

ENTERGY CORP /DE/
Form 425
January 29, 2013

POWERING TOMORROW

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An Inside View of Entergy's Transmission Initiatives

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Filed by Entergy Corporation Pursuant to Rule 425

Under the Securities Act of 1933

Subject Company: Entergy Corporation

Commission File No. 001-11299

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Entergy SEC Disclosure

FORWARD-LOOKING INFORMATION

In this communication, and from time to time, Entergy makes certain forward-looking statements within the meaning of the Reform Act of 1995. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements involve a number of uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including (i) those factors discussed in Entergy's Annual Report on Form 10-K for the year ended December 31, 2011, its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012 and September 30, 2012, and other filings made by Entergy with the Securities and Exchange Commission (the "SEC"); (ii) the following transactional factors (in addition to others described elsewhere in this communication):

statement/prospectus included in the registration statement on Form S-4 that ITC filed with the SEC on September 25, 2012 in proposed transactions, and in subsequent securities filings) involving risks inherent in the contemplated transaction, including: shareholder approval, (2) failure of Entergy and its shareholders to recognize the expected benefits of the transaction, (3) failure of Entergy to obtain the required regulatory approvals necessary to consummate the transaction or to obtain regulatory approvals on favorable terms, (4) the ability of Entergy LLC (TransCo) and ITC to obtain the required financings, (5) delays in consummating the transaction or the failure to consummate the transaction, (6) the possibility of costs exceeding the expected costs of the transaction, and (7) the failure to receive an IRS ruling approving the tax-free status of the transaction and regulatory actions; and (iv) conditions of the capital markets during the periods covered by the forward-looking statements. ITC cannot give any assurance that the transaction or any of the proposed transactions related thereto will be completed, nor can it give any assurance that such transactions will be consummated.

ADDITIONAL INFORMATION AND WHERE TO FIND IT

On September 25, 2012, ITC filed a registration statement on Form S-4 (Registration No. 333-184073) with the SEC registering common stock to be issued to Entergy shareholders in connection with the proposed transactions, but this registration statement will not become effective until the SEC declares it effective. This registration statement includes a proxy statement of ITC that also constitutes a prospectus of ITC, and ITC shareholders are urged to read the proxy statement/prospectus included in the ITC registration statement and the proxy statement/prospectus to be included in the TransCo registration statement (when available) and any other relevant documents, because they contain important information about ITC, TransCo and the proposed transactions. ITC shareholders are urged to read the proxy statement/prospectus included in the ITC Registration Statement and any other relevant documents because they contain important information about TransCo and the proposed transactions. The proxy statement/prospectus and other documents relating to the proposed transactions (when they are available) can be obtained free of charge from the SEC's website at www.sec.gov.

Investor
Relations,
P.O.
Box
61000
New
Orleans,
LA
70161
or
by
calling
Entergy's
Investor
Relations
information
line
at
1-888-
ENTERGY
(368-3749),
or from
ITC
upon
written
request
to
ITC

Holdings
Corp.,
Investor
Relations,
27175
Energy
Way,
Novi,
MI
48377
or
by
calling
248-946-3000.

Presenting today:

Presenting today:

Rick Riley

Rick Riley

Mark McCulla

Mark McCulla

Jeanne Kenney

Jeanne Kenney

Joe Domino

Joe Domino

3

Steps taken
ON BEHALF OF CUSTOMERS
4
Service improvements
Service improvements
More options
More options
More information
More information
Greater control

Greater control
Community investment
Community investment

5

Continually working to
MEET FUTURE NEEDS

Expanded generation

Expanded generation

Maintained some of the nation's

Maintained some of the nation's

lowest rates

lowest rates

MISO Initiative
MISO Initiative
ITC Transaction
ITC Transaction
Powering
TOMORROW

Rick Riley
Rick Riley
VICE PRESIDENT
VICE PRESIDENT
ENERGY DELIVERY
ENERGY DELIVERY

7

Entergy s
TRANSMISSION BUSINESS
15,000 + circuit miles of
15,000 + circuit miles of
transmission lines at voltage
transmission lines at voltage
levels of 69 kV and above
levels of 69 kV and above
Spans portions of five states

Spans portions of five states
Approx. 1,500 substations
Approx. 1,500 substations
Transmission headquarters
Transmission headquarters
Employees, vehicles, other
Employees, vehicles, other
buildings and more
buildings and more
8

Developed city-by-city,
Developed city-by-city,
in patchwork fashion
in patchwork fashion

-

-

not nationally

not nationally

Fragmented

Fragmented

Inefficient

Inefficient

9

The existing U.S.

