

ENTERGY CORP /DE/
Form 425
June 18, 2012

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Update on
Entergy Transmission
Spin/Merger with ITC
June 18

20, 2012

Presented by Entergy Texas

Filed by Entergy Corporation Pursuant to Rule 425

Under the Securities Act of 1933

Subject Company: Entergy Corporation

Commission File No. 001-11299

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Entergy Forward-Looking Information
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In
this
communication,
and
from
time
to
time,
Entergy
makes
certain
forward-looking
statements
within
the
meaning of the Private Securities Litigation Reform Act of 1995.
Except to the extent required by the federal
securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements,
whether as a result of new information, future events, or otherwise. Forward-looking statements involve a
number of risks and uncertainties. There are factors that could cause actual results to differ materially from
those expressed or implied in the forward-looking statements, including (i) those factors discussed in Entergy's
Annual Report on Form 10-K for the year ended December 31, 2011, its Quarterly Report on Form 10-Q for the
quarter ended March 31, 2012, and other filings made by Entergy with the Securities and Exchange Commission;
(ii) the following transactional factors (in addition to others described elsewhere in this presentation and in
subsequent securities filings) involving risks inherent in the contemplated transaction, including: (1) failure to
obtain ITC shareholder approval, (2) failure of Entergy and its shareholders to recognize the expected benefits
of the transaction, (3) failure to obtain regulatory approvals necessary to consummate the transaction or to
obtain regulatory approvals on favorable terms, (4) the ability of Entergy, Transco and ITC to obtain the required
financings, (5) delays in consummating the transaction or the failure to consummate the transaction, (6)
exceeding the expected costs of the transaction, and (7) the failure to receive an IRS ruling approving the tax-
free status of the transaction; (iii) legislative and regulatory
actions; and (iv) conditions of the capital markets
during the periods covered by the forward-looking statements. The transaction is subject to certain conditions
precedent, including regulatory approvals, approval of ITC's shareholders and the availability of financing.
Entergy cannot provide any assurance that the transaction or any

of the proposed transactions related thereto
will be completed, nor can it give assurances as to the terms on
which such transactions will be consummated.

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Additional Information and Where to Find It

Additional Information and Where to Find It

ITC and Transco will file registration statements with the Securities and Exchange Commission (SEC) registering shares of ITC common stock and Transco common units to be issued to Entergy shareholders in connection with the proposed transactions. ITC will also file a proxy statement with the SEC that will be sent to the shareholders of ITC. Entergy shareholders are urged to read the prospectus and/or information statement that will be included in the registration statements and any other relevant documents, because they contain important information about ITC,

Transco and the proposed

transactions. ITC shareholders are urged to read the proxy statement and any other relevant documents because they contain important information about Transco and the proposed transactions. The proxy

statement, prospectus and/or information statement, and other documents relating to the proposed transactions (when they are available) can be obtained free of charge from the SEC's website at

www.sec.gov. **The documents, when available, can also be obtained free of charge from Entergy upon** written request to

Entergy Corporation, Investor Relations, P.O. Box 61000, New Orleans, LA 70161

or by

calling Entergy's Investor Relations information line at 1-888-ENTERGY (368-3749), or from ITC upon written request to ITC Holdings Corp., Investor Relations, 27175

Energy Way, Novi, MI 48377 or by

calling 248-946-3000.

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of
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The Merger Transaction

The Merger Transaction

End State

End State

Entergy Utility Operating Companies comprised of:

Generation

Distribution

~\$1.775B of debt will be issued by Entergy in connection with the internal separation of the transmission business, the proceeds from which will be used for debt reduction

Each Entergy Utility Operating Company's capital structure after the spin-off and merger anticipated to be consistent with capitalization prior to the transaction

Prior to the merger, ITC expects to effectuate a \$700M recapitalization currently anticipated to be a special dividend

Entergy shareholders to merge spun transmission business with ITC merger subsidiary

New Holdco to survive

Entergy
shareholders
to
receive
50.1%
of
ITC
stock
Illustrative
Entergy
Shareholders
Parent
Creditors
OpCo
Creditors
Utility
OpCos
Entergy
Wholesale
Commodities
Entergy
Shareholders
ITC
Shareholders

Mid South
TransCo LLC
(New Holdco)
ITC Merger
Sub
Transco Subs

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Benefits of ETR

ITC Spin-Merge Transaction

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Overview of Benefits to Customers

Overview of Benefits to Customers

Through Spin-Merge

Through Spin-Merge

Increases flexibility of Entergy's investment alternatives

Protects credit quality of Entergy's Operating Companies

Supports efficient infrastructure investment

Improves access to capital for transmission business

Combines best operating practices of both Entergy and ITC

Brings ITC's experience and track record of safe and reliable operations to ensure continued strengthening of overall grid performance

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

Provides singular focus on transmission system performance, planning and operations

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

Financial
Flexibility
and Growth
Operational
Excellence
Independent
and
Transparent
ITC Model

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The Utility Industry Is Facing Huge Need for Capital
The Utility Industry Is Facing Huge Need for Capital
Estimated at \$2.2T Over the Next 20 Years
Estimated at \$2.2T Over the Next 20 Years
Growth / Investment

Issues Facing Utility Industry

Over Next 20 Years

Source: Internal analysis; Bloomberg

Generation

Transmission

Distribution

Projected Industry Capital Investments

Over Next 20 Years

\$T

???

