July 9, 2013, the Administrative Law Judges issued a Proposal for Decision recommending against the transaction as proposed in the original application and in the hearing on the merits in Docket No. 41223 and recommended that if the Commission were to approve the transaction that the conditions listed in Cities' expert testimony be imposed; and

WHEREAS, on July 3, 2013, Entergy and ITC filed the attached letter and guarantees with the Cities and have agreed to satisfactorily address the Cities' conditions;

WHEREAS, the Entergy Service Area Cities' Steering Committee had a meeting with ITC and Entergy on July 10, 2013, and received assurances from both ITC and Entergy that the companies would abide by the commitments made in the July 3, 2013, letter. The Steering Committee voted to support the proposed transaction with ITC and Entergy guaranteeing commitments that address the conditions enumerated by Cities;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF

LIBERTY, TEXAS, THAT:

Section 1. That the statement and findings set out in the preamble to this resolution are hereby in all things approved and adopted.

Section 2. The City of Liberty hereby supports a public interest finding by the Commission contingent on the approval of the terms and conditions that reflect the commitments made by Entergy and ITC Holdings, which address the conditions set out by the Administrative Law Judges and contained in Cities' expert testimony.

Section 3. The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 4. This resolution shall become effective from and after its passage.

PASSED AND APPROVED this 23rd day of July, 2013.

____

Carl Pickett, Mayor

ATTEST:

____

Dianne Tidwell, City Secretary

THE LAWTON LAW FIRM, P.C.

12600 Hill Country Blvd., Suite R-275 • Austin, Texas 78738 • 512/322-0019 • Fax: 855/298-7978

July 11, 2013

Via E-Mail

Mr. Richard Ferguson
City Attorney – City of Anahuac
13201 Northwest Freeway, Suite 300
Houston, Texas 77040

Mr. Tyrone Cooper
City Attorney – City of Beaumont
P.O. Box 3827
Beaumont, Texas 77704

Mr. Kyle Hayes
City Manager – City of Beaumont
P.O. Box 3827
Beaumont, Texas 77704

Mr. Paul Fukuda
City Attorney – Bridge City
260 Rachal
Post Office Box 846
Bridge City, Texas 77611

Ms. Dion Miller
City Manager – City of Cleveland
907 E. Houston
Cleveland, Texas 77327

Mr. David Olson
City Attorney – City of Cleveland
Wortham Tower, Suite 600
2727 Allen Parkway
Houston, Texas 77019

Mr. Kenneth Wall
City Attorney – City of Cleveland
Olson & Olson
Wortham Tower, Suite 600
2727 Allen Parkway
Houston, Texas 77019

Mr. Mark Winberry
City Attorney – City of Conroe
P.O. Box 3066
Conroe, Texas 77305

Mr. Felix Skarpa
Mayor – City of Dayton
117 Cook Street
Dayton, Texas 77535

Mr. David Douglas
City Manager – City of Dayton
117 Cook Street
Dayton, Texas 77535

Mr. James Black
City Attorney – City of Groves
3535 Calder Avenue, Suite 300
Beaumont, TX 77706

Mr. D. E. Sosa
City Manager – City of Groves
P.O. Box 3286
Port Arthur, Texas 77643

Ms. Tina Paez
City of Houston Administration & Regulatory Affairs Department (ARA)
611 Walker, 10th Floor
Houston, Texas 77002

Ms. Melba T. Pourteau
City of Houston Legal Department
P.O. Box 368, Houston, Texas 77001-0368
City Hall Annex, 4th Floor
900 Bagby
Houston, Texas 77001-0368

Mr. Leonard Schneider
City Attorney – City of Huntsville
2 Riverway, Suite 700
Houston, Texas 77056-1918

Mr. Matt Benoit
City Manager – City of Huntsville
1212 Ave. M
Huntsville, Texas 77340

Mr. Gary Broz
City Manager – City of Liberty
1829 Sam Houston
Liberty, Texas 77575

Mr. Bryan Fowler
City Attorney – City of Montgomery
101 Old Plantersville Road
Montgomery, Texas 77316

Mr. Cary Bovey
Law Office of Cary L. Bovey, PLLC
2251 Double Creek Dr., Suite 204
Round Rock, Texas 78664

Mr. Brad Stafford
City Manager – City of Navasota
202 E. Washington
Navasota, Texas 77868

Mr. Jesse Branick
City Attorney – City of Nederland
221 Hwy. 69 South, Suite 100 (office)
Nederland, Texas 77627

Mr. Christopher Duque
City Manager – City of Nederland
P.O. Box 967
Nederland, Texas 77627

Ms. Vicky Rudy
City Manager – City of Oak Ridge North
Oak Ridge North
27424 Robinson Road
Oak Ridge North, Texas 77385

Ms. Clasina Watson
City Secretary – City of Oak Ridge North
27424 Robinson Road
Oak Ridge North, Texas 77385

Mr. Shawn Oubre
City Manager – City of Orange
803 W. Green Avenue, Room 201
Orange, Texas 77630

Mr. Rodney Price
City Attorney – City of Pine Forest
City Attorney – City of Rose City
215 W. Freeway
Vidor, Texas 77662

Mr. Tommy Gunn
City Attorney – City of Pinehurst
202 S. Border
Orange, Texas 77630

Mr. Joe Parkhurst
City Administrator – City of Pinehurst
2497 Martin Luther King Jr. Drive
Orange, Texas 77630

Ms. Val Tizeno
City Attorney – City of Port Arthur
P.O. Box 1089
Port Arthur, Texas 77640

Mr. Floyd Johnson
City Manager – City of Port Arthur
P.O. Box 1089
Port Arthur, Texas 77640

Mr. Pete Steele
City Attorney – City of Port Neches
3120 Central Mall Drive
Port Arthur, Texas 77642

Mr. Andre Wimer
City Manager – City of Port Neches
634 Avenue C
Port Neches, Texas 77651

Mr. Greg Smith
City Manager – City of Shenandoah
29955 IH-45 N.
Shenandoah, Texas 77381

Mr. Harry Wright
City Attorney – City of Silsbee
PO Box 186
Port Neches, Texas 77651

Mr. Tommy Bartosh
City Manager – City of Silsbee
105 South 3rd Street
Silsbee, Texas 77656

Mr. Larry Saurage
City Manager – City of Sour Lake
655 W. Barkley St.
Sour Lake, Texas 77659

Mayor Dorothy Welch
City Attorney Leonard Schneider
City of Splendora
P.O. Box 1087
Splendora, Texas 77372

Mr. Ricky E. Jorgensen
City Manager – City of Vidor
1395 N. Main St.
Vidor, Texas 77662-3726

Mr. Guy N. Goodson
City Attorney – City of Vidor
P.O. Box 4915
Beaumont, Texas 77704-4915

Mayor Roy McDonald
Mayor – City of West Orange
2700 Western Avenue
West Orange, TX 77630

Mr. Joe Alford
City Attorney – City of West Orange
105 Market
Orange, Texas 77630

Michael S. Stelly
City of West Orange, Texas
2700 Austin Avenue
West Orange, TX. 77630

Re: Resolution Supporting a Finding of Public Interest in Entergy and ITC Holding's Proposed Transfer, Merger, and Spin-off of Transmission Business from Entergy to ITC Holdings

Dear Cities:

Each City should have received a July 3, 2013, letter from Entergy Texas, Inc. ("Entergy") and ITC Holdings' ("ITC Holdings") setting forth the terms and guarantees agreed to by Entergy and ITC Holdings' in return for the Cities' anticipated support of the proposed transfer of Entergy's transmission business to ITC Holdings. In the July 3, 2013, letter, Entergy and ITC agree to abide by the conditions of transfer recommended by Cities' expert testimony and guarantee that no transmission cost increase caused by ITC ownership of the system would be charged to Texas customers without first demonstrating that the quantifiable benefits resulting from the transaction more than offset the increased transmission costs associated with ITC's rate setting formula.

The Steering Committee of Cities met on Wednesday, July 10th from 10 am to noon at Beaumont City Hall to discuss the issues raised by this case, the terms and guarantees set forth in Entergy's and ITC Holdings' July 3, 2013, letter to Cities, and the process for moving forward. Representatives from Entergy and ITC were also present and reiterated the rate guarantees contained in the July 3, 2013, letter to Cities. The Steering Committee of Cities voted to support a finding of public interest for the Commission's consideration of the proposed transfer of Entergy's transmission business to ITC Holdings conditioned upon the terms and guarantees contained in the letters to Cities. Attached is a proposed resolution for the City supporting a finding of public interest by the Public Utility Commission of Texas ("PUC" or "Commission") conditioned upon those terms and guarantees.

By way of background, on February 19, 2013, Entergy and ITC filed with the PUC the Application for Approval of Change of Ownership and Control of Transmission Business, Transfer of Certification Rights, Certain Cost Recovery Approvals, and Related Relief. The Cities intervened and filed testimony opposing the application as originally filed and amended by Entergy and ITC Holdings through their rebuttal testimony. Cities' expert testimony set out a cost benefit analysis concluding that the benefits of the transaction were not discernible at this time and were not guaranteed to offset the known quantifiable transmission cost increases to customers. Cities' expert testified that a public interest finding could be met if the Commission imposed conditions—including a condition that no cost increase resulting from ITC Holding's ownership of the transmission business would be permitted to be charged to Texas customers without first finding that the quantifiable economic benefits of the transaction outweigh the anticipated cost increases resulting from the spread between ITC Holding's overall rate of return relative to Entergy's overall rate of return.

On July 9, 2013, the Administrative Law Judges hearing the case agreed with Cities' expert testimony that the proposal as originally filed by Entergy and ITC Holdings and amended by Entergy and ITC Holdings through rebuttal testimony is not in the public interest. The Administrative Law Judges also agreed that if the Commission were to approve the proposed transaction, the Commission should impose the conditions listed in Cities' expert testimony.

The major issues raised by Cities' case involve the transmission cost increases as a result of the rates anticipated to be approved by the Federal Energy Regulatory Commission, the projected benefits to be received as a result of ITC ownership, the oversight afforded to the Texas Regulatory Authorities, including Cities, of the transmission business, the quality of service from ITC, and the ability to perform and finance necessary storm restorations. The proposed conditions and terms attached to Entergy and ITC Holdings' July 3, 2013, letter guarantee no adverse rate impact will result from the transaction and substantially resolve the remaining issues raised in the expert testimony of Cities' witness in the proceeding.

In addition to the rate commitments and conditions listed in Cities' expert testimony, Entergy has committed to providing customers a $13.1 million credit over the first three years following the transaction close. This $13.1 million credit is intended to offset the timing difference of going from a historical test year under Texas regulation to a forward looking test year under the FERC regulatory model.

There is no question that the Texas transmission system requires substantial investment over the coming years whether owned by Entergy or ITC Holdings. There is also no question that because of increased investment the Texas transmission rates will increase as well, whether Entergy or ITC owns the system. ITC is anticipated to make more investment in the transmission system than Entergy has in the past and more than Entergy is anticipated to make in the future. The increased investment should make the system more reliable from a quality of service standpoint. As part of the terms and guarantees, Entergy and ITC have also committed to providing the Commission and Cities with their joint emergency response plans and vegetation management plans within 180 days of the closing of the transaction. ITC also commits to filing with the Commission and Cities its system hardening plans to invest in the transmission system in an effort to prevent major damage resulting from Hurricanes and other natural disasters.

ITC will operate subject to and in compliance with all state statutes and regulations that apply to it as an electric transmission only public utility in Texas. On an ongoing basis, and at least annually regarding its annual capital investment program, ITC will share with the Commission information about its planned or proposed transmission projects, including the rationale for planned or proposed projects, currently anticipated timing and cost of construction, and other material information about such projects. In addition, ITC will respond to inquiries from the Commission regarding its transmission projects, will be open to and consider input from the Commission regarding its transmission project plans, and support the Commission's active participation in the regional transmission planning process. ITC will solicit input from the Commission regarding transmission projects that should be studied and pursued. ITC will collaborate with the Commission to pursue such projects. ITC will also take appropriate actions to study and construct such projects that fulfill ITC's transmission planning criteria and ensure such projects are approved through the necessary RTO planning processes and receive other necessary regulatory approvals.

These are some of the commitments made by Entergy and ITC in the terms and guarantees attached to Entergy's and ITC Holding's July 3, 2013, letter to Cities. Entergy and ITC Holdings are asking Cities for their support of a finding by the PUC that the proposed transaction is in the public interest conditioned upon the terms and guarantees provided to Cities. We are attaching the proposed resolution supporting a finding of public interest for the proposed transfer, merger, and spin-off of transmission business from Entergy to ITC Holdings conditioned upon the Commission's approval of the terms and guarantees required by Cities and agreed to in Entergy and ITC's July 3, 2013 letter to Cities.

If there are any questions or concerns, please do not hesitate to call.

Sincerely,

Daniel Lawton /spm

Daniel J. Lawton

RESOLUTION

A RESOLUTION OF THE CITY COUNCIL OF _______________, TEXAS, IN SUPPORT OF A PROPOSAL BY ENTERGY TEXAS, INC. AND ITC HOLDINGS CORP. REGARDING THE CHANGE OF OWNERSHIP AND CONTROL OF TRANSMISSION BUSINESS, TRANSFER OF CERTIFICATION RIGHTS, AND RELATED RELIEF IN PUBLIC UTILITY COMMISSION DOCKET NO. 41223 UPON THE GUARANTEE OF ENUMERATED CONDITIONS

WHEREAS, on or about February 19, 2013 Entergy Texas, Inc. ("Entergy") and ITC Holdings Corp. ("ITC Holdings") filed an Application for Approval of Change of Ownership and Control of Transmission Business, Transfer of Certification Rights, Certain Cost Recovery Approvals, and Related Relief with the Public Utility Commission of Texas ("PUC" or "Commission") and docketed as PUC Docket No. 41223; and

WHEREAS, Entergy is a utility serving customers within the municipal limits of City and regulated by the City; and

WHEREAS, ITC Holdings is the first, largest, and only publicly traded independent transmission company in the nation; and

WHEREAS, City intervened as part of the Entergy Service Area Cities' Steering Committee in Docket No. 41223 and filed expert testimony in opposition to Entergy's and ITC Holding's Application, as originally filed, as the quantitative and qualitative benefits of the transaction were not readily discernible and insufficient to offset the anticipated transmission costs resulting from the transaction; and

WHEREAS, City's expert testimony determined that Commission could find that the transaction is in the public interest by imposing the conditions listed below, the first two of which guarantee that no transmission cost increase resulting from ITC Holding's increased rate of return would be charged to customers in Texas without first finding that the economic benefits of the transaction offset the increased transmission costs. The conditions recommended by Cities' expert testimony are as follows:

1. ETI's customers should be left no worse off in terms of costs under the transaction than under continued ETI ownership, and should be entitled to rate refunds or credits if necessary to ensure this;
2. Any transmission-related cost increases must first be approved by Texas regulatory authorities and must be offset by quantifiable transaction benefits;
3. ETI/ITC shall not seek to recover any costs incurred to effectuate the ITC transaction from its customers;

Attachment: Entergy Letter-Merger (2766 : Entergy Change of Ownership)

4. ITC shall assume all liabilities for unfunded retirement or other obligations such as historical transmission storm damage;
5. ITC should be subject to applicable Texas or multi-state regulatory oversight to the extent such oversight does not conflict with FERC regulation;
6. The PUCT should maintain input on transmission planning activities, and ETI/ITC should support an oversight group similar to the existing Entergy Regional State Committee;
7. ETI should keep the PUCT apprised of ITC transaction activities in other EOC jurisdictions, and provide all transaction-related orders and updates, studies, reviews, reports, and analyses as required under the orders;
8. ITC should provide the PUCT any periodic filings required by other regulatory jurisdictions related to transmission system safety and reliability;
9. ITC should provide the PUCT a transmission-related vegetation management plan to ensure continued maintenance of the Texas transmission system;
10. ETI/ITC should provide an emergency response plan that reflects coordination and communication between ETI, ITC, PUCT and emergency responders; and
11. In the event any EOC or ITC Company commits to provide rate discounts or concessions to customers in any other EOC jurisdiction, ETI and ITC must offer substantially the same concession to customers in Texas.