TRANSMISSION GRID

10

Plans announced April 2011

Manages the dispatch of generation

Regional transmission planning process

Coordinate regional operation of transmission

Brings buyers and sellers Into a centrally
managed organized market

Results in greater efficiency

Drives value to Entergy customers

Features of a
REGIONAL TRANSMISSION ORGANIZATION

11

Plans announced December 2011

Plans announced December 2011

Shifts ownership of Entergy's

Shifts ownership of Entergy's

transmission business

transmission business

A singular focus in transmission,

A singular focus in transmission,

delivering proven results

delivering proven results

Introducing fully separated,

INDEPENDENT TRANSMISSION

12

Substantial

FUTURE CAPITAL INVESTMENT REQUIRED

Estimates of \$1.5 trillion

Estimates of \$1.5 trillion

to \$2 trillion

to \$2 trillion

Compliance requirements

Compliance requirements

Environmental regulations
Environmental regulations

Mark McCulla
VICE PRESIDENT
TRANSMISSION REGULATORY COMPLIANCE
13

14
Entergy's historical Interest
IN RTOs
Encouragement from Regulators
2000
2003
2006
2012
-

Joint RTO application with SPP
rejected by FERC

-

Joint effort with SETRANS fell apart

-

Establishment of ICT

-

SPP has served as ICT since then

-

SPP contract expired November

-

MISO is now serving as the ICT

15

Regional focus

Immense energy pool from
Canada to Gulf

Efficient, proven Day 2 market

Projected customer savings of
\$1.4B in first decade

One of the country's

FIRST AND LARGEST RTOs

Jeanne Kenney
VICE PRESIDENT
PERFORMANCE MANAGEMENT
Leading Transmission Regulatory Implementation Team (TRIT)
16

Invest
Invest
Issue Debt
Issue Debt
Project Delays
Project Delays
Rate Base
Rate Base
Attrition (CapX > Depn)

Attrition (CapX > Depn)

Dilution

Dilution

Rate Case

Rate Case

Issue Equity

Issue Equity

Regulatory Lag

Regulatory Lag

Capital Markets

Capital Markets

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Large and growing

CHALLENGES TO FINANCING GRID

18

Investment to

CRITICAL INFRASTRUCTURE

Similarly, utilities must

Similarly, utilities must

invest in transmission

invest in transmission

infrastructure.

infrastructure.

CapX/depreciation ratio trends
DEMAND SIGNIFICANT EXTERNAL FINANCING
Note: FERC data from Energy Velocity
The
rapid
increase
in
capital
expenditures
for

transmission
in
recent
years,
combined
with
the
long
depreciation
lives
for
transmission
assets,

means that transmission capital expenditures in particular far exceed their related depreciation cash flows.

4

3

2

1

0

2010

2009

2008

2007

2006

2005

2004

2003

2002

2001

2000

Overall

Generation

Distribution

Transmission

2.6

3.0

1.9

3.7

1.1

0.7

1.8

1.5

19

Create larger footprint; upsize balance sheet

Duke / Progress

Northeast Utilities / NSTAR

PPL / LG&E

First Energy / Allegheny

Exelon / Constellation

Achieve greater certainty in regulations

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

e.g., FPL Rate Hike Request

Align business model with capital needs

e.g., AEP TransCo

20

Industry is responding

WITH DIFFERENT APPROACHES

Consolidate

Build Regulatory

Flexibility / Certainty

Change Business Model

Largest company of its kind
Largest company of its kind
More than 15,000 miles of
More than 15,000 miles of
transmission lines
transmission lines
Operations in seven
Operations in seven
states:

states:

Michigan, Iowa, Illinois,
Michigan, Iowa, Illinois,
Minnesota, Missouri, Kansas,
Minnesota, Missouri, Kansas,
Oklahoma

Oklahoma

Has RTO experience as

Has RTO experience as

transmission-owning member of

transmission-owning member of

both MISO and SPP

both MISO and SPP

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INDEPENDENT TRANSMISSION COMPANY

ITC is the nation's largest

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750 employees
750 employees
New ITC Midsouth region
New ITC Midsouth region
Headquartered in Jackson, MS
Headquartered in Jackson, MS

New corporate citizen
New corporate citizen

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Entergy's long advocacy for
INDEPENDENT TRANSMISSION

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Regulators retain control and influence over
TRANSMISSION ASSETS

Retail Regulators

Retail Regulators

Will

Will

still
still
set
set
OpCos
OpCos
retail
retail
revenue
revenue
requirements
requirements

Will still have jurisdiction over retail rate design
Will still have jurisdiction over retail rate design

Will have a role on MISO advisory committee
Will have a role on MISO advisory committee

Will have siting authority
Will have siting authority

May intervene in some FERC proceedings
May intervene in some FERC proceedings

HEARINGS ACROSS JURISDICTIONS

25

LPSC -

EGSLÆLL

Hearings

9/5/12

9/20

NO City Council ENO

9/12/12

APSC

EAI

9/28/12

Hearings

MPSC

EMI

10/5/12

Direct/Rebuttal/Sur-rebuttal/Rejoinder/Protests

Hearings

Hearings

2/8

7/31

3/29

9/25

PUCT

ETI

NOTE:

EAI, ELL, EGSL, EMI and ENO schedules have been approved by the Regulators
rest are in process of finalization. Blue symbols stand for various critical dates related to Staff
Rebuttal, Intervenor Rebuttal, Responses, Sur-rebuttal and Rejoinders

PUCT preference

Filing dates

Filing dates

Hearings

Hearings

Decision

Decision

ITC/ETR

under discussion

Missouri PSC -

EAI

1/13

EOM May

8/23

proposed

close date

Discussions

between ETR &

ITC

Discussions

w/regulators/

staff/parties

Settlement

Settlement

Process

Process

Stipula-

tions

finalized

Approval

8/09

Hearings

APSC will typically not discuss settlement until after
direct testimony filed; settlements must be proposed
to commission 10 days before hearings

9/15

FERC

9/26/12

203/5

10/31/12

204

204

204

203/5

203/5

204

203/5

Technical Conference

Technical Conference

Procedural schedules for

2012

2013

Sep

Oct

Nov

Dec

Jan

Feb

Mar

Apr

May

June

July

Aug

Sep

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Expansive, super-regional energy
marketplace

Financial capacity for investment

Improved reliability

Lower long-term costs while
enhancing the grid

Multifaceted

BENEFITS TO ENTERGY CUSTOMERS

UTILITY
OPCOS
ENTERGY
WHOLESALE
COMMODITIES
MID SOUTH
TRANSCO LLC
(NEW HOLDCO)
ITC MERGER

SUB

Transco Subs

ITC After

Generation

Distribution

Retail customer service

ENTERGY SHAREHOLDERS

OWN STOCK IN TWO COMPANIES

ETR After

Transmission

Up to \$700M

recapitalization

(pre-close)

ETR and

OpCos

reduce

debt by

\$1.775B

\$1.775B DEBT

TRANSFERRED

WITH ASSETS

TRUST

Up to ~5%

ITC Shares

ITC

Shares

ETR

Shares

ETR

Shares

Up to ~5%

Proposed

Spin-Merge

of

Transmission

Business

ENTERGY

SHAREHOLDERS

ITC

SHAREHOLDERS

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The Merger Transaction

END STATE

Transmission
Manager
Directs Regional
Transmission, Dispatch
and Movement of
Electricity
Transmission Owner
Builds, Operates and
Maintains Physical

Transmission Assets

Utility

Generates and

Distributes

Provides Customer

Service

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Electricity.

Electricity.