Current Market Cap

Other = 0.15

Projected

9

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Challenges
facing the
electric
utilities
industry

Addressing
challenges

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

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

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

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

returns

will

almost

certainly

prevail.

Such

a

turn

of

events

would

likely

result

in a shift of our stable outlook on overall U.S. electric utility credit quality to negative."

Note:

Comments

sourced

from

Energy

Biz

article

written

by

Richard

W.

Cortright,

Jr.,

managing

director

in

Standard

&

Poor's

U.S.

Utilities

and

Infrastructure Ratings group dated Feb 07, 2012

Standard

and

Poor's
Outlook

"Utility
Credit
Ratings
Critical
to
Raising
Capital

Money Needed to Build Wires and Plants

Capital Trends

Capital Trends

Rating Agency Considerations

Rating Agency Considerations

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

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

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Industry Is Responding to Capital Investment

Industry Is Responding to Capital Investment

Challenges with Different Approaches

Challenges with Different Approaches

Create larger footprint; upsize balance sheet

Duke / Progress

Northeast Utilities / NSTAR

PPL / LG&E

First Energy / Allegheny

Exelon / Constellation

Achieve greater certainty in regulations

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

Align business model with capital needs

e.g., AEP Transco

e.g., FPL Rate Hike Request

Consolidate

Build

Regulatory

Flexibility /

Certainty

Change

Business

Model

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

Rising Capital for Entergy Overall

Rising Capital for Entergy Overall

???

Effect of EPA rules?

???

Effect of EPA rules?

Infrastructure

improvements?

+37%

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

Entergy Utilities Capital Investment

Total Spend

\$B

Capital spending could significantly increase over the next

10 years due to the potential for new environmental

regulations and improvement of infrastructure

+21%

12
12
Capital Trends
Capital Trends
Rising Capital for Entergy's Transmission Business
Rising Capital for Entergy's Transmission Business
Entergy Projected Transmission Capital Investment
2012E-2014E
\$M
Projected
Depreciation
Expense

13
13
13
For ETR Utilities, Spend on Major Storms
For ETR Utilities, Spend on Major Storms
Amounted to ~\$3.2B Over 2005-2010
Amounted to ~\$3.2B Over 2005-2010
Event
Year
Spend
(\$M)
1
Hurricane Katrina
2005
1,117
Hurricane Rita
2005
645
Hurricane Gustav
2008
680

Hurricane Ike

2008

626

Ice Storm EAI 2009

2009

119

Ice Storm EAI Jan 2010

2010

12

In the past, ETR

utilities have had to

effectively respond

to major storms

which have required

unplanned capital

expenditures

~\$3.2 billion over

2005-2010

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

1.

Includes capital and O&M spend

Note: 2011 CapX estimated to be \$2.11B. 2011 capital spend related to major storms was \$112M

14
14
2015-2021
2011-2014
841
2007-2010
583

2003-2006

589

Note: Excludes storm CapX for historical data

-1%

Capital spending could significantly increase over the next 10 years due to the potential for new environmental regulations and Entergy's infrastructure

Capital Trends

Capital Trends

Rising Capital for ETI

Rising Capital for ETI

???

Effect of EPA rules?

???

Effect of EPA rules?

Infrastructure

improvements?

+44%

ETI Capital Investment

Total Spend

\$M

15

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Financial Flexibility

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

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

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Storm Response

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4% reduction in customer
bills since 2008

Significant Variability in Average Residential Bills

Significant Variability in Average Residential Bills

Yearly Variation Between \$2 and \$17 Over 2001-2011

Yearly Variation Between \$2 and \$17 Over 2001-2011

Illustrative

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

Source: Entergy Regulatory Services, Typical Bill Report

Henry Hub

Gas Index

(\$/mmBtu)

2.7

3.1

5.4

5.9

8.3

6.5

6.9

9.0

3.8

4.4

4.0

150

100

50

-4%

0

Henry Hub Gas Index

\$/mmBtu

15

10

5

0

-1.69

(-2%)

+17.15

(+17%)

2011

108.73

2010

98.06

2009

103.32

2008

113.06

2007

107.24

2006

116.92

ETI Avg. Monthly Residential Bill-

1,000 kWh

\$

99.77

2004

86.55

2003

2005

2002

75.72

2001

89.41

88.24

Henry Hub Gas Index

18

ETI

Avg.