WHEREAS, on July 9, 2013, the Administrative Law Judges issued a Proposal for Decision recommending against the transaction as proposed in the original application and in the hearing on the merits in Docket No. 41223 and recommended that if the Commission were to approve the transaction that the conditions listed in Cities' expert testimony be imposed; and

WHEREAS, on July 3, 2013, Entergy and ITC filed the attached letter and guarantees with the Cities and have agreed to satisfactorily address the Cities' conditions;

WHEREAS, the Entergy Service Area Cities' Steering Committee had a meeting with ITC and Entergy on July 10, 2013, and received assurances from both ITC and

Entergy that the companies would abide by the commitments made in the July 3, 2013, letter. The Steering Committee voted to support the proposed transaction with ITC and Entergy guaranteeing commitments that address the conditions enumerated by Cities;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ____________________, TEXAS, THAT:

Section 1. That the statement and findings set out in the preamble to this resolution are hereby in all things approved and adopted.

Section 2. The City of _____ hereby supports a public interest finding by the Commission contingent on the approval of the terms and conditions that reflect the commitments made by Entergy and ITC Holdings, which address the conditions set out by the Administrative Law Judges and contained in Cities' expert testimony.

Section 3. The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 4. This resolution shall become effective from and after its passage.

PASSED AND APPROVED this _________ day of __________________, 2013.

____

ATTEST:

____

Entergy

Entergy Texas
9425 Pinecroft
The Woodlands, Texas 77380
Tel 281-362-4680
Fax 281-362-4683

Sallie T. Rainer
President/CEO
srainer@entergy.com

July 3, 2013

[Addressee]
[Addressee Title]
[Address]
[Address]

Dear [Address],

We are writing to ask for your City's support of the proposed transaction whereby Entergy Texas will spin off its electric transmission business and merge that business with ITC Holdings Corp. (ITC). This transaction will bring a strong new business partner to Southeast Texas and significant benefits to retail electric consumers.

Entergy Texas firmly believes that the independent transmission company model is the most effective and efficient model to manage the requirements to build and maintain the transmission grid necessary to meet customer electric demands and preferences today and into the future, particularly as Entergy Texas moves into the operating environment of a Regional Transmission Organization (RTO). ITC, the first, largest and only publicly-traded independent transmission company in the United States, is the right partner to take on that role. ITC is financially strong, has more than a decade of experience planning and operating in an RTO environment, and has a proven track record of top tier performance for the transmission systems it owns and operates. ITC is committed to making investments in transmission infrastructure in Southeast Texas to enhance reliability, provide greater market access to lower cost generation resources, and reduce congestion on the transmission system for the benefit of retail customers. Having ITC responsible for investments in transmission will also make Entergy Texas financially stronger and improve Entergy Texas' ability to support growing investment requirements in generation and distribution infrastructure, which will also serve to benefit customers.

Entergy Texas and ITC appreciate that a coalition of cities has actively participated in proceedings before the Public Utility Commission of Texas to explore the benefits offered by this transaction. The coalition took the position that the transaction could be found to be consistent with the public interest subject to certain conditions. Entergy Texas and ITC have made commitments to address those conditions at the hearing for this proceeding and are making further commitments in the attached list of amended commitments. Notably, Entergy Texas and ITC are making commitments in Texas to provide rate mitigation (approximately $77 million) for five years that will offset the retail rate effects of the cost of capital difference arising from ITC's federally-approved rate construct (including ITC's authorized return on equity of 12.38%) as compared to Entergy Texas' retail rate construct. Moreover, Entergy Texas and ITC commit that, during the fifth year following the close of the transaction, ITC will conduct a test to demonstrate that ITC's ownership of and investment in transmission have produced benefits that offset the actual retail rate effects resulting from the change in cost of capital due to ITC's ownership. If ITC is not able to show that such benefits offset such costs, Entergy Texas and ITC commit that they will continue to provide rate mitigation until ITC can make such a showing. Entergy Texas also makes the commitment to provide additional retail bill credits (approximately $13 million) to compensate customers for the transition to ITC's forward-looking rate. Finally, and importantly, the attached includes ITC's commitments to a local corporate presence, use of local workforce, and local civic and charitable support. These commitments are incremental to the local economic development benefits that will accompany ITC's investment in transmission.

These commitments have been carefully constructed by Entergy Texas and ITC to be responsive to the conditions set forth by the coalition and to ensure that customers are protected from rate increases resulting from the difference between ITC and Entergy Texas cost of capital that are not more than offset by demonstrated benefits. We trust that you will agree the commitments made by Entergy Texas and ITC substantively satisfy the conditions set forth by the coalition and that your City will take formal action to support the transaction subject to those commitments.

We thank you for your continued support of Entergy Texas and your thoughtful consideration of ITC as a new corporate citizen in the region. Please do not hesitate to contact any of us should you have any questions regarding the companies' commitments to customers and the community as part of this transaction.

Respectfully,

Sallie T. Rainer
President / CEO
Entergy Texas, Inc.

Linda Blair
Executive Vice President & CBO
ITC Holdings Corp.

Theodore H. Bunting, Jr.
Group President – Utility Operations
Entergy Corporation

Cameron Bready
Executive Vice President & CFO
ITC Holdings Corp.

Entergy

ITC

cc: Dan Lawton

Attachment

AMENDED PROPOSED COMMITMENTS

The following proposal is made by the Entergy Texas Inc. ("ETI") and ITC to resolve Docket No. 41223. This listing of conditions and commitments is intended to substitute for all those conditions and commitments made by the Applicants in any previous term sheet, public discussions (except those commitments made during a contested case hearing) and/or in Applicants' rebuttal testimony.

I. DEFINITIONS

"Actual WACC Effects" means the difference in ETI retail WACC as of December 5, 2011 and actual ITC WACC applied to the ITC Rate Base and adjusted for ETI retail impact only. This is used for benefits test(s) and true-up(s) during the Transition Period.

"Annual Review Period" means a calendar year within the Extension Period.

"Attachment O rate" means the MISO tariff Attachment O forward-looking formula, and resulting revenue requirement and transmission charges for ITC as approved by FERC in Docket No. ER12-2681.

"Estimated WACC Effects" means the difference in ETI retail WACC as of December 5, 2011 and estimated ITC WACC applied to ETI estimated transmission rate base and adjusted for ETI retail impact calculated in the retail regulatory filing to estimate retail rate effects of the Transaction. This is used for rate mitigation calculations.

"Extension Period" means the time period following the Initial Period, if any, during which the Rate Mitigation Plan continues in effect.

"FERC" means the Federal Energy Regulatory Commission.

"Initial Period" means the 5-year period starting at the close of the Transaction.

"ITC" means the ITC Midsouth operating company in Texas.

"ITC Ownership Benefit Calculation" means the benefits of ITC ownership as calculated in accordance with **Appendix B** to this term sheet.

"ITC Rate Base" means actual ITC rate base reflected in rates charged for transmission service that are passed through ETI retail rates.

"MISO" means the Midcontinent Independent System Operator, Inc.

"Rate Mitigation Plan" means use of funds over the Initial Period and Extension Period, if any, to offset certain rate effects of the Transaction.

"Regulatory Authority" means the Public Utility Commission of Texas.

"RTO" means Regional Transmission Organization.

"Transaction" means the Reverse Morris Trust transaction among ITC Holdings Corp., Entergy Corp., and affiliated entities through which a subsidiary of ITC Holdings Corp. will own the transmission assets formerly owned by the Entergy Operating Companies.

"Transition Period" means the period of time following close of the Transaction during which the Rate Mitigation Plan is in place, which begins with the Initial Period and includes the Extension Period, if any.

"WACC" means Weighted Average Cost of Capital in percentage terms.

II. ETI AND ITC MUTUAL PROPOSALS

A. Rate Mitigation – WACC Effects

1. **Initial Period:** ITC and ETI agree to implement a Rate Mitigation Plan over the Transition Period, which at a minimum will be the Initial Period but may be extended during the Extension Period as set forth below. The funds associated with the Rate Mitigation Plan for the Initial Period are specified in **Appendix A,** but may be modified in accordance with Subsection II.A.10 below.

2. **Extension Period:** If at the end of the Initial Period, ITC has not demonstrated that the annual ITC Ownership Benefit Calculation is greater than the annual Actual WACC Effects in the fifth year following the close of the Transaction, the Rate Mitigation Plan shall remain in place until such time as ITC has demonstrated that the annual ITC Ownership Benefit Calculation exceeds the annual Actual WACC Effects during an Annual Review Period. The Rate Mitigation Plan for the Extension Period will consist of annual funds that reflect 100% of the projected Actual WACC Effects net of the percentage of annual Actual WACC Effects offset by the ITC Ownership Benefit Calculation per the last calculation of such benefits.

3. **True Up of Initial Period:** If at the end of the Initial Period the annual ITC Ownership Benefit Calculation is not greater than the annual Actual WACC Effects in the fifth year following the close of the Transaction, there will be a true-up of the Actual WACC Effects for the Initial Period to the funds associated with the Rate Mitigation for the Initial Period specified in **Appendix A**. To the extent that Actual WACC Effects less the ITC Ownership Benefit Calculation exceeds the funds associated with the Rate Mitigation Plan for the Initial Period specified in **Appendix A**, additional rate mitigation for the difference will be put in place over the next two years (one-half of the additional rate mitigation in the sixth year following close of the Transaction and one-half of the additional rate mitigation in the seventh year following the close of the Transaction).

4. **True Up During Extension Period:** During the Extension Period, if any, if annual Actual WACC Effects less the ITC Ownership Benefit Calculation for the Extension Period exceed the rate mitigation funds provided during the Extension Period in accordance with Subsection II.A.2, additional rate mitigation funds for such difference will be put in place in the next calendar year.

5. **Review of Benefits By Third Party Evaluator:** The determination of whether the annual ITC Ownership Benefit Calculation exceeds annual Actual WACC Effects shall be made by a Third Party Evaluator in accordance with the methodology set forth in **Appendix B**. Beginning no earlier than the last year of the Initial Period and at any time during the Extension Period, ITC shall be permitted to initiate the Third Party Evaluator's assessment of the annual ITC Ownership Benefit Calculation to determine whether the annual ITC Ownership Benefit Calculation exceeds annual Actual WACC Effects. There shall be no limit as to the number of times or frequency that the Third Party Evaluator's assessment of the ITC Ownership Benefit Calculation may be initiated during the Extension Period. The Third Party Evaluator shall be selected by ITC and all costs associated with the Third Party Evaluator's services will be paid by ITC.

6. **Termination of Rate Mitigation:** If the Third Party Evaluator determines, in accordance with **Appendix B,** that the annual ITC Ownership Benefit Calculation exceeds annual Actual WACC Effects at either the end of the Initial Period or for any Annual Review Period, any obligations for rate mitigation terminates on the 30th day following the filing of the Third Party Evaluator's determination.

7. **ETI Treatment of Rate Mitigation Provided by ITC:** Any rate mitigation provided by ITC that is realized by ETI as part of the Rate Mitigation Plan will be passed through to ETI customers in accordance with **Appendix A – Section III.A Transmission Cost Rate Mechanism**.

8. **Termination of ETI Contribution To Rate Mitigation:** If at the end of the 20th year following the close of the Transaction, the ITC Ownership Benefit Calculation has not been found to exceed the annual Actual WACC Effects for an Annual Review Period, ETI's obligation to provide bill credits shall cease. ITC shall be obligated to provide all rate mitigation thereafter until such time as the ITC Ownership Benefit Calculation exceeds the annual Actual WACC Effects for an Annual Review Period.

9. **Measuring Estimated or Actual WACC Effects:** For purposes of measuring Estimated and Actual WACC Effects, in either the Initial Period or the Extension Period, ETI's WACC will be based on equity and capital structure as of the date of the Transaction's announcement (December 5, 2011), which is the basis for determining the amounts set forth in **Appendix A**.

10. **FERC Ordered Rate Construct Change:** If FERC issues an order that changes the formula rate or elements of the rate construct (including the forward looking application of the formula rate, authorized rate of return on equity, target capital structure, and annual true-up mechanism) for ITC, and which causes a change in ITC-WACC, then any rate mitigation shall be adjusted by an amount equivalent to the change in ITC-WACC caused by that FERC order.

11. **No Challenge To Rate Construct By Parties:** During the Initial Period, the Rate Mitigation Plan is conditioned on the parties to this proceeding in support of the Rate Mitigation Plan and the Regulatory Authority that approves the Rate Mitigation Plan not challenging the formula rate and elements of the rate construct (including the forward looking application of the formula rate, authorized rate of return on equity, target capital structure, and annual true-up mechanism) that are approved for ITC by the FERC in connection with the Transaction.

12. **Return On Equity:** During the Transition Period, ITC will not seek an approval from FERC to utilize an overall rate of return on equity that is above the prevailing return on equity level approved for use by Transmission Owners in MISO, except that if that return on equity level is less than 12.38 percent then ITC may seek approval from FERC to utilize a rate of return on equity up to 12.38 percent.

B. **Rate Mitigation – Forward Test Year**

1. ETI agrees to provide additional retail customers bill credits specified in **Appendix A** over the first three years of the Initial Period, which amount represents the estimated effects on retail customers of eliminating regulatory lag by implementing a forward test year during the Initial Period.

C. **Transmission System Performance**

1. **ITC and ETI Storm Plans:** Within 180 days after the closing of the ITC Transaction, ETI and ITC shall file with the Regulatory Authority new (separate) Emergency Response Plans specifically detailing their proposed responses to tropical storms, hurricane and flood conditions, the manner in which coordination and communication between ETI and ITC will occur, how communication and coordination with State and local authorities will occur and all related matters.

2. **Vegetation Management Plans:** ETI and ITC, within 180 days after closing of the ITC Transaction, shall file with the Regulatory Authority their tree trimming/vegetation control plan for the ETI service territories. That plan must include expected expenditures broken down by ETI service territories and between ITC and ETI for transmission vegetation control versus distribution vegetation control. That plan should also detail the breakdown of responsibility for vegetation control as between ETI and ITC.

3. **System Hardening Plans:** ITC, one year after closing of the ITC Transaction, shall file with the Regulatory Authority its proposal for "hardening" of the former ETI backbone transmission system.

4. **Joint Storm Drills:** ITC and ETI commit to conduct, no less than annually, joint storm drills, which will include the participation of other entities who are interconnected with ITC's transmission system who choose to participate, which address joint plans for responding to catastrophic storms.

D. <u>Other Matters</u>

1. **State Approvals:** The Regulatory Authority will have the right to reconsider its approval and public interest determination if the other jurisdictions, not including City of New Orleans or Missouri, issue an Order denying any other Entergy Operating Company the authority to complete the ITC Transaction.

2. **FERC Approval:** The Regulatory Authority will have the right to reconsider its approval and public interest determination if the FERC issues an Order denying Entergy and/or ITC the authority to complete the ITC Transaction.

