

ENTERGY CORP /DE/
Form 425
September 27, 2012

Transmission Business
Update on
Update on
the Entergy Transmission
the Entergy Transmission

Spin-Merge Transaction into ITC

Spin-Merge Transaction into ITC

September 27, 2012

Presented by Entergy Texas

Filed by Entergy Corporation Pursuant to Rule 425

Under the Securities Act of 1933

Subject Company: Entergy Corporation

Commission File No. 001-11299

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Entergy Forward-Looking Information
Entergy Forward-Looking Information
In
this
communication,

and
from
time
to
time,
Entergy
makes
certain

forward-looking
statements
within

the meaning of the Private Securities Litigation Reform Act of 1995. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including (i) those factors discussed in Entergy's Annual Report on Form 10-K for the year ended December 31, 2011, its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 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, in the preliminary proxy statement/prospectus included in the registration statement on Form S-4 that ITC filed with the SEC on September 25, 2012 in connection with the proposed transactions, and in subsequent securities filings)

involving risks inherent in the contemplated transaction, including: (1) failure to obtain ITC shareholder approval, (2) failure of Entergy and its shareholders to recognize the expected benefits of the transaction, (3) failure to obtain regulatory approvals necessary to consummate the transaction or to obtain regulatory approvals on favorable terms, (4) the ability of Entergy, Mid South TransCo LLC (TransCo) and ITC to obtain the required financings, (5) delays in consummating the transaction or the failure to consummate the transaction, (6) exceeding the expected costs of the transaction, and (7) the failure to receive an IRS ruling approving

the
tax-free
status
of
the
transaction;

(iii)
legislative
and
regulatory
actions;

and
(iv)
conditions
of

the capital markets during the periods covered by the forward-looking statements. The transaction is subject to certain conditions precedent, including regulatory approvals, approval of ITC's shareholders and the availability of financing. Entergy cannot provide any assurance that the transaction or any of the proposed transactions related thereto will be completed, nor can it give assurances as to the terms on

which such transactions will be consummated.

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Additional Information and Where to Find It

Additional Information and Where to Find It

On September 25, 2012, ITC filed a registration statement on Form S-4 with the SEC registering shares of ITC common stock to be issued to Entergy shareholders in connection with the proposed transactions, but this registration statement has not become effective.

This registration statement includes a proxy statement of ITC that also constitutes a prospectus of ITC, and will be sent to ITC shareholders.

In addition, TransCo will file a registration statement with the SEC registering TransCo common units to be issued to Entergy shareholders in connection with the proposed transactions. Entergy 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 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. **The documents, when available, can also be obtained free of charge from Entergy upon**

written request to Entergy Corporation, Investor Relations, P.O.

Box 61000 New Orleans, LA 70161 or by

calling Entergy's Investor Relations information line at 1-888-

ENTERGY (368-3749), or from ITC upon

written request to ITC Holdings Corp., Investor Relations, 27175

Energy Way, Novi, MI 48377 or by

calling 248-946-3000.

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The Merger Transaction
The Merger Transaction
End State
End State
Proposed Spin-Merge of Transmission Business
Utility

OpCos
Entergy
Wholesale
Commodities
Entergy
Shareholders
Mid South
TransCo LLC
(New Holdco)
ITC
Shareholders
ITC Merger
Sub
Transco Subs
ITC After

Generation

Distribution

Retail
customer
service
Entergy Shareholders will own stock in *two companies*
ETR After

Transmission
\$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
~5%
ITC Shares`
Expected closing in 2013

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Benefits of ETR
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Independence
Operational
Excellence
Financial
Flexibility
and Growth

Fosters
Regional
Planning
The Merger Transaction
The Merger Transaction
Benefits Customers and Other Stakeholders
Benefits Customers and Other Stakeholders

Improves access to capital for transmission business and focuses financial resources solely on transmission system performance

Strengthens ability of Entergy Operating Companies to make needed investment in other areas of utility business

Ensures safe and reliable operations and continued strengthening of overall grid performance through ITC's singular focus on transmission system performance, planning and operations

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

Provides proven business model for owning and operating transmission systems

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

Instills confidence in wholesale markets by encouraging greater participation and disclosure by third parties

Leads to a more comprehensive planning process and a broader regional view than would otherwise be possible

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Capital Trends

Capital Trends

The Industry Facing a Huge Capital Need

The Industry Facing a Huge Capital Need

Growth / Investment
Issues Facing Utility Industry
Over Next 20 Years
Generation
Transmission
Distribution
Projected Industry Capital Investments
Over Next 20 Years
\$T
???
Current Market Cap
Other = 0.15
Source: Internal analysis; Bloomberg
0.3
0.7
1.0
Projected

9

9

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

"we view most favorably those commissions that establish rates that reasonably reflect the costs incurred by a utility, including a return on equity, and where timely

adjustments to these rates are made to recognize changes in costs"

"public service commissions continue to be reasonably supportive despite frequently lower authorized returns."

