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Entergy-ITC
Transaction Discussion
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business conditions and prospects, growth opportunities and the outlook for ITC s business, including ITC s business and the transmission industry based upon information currently available. Such statements are forward-looking statements within th meaning of the Private Securities Litigation Reform Act of 1995. Wherever possible, ITC has identified these forward-looking statements by words such as anticipates , believes , intends , estimates , expects , projects and similar phrases. T forward-looking statements are based upon assumptions ITC management believes are reasonable. Such forward-looking statements are subject to risks and uncertainties which could cause ITC s actual results, performance and achievements to diff materially from those expressed in, or implied by, these statements, including, among other things, (a) the risks and uncertainti

disclosed in ITC s annual report on Form 10-K and ITC s quarterly reports on Form 10-Q filed with the Securities and Excha
Commission (the SEC) from time to time and (b) the following transactional factors (in addition to others described elsewhe
document and in subsequent filings with the SEC): (i) risks inherent in the contemplated transaction, including: (A) failure to o
approval by the Company s shareholders; (B) failure to obtain regulatory approvals necessary to consummate the transaction o
obtain regulatory approvals on favorable terms; (C) the ability to obtain the required financings; (D) delays in consummating th
transaction or the failure to consummate the transactions; and (E) exceeding the expected costs of the transactions; (ii) legislati
and regulatory actions, and (iii) conditions of the capital markets during the periods covered by the forward-looking statements
Because ITC s forward-looking statements are based on estimates and assumptions that are subject to significant business,
economic and competitive uncertainties, many of which are beyond ITC s control or are subject to change, actual results coul
materially different and any or all of ITC s forward-looking statements may turn out to be wrong. They speak only as of the da
and can be affected by assumptions ITC might make or by known or unknown risks and uncertainties. Many factors mentioned
document and the exhibits hereto and in ITC s annual and quarterly reports will be important in determining future results.
Consequently, ITC cannot assure you that ITC s expectations or forecasts expressed in such forward-looking statements will b
achieved. Actual future results may vary materially. Except as required by law, ITC undertakes no obligation to publicly updat
ITC s forward-looking or other statements, whether as a result of new information, future events, or otherwise.
The transaction is subject to certain conditions precedent, including regulatory approvals, approval of ITC s shareholders and
availability of financing. ITC cannot provide any assurance that the proposed transactions related thereto will be completed, no
it give assurances as to the terms on which such transactions will be consummated.
This
presentation
contains
certain
statements
that
describe
ITC
Holdings
Corp.
(ITC)
management s
beliefs
concerning
future

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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 Reports on Form 10-Q for the quarters ended March 31, 2012, and June 30, 2012, and Entergy s

other reports and filings made under the Securities Exchange Act of 1934; (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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ITC
and
Mid
South
TransCo
LLC
(TransCo)
will

file registration statements with the SEC registering shares of ITC common stock and TransCo common units to be issued to Entergy Corporation (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 shareholde 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 s shareholders are urged to

read the proxy statement and any other relevant documents because they contain important information about ITC, 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 webs 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

This presentation is not a solicitation of a proxy from any security holder of ITC. However, Entergy, ITC and certain of their respective directors and executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from shareholders of ITC

in
connection
with
the
proposed
transaction
under
the
rules
of
the SEC. Information about the directors and executive officers of Entergy may be found in its 2011 Annual Report on Form 1
filed with the SEC on February 28, 2012, and its definitive proxy statement relating to its 2012 Annual Meeting of Shareholder
Information about the directors and executive officers of ITC may be found in its 2011 Annual Report on Form 10-K filed with
SEC on February 22, 2012, and its definitive proxy statement relating to its 2012 Annual Meeting of Shareholders.
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Agenda

1. Entergy-ITC Transaction Overview

Approval requirements

2. Schedule

Stakeholder outreach

Anticipated timeline
3.
MISO Transition Plan and Impacts

Review transition plan

Impacts of transition plan to Entergy Customers and stakeholders

Impacts of transition plan to current MISO stakeholders
4.
Path Forward and Next Steps
5.
Q & A
5

Transaction Overview
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Introduction
In December 2011, Entergy Corporation and ITC Holdings Corp. (ITC) announced an agreement under which Entergy will transfer ownership and operation of its electric transmission business to ITC. The transaction is targeted to close in 2013.
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Purpose of Today s Discussion:

Brief stakeholders on joint proposal to integrate transmission assets into MISO at closing of Entergy -

ITC transaction

Describe how integration would be accomplished for the period of time between the close date of the ITC transaction and the date the Entergy OpCos join MISO as market participants

Express our continued commitment to transparency

Entergy-ITC Overview
System Peak
Load
26,100 MW
28,000 MW
Service Area
Seven states
Four states*
Total

Transmission
Miles
15,000 miles
15,800 miles
Service Area
Square Miles
89,850
114,669
RTO
Membership
MISO/SPP
MISO market
integration
by 12/2013
* Entergy also owns limited assets in Missouri.
Entergy
Transmission
Business
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Entergy-ITC Transaction Overview
Transaction
Structure