Rick Riley
VICE PRESIDENT
ENERGY DELIVERY
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From the Current to the
FUTURE GRID

Current grid is fragmented,
Current grid is fragmented,
inefficient
inefficient

211,000 transmission line
211,000 transmission line
miles
miles
More than 140 operators
More than 140 operators

Huge regional
Huge regional
market
market
Improved
Improved
infrastructure
infrastructure
Efficient use of
Efficient use of

transmission system

transmission system

More secure energy

More secure energy

future

future

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FUTURE GRID

Creating the

Financial strength and flexibility; two balance sheets
Financial strength and flexibility; two balance sheets
to finance investments in the grid
to finance investments in the grid
Singular focus in areas of expertise: Entergy on
Singular focus in areas of expertise: Entergy on
generation and distribution; ITC on transmission
generation and distribution; ITC on transmission
Opportunity afforded by a new corporate citizen and
Opportunity afforded by a new corporate citizen and

new investment in our communities and region

new investment in our communities and region

New model creates key benefits:

STRENGTH, EXPERTISE, OPPORTUNITY

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Estimated impact to average (1,000kWh/mo)
Estimated impact to average (1,000kWh/mo)
residential customer monthly bill is **about a dollar**.
residential customer monthly bill is **about a dollar**.

The benefits of the transaction
The benefits of the transaction

-
-
improved reliability and efficiency
improved reliability and efficiency

-
-
lower overall costs of delivered energy
lower overall costs of delivered energy
are expected to offset the modest change in rates.
are expected to offset the modest change in rates.

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For our customers,

WHAT

IS

THE

IMPACT

TO

BILLS?

Closing conditions, regulatory reviews

AND APPROVALS REQUIRED

The transaction is subject to the satisfaction of customary closing conditions.

Primary filings and approvals required are summarized below.

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Authority

Entergy's Retail

Regulators

Change of control of transmission assets

Affiliate transaction approvals related to steps in the spin/merge

Authorization to incur debt in some jurisdictions

Federal Energy

Regulatory Commission

Change of control of transmission assets (203 filing)

Acceptance of jurisdictional agreements (205 filing)

Authorization to assume debt/issue securities (204 filings)

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

ITC filing to establish new rate tariffs for the ITC operating companies

Hart-Scott-Rodino Act

Pre-merger notification to review potential antitrust and competition issues

Internal Revenue Service

Private letter ruling substantially to the effect that certain requirements for a tax-free treatment of the distribution of TransCo are met

Securities and Exchange

Commission

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

TransCo Registration Statement

ITC Shareholders

Approval required for:

Merger,

Issuance of shares to ITC shareholders, and

Amendment to ITC charter to increase authorized number of shares

Requirements

Entergy's current ICT agreement with SPP is replaced by ICT agreement with MISO

ITC Midsouth OpCos become TOs in MISO immediately following transaction close and participate in MISO MTEP as TOs

MISO assumes functional control of transmission system and continues as

Reliability Coordinator; ICT
agreement is terminated
MISO and ITC file with FERC
Attachment O templates and tariff
sheets to implement formula rates; no
rate pancaking
MISO is the Transmission Provider
under MISO Tariff with select Entergy
processes retained under new Module
B-1 for transition period
For the transition period, MISO will
delegate select tasks to ITC via
Appendix I Agreement
Transco Close
MISO replaces SPP as the
Independent Coordinator of
Transmission (ICT)
(December 2012)
ITC Midsouth OpCos become
Transmission Owners in
MISO
(upon closing)
Entergy OpCos become
Market Participants in
MISO
(December 2013)
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Entergy MISO Integration and the
ITC TRANSACTION
Entergy OpCos become Market
Participants in MISO
Module B-1 is cancelled
Delegation of Module B-1
functions to ITC under TOA
Appendix I terminates

Joe Domino
Joe Domino
CHIEF INTEGRATION OFFICER
CHIEF INTEGRATION OFFICER
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PMO Update
PMO Update

<https://myentergy.entergy.com/sites/transco/Pages>
<http://comm.prod.entergy.com/ieFocus>
<http://www.entergy.com/futurepower>
<http://www.entergy.com/transmissionmerger>

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Resources and
COMMUNICATION SUPPORT

THANK YOU
THANK YOU
Q&A
Q&A
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