3. **Most Favored Nations:** ITC and ETI will provide to the Regulatory Authority any contingency, condition or benefit that is provided for in any other Regulatory Authority's order approving the Transaction in any other jurisdiction provided such contingency, condition or benefit does not derive from circumstances or regulatory requirements unique to an individual jurisdiction and can be applied consistently across jurisdictions, and ITC and ETI receive comparable terms and consideration from the Regulatory Authority seeking to receive such contingency, condition or benefit.

4. **Requests For Relief:** Requests for relief in the joint application are granted to the extent not modified by this term sheet.

III. ITC PROPOSALS

A. **Jurisdiction Generally:** ITC is committed to operating in full compliance with all applicable legal and regulatory requirements, and working closely and collaboratively with the Regulatory Authority. ITC will operate subject to and in compliance with all state statutes and regulations that apply to it as an electric transmission only public utility in Texas.

B. **Books and Records**: ITC acknowledges that the Regulatory Authority has authority to review its books and records in accordance with the requirements of state law.

C. **Asset Transfers:** ITC shall not transfer any transmission assets located in Texas without the prior approval of the Regulatory Authority, in accordance with the requirements of state law.

D. **State ITC Representative:** ITC will designate an employee whose main work location and residence is in Texas to be a liaison on behalf of ITC to the Regulatory Authority. ITC also will designate personnel who will be available to participate in emergency operations coordination when needed.

E. **Requests for Information and Meetings:** Subject to reasonable notice, ITC will cooperate with Regulatory Authority requests for information and for ITC staff to attend Regulatory Authority meetings, technical conferences, and hearings.

F. **Transmission Projects:** On an ongoing basis, and at least annually regarding its annual capital investment program, ITC will share with the Regulatory Authority information about its planned or proposed transmission projects, including the rationale for planned or proposed projects, currently anticipated timing and cost of construction, and other material information about such projects. In addition, ITC will respond to inquiries from the Regulatory Authority regarding its transmission projects, will be open to and consider input from the Regulatory Authority regarding its transmission project plans, and support the Regulatory Authority's active participation in the regional transmission planning process.

G. **Annual Rate Posting:** On an annual basis, at least 15 days prior to the time that ITC posts its forecasted Attachment O rate with MISO, ITC shall provide to the Regulatory Authority a summary of that forecasted rate posting, including all expected rate impacts.

H. **Responses to Inquiries:** ITC commits that it will respond to data requests timely regarding its annual forecasted Attachment O rate posting with MISO and otherwise cooperate with the Regulatory Authority and their Staff in their analyses. ITC further agrees to make members of its staff available to the Regulatory Authority and its Staff to respond to inquiries and to explain the submission and the annual rate posting process.

I. **Summary of Rates Charged:** Annually, within 30 days after ITC submits its annual FERC Form No. 1 to FERC, ITC shall provide to the Regulatory Authority a summary of all rates charged by MISO to network transmission customers of ITC for the prior year.

J. **Litigation Expenses:** For issues in which Regulatory Authority has a justiciable interest and as provided by state law, ITC commits that it will annually fund up to $1.5 million (unless otherwise provided by applicable state law) the Regulatory Authority's reasonably necessary expenses for an effective review of any information or pleadings that ITC submits to the Regulatory Authority or to FERC, and complaints or actions filed by, or investigations or audits initiated by, the Regulatory Authority at FERC or its own jurisdiction related to transmission services provided by ITC to utilities that are subject to the retail jurisdiction of the Regulatory Authority. ITC also will continue to fund such necessary expenses as had been provided in state law if that state law is repealed or does not otherwise remain in force. This commitment is contingent upon ITC's ability to recover such costs in rates.

K. **Rate Filings:** ITC commits that it will review with the Regulatory Authority and/or Staff any rate filings initiated by it to FERC that would impact ITC's customers in Texas in advance to explain the rationale for such a filing.

L. **MISO Conditions:** ITC will abide by all applicable MISO conditions, identified in **Appendix A**. ITC will abide by this condition provided that: a) any exit fee associated with terminating membership in MISO be paid by electric consumers within the footprint served by ITC; b) any termination of membership in MISO also be approved by FERC; c) any termination of membership in MISO also not be disputed by another state Regulatory Authority or local authority in which ITC or one of its affiliates operates; d) if terminating membership in MISO, ITC is able to join a different RTO immediately upon its exit from MISO; and e) ITC shall retain all of its rights, state and federal, to appeal and/or seek other review of any decision or determination by the Regulatory Authority regarding ITC membership in an RTO, including the right to assert federal preemptive rights and seek related relief at the FERC and in the courts under applicable federal law.

M. **Transmission Project Commitment:** ITC will solicit input from the Regulatory Authority regarding transmission projects that should be studied and pursued. ITC will collaborate with the Regulatory Authority to pursue such projects, and take appropriate actions to study and construct such projects that fulfill ITC's transmission planning criteria, are approved through the necessary RTO planning processes, and receive other necessary regulatory approvals.

N. **Siting Authority:** ITC agrees that the Regulatory Authority has certification and siting authority for electric transmission, and will abide by any final Regulatory Authority order adopted exercising that authority, subject to ITC reserving any appeal rights provided under state law. However, this condition is not intended to preempt ITC's compliance with any federal statute or final order of the FERC.

ITC reserves all its rights to participate in proceedings to establish rules related to the Regulatory Authority's rights and authority, and reserves the right to appeal any rules that may be inconsistent with the applicable State and Federal laws, and otherwise reserves its rights to appeal orders issued pursuant to such rules.

O. **System Improvement Plan:** Within 1 year after the closing of the ITC Transaction, ITC shall submit to the Regulatory Authority a report on its analysis of the transmission system formerly owned by ETI and its related plan to improve the transmission system in Texas. Included in its analysis will be a study of congestion on the transmission system and an identification of transmission projects to mitigate such congestion. ITC will propose and support in the MISO planning process those transmission projects identified in the study that are expected to cost-effectively reduce congestion.

P. **ITC Responsibility for Transmission System:** ITC acknowledges and commits that, to the extent not otherwise preempted by federal law, after completion of the ITC Transaction, it will be fully responsible and accountable to the Regulatory Authority for the provision of safe, reliable, adequate and reasonable cost service to its customers in all respects related to planning and the provision of service for the transmission function. ITC shall also be responsible for coordination of operations with ETI as necessary.

Q. **ITC Local Presence:** ITC commits to maintain one or more office, warehouse, and/or pull-out facility locations in this state that will be staffed with ITC personnel.

R. **Civic and Charitable Support:** During the 3-year period immediately following closing of the Transaction, the subsidiaries of ITC Holdings Corp. that own the electric transmission facilities formerly owned by subsidiaries of Entergy Corp. will provide charitable contributions and other community support within the communities in which they operate (allocated among those jurisdictions in a reasonable manner and approximately commensurate in amount with each other), at a level comparable in the aggregate to the levels currently provided by ITC Holdings Corp. in its other service territories.

S. **Use of Local Workforce:** To the extent possible, and where such personnel or vendors satisfy ITC's standards related to quality, capability, cost efficiency, and equipment or other specifications, ITC will seek to utilize vendors, contractors, and personnel located in this state in its transmission system maintenance and capital investment initiatives.

T. **Goodwill:** ITC confirms its commitment that it will not seek to recover goodwill related to the Transaction.

U. **Transaction Costs:** ITC will not seek to recover its Transaction costs unless such recovery is approved by FERC, based on a finding that the benefits of the Transaction outweigh such costs.

V. Workforce Commitment: For a period of 3 years following closing of the Transaction, ITC Holdings Corp. will not implement layoffs of employees performing work on ITC's behalf at a level or in a manner that is not approximately commensurate with layoffs of employees performing work on behalf of ITC Holdings Corp.'s other subsidiary operating companies.

W. ERSC Participation: ITC will support retention of the Entergy Regional State Committee's existing authority over cost allocation and construction of transmission upgrades for the five-year transition period after the Entergy Operating Companies join MISO and the transitional framework conditionally approved by FERC in Order No. ER12-480-000.

IV. ETI Transmission Cost Rate Mechanism And Incremental Costs

A. ETI Transmission Cost Recovery

1. **Transmission Cost Recovery:** ETI shall be authorized to implement the transmission cost recovery specified in **Appendix A**.

B. Incremental Costs

1. **Incremental Costs:** ETI agrees that it will not seek to recover incremental costs associated with the Transaction. While this excludes all external costs, there are certain internal costs that currently are being charged to the Transaction that are not incremental to the ETI's ongoing revenue requirements. ETI proposes that it be permitted to retain these costs in rates but subject to an after-the-fact review by the Regulatory Authority that these costs were prudently incurred for purposes unrelated to the Transaction.

APPENDIX A: SUPPLEMENTAL PROPOSED COMMITMENTS FOR TEXAS

I. ITC AND ETI COMMITMENTS

A. Rate Mitigation – WACC Effects

Subject to Section II.A.10 in the Amended Proposed Commitments, during the Initial Period, ITC and ETI shall provide $77 million in Rate Mitigation Funds, which amount represents an offset of 100% of the estimate of WACC Effects on retail rates during the Initial Period as well as effects of the termination of Service Schedule MSS-2. The $77 million of Rate Mitigation Funds will be provided to customers via $67 million in rate rebates by ITC or bill credits by ETI and $10 million of net avoided costs for MSS-2.

B. Forward Test Year

ETI agrees to provide retail customers with $13.1 million in additional bill credits over the first 3 years after Transaction close.

C. Other Entergy Retail Regulator Decisions

ITC and ETI will provide the Commission, within a reasonable time after they receive them, decisions of any of the other Entergy Retail Regulators, and the FERC, approving, denying, or otherwise impacting the ITC Transaction.

D. Timing of Closing

ITC and ETI will not close the Transaction until after ETI has provided the notices described in Findings of Fact Nos. 21 and 133 of the Commission's Order in Docket No. 40346 to fulfill the terms and conditions contained in that Order.

II. ITC PROPOSALS

A. Securitization

To the extent permitted by law, upon order of the Commission, ITC will take steps necessary, including seeking FERC approval as necessary, to utilize securitization to finance transmission-related storm damage repair and restoration costs above $100 million for a single storm occurrence, so long as securitized financing is available and is the least cost financing alternative, ITC receives all applicable regulatory approvals for such securitization, and the costs associated with obtaining such securitization is recoverable through ITC's rate for transmission service. To the extent current law does not permit ITC to utilize securitized financing, ITC will take reasonable steps to have changes to law made to enable such securitized financing. In addition, ITC's compliance under this provision may be accomplished through its obtaining securitized financing directly or through Entergy Corporation's or one of its affiliates' obtaining securitized financing on ITC's behalf.

B. MISO Conditions

MISO Conditions: ITC will abide by all applicable MISO conditions as set forth in the Commission's Order of October 26, 2012, in Docket No. 40346. We have reviewed the MISO conditions in the Commission's Order in Docket No. 40346 and believe that conditions contained therein not identified below are inapplicable to ITC, have already been satisfied, or are beyond the control of ITC.

Applicable Conditions:

Finding of Fact No. 23: ***MISO Governance (E-RSC)*** – *ETI agreed that as a condition of joining MISO it will support retention of the Entergy Regional State Committee's (E-RSC's) current level of authority during the five-year transition period (as defined in Attachment FF of the MISO tariff) in MISO as follows:*

> *a. The E-RSC shall retain authority to direct the EOCs, upon unanimous vote, to exercise their rights as transmission owners in MISO to add projects to the MISO transmission expansion plan;*
>
> *b. The E-RSC shall retain authority, upon unanimous vote, to direct the EOCs, as transmission owners in MISO to propose to modify the usual MISO cost allocation methodology among the EOCs' transmission pricing zones with respect to new transmission projects, other than multi-value projects, that are situated entirely within MISO South, and are approved during the five-year transition period for cost allocation that MISO proposed to FERC and that FERC has conditionally approved. Any modifications to the cost allocation methodology would require FERC approval.*
>
> *c. ETI further agreed that it will use reasonable efforts in working with the other EOCs (who ETI expects will work with their respective retail regulators) and the Commission in considering an extension of such authority beyond the five-year transition period.*

ITC will abide by this condition.

Finding of Fact No. 26: ***MISO Cost/Benefit Review*** – *The signatories agreed that the Commission will conduct a supplemental review of ETI's continued MISO membership prior to the end of five years from the date that ETI achieves integration into MISO or December 31, 2018, whichever occurs first. In connection with this supplemental review, one year prior to that date, ETI will submit a filing that includes a study analyzing the costs and benefits to date of MISO participation and a forward-looking cost/benefit analysis, which affords the opportunity for meaningful stakeholder input.*

> *a. MISO Costs/Benefit Periodic Reports-ETI agreed to work in cooperation with Commission Staff to develop an appropriate framework for periodic analyses and reporting of the costs and benefits of ETI membership in MISO.*

To the extent that any study by ETI or Commission supplemental review of ETI's continued MISO membership leads to any Commission proceeding regarding the potential exit of ITC from MISO as a transmission owner, then ITC will participate in any such proceeding, and further subject to Amended Proposed Commitments Subsection III.L regarding MISO Conditions.

Finding of Fact No. 31: ***Transmission Congestion Reporting*** *– ETI agreed that it will provide regular periodic updates to the Commission which detail its ongoing efforts, through its own transmission planning and its participation in the MISO transmission expansion planning process, to proactively identify, advocate and pursue construction of transmission upgrades that are reasonably forecasted to provide a net economic benefit toward reducing ETI's cost to provide reliable electric service to its retail customers.*

ITC will abide by this condition as contemplated by the Amended Proposed Commitments to which this appendix is attached.

Finding of Fact No. 33: *The signatories agreed that, after ETI joins MISO, it shall remain responsible and accountable for the operation of its systems, including but not limited to: the manner in which it participates in any MISO-administered market; how it offers its generation into the MISO Day Ahead and Real Time Markets; how it offers load into the MISO Day Ahead market; bidding and scheduling; any actions it takes to supply its retail loads; any actions it takes to procure fuel, capacity and/or energy; the prudent administration and management of its energy supply contracts; the prudent administration and management of its energy supply transactions with MISO; its obligation to ensure that the charges and credits received from MISO are correct and accurate; appropriate management of nominating ARRs, conversion to or use of FTRs and appropriate crediting of ARR and FTR receipts, and any resource adequacy market transactions.*

ITC's commitment regarding its responsibility for the operation of the transmission system is addressed in the Amended Proposed Commitments to which this appendix is attached.

Finding of Fact No. 34: *The signatories agreed that Commission Staff shall have complete access to information and full rights to conduct audits of costs incurred by or credited to ETI and to conduct prudence reviews, as needed, in connection with these and related activities within ETI's control, including activities associated with transitioning to and operating within membership in MISO. These audits and prudence reviews rights are not intended to make ETI responsible for activities required by a valid FERC tariff and which are undertaken by MISO that are therefore beyond ETI's control. Ensuring that MISO charges and credits to ETI are correct and accurate, however, will be the explicit responsibility of ETI to the extent that it is reasonably possible for ETI to do so consistent with the information that is available to it. ETI must undertake all reasonable efforts to verify the correctness and accuracy of these charges and credits which will include all reasonable efforts to obtain the information necessary to verify the accuracy of these charges and credits. ETI must also validate that the charges and credits it receives are being assessed pursuant to the MISO tariff.*

ITC will provide information upon request by the Commission related to the costs incurred as a result of ITC's participation as a transmission owner in MISO that are ultimately reflected in retail rates in Texas. ITC's commitment to abide by this condition is not intended to grant the Commission any authority it does not currently have under state law nor give up any rights that ITC may have under federal, state, or local law.

