A RESOLUTION OF THE CITY COUNCIL OF ORANGE, 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 ORANGE, 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 Orange 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.

Jimmy Sims, Mayor

ATTEST:

Patricia Anderson, Deputy City Secretary

APPROVED AS TO FORM:

City Attorney
RESOLUTION NO. 05-2013

A RESOLUTION OF THE CITY COUNCIL OF PINE FOREST, 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;

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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 PINE FOREST, 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 Pine Forest, Texas, 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 5th day of August, 2013.

Joey Peno, Mayor

ATTEST:

Lilith Sutherland, City Secretary
RESOLUTION NO. 693-13

A RESOLUTION OF THE CITY COUNCIL OF PINHEURST, 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;

1
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 PINEHURST, 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 Pinehurst 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.

ATTEST:

[Signature]
City Secretary

APPROVED:

[Signature]
City Attorney
RESOLUTION NO. 13-309

A RESOLUTION OF THE CITY COUNCIL OF PORT ARTHUR, 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; and

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 PORT ARTHUR, 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. That the City of Port Arthur 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. That 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. That this resolution shall become effective from and after its passage.

READ, ADOPTED, AND APPROVED, the 22nd day of July, 2013

AD, at a Regular Meeting of the City Council of the City of Port Arthur, Texas by the following vote: AYES:

Mayor: Prince; Mayor Pro Tem Hildman; 
Councilmembers: Scott; Segler; Abright; Troy; Lewis and Thomas.
NOES: None.

[Signature]
Mayor

ATTEST:
[Signature]
City Secretary

APPROVED AS TO FORM:
[Signature]
City Attorney

APPROVED FOR ADMINISTRATION:
[Signature]
City Manager
July 3, 2013

[Addressee]
[Addressee Title]
[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.
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
I. 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. Other Matters

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 ARR, 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 ongoing 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 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,
   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 will 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 defer 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

<table>
<thead>
<tr>
<th>Project Name</th>
<th>LE</th>
<th>Proposed ISD (Planning)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fordyce: Relocate capacitor bank to 115 kV bus</td>
<td>EAI</td>
<td>2014 Summer</td>
</tr>
<tr>
<td>Sheridan South 500 kV FG Upgrade: Sheridan 500 kV Substation replace 11 switches, and 6 line traps</td>
<td>EAI</td>
<td>2014 Summer</td>
</tr>
<tr>
<td>Sheridan South 500 kV FG Upgrade: Eldorado 500 kV Substation replace 1 switch and 2 line traps</td>
<td>EAI</td>
<td>2014 Summer</td>
</tr>
<tr>
<td>LV Bagby to Reed: Construct new 230 kV line and operate at 115 kV</td>
<td>EAI</td>
<td>2014 Summer</td>
</tr>
<tr>
<td>Calico Rock-Melbourne - Upgrade 161kV Line</td>
<td>EAI</td>
<td>2014 Winter</td>
</tr>
<tr>
<td>Pine Bluff Voltage Support Project: Phase 2</td>
<td>EAI</td>
<td>2015 Summer</td>
</tr>
<tr>
<td>Woodward: Construct 230 kV ring bus and convert White Bluff to Pine Bluff Arsenal D to Pine Bluff West - Pine Bluff McCamant: Reconductor 115 kV</td>
<td>EAI</td>
<td>2015 Summer</td>
</tr>
<tr>
<td>Woodward - Pine Bluff West - Pine Bluff McCamant: Reconductor 115 kV</td>
<td>EAI</td>
<td>2015 Summer</td>
</tr>
<tr>
<td>HS EHV-HS Industrial: Upgrade Terminal Equipment</td>
<td>EAI</td>
<td>2015 Summer</td>
</tr>
<tr>
<td>HS Union Carbide-HS East: Upgrade Terminal Equipment</td>
<td>EAI</td>
<td>2015 Summer</td>
</tr>
<tr>
<td>AECC L&amp;D 2 to Gillett: Construct new 115 kV Line</td>
<td>EAI</td>
<td>2016 Summer</td>
</tr>
<tr>
<td>Mossville - Cut-in line 816 (Nelson to Carlyss 138 kV) into Mossville 138 kV Substation</td>
<td>EGS/ELL</td>
<td>2013 Summer</td>
</tr>
<tr>
<td>Copi to Bourgeois: Upgrade 69 kV line</td>
<td>EGS/ELL</td>
<td>2014 Winter</td>
</tr>
<tr>
<td>Sorrento Upgrade 138/115 kV Auto and upgrade Gonzales - Sorrento 138 kV Line</td>
<td>EGS/ELL</td>
<td>2014 Summer</td>
</tr>
<tr>
<td>Project Description</td>
<td>Location</td>
<td>Date</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------</td>
<td>----------</td>
<td>--------------</td>
</tr>
<tr>
<td>NE Louisiana Improvement Project - Phase 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oakridge to new Dunn Substation - Construct new 115 kV Line</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1272 ACSR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add 115 kV breakers at Dunn</td>
<td>ELL</td>
<td>2013 Summer</td>
</tr>
<tr>
<td>ML Olive: Add Shunt Reactor</td>
<td>ELL</td>
<td>2013 Winter</td>
</tr>
<tr>
<td>NMB: Upgrade Michoud breaker N9803</td>
<td>ELL</td>
<td>2014 Winter</td>
</tr>
<tr>
<td>NMB: Upgrade Ninemile to Southport 230 kV transmission line No.2</td>
<td>ELL</td>
<td>2014 Winter</td>
</tr>
<tr>
<td>Baxter Wilson to S.E. Vicksburg - Upgrade 115 kV line</td>
<td>EMI</td>
<td>2015 Summer</td>
</tr>
<tr>
<td>Deweyville (JNEC) - Add 89 kV capacitor bank</td>
<td>ETI</td>
<td>2012 Summer</td>
</tr>
<tr>
<td>Conroe Area Switching Station: tie lines Longmire to Fish Creek and</td>
<td>ETI</td>
<td>2013 Summer</td>
</tr>
<tr>
<td>Conroe to Woodhaven into new switching station</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alden 138 kV Substation: Add Capacitor Bank</td>
<td>ETI</td>
<td>2015 Summer</td>
</tr>
<tr>
<td>Upgrade Splendor to Apollo 138 kV Line</td>
<td>ETI</td>
<td>2016 Summer</td>
</tr>
</tbody>
</table>
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.
RESOLUTION 2013-07

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PORT NECHES, 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 PORT NECHES, 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 Port Neches 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 18th day of July, 2013, by the City Council of the City of Port Neches, Texas.

THE CITY OF PORT NECHES, TEXAS

Glenn Johnson, Mayor

ATTEST:

Jamie Mendoza, City Secretary

APPROVED AS TO FORM:

Pete Steele, City Attorney
RESOLUTION NO. 080813-3

A RESOLUTION OF THE CITY COUNCIL OF ROSE CITY, 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;

1
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 ROSE CITY, 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 Rose City, Texas, 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 8th day of August, 2013.

David Bush, Mayor

ATTEST:

Tonya Veazey, City Secretary
RESOLUTION NO. 13-11

A RESOLUTION OF THE CITY COUNCIL OF SILSBEE, 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;

1
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 SILSBEE, 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 Silsbee 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 13th day of July, 2013.

THE CITY OF SILSBEE, TEXAS

BY: HERBERT MUCKELROY, Mayor

ATTEST:

DEE ANN ZIMMERMAN, City Secretary

APPROVED AS TO FORM:

H. P. WRIGHT, City Attorney
RESOLUTION

A RESOLUTION OF THE CITY COUNCIL OF SOUR LAKE, 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