Reverse
Morris
Trust

Entergy s

transmission
business
merges
into
ITC

Prior to merger, Entergy to pursue tax free spin-off of transmission business, and ITC to effectuate a $700 million recapitalization in the form of a share repurchase, special dividend or some combination thereof

100% stock consideration

Entergy to issue approximately $1.775 billion of debt, to be assumed by ITC

ITC to issue approximately $700 million of debt at holdings level
ITC
Shareholders
Post-merge

50.1% Entergy shareholders

49.9% ITC shareholders
ITC Senior
Mgmt.
and Board

Two new independent directors who have transmission industry knowledge and familiarity with Entergy s region

ITC s management team will remain intact for combined business, supplemented with key Entergy leadership personnel from Entergy s transmission business
Headquarters

Regional headquarters remain in Jackson, MS

Corporate headquarters in Novi, MI
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The transaction is dependent upon the following approvals and other closing conditions:
Transaction Approvals
Authority
Requirement
Entergy Retail
Regulators
(APSC, LPSC, MPSC,
MoPSC, PUCT,

CCNO)

Approval to join an acceptable RTO

Change of control of transmission assets

Authorization to incur debt in some jurisdictions
FERC

Change of control of transmission assets

Establish rate for new ITC subsidiaries

Authorization for operating company financings
Hart-Scott-Rodino
Act (DOJ/FTC)

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

Ruling regarding tax
-free treatment of the Transaction
ITC Shareholders

Merger agreement

Amendment to ITC Articles of Incorporation to increase the number of
authorized shares

Authorization for issuance of greater than 20% of outstanding shares

Customer and Stakeholder Benefits
Transaction ultimately benefits all constituencies through independent model and overall best practices

Improved reliability, reduced congestion and greater access to competitive energy marketplace

Strong credit and ability to attract cost-effective capital for needed transmission investments

Independent transmission planning and operations; aligns with public policy objectives

Maintains jobs and provides opportunities for job creation and local economic development

Commitment to communities and customers that ITC serves through corporate citizenship and community involvement

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Schedule
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Stakeholder Outreach Process

ITC, Entergy and MISO scheduled this meeting to:

Provide an overview of the plan to migrate Entergy's transmission assets to MISO at the time of the transaction, integration strategy and expected impacts to Entergy and current MISO

transmission customers and stakeholders

Address questions and receive stakeholder feedback on any concerns

Follow-up stakeholder meeting planned for September, prior to FERC filings

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Anticipated Timeline

Transaction Change of Control filings in Entergy retail jurisdictions are planned to begin in the third

quarter
2012
and
will
be
sequenced
over
subsequent weeks

MISO and ITC FERC filings by end of September 2012

Entergy ICT transition to MISO scheduled for December 1, 2012
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Transition Plan
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MISO Transition Plan
1
MISO s
Open
Access
Transmission,
Energy
and
Operating

Reserve Markets Tariff is referred to as the EMT or the Tariff. Module B of the Tariff contains provisions for Transmission Service [16]

ITC, Entergy and MISO have developed a three-phase MISO integration strategy for the Entergy footprint

Proposed strategy would allow integration of the transmission assets into MISO up to six months before the Entergy OpCos join MISO as market participants, depending on the close date of the Entergy - ITC transaction

Transmission service will be provided under the MISO tariff, with transitional provisions provided in a new Module B-1 of the MISO Tariff [1], for the transition period only, until the Entergy OpCos join MISO as Market Participants

After full MISO integration, Module B-1 will be cancelled

Entergy MISO Integration/ITC Transaction
Entergy's current ICT agreement
with SPP is replaced by ICT
agreement with MISO
ITC Midsouth OpCos become TOs
in MISO immediately following
transaction close and participate in
MISO MTEP as TOs
MISO assumes functional control

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

MISO grants transmission service over current MISO facilities (MISO classic) and the ITC Midsouth systems, with a coordinated approach

for
evaluation
and
approval
of
Transmission
Service
Requests,
providing
one
stop
shopping
for
customers

Removal of pancaked
rates between MISO classic and ITC Midsouth transmission
systems

Participation as a full member in the MISO 2014 MTEP planning process with ITC s
bottom-up planning approach

Entergy s most recent Transmission Construction Plan will be incorporated in
Appendix A of MTEP13 as planned projects with predetermined cost allocation

All new load and generator interconnection requests and long term transmission
service requests in need of a transmission upgrade will transition to MISO tariff
procedures

Maintains
the
Entergy
Weekly
Procurement
Process

to
be
performed
by
ITC
and
subject
to
MISO
IMM
oversight

until
the

Entergy
OpCos
integration
into
MISO
market is
completed
General Implementation Construct
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Entergy to remain the Balancing Authority and will continue to provide ancillary services for the transition period