C. Congestion Study

Following the close of the Transaction, ITC will undertake a study of congestion on the transmission system formerly owned by ETI, identifying transmission projects to mitigate congestion, and present such study to regulatory authorities that exercise retail rate jurisdiction over ETI. ITC commits to propose and support in the MISO planning process those transmission projects identified in the study that are expected to cost-effectively reduce congestion.

III. ETI PROPOSALS

A. Transmission Cost Rate Mechanism

ETI shall be authorized to implement a Transmission Cost Recovery Factor (TCRF) consistent with P.U.C. SUBST. R. 25.239, modified such that ETI shall: 1) be authorized to defer on an on-going basis costs for transmission service incurred under the MISO Tariff not recovered by base rates of the TCRF, with carrying costs at ETI's WACC, and 2) subsequently include such deferred amounts in the calculation of the TCRF rate. The TCRF shall be the means by which bill credits from ITC will be flowed through to ETI's retail customers as well as the means by which bill credits from ETI shall be provided to ETI's retail customers. Any costs associated with transmission assets that are not being transferred to ITC (e.g., certain step-up transformers) shall continue to be recovered by ETI in its base rates.

B. Call Premiums

ETI will not request recovery in rates of any call premiums incurred to pay down debt in connection with the Transaction.

C. Service Conditions

ETI acknowledges and commits that after the completion of the ITC Transaction, it will remain fully responsible and accountable for the provision of safe, reliable, adequate, and lowest reasonable cost service to its customers in all respects relating to generation, distribution, and customer service. ETI shall also be responsible for coordination with ITC.

D. MISO Billing Accuracy

ETI will undertake all reasonable efforts to verify the correctness and accuracy of the ITC portion of the MISO charges and credits to ETI, which will include all reasonable efforts to obtain the information necessary to verify the accuracy of these charges and credits. ETI will also validate that the charges and credits it receives are being assessed pursuant to the MISO tariff.

E. Use of Transaction Proceeds

ETI commits that within 30 days of the date of a Commission Order in this docket, it will file with the Commission the planned use of the proceeds of the ITC Transaction to ensure that this use is consistent with that described in the Direct and Rebuttal Testimony of Theodore Bunting. Should ETI utilize the proceeds of the transaction in a manner different than as presented in Mr. Bunting's testimony, the Commission reserves the authority to determine whether the use of the proceeds is prudent and the appropriate ratemaking treatment of the ETI decision. Within 180 days after the ITC Transaction is consummated, ETI shall file with the Commission a report detailing specifically how the proceeds of the transaction were used, or will be used, including without limitation identifying the debt that was retired or will be retired. To the extent that ETI has not completed the disposition of proceeds within 180 days, it shall file with the Commission a report detailing the final disposition, with such report to be filed within 60 days of the completion of the final disposition.

F. Limitation of Federal Preemption Arguments

If ETI challenges or appeals any Commission Order issued in this docket related to the ITC Transaction, that challenge or appeal will not raise the issue of federal preemption with respect to the jurisdiction of the Commission to approve or state its non-objection to the ITC Transaction in order for the transaction to proceed and be consummated and/or the transmission assets of ETI to be sold or transferred. ETI reserves its rights to appeal an Order of the Commission to the Texas courts on any other issues.

APPENDIX B: CALCULATION OF ITC OWNERSHIP BENEFITS

I. DEFINITIONS

"**Actual WACC Effects**" means the difference in ETI retail WACC as of December 5, 2011 and actual ITC WACC applied to the ITC Rate Base and adjusted for ETI retail impact only.

"**Annualized Cost of ITC Economic Projects**" means the project cost of the ITC Economic Projects based on MISO's determination divided by 40 years.

"Asset Care Plan" means work yet to be completed under ETI's "2013 T&D Reliability Plan" at the time the Transaction closes.

"Economic Base Case" means any models of the state of the transmission assets owned by ITC MidSouth at the time the Transaction closes. The presumed state of the transmission assets in the ITC Midsouth footprint is the transmission assets at the time of the Transaction's close modified to include the projects in **Attachment 1 to Appendix B** that receive approval through MISO's planning process as identified on that list. At the time any study is initiated, the most recently available models produced by MISO will be used to represent the systems and data outside of the transmission assets owned by ITC Midsouth. To the extent these models include systems and data outside the MISO footprint, such systems and data will be represented as in the MISO models.

"**Extension Period**" means the time period following the Initial Period, if any, during which the Rate Mitigation Plan continues in effect.

"**Initial Period**" means the 5-year period starting at the close of the Transaction.

"ITC Base Case" means any models of the state of the transmission assets contained within the footprint of ITC Midsouth to be used in this benefits test. The state of the transmission assets for the ITC Midsouth footprint is the transmission assets contained within the footprint of ITC Midsouth at the time any study is initiated, modified by all transmission projects approved by MISO for integration into the ITC Midsouth footprint. At the time any study is initiated, the most recently available models produced by MISO will be used to represent the systems and data outside of the transmission assets in the ITC Midsouth footprint. To the extent these models include systems and data outside the MISO footprint, such systems and data will be represented as in the MISO models.

"ITC Economic Projects" means projects proposed by ITC and included in an approved MISO transmission plan as a Market Efficiency Project.

"**ITC Ownership Benefit Calculation**" means the benefits of ITC ownership as calculated in accordance with section III.A below.

"**ITC Rate Base**" means actual ITC rate base reflected in rates charged for transmission service that are passed through ETI retail rates.

""**MISO**" means the Midcontinent Independent System Operator, Inc.

"Rate Mitigation Plan" means use of funds over the Initial Period and Extension Period, if any, to offset certain rate effects of the Transaction.

"Reliability Base Level" means the 2012 results using the SGS Methodology for given indices on the transmission system as owned and operated by Entergy Corp., and its affiliated entities.

"SGS Report" means the *Transmission Reliability Benchmarking Study* published by SGS Statistical Services.

"**SGS Methodology**" means the methodologies employed in the development of the SGS Report, or similar methodologies, to determine average circuit sustained outages and average circuit outage duration.

"**Subject Year**" means the most recent year for which complete data is available for a measure. Subject Year may vary by measure.

"**Transaction**" means the Reverse Morris Trust transaction among ITC Holdings Corp., Entergy Corp., and affiliated entities through which a subsidiary of ITC Holdings Corp. will own the transmission assets formerly owned by the Entergy Operating Companies.

"**Transition Period**" means the period of time following close of the Transaction during which the Rate Mitigation Plan is in place, which begins with the Initial Period and includes the Extension Period, if any.

"Third Party Evaluator" means an individual or entity (together with any necessary subcontractor(s)) who, in ITC's sole discretion, is qualified to oversee and/or administer the benefits test.

"**WACC**" means Weighted Average Cost of Capital in percentage terms.

II. CALCULATION

A. Overview

There are three components of the test that shall be applied to determine whether the benefits of ITC's ownership of transmission offset the Actual WACC Effects:

1. **<u>Improved System Performance:</u>** The showing of an improvement in system reliability, incremental to the Reliability Base Level, as indicated through the system performance metrics described herein; and

2. **Improved System Economics:** The showing of an improvement in system economics, incremental to the Economic Base Case, as indicated through the economic benefit metrics described herein.

3. **Not Readily Quantifiable Benefits**: The Transaction produces benefits that are not readily quantifiable. For purposes of calculation, this is assumed to be 10% of Actual WACC Effects.

B. Methodology of Test for Improved System Performance

1. Calculation

For a given year, the Improved System will be the sum of:

a. Percentage Improvement in Average Circuit Sustained Outages,
b. Percentage Improvement in Average Circuit Outage Duration, and
c. Percentage Remediation of Asset Care Plan

2. Explanation Of Calculation Elements

a. Percentage Improvement in Average Circuit Sustained Outages

Utilizing the SGS Methodology, the Percentage Improvement in Average Circuit Sustained Outages is the Subject Year actual ITC annual average circuit sustained outages reduction as compared to the Reliability Base Level average circuit sustained outages. This metric is calculated as the percentage by which the Subject Year average circuit sustained outages is less than the average circuit sustained outages observed in the Reliability Base Level. Percentage Improvement in Average Circuit Sustained Outages will be evaluated for each transmission pricing zone.

b. Percentage Improvement in Average Circuit Outage Duration

Utilizing the SGS Methodology, the Percentage Improvement in Average Circuit Outage Duration is the Subject Year actual ITC annual average circuit outage duration reduction as compared to the Reliability Base Level average circuit outage duration. This metric is calculated as the percentage by which the Subject Year average circuit outage duration is less than the average circuit outage duration observed in the Reliability Base Level. Percentage Improvement in Average Circuit Outage Duration will be evaluated for each transmission pricing zone.

Attachment: Entergy Letter-Merger (2766 : Entergy Change of Ownership)

c. Percent Remediation of Asset Care Plan

The Percent Remediation of Asset Care Plan for the Subject Year will be calculated as the total reduction in Asset Care Plan achieved by the end of the Subject Year measured in task or unit depending on the activity. Percent Remediation of Asset Care Plan will be evaluated for each transmission pricing zone.

3. Implementation Roles and Procedures

Generic Simplified Example: Percentage improvement or remediation for one metric = (Base– ITC results or remaining work)/Base. If the base for a metric was 100 and ITC in results or remaining work for that metric in a Subject Year = 95, then improvement or remediation = (100 – 95)/100 = 5%. If the metrics were X, Y and Z respectively, the total Improved System Performance would X + Y + Z).

C. Methodology of Test for Improved System Economics

1. Calculation: For a given year, the Improved System Economics will analyze the incremental improvement of the economic performance in the ITC Base case as compared to the Economic Base Case. The arithmetic annual average of the sum of the following quantities over 40 years will be the Improved System Economics for the year:

a. Congestion and Fuel Savings Benefits,
b. Operating Reserves Savings Benefits,
c. System Planning Reserve Margin Benefits,
d. Transmission Line Losses Benefits,
e. Generation Investment Benefits, and
f. Future Transmission Investment Benefits

(Year 1 Total = a + b + c + d + e + f for year 1, Year 2 Total = a + b + c + d + e + f for year 2, Improved System Economics = Average of Year 1 Total, Year 2 Total, ..., Year 40 Total)

2. Explanation Of Calculation Elements

a. Congestion and Fuel Savings Benefits

To the extent the ITC Base Case allows for a more efficient dispatch of generation resources, opening of markets to competition and spreading the benefits of low cost generation throughout the ITC Midsouth footprint, as compared to the Economic Base Case, these benefits will be counted as Congestion and Fuel Savings Benefits. These benefits reflect the savings achieved through the reduction of transmission congestion costs and through more efficient use of generation resources as well as removal of reliability must run status for certain generators. The Congestion and Fuel Savings Benefits will be evaluated on a MISO-wide basis and allocated to each transmission pricing zone in the proportion that these benefits are shown to be received by that transmission pricing zone.

b. Operating Reserves Savings Benefits

To the extent the ITC Base Case reduces operating reserve costs for the ITC Midsouth footprint as compared to the Economic Base Case, these benefits will be counted as Operating Reserves Savings Benefits. These benefits may include the savings from retirement of generation units previously needed to support reserve margins Operating Reserves Savings Benefits be evaluated for each transmission pricing zone.

c. System Planning Reserve Margin Benefits

To the extent the ITC Base Case reduces transmission congestion as compared to the Economic Base Case, thereby reducing the footprint planning reserve margin and decreasing the amount of generation required to meet the planning reserve margin, this defers new generation. The value of these benefits will be counted as System Planning Reserve Margin Benefits. System Planning Reserve Margin Benefits arising from avoided/deferred generation capacity will be evaluated for each transmission pricing zone.

d. System Losses Reduction

To the extent the ITC Base Case reduces overall system losses as compared to the Economic Base Case, this reduces the generation needed to serve the system losses. The energy value of these loss reductions is considered in the congestion and fuel savings benefits, but the loss reduction also helps to reduce future generation capacity needs. The value of the reduced future generation capacity needs benefits will be counted as System Loss Benefits. System Loss Benefits will be evaluated for each transmission pricing zone.

e. Optimization of Generation Locations

To the extent the ITC Base Case reduces or defers the need for constructing new generating plants in load pockets as compared to the Economic Base Case, this reduces the generation capital investment cost needed to serve the customers. The value of these benefits for the ITC Midsouth footprint will be counted as Generation

Investment Benefits. These benefits accruing from increased deliverability of capacity will be evaluated for each transmission pricing zone.

f. Future Reliability Transmission

To the extent that ITC Economic Projects eliminate or defers the need for future reliability transmission investments, this reduces the total transmission investment cost needed to serve the customers. The value of this elimination or deferral for each Transmission pricing zone in the ITC Midsouth footprint will be counted as future transmission investment benefits.

3. Implementation Roles and Procedures

a. Performance of the Improved System Economics Test

The valuation metrics used in the Improved System Economics Test used above were developed by MISO for their MVP analysis (https://www.midwestiso.org/Library/Repository/Study/Candidate%20MVP%20Analysis/MVP%20Portfolio%20Analysis%20Full%20Report.pdf). This MISO methodology that has been vetted through a stakeholder process.

b. Input Assumptions of the Improved System Economics Test

In any year, all input assumptions of the ITC Base Case and the Economic Base Case will be consistent with the most recent assumptions of the most recent MTEP and/or MVP analyses to be performed by MISO. These assumptions include, but are not limited to, fuel costs, US Environmental Protection Administration mandates/Renewable Power Standards, load forecasts and the attendant uncertainties, transmission topology (unless otherwise specified herein related to Entergy or ITC Midsouth footprint) and generation futures.

III. OVERALL TEST IMPLEMENTATION FRAMEWORK

A. Establishment of the portion of ITC's Revenue Requirement Subject to Mitigation

ITC Ownership Benefit Calculation:

For a given year:

a) Not Readily Quantifiable Benefits (assumed as 10% of Actual WACC Effects)
b) plus benefits demonstrated through Improved System Performance multiplied by Actual WACC Effects (capped at 45% of Actual WACC Effects)

c) plus benefits demonstrated through Improved System Economics
d) less Annualized Cost of ITC Economic Projects
e) less Actual WACC Effects

If the ITC Ownership Benefit Calculation in any given year for which the calculation can be made is greater than or equal to zero, the Rate Mitigation Plan shall terminate on the 30th day following the filing of the Third Party Evaluator's determination.

The benefits test will be performed by the Third Party Evaluator near the end of the Initial Period such that the results will be available to ITC and ETI at the conclusion of the Initial Period. Thereafter the test may be applied for any period at the sole discretion of ITC.