Monthly

Residential

Bill-

1,000

kWh(\$)

19
Typical ETI Customer Bill
Transmission
7.5%
Fuel
45.3%
Non-Fuel

47.2%

Transmission Constitutes ~7.5% of

Transmission Constitutes ~7.5% of

Typical ETI Customer Bill

Typical ETI Customer Bill

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

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

Benefits of credit quality improvement
resulting
from
transition
to
FERC-
regulated rate construct partially offset ROE and capital structure impacts
Rate Impacts Split into Rate Construct, Rate Timing and
Rate Impacts Split into Rate Construct, Rate Timing and
Other Effects for Retail Customers
Other Effects for Retail Customers
Rate
Construct
Effects
Rate
Timing
Effects
Forward
Test
Year:
Eliminates
regulatory
lag
in
recovery
of
capital
investments
One time impact of conversion to forward test year
Reflects amounts that would have been collected in future years
MSS-2 construct eliminated post transaction
Current
estimation
reflects
effect
of
paying
load
ratio
share
of
Transmission
cost factoring in zonal investment and retail share of Transmission
investments
Other Effects
20

21
21
21
ETI Residential Bill-1,000 kWh
\$
115
110

105
100
5
0
~(0.26)
(0.2%)
2014 Net
Other Effects*
~108.47
~(0.29)
2014 Benefits
From Higher
Credit Quality
resulting from
Rate
Construct
~(0.73)
2014 Rate
Construct
Effects from
FERC
regulated
model
Illustrative
Bill if ETR
owns
T assets
current state
~0.76
108.73
ETI
ETI
Typical
Typical
Residential
Residential
Customer
Customer
Bill
Bill
Not
Not
Expected
Expected
to
to
Illustrative
Expected Rate
Construct Effects*
Over the long term, customer

bill effects expected to be mitigated by...

Enhanced Financial

Flexibility

Operational

Reliability, System

Performance, Scale

efficiencies etc.

Independent and

transparent ITC model,

which supports robust

markets and competition

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

Note: Illustrative bill is the average of the 2011 Typical Monthly Bills for a residential customer using 1,000 kWh, excluding the rate effects of Transaction and is not meant to project an actual future customer bill. Estimation does not include effects of movements in commodity prices or rate cases between now and time of deal close.

Note:

Contents exclude estimated one-time rate timing effect of \$0.37 in 2014 due to conversion to forward test year

reflects amounts that would have been collected in future years

T assets post

transaction

if ITC owns

Illustrative Bill

Excellence

Increase Post Spin-Merge Due to Rate Construct Effects

Increase Post Spin-Merge Due to Rate Construct Effects

22
22
22
168,000
166,000
4,000
2,000

0
~(3.33)
(0.0%)
Illustrative Bill if
ITC owns
T assets post-
transaction
~166,959.02
164,000
ETI LIPS Bill
5,000 kWh, 80% load factor; \$
170,000
2014 Net
Other
Effects*
~(451.91)
2014 Benefits
from higher
credit quality
resulting from
Rate Construct
~(22.29)
2014 Rate
Construct
Effects from
FERC-regulated
model
~470.87
Illustrative
Bill if ETR
owns
T assets
current state
166,962.35
ETI
ETI
Typical
Typical
LIPS
LIPS
Customer
Customer
Bill
Bill
Not
Not
Expected
Expected
to
to

Increase Post Spin-Merge Due to Rate Construct Effects

Increase Post Spin-Merge Due to Rate Construct Effects

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

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

Factor, excluding taxes. Calculation indicative of the rate effects of Transaction and is not meant to project an actual future cus

include

effects

of

move

to

MISO,

changes

in

fuel

prices,

or

rate

cases

between

now

and

time

of

deal

close.

Note:

Contents exclude estimated

one-time rate timing effect

of \$228.18 in 2014 due to

conversion to forward test

year

reflects amounts that

would have been collected

in future years

Illustrative

Expected

Rate Construct

Effects *

Over the long term, customer

bill effects expected to be

mitigated by...

Enhanced Financial

Flexibility

Operational

Reliability, System

Performance, Scale

Efficiencies etc.

Independent and

transparent ITC model,

which supports robust

markets and competition
Excellence

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Pathway to Completion
Pathway to Completion
Required Approvals
Required Approvals
Authority
Requirements
Entergy retail
regulators

Change of control of transmission assets

Affiliate transaction approvals related to steps in the spin / merge

Authorization to incur debt in some jurisdictions
FERC

Change of control of transmission assets (203 filing)

Acceptance of jurisdictional agreements (205 filing)

Authorization to assume debt / issue securities (204 filings)

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

ITC filing to establish new rate tariffs for the ITC operating companies
Hart-Scott-
Rodino Act

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

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

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

Transco Registration Statement
ITC
shareholders
Approvals required for:

Merger,

Issuance of shares to ETR shareholders, and

Amendment to ITC charter to increase authorized number of shares