"the real tests lie ahead, when federal environmental mandates and consequent spending requirements are more certain, when state renewable portfolio standards begin to command heightened expenditures in earnest, and when an aging infrastructure reveals its vulnerability"

Challenges
facing the
electric
utilities
industry

Addressing
challenges

Standard and Poor's Outlook

"Utility Credit Ratings Critical to Raising Capital

Money Needed to Build Wires and Plants

Capital Trends

Capital Trends

Rating Agency Considerations

Rating Agency Considerations

"For
an
industry
that
is
among
the
most
capital-intensive
in
the
United
States,
failure
to
maintain
investment
grade
could
have
significant
upward
cost
implications"

"a preference for expense deferrals may develop, and a proclivity for less competitive authorized returns

will
almost
certainly
prevail.
Such
a
turn
of
events
would
likely
result
in
a
shift
of
our
stable
outlook
on
overall
U.S.
electric
utility
credit
quality
to
negative."

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

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Capital Trends

Capital Trends

Industry Responding with Different Approaches

Industry Responding with Different Approaches

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,

e.g., FPL Rate Hike Request

Align business model with capital needs

e.g., AEP TransCo

Consolidate

Build

Regulatory

Flexibility /

Certainty

Change

Business

Model

specific rider recovery, CWIP in rates, etc.

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11
2015-2021
2011-2014
7.3
2007-2010
5.1
2003-2006
4.3
+19%
Capital Trends

Capital Trends

Rising Capital for Entergy Overall

Rising Capital for Entergy Overall

???

Effect of EPA rules?

???

Effect of EPA rules?

Infrastructure

improvements?

+43%

Note: Excludes storm CapX for historical data; ETR Utilities includes EAI, ELL, EGSL, EMI, ETI, ENOI, SERI, ESI, EOI, S

Entergy Utilities Capital Investment

Total Spend

(\$B)

Capital spending could significantly increase over the next

10 years due to the potential for new environmental

regulations and improvement of infrastructure

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Capital Trends

Capital Trends

Rising Capital for Entergy's Transmission Business

Rising Capital for Entergy's Transmission Business

Entergy Projected Transmission Capital Investment

2012E-2014E

(\$M)

Projected
Depreciation

Expense

0

100

200

300

400

500

600

2012E

2013E

2014E

13

13

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Capital Trends

Capital Trends

~\$3.2B Spent on Major Storms from 2005-2010

~\$3.2B Spent on Major Storms from 2005-2010

Event	Year	Spend (\$M)
Hurricane Katrina	2005	1,099
Hurricane Rita	2005	645
Hurricane Gustav	2008	680
Hurricane Ike	2008	625
Ice Storm EAI 2009	2009	119
Ice Storm EAI Jan 2010	2010	13

In the past, ETR utilities have had to effectively respond to major storms which have required unplanned capital expenditures ~\$3.2 billion over 2005-2010

Strong balance sheet and credit ratings critical for quickly mobilizing capital and resources to respond to emergencies

1. Includes capital and O&M spend

Note: 2011 CapX estimated to be \$1.94B. 2011 capital spend related to major storms was \$112M

1

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2015-2021

2011-2014

2007-2010

2003-2006

Note: Excludes storm CapX for historical data

Capital spending could significantly increase over the next

10 years due to the potential for new environmental regulations and Entergy's infrastructure

Capital Trends

Capital Trends

Rising Capital for ETI

Rising Capital for ETI

ETI Capital Investment

Total Spend

(\$M)

822

573

587

-2%

???

Effect of EPA rules?

???

Effect of EPA rules?

Infrastructure

improvements?

+44%

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Storm Response

Storm Response

Utilizing Best Practices

Utilizing Best Practices

ETR System Incident

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

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Storm Response
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Rate Effects

Rate Effects

Significant Variability in Average Residential Bills

Significant Variability in Average Residential Bills

Illustrative

Note: Residential bills are the average of the Typical Monthly Bills in that year for a residential customer using 1,000 kWh, ex

Source: Entergy Regulatory Services, Typical Bill Report

Henry Hub

Gas Index

(\$/mmBtu)

2.7

3.1

5.4

5.9

8.3

6.5

6.9

9.0

3.8

4.4

4.0

Henry Hub Gas Index

\$/mmBtu

ETI

Avg.