ATTACHMENT 1 TO APPENDIX B: PROJECT LIST

Planned Projects Included in Economic Base Case

Project Name	LE	Proposed ISD (Planning)
NLR Westgate - NLR Levy: Reconductor 115 kV Line	EAI	2013 Summer
Fordyce: Relocate capacitor bank to 115 kV bus	EAI	2014 Summer
Sheridan South 500 kV FG Upgrade: Mabelvale 500 kV Substation replace 3 breakers, 13 switches, and 2 line traps	EAI	2014 Summer
Sheridan South 500 kV FG Upgrade: Sheridan 500 kV Substation replace 11 switches, and 6 line traps	EAI	2014 Summer
Sheridan South 500 kV FG Upgrade: White Bluff 500 kV Substation replace 5 switches, and 2 line traps	EAI	2014 Summer
Sheridan South 500 kV FG Upgrade: Eldorado 500 kV Substation replace 1 switch and 2 line traps	EAI	2014 Summer
Camden McGuire - Camden North 115kV Line: Construct New Line	EAI	2014 Summer
LV Bagby to Reed: Construct new 230 kV line and operate at 115 kV	EAI	2014 Summer
Woodward to Pine Bluff Watson Chapel: Reconductor line	EAI	2014 Summer
Calico Rock-Melbourne - Upgrade 161kV Line	EAI	2014 Winter
Hot Springs Hamilton (Albright) - Carpenter Dam: Construct new 115 kV Line and convert Mountain Pine South to ring bus stations.	EAI	2015 Summer
Pine Bluff Voltage Support Project: Phase 2 Woodward: Construct 230 kV ring bus and convert White Bluff to Pine Bluff Arsenal D to Woodward 115 kV line to 230 kV	EAI	2015 Summer
White Bluff: Reconfigure 500 kV Station and construct 230 kV ring bus	EAI	2015 Summer
Woodward - Pine Bluff West - Pine Bluff McCamant: Reconductor 115 kV	EAI	2015 Summer
Woodward-115 kV Bus Reconfiguration	EAI	2015 Summer
HS EHV-HS Industrial: Upgrade Terminal Equipment	EAI	2015 Summer
HS Industrial-HS Union Carbide: Upgrade Terminal Equipment	EAI	2015 Summer
HS Union Carbide-HS East: Upgrade Terminal Equipment	EAI	2015 Summer
Norfork-Calico Rock : Upgrade 161 kV Line	EAI	2016 Summer
AECC L&D 2 to Gillett: Construct new 115 kV Line	EAI	2016 Summer
Mabelvale: Replace 500-115 Autos	EAI	2016 Summer
Mossville - Cut-in line 616 (Nelson to Carlyss 138 kV) into Mossville 138 kV Substation	EGSL	2013 Summer
Five Points to Line Tap 281 to Line 247 Tap- Upgrade 69 kV line	EGSL	2014 Summer
Copol to Bourbeaux: Upgrade 69 kV line	EGSL	2014 Winter
McManus to Brady Heights - Upgrade 69 kV line	EGSL	2016 Summer
Sorrento Upgrade 138/115 kV Auto and upgrade Gonzales - Sorrento 138 kV Line	EGSL/ELL	2014 Summer
Southeast LA Coastal Improvement Plan: Phase 3 Construct Oakville to Alliance 230kV Line Add 230 - 115 kV Autotransformer at Alliance Substation	ELL	2012 Summer

NE Louisiana Improvement Project - Phase 2 Oakridge to new Dunn Substation - Construct new 115 kV Line (1272 ACSS) Add 115 kV breakers at Dunn	ELL	2013 Summer
Golden Meadow to Leeville 115 kV - Rebuild/relocate 115 kV transmission line	ELL	2013 Winter
Mt. Olive: Add Shunt Reactor	ELL	2013 Winter
NM6: Modify Ninemile switchyard for interconnection	ELL	2014 Winter
NM6: Upgrade Michoud breaker N9803	ELL	2014 Winter
NM6: Upgrade Ninemile to Southport 230 kV transmission line No.1	ELL	2014 Winter
NM6: Upgrade Ninemile to Southport 230 kV transmission line No.2	ELL	2014 Winter
Ray Braswell - Wyndale 115kV Line: Construct New 260 MVA Construct new 115 kV Switching Station between Byram and Terry Wyndale SS to be designed for future 230-115 kV auto and distribution facilities	EMI	2013 Summer
Baxter Wilson to S.E. Vicksburg - Upgrade 115 kV line	EMI	2015 Summer
Breakers at Hollandale and Belzoni (close normally-open point)	EMI	2015 Summer
Deweyville (JNEC) - Add 69 kV capacitor bank	ETI	2012 Summer
College Station SS: Create emergency tie point with ERCOT (asynchronous)	ETI	2012 Summer
Conroe Area Switching Station: tie lines Longmire to Fish Creek and Conroe to Woodhaven into new switching station	ETI	2013 Summer
Upgrade Jacinto - Splendora 138 kV Line	ETI	2015 Summer
Alden 138 kV Substation: Add Capacitor Bank	ETI	2015 Summer
Construct new China to Amelia 230kV line	ETI	2016 Summer
Upgrade Splendora to Apollo 138 kV Line	ETI	2016 Summer
Ponderosa to Grimes: Construct new 230 kV Line Add 345-230 kV Auto at Grimes Add 230-138 kV Auto at Ponderosa	ETI	2016 Summer

Attachment: Entergy Letter-Merger (2766 : Entergy Change of Ownership)

APPENDIX C: SUPPLEMENTAL PROPOSED COMMITMENTS REGARDING THE SELECTION OF THE THIRD PARTY EVALUATOR

Amended Proposed Commitments Section II (A) (5) provides in the last sentence: "The Third Party Evaluator shall be selected by ITC and all costs associated with the Third Party Evaluator's services will be paid by ITC." This Appendix C provides additional details regarding that Third Party Evaluation selection.

I. Mutually Agreeable Selection of the Third Party Evaluator

Ninety (90) days before the initiation of the review of benefits by the Third Party Evaluator undertaken pursuant to Amended Proposed Commitments Section II (A) (5), ITC and the Entergy Regional State Committee ("ERSC") (or comparable successor organization comprised of the five retail authorities) will mutually agree on the selection of a Third Party Evaluator that meets the qualification criteria set forth in Section II.

II. Third Party Evaluator Qualification Criteria

The Third Party Evaluator must be independent of ITC, Entergy, any Regulatory Authority and the ERSC and must disclose any potential conflicts of interest regarding its representation of ITC, Entergy, any Regulatory Authority or the ERSC in its proposal. In addition, the mutually agreeable Third Party Evaluator must meet all of the following qualification criteria:

1) Powerflow experience
2) Electric market simulation experience
3) Experience with cost-benefit analysis for transmission projects
4) Experience with analysis in an RTO environment
5) Experience or knowledge of loss of load calculations (specifically those used by MISO)

III. Third Party Evaluator Report

The Third Party Evaluator's written report regarding its review of benefits will be submitted to the Regulatory Authority (with any portions that are entitled to confidential treatment submitted accordingly). The Third Party Evaluator will also be made available, upon reasonable notice, to answer questions by the Regulatory Authority regarding the report in a duly noticed workshop or open meeting. The conclusions of the written report shall be final and the Regulatory Authority will issue an order accepting the written report, except that, if within 30 days of the submission of the written report to the Regulatory Authority, the Regulatory Authority identifies a potential error or errors in the written report, the Third Party Evaluator shall review the potential error(s) and correct such error(s), and conclusions based thereon, if any.

Entergy

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The Woodlands, Texas 77380
Tel 281-362-4680
Fax 281-362-4683

Sallie T. Rainer
President/CEO
srainer@entergy.com

July 3, 2013

[Addressee]
[Addressee Title]
[Address]
[Address]

Dear [Address],

We are writing to ask for your City's support of the proposed transaction whereby Entergy Texas will spin off its electric transmission business and merge that business with ITC Holdings Corp. (ITC). This transaction will bring a strong new business partner to Southeast Texas and significant benefits to retail electric consumers.

Entergy Texas firmly believes that the independent transmission company model is the most effective and efficient model to manage the requirements to build and maintain the transmission grid necessary to meet customer electric demands and preferences today and into the future, particularly as Entergy Texas moves into the operating environment of a Regional Transmission Organization (RTO). ITC, the first, largest and only publicly-traded independent transmission company in the United States, is the right partner to take on that role. ITC is financially strong, has more than a decade of experience planning and operating in an RTO environment, and has a proven track record of top tier performance for the transmission systems it owns and operates. ITC is committed to making investments in transmission infrastructure in Southeast Texas to enhance reliability, provide greater market access to lower cost generation resources, and reduce congestion on the transmission system for the benefit of retail customers. Having ITC responsible for investments in transmission will also make Entergy Texas financially stronger and improve Entergy Texas' ability to support growing investment requirements in generation and distribution infrastructure, which will also serve to benefit customers.

Entergy Texas and ITC appreciate that a coalition of cities has actively participated in proceedings before the Public Utility Commission of Texas to explore the benefits offered by this transaction. The coalition took the position that the transaction could be found to be consistent with the public interest subject to certain conditions. Entergy Texas and ITC have made commitments to address those conditions at the hearing for this proceeding and are making further commitments in the attached list of amended commitments. Notably, Entergy Texas and ITC are making commitments in Texas to provide rate mitigation (approximately $77 million) for five years that will offset the retail rate effects of the cost of capital difference arising from ITC's federally-approved rate construct (including ITC's authorized return on equity of 12.38%) as compared to Entergy Texas' retail rate construct. Moreover, Entergy Texas and ITC commit that, during the fifth year following the close of the transaction, ITC will conduct a test to demonstrate that ITC's ownership of and investment in transmission have produced benefits that offset the actual retail rate effects resulting from the change in cost of capital due to ITC's ownership. If ITC is not able to show that such benefits offset such costs, Entergy Texas and ITC commit that they will continue to provide rate mitigation until ITC can make such a showing. Entergy Texas also makes the commitment to provide additional retail bill credits (approximately $13 million) to compensate customers for the transition to ITC's forward-looking rate. Finally, and importantly, the attached includes ITC's commitments to a local corporate presence, use of local workforce, and local civic and charitable support. These commitments are incremental to the local economic development benefits that will accompany ITC's investment in transmission.

These commitments have been carefully constructed by Entergy Texas and ITC to be responsive to the conditions set forth by the coalition and to ensure that customers are protected from rate increases resulting from the difference between ITC and Entergy Texas cost of capital that are not more than offset by demonstrated benefits. We trust that you will agree the commitments made by Entergy Texas and ITC substantively satisfy the conditions set forth by the coalition and that your City will take formal action to support the transaction subject to those commitments.

We thank you for your continued support of Entergy Texas and your thoughtful consideration of ITC as a new corporate citizen in the region. Please do not hesitate to contact any of us should you have any questions regarding the companies' commitments to customers and the community as part of this transaction.

Respectfully,

Sallie T. Rainer
President / CEO
Entergy Texas, Inc.

Linda Blair
Executive Vice President & CBO
ITC Holdings Corp.

Theodore H. Bunting, Jr.
Group President – Utility Operations
Entergy Corporation

Cameron Bready
Executive Vice President & CFO
ITC Holdings Corp.

Entergy

ITC

cc: Dan Lawton

Attachment

AMENDED PROPOSED COMMITMENTS

The following proposal is made by the Entergy Texas Inc. ("ETI") and ITC to resolve Docket No. 41223. This listing of conditions and commitments is intended to substitute for all those conditions and commitments made by the Applicants in any previous term sheet, public discussions (except those commitments made during a contested case hearing) and/or in Applicants' rebuttal testimony.

I. DEFINITIONS

"Actual WACC Effects" means the difference in ETI retail WACC as of December 5, 2011 and actual ITC WACC applied to the ITC Rate Base and adjusted for ETI retail impact only. This is used for benefits test(s) and true-up(s) during the Transition Period.

"Annual Review Period" means a calendar year within the Extension Period.

"Attachment O rate" means the MISO tariff Attachment O forward-looking formula, and resulting revenue requirement and transmission charges for ITC as approved by FERC in Docket No. ER12-2681.

"Estimated WACC Effects" means the difference in ETI retail WACC as of December 5, 2011 and estimated ITC WACC applied to ETI estimated transmission rate base and adjusted for ETI retail impact calculated in the retail regulatory filing to estimate retail rate effects of the Transaction. This is used for rate mitigation calculations.

"Extension Period" means the time period following the Initial Period, if any, during which the Rate Mitigation Plan continues in effect.

"FERC" means the Federal Energy Regulatory Commission.

"Initial Period" means the 5-year period starting at the close of the Transaction.

"ITC" means the ITC Midsouth operating company in Texas.

"ITC Ownership Benefit Calculation" means the benefits of ITC ownership as calculated in accordance with **Appendix B** to this term sheet.

"ITC Rate Base" means actual ITC rate base reflected in rates charged for transmission service that are passed through ETI retail rates.

"MISO" means the Midcontinent Independent System Operator, Inc.

"Rate Mitigation Plan" means use of funds over the Initial Period and Extension Period, if any, to offset certain rate effects of the Transaction.

"Regulatory Authority" means the Public Utility Commission of Texas.

"RTO" means Regional Transmission Organization.

"Transaction" means the Reverse Morris Trust transaction among ITC Holdings Corp., Entergy Corp., and affiliated entities through which a subsidiary of ITC Holdings Corp. will own the transmission assets formerly owned by the Entergy Operating Companies.

"Transition Period" means the period of time following close of the Transaction during which the Rate Mitigation Plan is in place, which begins with the Initial Period and includes the Extension Period, if any.

"WACC" means Weighted Average Cost of Capital in percentage terms.

II. ETI AND ITC MUTUAL PROPOSALS

A. Rate Mitigation – WACC Effects

1. **Initial Period:** ITC and ETI agree to implement a Rate Mitigation Plan over the Transition Period, which at a minimum will be the Initial Period but may be extended during the Extension Period as set forth below. The funds associated with the Rate Mitigation Plan for the Initial Period are specified in **Appendix A,** but may be modified in accordance with Subsection II.A.10 below.

2. **Extension Period:** If at the end of the Initial Period, ITC has not demonstrated that the annual ITC Ownership Benefit Calculation is greater than the annual Actual WACC Effects in the fifth year following the close of the Transaction, the Rate Mitigation Plan shall remain in place until such time as ITC has demonstrated that the annual ITC Ownership Benefit Calculation exceeds the annual Actual WACC Effects during an Annual Review Period. The Rate Mitigation Plan for the Extension Period will consist of annual funds that reflect 100% of the projected Actual WACC Effects net of the percentage of annual Actual WACC Effects offset by the ITC Ownership Benefit Calculation per the last calculation of such benefits.

3. **True Up of Initial Period:** If at the end of the Initial Period the annual ITC Ownership Benefit Calculation is not greater than the annual Actual WACC Effects in the fifth year following the close of the Transaction, there will be a true-up of the Actual WACC Effects for the Initial Period to the funds associated with the Rate Mitigation for the Initial Period specified in **Appendix A**. To the extent that Actual WACC Effects less the ITC Ownership Benefit Calculation exceeds the funds associated with the Rate Mitigation Plan for the Initial Period specified in **Appendix A**, additional rate mitigation for the difference will be put in place over the next two years (one-half of the additional rate mitigation in the sixth year following close of the Transaction and one-half of the additional rate mitigation in the seventh year following the close of the Transaction).

4. **True Up During Extension Period:** During the Extension Period, if any, if annual Actual WACC Effects less the ITC Ownership Benefit Calculation for the Extension Period exceed the rate mitigation funds provided during the Extension Period in accordance with Subsection II.A.2, additional rate mitigation funds for such difference will be put in place in the next calendar year.

5. **Review of Benefits By Third Party Evaluator:** The determination of whether the annual ITC Ownership Benefit Calculation exceeds annual Actual WACC Effects shall be made by a Third Party Evaluator in accordance with the methodology set forth in **Appendix B**. Beginning no earlier than the last year of the Initial Period and at any time during the Extension Period, ITC shall be permitted to initiate the Third Party Evaluator's assessment of the annual ITC Ownership Benefit Calculation to determine whether the annual ITC Ownership Benefit Calculation exceeds annual Actual WACC Effects. There shall be no limit as to the number of times or frequency that the Third Party Evaluator's assessment of the ITC Ownership Benefit Calculation may be initiated during the Extension Period. The Third Party Evaluator shall be selected by ITC and all costs associated with the Third Party Evaluator's services will be paid by ITC.