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Overview of Proposed Module B-1
Module B-1 is needed to provide MISO transmission service following ITC s acquisition of Entergy s transmission assets, but prior to Entergy s integration into the MISO energy and ancillary services markets

The PTP and NITS provisions of MISO s Module B include linkages to the market portion of the Tariff

Entergy OpCos will be a non-market area until December 2013

Module B also does not include certain provisions included in the Entergy tariff, such as conditional firm transmission service
Module B-1 will provide Order 888/890-compliant PTP and NITS Service over ITC Midsouth OpCos
facilities during the Transition Period

Service will be consistent with the pro forma OATT

Module B-1 service will include reservation and scheduling of transmission service, performing necessary studies, determining service availability, changes in service specifications, designation of network loads/resources, etc.
Where possible, MISO will include references to its standard Module B provisions and definitions

MISO will rely on its standard Tariff provisions for issues such as billing, reciprocity, dispute resolution, force majeure, indemnification and other similar legal issues

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Overview of Proposed Module B-1 (Continued)

Module B-1 will include several Attachments addressing certain Entergy footprint specific issues, including ATC/AFC calculation, payments to parties that funded upgrades on a direct assignment basis, weekly procurement process, studies and reports

MISO will provide or procure ancillary services (AS) during the Transition Period

Schedule 1 will be provided by MISO under its Tariff

Schedule 2 through 6, as well as Generator Imbalance Service, through MISO Tariff; provided by Entergy pursuant to FERC approved schedules

Once the Transition Period ends, and the Entergy OpCos are integrated in the MISO markets, Module B-1 will be cancelled by MISO and the standard provisions of the MISO Tariff will apply

Overview of TOA Appendix I

Appendix I of the MISO Transmission Owner Agreement is a framework for membership and operation of independent transmission companies within MISO, under which independent transmission companies are delegated to perform certain functions

Transmission entity is fully independent from any market participant

Transmission entity is of sufficient size and scale to reliably assume operational rights and responsibilities

Functions may include, but are not limited to: planning, revenue distribution, tariff administration, billing

Specifics regarding operational rights, responsibilities and procedures are reflected in an Appendix I Agreement filed with, and approved by, FERC
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Overview of Weekly Procurement Process (WPP)

WPP is intended as an optimized procurement process. It is not a centralized market for energy

The intent of the WPP is to provide Entergy and its Network Customers production cost savings through optimization of short-term (daily and/or weekly)
purchases

and
the
use
of
existing
resources
for
the
next
week
subject to the transmission network s capability and system operating constraints

MISO will be responsible for approving new network transmission service under the WPP (i.e., the designation of new Network Resources)

Generators in the MISO Classic footprint may participate in the WPP, provided they register and acquire firm PTP service to the ITC Midsouth border

Impacts of MISO Transition Plan to Entergy
Customers and Other Stakeholders

MISO always develops a transition plan to integrate new transmission owners
these plans all include incremental steps

This is a phased approach to manage the transmission and market portions of the integration

Entergy Transmission Customers will need to be registered as MISO Transmission Customers

There will be zonal transmission rates within the ITC Midsouth footprint

Rates will be developed by pricing zone; expect to have four

MISO transmission rates will be applicable

Existing transmission service crossing the MISO classic and ITC Midsouth transmission systems will be migrated to eliminate double counting of reservations

Settlements will be based on the MISO Tariff with one reservation per service request

Impacts of MISO Transition Plan to Entergy

Customers and Other Stakeholders (Continued)

There
will
continue
to
be

two
balancing
authority
areas

MISO
and
Entergy

Certain existing Entergy processes will be retained through MISO
Tariff
Module B-1 for ITC Midsouth transmission for the transition period

Pancaked rates will be eliminated between MISO Classic and MISO South

The transmission hurdle rate for moving energy in and out of MISO market
is reduced because rate pancaking is eliminated

Will
provide
one-stop
shopping

customer
makes
just
one
transmission
service request

TLR credits for service curtailed by MISO will be provided to ITC Midsouth
customers, even if reservations were approved prior to the transition period

The transition to MISO enhances reliability through AFC coordination across
the
queues;
increases
efficiency
of
transmission
use

24
transmission available
makes
more

Impact of MISO Transition Plan on Current
MISO Stakeholders

Approach has been designed to mitigate impacts to existing MISO priorities

Existing transmission owners will share revenue from point-to-point service

Elimination of pancaked rates between MISO Classic and MISO South

The transmission hurdle rate for moving energy in and out of MISO market is reduced because rate pancaking is eliminated

Reduction in Schedule 10 charges across MISO footprint
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Path Forward and Next Steps
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Next Steps

Continue development of regulatory filings

MISO will file with FERC for approval of Module B-1 tariff sheets

ITC and MISO will file with FERC for approval of Attachment O templates and tariff sheets

Appendix I Agreement between ITC and MISO will be filed with FERC for approval

Complete stakeholder process

Execute coordinated regulatory filing timeline

Change of Control filings in Entergy retail jurisdictions

Anticipate FERC filings in September 27

Questions
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