Monthly

Residential

Bill

1,000

kWh

(\$)

Henry Hub Gas Index

Yearly variation between \$2 and \$17 over 2001-2011

150

100

50

0

15

10

5

0

2011

108.73

2010

98.06

2009

103.32

2008

113.06

2007

107.24

2006

116.92

99.77

2004

86.55

2003

2005

2002

75.72

2001

89.41

88.24

4% reduction in customer
bills since 2008

-1.69

(-2%)

+17.15

(+17%)

-4%

ETI Avg. Monthly Residential Bill-
1,000 kWh(\$)

19

19

Rate Effects

Rate Effects

Transmission ~5.8% of Typical ETI Customer Bill

Transmission ~5.8% of Typical ETI Customer Bill

Typical ETI Customer Bill

Transmission
Non-Transmission

Note:
Average
of
January
2011

December
2011
typical
bills
for
a
residential
customer
using
1,000
kWh
per
month;
non-transmission
portion
of
monthly
bill
includes
fuel
and
portions
of
the
fixed
customer
charge
and
energy
charge
allocated
to
generation
and
distribution
functions,
as
well
as
the inclusion of various riders.
5.8%
94.2%

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

Analysis assumes MISO base ROE for Entergy transmission business (12.38%) and capital structure currently utilized by ITC operating companies (60% equity/40% debt)

Benefits
of
credit
quality
improvement
resulting
from
transition
to
FERC-
regulated rate construct partially offset ROE and capital structure impacts

Rate Effects

Rate Effects

Split into Rate Construct, Rate Timing and

Split into Rate Construct, Rate Timing and

Other Effects for Retail Customers

Other Effects for Retail Customers

WACC

Effects

Rate

Timing

Effects

Forward

Test

Year:

Eliminates

regulatory

lag

in

recovery

of

capital

investments

On-

time impact of conversion to forward test year

Reflects amounts that would have been collected in future years

MSS-2 construct eliminated post transaction

Current

estimation

reflects

effect

of

paying

load

ratio
share
of
Transmission
cost factoring in zonal investment and retail share of Transmission
investments
Net Other
Effects
20

21
21
21
Rate Effects
Rate Effects
No
No

Increase
Increase
Expected
Expected
in
in
Typical
Typical
ETI
ETI
Customer
Customer

Bill
Bill
Illustrative

*Refer to previous slide where rate construct and other assumptions are detailed
Note:

Contents exclude estimated
one-time rate timing effect of
\$0.37 in 2014 due to
conversion to forward test
year
reflects amounts that
would have been collected in
future years

40
20
140
0
2014
WACC Effects
~0.52

Illustrative Bill
if ETR owns
T assets
status quo
108.73
~(0.21)
(0.2)%

Illustrative Bill
if ITC owns
T assets
post-transaction
~108.52
2014

Net Other Effects
~(0.73)
80
60

ETI Residential Bill

1,000 kWh

(\$)

120

100

Note: \$108.73 is the average of the 2011 Typical Monthly Bill for a residential customer using 1,000 kWh, excluding taxes. Caution is advised in interpreting this illustration as it does not reflect the rate effects of the spin-merge transaction and is not meant to project an actual future customer bill. Illustration does not include effects such as adoption of forward test year.

Over the long term, customer bill effects expected to be mitigated by...

Enhanced Financial Flexibility

Reliability, System Performance, Scale efficiencies etc.

Independent and transparent ITC model, which supports robust markets and competition
Operational Excellence

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Illustrative

Over the long term, customer
bill effects expected to be
mitigated by...

Enhanced Financial
Flexibility

Operational
Excellence

Reliability, System
Performance, Scale
Efficiencies, etc.

Independent and
transparent ITC model,
which supports robust
markets and competition

Note:

Contents exclude estimated
one-time rate timing effect of
\$228.18 in 2014 due to
conversion to forward test
year

reflects amounts that
would have been collected in
future years

ETI LIPS Bill

5,000 kW, 80% Load Factor

(\$)

170,000

168,000

166,000

164,000

162,000

4,000

2,000

0

~-0.46

0.0%

Illustrative Bill

if ITC owns

T assets

post-transaction

~166,962.81

2014

Net Other Effects

~(451.91)

2014

WACC Effects

~452.37

Illustrative Bill

if ETR owns

T assets

status quo

166,962.35

Note: Illustrative bill is the average of the 2011 Typical Monthly Bills for a Large Industrial Power Service (LIPS) customer us

80% Load Factor, excluding taxes. Calculation indicative and illustrative of the rate effects of the spin-merge transaction and i

an

actual

future

customer

bill.

Illustration

does

not

include

effects

of

any

future

potential

changes

in

fuel

prices,

rate

cases

between

now

and

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

Rate Effects

Rate Effects

ETI Typical LIPS Bill Unaffected As Well

ETI Typical LIPS Bill Unaffected As Well

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Pathway to Completion
Pathway to Completion
Required Approvals
Required Approvals
Authority

Requirements
Entergy retail
regulators

Change of control of transmission assets

Affiliate transaction approvals related to steps in the spin / merge

Authorization to incur debt in some jurisdictions
FERC

Change of control of transmission assets (203 filing)

Acceptance of jurisdictional agreements (205 filing)

Authorization to assume debt / issue securities (204 filings)

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

ITC filing to establish new rate tariffs for the ITC operating companies
Nuclear Regulatory
Commission

Required for internal corporate reorganization in connection with spin-merge,
and to satisfy license conditions
Hart-Scott-Rodino
Act

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

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

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

Transco Registration Statement
ITC shareholders
Approvals required for:

Merger,

Issuance of shares to ETR shareholders, and

Amendment to ITC charter to increase authorized number of shares