6. **Termination of Rate Mitigation:** If the Third Party Evaluator determines, in accordance with **Appendix B,** that the annual ITC Ownership Benefit Calculation exceeds annual Actual WACC Effects at either the end of the Initial Period or for any Annual Review Period, any obligations for rate mitigation terminates on the 30th day following the filing of the Third Party Evaluator's determination.

7. **ETI Treatment of Rate Mitigation Provided by ITC:** Any rate mitigation provided by ITC that is realized by ETI as part of the Rate Mitigation Plan will be passed through to ETI customers in accordance with **Appendix A – Section III.A Transmission Cost Rate Mechanism**.

Attachment: Entergy Merger Attachment (2766 : Entergy Change of Ownership)

8. **Termination of ETI Contribution To Rate Mitigation:** If at the end of the 20th year following the close of the Transaction, the ITC Ownership Benefit Calculation has not been found to exceed the annual Actual WACC Effects for an Annual Review Period, ETI's obligation to provide bill credits shall cease. ITC shall be obligated to provide all rate mitigation thereafter until such time as the ITC Ownership Benefit Calculation exceeds the annual Actual WACC Effects for an Annual Review Period.

9. **Measuring Estimated or Actual WACC Effects:** For purposes of measuring Estimated and Actual WACC Effects, in either the Initial Period or the Extension Period, ETI's WACC will be based on equity and capital structure as of the date of the Transaction's announcement (December 5, 2011), which is the basis for determining the amounts set forth in **Appendix A**.

10. **FERC Ordered Rate Construct Change:** If FERC issues an order that changes the formula rate or elements of the rate construct (including the forward looking application of the formula rate, authorized rate of return on equity, target capital structure, and annual true-up mechanism) for ITC, and which causes a change in ITC-WACC, then any rate mitigation shall be adjusted by an amount equivalent to the change in ITC-WACC caused by that FERC order.

11. **No Challenge To Rate Construct By Parties:** During the Initial Period, the Rate Mitigation Plan is conditioned on the parties to this proceeding in support of the Rate Mitigation Plan and the Regulatory Authority that approves the Rate Mitigation Plan not challenging the formula rate and elements of the rate construct (including the forward looking application of the formula rate, authorized rate of return on equity, target capital structure, and annual true-up mechanism) that are approved for ITC by the FERC in connection with the Transaction.

12. **Return On Equity:** During the Transition Period, ITC will not seek an approval from FERC to utilize an overall rate of return on equity that is above the prevailing return on equity level approved for use by Transmission Owners in MISO, except that if that return on equity level is less than 12.38 percent then ITC may seek approval from FERC to utilize a rate of return on equity up to 12.38 percent.

B. Rate Mitigation – Forward Test Year

1. ETI agrees to provide additional retail customers bill credits specified in **Appendix A** over the first three years of the Initial Period, which amount represents the estimated effects on retail customers of eliminating regulatory lag by implementing a forward test year during the Initial Period.

C. Transmission System Performance

1. **ITC and ETI Storm Plans:** Within 180 days after the closing of the ITC Transaction, ETI and ITC shall file with the Regulatory Authority new (separate) Emergency Response Plans specifically detailing their proposed responses to tropical storms, hurricane and flood conditions, the manner in which coordination and communication between ETI and ITC will occur, how communication and coordination with State and local authorities will occur and all related matters.

2. **Vegetation Management Plans:** ETI and ITC, within 180 days after closing of the ITC Transaction, shall file with the Regulatory Authority their tree trimming/vegetation control plan for the ETI service territories. That plan must include expected expenditures broken down by ETI service territories and between ITC and ETI for transmission vegetation control versus distribution vegetation control. That plan should also detail the breakdown of responsibility for vegetation control as between ETI and ITC.

3. **System Hardening Plans:** ITC, one year after closing of the ITC Transaction, shall file with the Regulatory Authority its proposal for "hardening" of the former ETI backbone transmission system.

4. **Joint Storm Drills:** ITC and ETI commit to conduct, no less than annually, joint storm drills, which will include the participation of other entities who are interconnected with ITC's transmission system who choose to participate, which address joint plans for responding to catastrophic storms.

D. <u>Other Matters</u>

1. **State Approvals:** The Regulatory Authority will have the right to reconsider its approval and public interest determination if the other jurisdictions, not including City of New Orleans or Missouri, issue an Order denying any other Entergy Operating Company the authority to complete the ITC Transaction.

2. **FERC Approval:** The Regulatory Authority will have the right to reconsider its approval and public interest determination if the FERC issues an Order denying Entergy and/or ITC the authority to complete the ITC Transaction.

3. **Most Favored Nations:** ITC and ETI will provide to the Regulatory Authority any contingency, condition or benefit that is provided for in any other Regulatory Authority's order approving the Transaction in any other jurisdiction provided such contingency, condition or benefit does not derive from circumstances or regulatory requirements unique to an individual jurisdiction and can be applied consistently across jurisdictions, and ITC and ETI receive comparable terms and consideration from the Regulatory Authority seeking to receive such contingency, condition or benefit.

4. **Requests For Relief:** Requests for relief in the joint application are granted to the extent not modified by this term sheet.

III. ITC PROPOSALS

A. **Jurisdiction Generally:** ITC is committed to operating in full compliance with all applicable legal and regulatory requirements, and working closely and collaboratively with the Regulatory Authority. ITC will operate subject to and in compliance with all state statutes and regulations that apply to it as an electric transmission only public utility in Texas.

B. **Books and Records**: ITC acknowledges that the Regulatory Authority has authority to review its books and records in accordance with the requirements of state law.

C. **Asset Transfers:** ITC shall not transfer any transmission assets located in Texas without the prior approval of the Regulatory Authority, in accordance with the requirements of state law.

D. **State ITC Representative:** ITC will designate an employee whose main work location and residence is in Texas to be a liaison on behalf of ITC to the Regulatory Authority. ITC also will designate personnel who will be available to participate in emergency operations coordination when needed.

E. **Requests for Information and Meetings:** Subject to reasonable notice, ITC will cooperate with Regulatory Authority requests for information and for ITC staff to attend Regulatory Authority meetings, technical conferences, and hearings.

F. **Transmission Projects:** On an ongoing basis, and at least annually regarding its annual capital investment program, ITC will share with the Regulatory Authority information about its planned or proposed transmission projects, including the rationale for planned or proposed projects, currently anticipated timing and cost of construction, and other material information about such projects. In addition, ITC will respond to inquiries from the Regulatory Authority regarding its transmission projects, will be open to and consider input from the Regulatory Authority regarding its transmission project plans, and support the Regulatory Authority's active participation in the regional transmission planning process.

G. **Annual Rate Posting:** On an annual basis, at least 15 days prior to the time that ITC posts its forecasted Attachment O rate with MISO, ITC shall provide to the Regulatory Authority a summary of that forecasted rate posting, including all expected rate impacts.

H. **Responses to Inquiries:** ITC commits that it will respond to data requests timely regarding its annual forecasted Attachment O rate posting with MISO and otherwise cooperate with the Regulatory Authority and their Staff in their analyses. ITC further agrees to make members of its staff available to the Regulatory Authority and its Staff to respond to inquiries and to explain the submission and the annual rate posting process.

I. **Summary of Rates Charged:** Annually, within 30 days after ITC submits its annual FERC Form No. 1 to FERC, ITC shall provide to the Regulatory Authority a summary of all rates charged by MISO to network transmission customers of ITC for the prior year.

J. **Litigation Expenses:** For issues in which Regulatory Authority has a justiciable interest and as provided by state law, ITC commits that it will annually fund up to $1.5 million (unless otherwise provided by applicable state law) the Regulatory Authority's reasonably necessary expenses for an effective review of any information or pleadings that ITC submits to the Regulatory Authority or to FERC, and complaints or actions filed by, or investigations or audits initiated by, the Regulatory Authority at FERC or its own jurisdiction related to transmission services provided by ITC to utilities that are subject to the retail jurisdiction of the Regulatory Authority. ITC also will continue to fund such necessary expenses as had been provided in state law if that state law is repealed or does not otherwise remain in force. This commitment is contingent upon ITC's ability to recover such costs in rates.

K. **Rate Filings:** ITC commits that it will review with the Regulatory Authority and/or Staff any rate filings initiated by it to FERC that would impact ITC's customers in Texas in advance to explain the rationale for such a filing.

L. **MISO Conditions:** ITC will abide by all applicable MISO conditions, identified in **Appendix A**. ITC will abide by this condition provided that: a) any exit fee associated with terminating membership in MISO be paid by electric consumers within the footprint served by ITC; b) any termination of membership in MISO also be approved by FERC; c) any termination of membership in MISO also not be disputed by another state Regulatory Authority or local authority in which ITC or one of its affiliates operates; d) if terminating membership in MISO, ITC is able to join a different RTO immediately upon its exit from MISO; and e) ITC shall retain all of its rights, state and federal, to appeal and/or seek other review of any decision or determination by the Regulatory Authority regarding ITC membership in an RTO, including the right to assert federal preemptive rights and seek related relief at the FERC and in the courts under applicable federal law.

M. **Transmission Project Commitment:** ITC will solicit input from the Regulatory Authority regarding transmission projects that should be studied and pursued. ITC will collaborate with the Regulatory Authority to pursue such projects, and take appropriate actions to study and construct such projects that fulfill ITC's transmission planning criteria, are approved through the necessary RTO planning processes, and receive other necessary regulatory approvals.

N. **Siting Authority:** ITC agrees that the Regulatory Authority has certification and siting authority for electric transmission, and will abide by any final Regulatory Authority order adopted exercising that authority, subject to ITC reserving any appeal rights provided under state law. However, this condition is not intended to preempt ITC's compliance with any federal statute or final order of the FERC.

ITC reserves all its rights to participate in proceedings to establish rules related to the Regulatory Authority's rights and authority, and reserves the right to appeal any rules that may be inconsistent with the applicable State and Federal laws, and otherwise reserves its rights to appeal orders issued pursuant to such rules.

O. **System Improvement Plan:** Within 1 year after the closing of the ITC Transaction, ITC shall submit to the Regulatory Authority a report on its analysis of the transmission system formerly owned by ETI and its related plan to improve the transmission system in Texas. Included in its analysis will be a study of congestion on the transmission system and an identification of transmission projects to mitigate such congestion. ITC will propose and support in the MISO planning process those transmission projects identified in the study that are expected to cost-effectively reduce congestion.

P. **ITC Responsibility for Transmission System:** ITC acknowledges and commits that, to the extent not otherwise preempted by federal law, after completion of the ITC Transaction, it will be fully responsible and accountable to the Regulatory Authority for the provision of safe, reliable, adequate and reasonable cost service to its customers in all respects related to planning and the provision of service for the transmission function. ITC shall also be responsible for coordination of operations with ETI as necessary.

Q. **ITC Local Presence:** ITC commits to maintain one or more office, warehouse, and/or pull-out facility locations in this state that will be staffed with ITC personnel.

R. **Civic and Charitable Support:** During the 3-year period immediately following closing of the Transaction, the subsidiaries of ITC Holdings Corp. that own the electric transmission facilities formerly owned by subsidiaries of Entergy Corp. will provide charitable contributions and other community support within the communities in which they operate (allocated among those jurisdictions in a reasonable manner and approximately commensurate in amount with each other), at a level comparable in the aggregate to the levels currently provided by ITC Holdings Corp. in its other service territories.

S. **Use of Local Workforce:** To the extent possible, and where such personnel or vendors satisfy ITC's standards related to quality, capability, cost efficiency, and equipment or other specifications, ITC will seek to utilize vendors, contractors, and personnel located in this state in its transmission system maintenance and capital investment initiatives.

T. **Goodwill:** ITC confirms its commitment that it will not seek to recover goodwill related to the Transaction.

U. **Transaction Costs:** ITC will not seek to recover its Transaction costs unless such recovery is approved by FERC, based on a finding that the benefits of the Transaction outweigh such costs.

V. Workforce Commitment: For a period of 3 years following closing of the Transaction, ITC Holdings Corp. will not implement layoffs of employees performing work on ITC's behalf at a level or in a manner that is not approximately commensurate with layoffs of employees performing work on behalf of ITC Holdings Corp.'s other subsidiary operating companies.

W. ERSC Participation: ITC will support retention of the Entergy Regional State Committee's existing authority over cost allocation and construction of transmission upgrades for the five-year transition period after the Entergy Operating Companies join MISO and the transitional framework conditionally approved by FERC in Order No. ER12-480-000.

IV. ETI Transmission Cost Rate Mechanism And Incremental Costs

A. ETI Transmission Cost Recovery

1. **Transmission Cost Recovery:** ETI shall be authorized to implement the transmission cost recovery specified in **Appendix A**.

B. Incremental Costs

1. **Incremental Costs:** ETI agrees that it will not seek to recover incremental costs associated with the Transaction. While this excludes all external costs, there are certain internal costs that currently are being charged to the Transaction that are not incremental to the ETI's ongoing revenue requirements. ETI proposes that it be permitted to retain these costs in rates but subject to an after-the-fact review by the Regulatory Authority that these costs were prudently incurred for purposes unrelated to the Transaction.

APPENDIX A: SUPPLEMENTAL PROPOSED COMMITMENTS FOR TEXAS

I. ITC AND ETI COMMITMENTS

A. Rate Mitigation – WACC Effects

Subject to Section II.A.10 in the Amended Proposed Commitments, during the Initial Period, ITC and ETI shall provide $77 million in Rate Mitigation Funds, which amount represents an offset of 100% of the estimate of WACC Effects on retail rates during the Initial Period as well as effects of the termination of Service Schedule MSS-2. The $77 million of Rate Mitigation Funds will be provided to customers via $67 million in rate rebates by ITC or bill credits by ETI and $10 million of net avoided costs for MSS-2.

B. Forward Test Year

ETI agrees to provide retail customers with $13.1 million in additional bill credits over the first 3 years after Transaction close.

C. Other Entergy Retail Regulator Decisions

ITC and ETI will provide the Commission, within a reasonable time after they receive them, decisions of any of the other Entergy Retail Regulators, and the FERC, approving, denying, or otherwise impacting the ITC Transaction.

D. Timing of Closing

ITC and ETI will not close the Transaction until after ETI has provided the notices described in Findings of Fact Nos. 21 and 133 of the Commission's Order in Docket No. 40346 to fulfill the terms and conditions contained in that Order.

II. ITC PROPOSALS

A. Securitization

To the extent permitted by law, upon order of the Commission, ITC will take steps necessary, including seeking FERC approval as necessary, to utilize securitization to finance transmission-related storm damage repair and restoration costs above $100 million for a single storm occurrence, so long as securitized financing is available and is the least cost financing alternative, ITC receives all applicable regulatory approvals for such securitization, and the costs associated with obtaining such securitization is recoverable through ITC's rate for transmission service. To the extent current law does not permit ITC to utilize securitized financing, ITC will take reasonable steps to have changes to law made to enable such securitized financing. In addition, ITC's compliance under this provision may be accomplished through its obtaining securitized financing directly or through Entergy Corporation's or one of its affiliates' obtaining securitized financing on ITC's behalf.

B. MISO Conditions

MISO Conditions: ITC will abide by all applicable MISO conditions as set forth in the Commission's Order of October 26, 2012, in Docket No. 40346. We have reviewed the MISO conditions in the Commission's Order in Docket No. 40346 and believe that conditions contained therein not identified below are inapplicable to ITC, have already been satisfied, or are beyond the control of ITC.

Applicable Conditions:

Finding of Fact No. 23: ***MISO Governance (E-RSC)*** *– ETI agreed that as a condition of joining MISO it will support retention of the Entergy Regional State Committee's (E-RSC's) current level of authority during the five-year transition period (as defined in Attachment FF of the MISO tariff) in MISO as follows:*

> *a. The E-RSC shall retain authority to direct the EOCs, upon unanimous vote, to exercise their rights as transmission owners in MISO to add projects to the MISO transmission expansion plan;*
>
> *b. The E-RSC shall retain authority, upon unanimous vote, to direct the EOCs, as transmission owners in MISO to propose to modify the usual MISO cost allocation methodology among the EOCs' transmission pricing zones with respect to new transmission projects, other than multi-value projects, that are situated entirely within MISO South, and are approved during the five-year transition period for cost allocation that MISO proposed to FERC and that FERC has conditionally approved. Any modifications to the cost allocation methodology would require FERC approval.*
>
> *c. ETI further agreed that it will use reasonable efforts in working with the other EOCs (who ETI expects will work with their respective retail regulators) and the Commission in considering an extension of such authority beyond the five-year transition period.*

ITC will abide by this condition.

Finding of Fact No. 26: ***MISO Cost/Benefit Review*** *– The signatories agreed that the Commission will conduct a supplemental review of ETI's continued MISO membership prior to the end of five years from the date that ETI achieves integration into MISO or December 31, 2018, whichever occurs first. In connection with this supplemental review, one year prior to that date, ETI will submit a filing that includes a study analyzing the costs and benefits to date of MISO participation and a forward-looking cost/benefit analysis, which affords the opportunity for meaningful stakeholder input.*

> *a. MISO Costs/Benefit Periodic Reports-ETI agreed to work in cooperation with Commission Staff to develop an appropriate framework for periodic analyses and reporting of the costs and benefits of ETI membership in MISO.*

To the extent that any study by ETI or Commission supplemental review of ETI's continued MISO membership leads to any Commission proceeding regarding the potential exit of ITC from MISO as a transmission owner, then ITC will participate in any such proceeding, and further subject to Amended Proposed Commitments Subsection III.L regarding MISO Conditions.

Finding of Fact No. 31: ***Transmission Congestion Reporting*** *– ETI agreed that it will provide regular periodic updates to the Commission which detail its ongoing efforts, through its own transmission planning and its participation in the MISO transmission expansion planning process, to proactively identify, advocate and pursue construction of transmission upgrades that are reasonably forecasted to provide a net economic benefit toward reducing ETI's cost to provide reliable electric service to its retail customers.*

ITC will abide by this condition as contemplated by the Amended Proposed Commitments to which this appendix is attached.

Finding of Fact No. 33: *The signatories agreed that, after ETI joins MISO, it shall remain responsible and accountable for the operation of its systems, including but not limited to: the manner in which it participates in any MISO-administered market; how it offers its generation into the MISO Day Ahead and Real Time Markets; how it offers load into the MISO Day Ahead market; bidding and scheduling; any actions it takes to supply its retail loads; any actions it takes to procure fuel, capacity and/or energy; the prudent administration and management of its energy supply contracts; the prudent administration and management of its energy supply transactions with MISO; its obligation to ensure that the charges and credits received from MISO are correct and accurate; appropriate management of nominating ARRs, conversion to or use of FTRs and appropriate crediting of ARR and FTR receipts, and any resource adequacy market transactions.*

ITC's commitment regarding its responsibility for the operation of the transmission system is addressed in the Amended Proposed Commitments to which this appendix is attached.

Finding of Fact No. 34: *The signatories agreed that Commission Staff shall have complete access to information and full rights to conduct audits of costs incurred by or credited to ETI and to conduct prudence reviews, as needed, in connection with these and related activities within ETI's control, including activities associated with transitioning to and operating within membership in MISO. These audits and prudence reviews rights are not intended to make ETI responsible for activities required by a valid FERC tariff and which are undertaken by MISO that are therefore beyond ETI's control. Ensuring that MISO charges and credits to ETI are correct and accurate, however, will be the explicit responsibility of ETI to the extent that it is reasonably possible for ETI to do so consistent with the information that is available to it. ETI must undertake all reasonable efforts to verify the correctness and accuracy of these charges and credits which will include all reasonable efforts to obtain the information necessary to verify the accuracy of these charges and credits. ETI must also validate that the charges and credits it receives are being assessed pursuant to the MISO tariff.*

ITC will provide information upon request by the Commission related to the costs incurred as a result of ITC's participation as a transmission owner in MISO that are ultimately reflected in retail rates in Texas. ITC's commitment to abide by this condition is not intended to grant the Commission any authority it does not currently have under state law nor give up any rights that ITC may have under federal, state, or local law.

C. Congestion Study

Following the close of the Transaction, ITC will undertake a study of congestion on the transmission system formerly owned by ETI, identifying transmission projects to mitigate congestion, and present such study to regulatory authorities that exercise retail rate jurisdiction over ETI. ITC commits to propose and support in the MISO planning process those transmission projects identified in the study that are expected to cost-effectively reduce congestion.

III. ETI PROPOSALS

A. Transmission Cost Rate Mechanism

ETI shall be authorized to implement a Transmission Cost Recovery Factor (TCRF) consistent with P.U.C. SUBST. R. 25.239, modified such that ETI shall: 1) be authorized to defer on an on-going basis costs for transmission service incurred under the MISO Tariff not recovered by base rates of the TCRF, with carrying costs at ETI's WACC, and 2) subsequently include such deferred amounts in the calculation of the TCRF rate. The TCRF shall be the means by which bill credits from ITC will be flowed through to ETI's retail customers as well as the means by which bill credits from ETI shall be provided to ETI's retail customers. Any costs associated with transmission assets that are not being transferred to ITC (e.g., certain step-up transformers) shall continue to be recovered by ETI in its base rates.

B. Call Premiums

ETI will not request recovery in rates of any call premiums incurred to pay down debt in connection with the Transaction.

C. Service Conditions

ETI acknowledges and commits that after the completion of the ITC Transaction, it will remain fully responsible and accountable for the provision of safe, reliable, adequate, and lowest reasonable cost service to its customers in all respects relating to generation, distribution, and customer service. ETI shall also be responsible for coordination with ITC.

D. MISO Billing Accuracy

ETI will undertake all reasonable efforts to verify the correctness and accuracy of the ITC portion of the MISO charges and credits to ETI, which will include all reasonable efforts to obtain the information necessary to verify the accuracy of these charges and credits. ETI will also validate that the charges and credits it receives are being assessed pursuant to the MISO tariff.

E. Use of Transaction Proceeds

ETI commits that within 30 days of the date of a Commission Order in this docket, it will file with the Commission the planned use of the proceeds of the ITC Transaction to ensure that this use is consistent with that described in the Direct and Rebuttal Testimony of Theodore Bunting. Should ETI utilize the proceeds of the transaction in a manner different than as presented in Mr. Bunting's testimony, the Commission reserves the authority to determine whether the use of the proceeds is prudent and the appropriate ratemaking treatment of the ETI decision. Within 180 days after the ITC Transaction is consummated, ETI shall file with the Commission a report detailing specifically how the proceeds of the transaction were used, or will be used, including without limitation identifying the debt that was retired or will be retired. To the extent that ETI has not completed the disposition of proceeds within 180 days, it shall file with the Commission a report detailing the final disposition, with such report to be filed within 60 days of the completion of the final disposition.

F. Limitation of Federal Preemption Arguments

If ETI challenges or appeals any Commission Order issued in this docket related to the ITC Transaction, that challenge or appeal will not raise the issue of federal preemption with respect to the jurisdiction of the Commission to approve or state its non-objection to the ITC Transaction in order for the transaction to proceed and be consummated and/or the transmission assets of ETI to be sold or transferred. ETI reserves its rights to appeal an Order of the Commission to the Texas courts on any other issues.

APPENDIX B: CALCULATION OF ITC OWNERSHIP BENEFITS

I. DEFINITIONS

"**Actual WACC Effects**" means the difference in ETI retail WACC as of December 5, 2011 and actual ITC WACC applied to the ITC Rate Base and adjusted for ETI retail impact only.

"**Annualized Cost of ITC Economic Projects**" means the project cost of the ITC Economic Projects based on MISO's determination divided by 40 years.

"Asset Care Plan" means work yet to be completed under ETI's "2013 T&D Reliability Plan" at the time the Transaction closes.

"Economic Base Case" means any models of the state of the transmission assets owned by ITC MidSouth at the time the Transaction closes. The presumed state of the transmission assets in the ITC Midsouth footprint is the transmission assets at the time of the Transaction's close modified to include the projects in **Attachment 1 to Appendix B** that receive approval through MISO's planning process as identified on that list. At the time any study is initiated, the most recently available models produced by MISO will be used to represent the systems and data outside of the transmission assets owned by ITC Midsouth. To the extent these models include systems and data outside the MISO footprint, such systems and data will be represented as in the MISO models.

"**Extension Period**" means the time period following the Initial Period, if any, during which the Rate Mitigation Plan continues in effect.

"**Initial Period**" means the 5-year period starting at the close of the Transaction.

"ITC Base Case" means any models of the state of the transmission assets contained within the footprint of ITC Midsouth to be used in this benefits test. The state of the transmission assets for the ITC Midsouth footprint is the transmission assets contained within the footprint of ITC Midsouth at the time any study is initiated, modified by all transmission projects approved by MISO for integration into the ITC Midsouth footprint. At the time any study is initiated, the most recently available models produced by MISO will be used to represent the systems and data outside of the transmission assets in the ITC Midsouth footprint. To the extent these models include systems and data outside the MISO footprint, such systems and data will be represented as in the MISO models.

"ITC Economic Projects" means projects proposed by ITC and included in an approved MISO transmission plan as a Market Efficiency Project.

"**ITC Ownership Benefit Calculation**" means the benefits of ITC ownership as calculated in accordance with section III.A below.

"ITC Rate Base" means actual ITC rate base reflected in rates charged for transmission service that are passed through ETI retail rates.

""**MISO**" means the Midcontinent Independent System Operator, Inc.

"Rate Mitigation Plan" means use of funds over the Initial Period and Extension Period, if any, to offset certain rate effects of the Transaction.

"Reliability Base Level" means the 2012 results using the SGS Methodology for given indices on the transmission system as owned and operated by Entergy Corp., and its affiliated entities.

"SGS Report" means the *Transmission Reliability Benchmarking Study* published by SGS Statistical Services.

"**SGS Methodology**" means the methodologies employed in the development of the SGS Report, or similar methodologies, to determine average circuit sustained outages and average circuit outage duration.

"**Subject Year**" means the most recent year for which complete data is available for a measure. Subject Year may vary by measure.

"**Transaction**" means the Reverse Morris Trust transaction among ITC Holdings Corp., Entergy Corp., and affiliated entities through which a subsidiary of ITC Holdings Corp. will own the transmission assets formerly owned by the Entergy Operating Companies.

"**Transition Period**" means the period of time following close of the Transaction during which the Rate Mitigation Plan is in place, which begins with the Initial Period and includes the Extension Period, if any.

"Third Party Evaluator" means an individual or entity (together with any necessary subcontractor(s)) who, in ITC's sole discretion, is qualified to oversee and/or administer the benefits test.

"**WACC**" means Weighted Average Cost of Capital in percentage terms.

II. CALCULATION

A. Overview

There are three components of the test that shall be applied to determine whether the benefits of ITC's ownership of transmission offset the Actual WACC Effects:

1. **Improved System Performance:** The showing of an improvement in system reliability, incremental to the Reliability Base Level, as indicated through the system performance metrics described herein; and

2. **Improved System Economics:** The showing of an improvement in system economics, incremental to the Economic Base Case, as indicated through the economic benefit metrics described herein.

3. **Not Readily Quantifiable Benefits**: The Transaction produces benefits that are not readily quantifiable. For purposes of calculation, this is assumed to be 10% of Actual WACC Effects.

B. Methodology of Test for Improved System Performance

1. Calculation

For a given year, the Improved System will be the sum of:

a. Percentage Improvement in Average Circuit Sustained Outages,
b. Percentage Improvement in Average Circuit Outage Duration, and
c. Percentage Remediation of Asset Care Plan

2. Explanation Of Calculation Elements

a. Percentage Improvement in Average Circuit Sustained Outages

Utilizing the SGS Methodology, the Percentage Improvement in Average Circuit Sustained Outages is the Subject Year actual ITC annual average circuit sustained outages reduction as compared to the Reliability Base Level average circuit sustained outages. This metric is calculated as the percentage by which the Subject Year average circuit sustained outages is less than the average circuit sustained outages observed in the Reliability Base Level. Percentage Improvement in Average Circuit Sustained Outages will be evaluated for each transmission pricing zone.

b. Percentage Improvement in Average Circuit Outage Duration

Utilizing the SGS Methodology, the Percentage Improvement in Average Circuit Outage Duration is the Subject Year actual ITC annual average circuit outage duration reduction as compared to the Reliability Base Level average circuit outage duration. This metric is calculated as the percentage by which the Subject Year average circuit outage duration is less than the average circuit outage duration observed in the Reliability Base Level. Percentage Improvement in Average Circuit Outage Duration will be evaluated for each transmission pricing zone.

c. **Percent Remediation of Asset Care Plan**

The Percent Remediation of Asset Care Plan for the Subject Year will be calculated as the total reduction in Asset Care Plan achieved by the end of the Subject Year measured in task or unit depending on the activity. Percent Remediation of Asset Care Plan will be evaluated for each transmission pricing zone.

3. **Implementation Roles and Procedures**

Generic Simplified Example: Percentage improvement or remediation for one metric = (Base– ITC results or remaining work)/Base. If the base for a metric was 100 and ITC in results or remaining work for that metric in a Subject Year = 95, then improvement or remediation = (100 – 95)/100 = 5%. If the metrics were X, Y and Z respectively, the total Improved System Performance would X + Y + Z).

C. **Methodology of Test for Improved System Economics**

1. **Calculation:** For a given year, the Improved System Economics will analyze the incremental improvement of the economic performance in the ITC Base case as compared to the Economic Base Case. The arithmetic annual average of the sum of the following quantities over 40 years will be the Improved System Economics for the year:
   a. Congestion and Fuel Savings Benefits,
   b. Operating Reserves Savings Benefits,
   c. System Planning Reserve Margin Benefits,
   d. Transmission Line Losses Benefits,
   e. Generation Investment Benefits, and
   f. Future Transmission Investment Benefits

(Year 1 Total = a + b + c + d + e + f for year 1, Year 2 Total = a + b + c + d + e + f for year 2, Improved System Economics = Average of Year 1 Total, Year 2 Total, ..., Year 40 Total)

2. **Explanation Of Calculation Elements**

a. **Congestion and Fuel Savings Benefits**

To the extent the ITC Base Case allows for a more efficient dispatch of generation resources, opening of markets to competition and spreading the benefits of low cost generation throughout the ITC Midsouth footprint, as compared to the Economic Base Case, these benefits will be counted as Congestion and Fuel Savings Benefits. These benefits reflect the savings achieved through the reduction of transmission congestion costs and through more efficient use of generation resources as well as removal of reliability must run status for certain generators. The Congestion and Fuel Savings Benefits will be evaluated on a MISO-wide basis and allocated to each transmission pricing zone in the proportion that these benefits are shown to be received by that transmission pricing zone.

b. Operating Reserves Savings Benefits

To the extent the ITC Base Case reduces operating reserve costs for the ITC Midsouth footprint as compared to the Economic Base Case, these benefits will be counted as Operating Reserves Savings Benefits. These benefits may include the savings from retirement of generation units previously needed to support reserve margins Operating Reserves Savings Benefits be evaluated for each transmission pricing zone.

c. System Planning Reserve Margin Benefits

To the extent the ITC Base Case reduces transmission congestion as compared to the Economic Base Case, thereby reducing the footprint planning reserve margin and decreasing the amount of generation required to meet the planning reserve margin, this defers new generation. The value of these benefits will be counted as System Planning Reserve Margin Benefits. System Planning Reserve Margin Benefits arising from avoided/deferred generation capacity will be evaluated for each transmission pricing zone.

d. System Losses Reduction

To the extent the ITC Base Case reduces overall system losses as compared to the Economic Base Case, this reduces the generation needed to serve the system losses. The energy value of these loss reductions is considered in the congestion and fuel savings benefits, but the loss reduction also helps to reduce future generation capacity needs. The value of the reduced future generation capacity needs benefits will be counted as System Loss Benefits. System Loss Benefits will be evaluated for each transmission pricing zone.

e. Optimization of Generation Locations

To the extent the ITC Base Case reduces or defers the need for constructing new generating plants in load pockets as compared to the Economic Base Case, this reduces the generation capital investment cost needed to serve the customers. The value of these benefits for the ITC Midsouth footprint will be counted as Generation

Investment Benefits. These benefits accruing from increased deliverability of capacity will be evaluated for each transmission pricing zone.

f. Future Reliability Transmission

To the extent that ITC Economic Projects eliminate or defers the need for future reliability transmission investments, this reduces the total transmission investment cost needed to serve the customers. The value of this elimination or deferral for each Transmission pricing zone in the ITC Midsouth footprint will be counted as future transmission investment benefits.

3. Implementation Roles and Procedures

a. Performance of the Improved System Economics Test

The valuation metrics used in the Improved System Economics Test used above were developed by MISO for their MVP analysis (https://www.midwestiso.org/Library/Repository/Study/Candidate%20MVP%20Analysis/MVP%20Portfolio%20Analysis%20Full%20Report.pdf). This MISO methodology that has been vetted through a stakeholder process.

b. Input Assumptions of the Improved System Economics Test

In any year, all input assumptions of the ITC Base Case and the Economic Base Case will be consistent with the most recent assumptions of the most recent MTEP and/or MVP analyses to be performed by MISO. These assumptions include, but are not limited to, fuel costs, US Environmental Protection Administration mandates/Renewable Power Standards, load forecasts and the attendant uncertainties, transmission topology (unless otherwise specified herein related to Entergy or ITC Midsouth footprint) and generation futures.

III. OVERALL TEST IMPLEMENTATION FRAMEWORK

A. Establishment of the portion of ITC's Revenue Requirement Subject to Mitigation

ITC Ownership Benefit Calculation:

For a given year:

a) Not Readily Quantifiable Benefits (assumed as 10% of Actual WACC Effects)
b) plus benefits demonstrated through Improved System Performance multiplied by Actual WACC Effects (capped at 45% of Actual WACC Effects)

c) plus benefits demonstrated through Improved System Economics
d) less Annualized Cost of ITC Economic Projects
e) less Actual WACC Effects

If the ITC Ownership Benefit Calculation in any given year for which the calculation can be made is greater than or equal to zero, the Rate Mitigation Plan shall terminate on the 30th day following the filing of the Third Party Evaluator's determination.

The benefits test will be performed by the Third Party Evaluator near the end of the Initial Period such that the results will be available to ITC and ETI at the conclusion of the Initial Period. Thereafter the test may be applied for any period at the sole discretion of ITC.

ATTACHMENT 1 TO APPENDIX B: PROJECT LIST

Planned Projects Included in Economic Base Case

Project Name	LE	Proposed ISD (Planning)
NLR Westgate - NLR Levy: Reconductor 115 kV Line	EAI	2013 Summer
Fordyce: Relocate capacitor bank to 115 kV bus	EAI	2014 Summer
Sheridan South 500 kV FG Upgrade: Mabelvale 500 kV Substation replace 3 breakers, 13 switches, and 2 line traps	EAI	2014 Summer
Sheridan South 500 kV FG Upgrade: Sheridan 500 kV Substation replace 11 switches, and 6 line traps	EAI	2014 Summer
Sheridan South 500 kV FG Upgrade: White Bluff 500 kV Substation replace 5 switches, and 2 line traps	EAI	2014 Summer
Sheridan South 500 kV FG Upgrade: Eldorado 500 kV Substation replace 1 switch and 2 line traps	EAI	2014 Summer
Camden McGuire - Camden North 115kV Line: Construct New Line	EAI	2014 Summer
LV Bagby to Reed: Construct new 230 kV line and operate at 115 kV	EAI	2014 Summer
Woodward to Pine Bluff Watson Chapel: Reconductor line	EAI	2014 Summer
Calico Rock-Melbourne - Upgrade 161kV Line	EAI	2014 Winter
Hot Springs Hamilton (Albright) - Carpenter Dam: Construct new 115 kV Liine and convert Mountain Pine South to ring bus stations.	EAI	2015 Summer
Pine Bluff Voltage Support Project: Phase 2 Woodward: Construct 230 kV ring bus and convert White Bluff to Pine Bluff Arsenal D to Woodward 115 kV line to 230 kV	EAI	2015 Summer
White Bluff: Reconfigure 500 kV Station and construct 230 kV ring bus	EAI	2015 Summer
Woodward - Pine Bluff West - Pine Bluff McCamant: Reconductor 115 kV	EAI	2015 Summer
Woodward-115 kV Bus Reconfiguration	EAI	2015 Summer
HS EHV-HS Industrial: Upgrade Terminal Equipment	EAI	2015 Summer
HS Industrial-HS Union Carbide: Upgrade Terminal Equipment	EAI	2015 Summer
HS Union Carbide-HS East: Upgrade Terminal Equipment	EAI	2015 Summer
Norfork-Calico Rock : Upgrade 161 kV Line	EAI	2016 Summer
AECC L&D 2 to Gillett: Construct new 115 kV Line	EAI	2016 Summer
Mabelvale: Replace 500-115 Autos	EAI	2016 Summer
Mossville - Cut-in line 616 (Nelson to Carlyss 138 kV) into Mossville 138 kV Substation	EGSL	2013 Summer
Five Points to Line Tap 281 to Line 247 Tap- Upgrade 69 kV line	EGSL	2014 Summer
Copol to Bourbeaux: Upgrade 69 kV line	EGSL	2014 Winter
McManus to Brady Heights - Upgrade 69 kV line	EGSL	2016 Summer
Sorrento Upgrade 138/115 kV Auto and upgrade Gonzales - Sorrento 138 kV Line	EGSL/ELL	2014 Summer
Southeast LA Coastal Improvement Plan: Phase 3 Construct Oakville to Alliance 230kV Line Add 230 - 115 kV Autotransformer at Alliance Substation	ELL	2012 Summer

Attachment: Entergy Merger Attachment (2766 : Entergy Change of Ownership)

NE Louisiana Improvement Project - Phase 2 Oakridge to new Dunn Substation - Construct new 115 kV Line (1272 ACSS) Add 115 kV breakers at Dunn	ELL	2013 Summer
Golden Meadow to Leeville 115 kV - Rebuild/relocate 115 kV transmission line	ELL	2013 Winter
Mt. Olive: Add Shunt Reactor	ELL	2013 Winter
NM6: Modify Ninemile switchyard for interconnection	ELL	2014 Winter
NM6: Upgrade Michoud breaker N9803	ELL	2014 Winter
NM6: Upgrade Ninemile to Southport 230 kV transmission line No.1	ELL	2014 Winter
NM6: Upgrade Ninemile to Southport 230 kV transmission line No.2	ELL	2014 Winter
Ray Braswell - Wyndale 115kV Line. Construct New 260 MVA Construct new 115 kV Switching Station between Byram and Terry Wyndale SS to be designed for future 230-115 kV auto and distribution facilities	EMI	2013 Summer
Baxter Wilson to S.E. Vicksburg - Upgrade 115 kV line	EMI	2015 Summer
Breakers at Hollandale and Belzoni (close normally-open point)	EMI	2015 Summer
Deweyville (JNEC) - Add 69 kV capacitor bank	ETI	2012 Summer
College Station SS: Create emergency tie point with ERCOT (asynchronous)	ETI	2012 Summer
Conroe Area Switching Station: tie lines Longmire to Fish Creek and Conroe to Woodhaven into new switching station	ETI	2013 Summer
Upgrade Jacinto - Splendora 138 kV Line	ETI	2015 Summer
Alden 138 kV Substation: Add Capacitor Bank	ETI	2015 Summer
Construct new China to Amelia 230kV line	ETI	2016 Summer
Upgrade Splendora to Apollo 138 kV Line	ETI	2016 Summer
Ponderosa to Grimes: Construct new 230 kV Line Add 345-230 kV Auto at Grimes Add 230-138 kV Auto at Ponderosa	ETI	2016 Summer

APPENDIX C: SUPPLEMENTAL PROPOSED COMMITMENTS REGARDING THE SELECTION OF THE THIRD PARTY EVALUATOR

Amended Proposed Commitments Section II (A) (5) provides in the last sentence: "The Third Party Evaluator shall be selected by ITC and all costs associated with the Third Party Evaluator's services will be paid by ITC." This Appendix C provides additional details regarding that Third Party Evaluation selection.

I. Mutually Agreeable Selection of the Third Party Evaluator

Ninety (90) days before the initiation of the review of benefits by the Third Party Evaluator undertaken pursuant to Amended Proposed Commitments Section II (A) (5), ITC and the Entergy Regional State Committee ("ERSC") (or comparable successor organization comprised of the five retail authorities) will mutually agree on the selection of a Third Party Evaluator that meets the qualification criteria set forth in Section II.

II. Third Party Evaluator Qualification Criteria

The Third Party Evaluator must be independent of ITC, Entergy, any Regulatory Authority and the ERSC and must disclose any potential conflicts of interest regarding its representation of ITC, Entergy, any Regulatory Authority or the ERSC in its proposal. In addition, the mutually agreeable Third Party Evaluator must meet all of the following qualification criteria:

1) Powerflow experience
2) Electric market simulation experience
3) Experience with cost-benefit analysis for transmission projects
4) Experience with analysis in an RTO environment
5) Experience or knowledge of loss of load calculations (specifically those used by MISO)

III. Third Party Evaluator Report

The Third Party Evaluator's written report regarding its review of benefits will be submitted to the Regulatory Authority (with any portions that are entitled to confidential treatment submitted accordingly). The Third Party Evaluator will also be made available, upon reasonable notice, to answer questions by the Regulatory Authority regarding the report in a duly noticed workshop or open meeting. The conclusions of the written report shall be final and the Regulatory Authority will issue an order accepting the written report, except that, if within 30 days of the submission of the written report to the Regulatory Authority, the Regulatory Authority identifies a potential error or errors in the written report, the Third Party Evaluator shall review the potential error(s) and correct such error(s), and conclusions based thereon, if any.

The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Street Extension

COUNCIL ACTION (ID # 2763)

DOC ID: 2763

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The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Street Extension

COUNCIL ACTION (ID # 2764)

DOC ID: 2764

.

The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Street Extension

COUNCIL ACTION (ID # 2765)

DOC ID: 2765

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The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Expenditures

COUNCIL ACTION (ID # 2768)

DOC ID: 2768

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FRAZER
The Leader in Generator Powered EMS Modules

June 4, 2013

Misty Dulaney
City of Liberty Fire Department
Email: mdulaney@cityofliberty.org

Quote #8465

Ms. Dulaney,

Per your request we are quoting remounting and refurbishing your Frazer Type I 12' Generator Powered Module, E-898, onto a Ford F-350 6.7L diesel chassis. For your convenience all pricing has been itemized below.

2014 Ford F-350 6.7L diesel chassis (order red)	$	36,500.00
Heat shielding for diesel chassis	$	1,500.00
Remount fee (see below)	$	14,000.00
Optional items (see below)	$	44,500.00
Total	$	96,500.00

Remount of module includes:

a) New black grille guard with (4) Whelen M4 series grille & intersect LEDs and (2) Federal Signal AS124 speakers
b) New console with new Whelen 295SLSA1 siren
c) Inspect all generator cabling, replace as needed
d) New boot plate and boot
e) New mounting rubber
f) Rewire tail lights
g) New under hood breakers
h) Electrical check-out
i) Add insulation to side and rear entry doors
j) Replace entry door windows with double pane windows
k) New weatherstripping and rivets for compartment and entry doors
l) Replace all non-skid material on threshold(s)
m) Stripe new chassis

Items included in above total:

Strip, prime, and repaint 12' module Ford red, replace corner trim and add corner caps	$	6,200.00
Striping and lettering	$	2,400.00
Replace (8) 97 series halogen box lights w/ (8) Whelen M9 series red LEDs and chrome converter flanges	$	2,400.00
Replace (5) 97 series strobe lights on front wall w/ (5) Whelen M9 series LEDs and chrome converter flanges (R-C-R-A-R)	$	1,500.00
Replace (3) 97 series strobe lights on back wall w/ (3) Whelen M9 series LEDs and chrome converter flanges (A-R-A)	$	900.00

Replace rear upper b/t/t halogen lights w/ (2) Whelen M9 series red b/t/t LEDs and

chrome converter flanges	$	650.00
Replace rear lower b/t/t halogen lights w/ (2) 4" round red LEDs and (2) 4" round clear LED back-up lights and replace rear panels w/ diamond plate	$	875.00
Replace (2) 97 series rear load lights w/ (2) Whelen M9 series load lights	$	900.00
Replace (2) 110 volt scene lights w/ (2) flush mounted 250 watt scene lights	$	800.00
Replace interior fluorescent ceiling lights with (8) Grote LEDs	$	3,000.00
Replace treadbrite at front corners and wheel well panels	$	400.00
Replace air conditioner w/ new Dometic self-contained A/C unit, make necessary interior and exterior modifications to accommodate	$	5,000.00
Furnish and install a new Onan 5.5kW generator w/ non-permeable hoses, emissions canister kit, modify the compartment, replace compartment door (if applicable), and add new tank and fuel pump	$	7,200.00
Modify long lower storage compartment with pan insert, new inner door panel, and door hold open shock	$	250.00
Replace entire rear bumper	$	850.00
Stainless steel wheel covers	$	450.00
Carr 20" Super Hoop steps on truck cab	$	350.00
Triple blank insert	$	175.00
Console (radio plate-double switch panel-triple blank insert)-discuss this	$	N/C
Replace license plate light	$	50.00
Replace 30 amp shore power receptacle	$	150.00
Replace rear entry door grabbers	$	50.00
Replace single CPR seat with aluminum box and stainless steel cover	$	650.00
Replace all countertop surfaces w/ powder coated aluminum	$	750.00
Replace lower driver's side wall w/ stainless steel	$	750.00
New squad bench stainless steel wrapper w/ hole for trash can in top	$	650.00
New cushions, arm knockers, head knockers, and raceway covers w/ magnetic strips	$	2,200.00
Replace all cabinet doors with polycarbonate scratch resistant doors	$	650.00
New blue captain's chair w/ swivel base	$	900.00
Replace floor with Alucabond subfloor and Lonseal vinyl floor, replace wood O2 box w/ powder coated aluminum box, replace thresholds and add non-skid tape on top, install new cot plates	$	3,400.00

All pricing is F.O.B. Houston.

Per TMVCC we are quoting this through our licensed franchise dealer, Sterling McCall Ford.

Thank you for the opportunity to quote this job. If you have any questions please call me at 888-372-9371.

Best Regards,

Laura Richardson

Laura Richardson
Frazer, Ltd.

LGR:SH

The City of Liberty
City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 07/23/13 06:00 PM

Department: Administration
Category: Drilling Issues

COUNCIL ACTION (ID # 2769)

DOC ID: 2769 A

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