

ENTERGY CORP /DE/
Form 425
July 11, 2012

Update
on
Entergy
Transmission
Spin-Merger

with
ITC
Meeting with
Arkansas Electric Energy Consumers
July 11, 2012
Filed by Entergy Corporation Pursuant to Rule 425
Under the Securities Act of 1933
Subject Company: Entergy Corporation
Commission File No. 001-11299

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

time
to
time,
Entergy
makes
certain
forward-looking
statements
within

the meaning of the Private Securities Litigation Reform Act of 1995. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including (i) those factors discussed in Entergy's Annual Report on Form 10-K for the year ended December 31, 2011, its Quarterly 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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Agenda

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Financial Flexibility

Approvals Required

Benefits of ETR

ITC Spin-Merge Transaction
Rate Effects of 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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Financial Flexibility

Approvals Required

Benefits of ETR

ITC Spin-Merge Transaction
Rate Effects of Spin-Merge Transaction

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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

7
7
Challenges
facing the
electric
utilities
industry

Addressing
challenges

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

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Industry Is Responding to Capital Investment

Industry Is Responding to Capital Investment

Challenges with Different Approaches

Challenges with Different Approaches

Achieve greater certainty in regulations

Align business model with capital needs

e.g., AEP Transco

e.g., FPL Rate Hike Request

Consolidate

Build

Regulatory

Flexibility /

Certainty

Change

Business

Model

e.g., Formula rate plans, future test years,

specific rider recovery, CWIP in rates, etc.

Create larger footprint; upsize balance sheet

Duke / Progress

Northeast Utilities / NSTAR

PPL / LG&E

First Energy / Allegheny

Exelon / Constellation

9
9
5.3
7.2
2011-2014
2007-2010
2015-2021

2003-2006

4.3

+21%

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, SI

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

10
10
Capital
Capital
Trends
Trends

Rising
Rising
Capital
Capital
for
for
Entergy s
Entergy s
Transmission
Transmission
Business
Business
Entergy Projected Transmission Capital Investment
2012E-2014E
\$M
0
100
200
300
400
500
600
2012E
2013E
2014E
Projected
Depreciation
Expense

11

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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

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12
Capital Trends
Capital Trends
Rising Capital for EAI
Rising Capital for EAI
2015-2021

2011-2014

1.8

2007-2010

1.4

2003-2006

1.2

+17%

???

Effect of regulation?

EAI Capital Investment

Total Spend

\$B

???

Effect of regulation?

Infrastructure

improvements?

+28%

Note: Excludes storm CapX for historical data

Capital spending could significantly increase over the next

10 years due to the potential for new environmental

regulations and improvement of infrastructure

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Rate Effects of Spin-Merge Transaction
Financial Flexibility
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Agenda
Benefits

of
ETR

ITC
Spin-Merge
Transaction
Approvals Required

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Significant Variability in Average Residential Bills

Significant Variability in Average Residential Bills

Yearly Variation between \$3 and \$17 over 2001-2011

Yearly Variation between \$3 and \$17 over 2001-2011

Illustrative
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

87.65

150

100

Henry Hub Gas Index

\$/mmBtu

2001

93.53

5

0

EAI

Typical

Monthly

Residential

Bill

-

1,000

kWh

\$

0

2010

2006

15

10

94.23

2008

90.25

50

-13%

2011

97.78

2009

2002

97.81

2007

95.15

98.17

108.00

2004

73.15

2003

83.28

2005

13% reduction in
customer bills since 2009

Henry Hub Gas Index

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

+2.67

(+3%)

EAI

Avg.

Monthly

Residential

Bill

-

1,000

kwh(\$)

+17.10

(+23%)

Typical EAI Customer Bill

Non-Fuel

11.9%

4.5%

83.6%

Transmission

Fuel

Transmission Constitutes ~4.5% of
Transmission Constitutes ~4.5% of
Typical EAI Customer Bill
Typical EAI 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,
Rate Impacts Split into Rate Construct, Rate Timing,
and Other Effects for Retail Customers
and 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

Current
estimation
reflects
effect
of
paying
load
ratio
share
of
Transmission

cost factoring in zonal investment and retail share of Transmission
investments

Other

Effects

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17

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Illustrative

*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 movement

prices or rate cases between now and time of deal close

Note:

Contents exclude estimated
one-time rate timing effect of
\$0.51

in 2014 due to
conversion to forward test
year
reflects amounts that
would have been collected in
future years

120

60

70

~1.47

2014 Rate

Construct

Effects from

FERC

regulated

model

20

10

100

EAI Residential Bill -

1,000 kWh

\$

Illustrative

Bill if ETR

owns

T assets

current state

~(0.25)

90

~0.00

~95.45

2014 Benefits

From Higher

Credit Quality

resulting from

Rate

Construct

0

110

Illustrative

Bill if ITC

owns

T assets

post

transaction

~1.22

1.3%

2014 Net

Other

Effects*

94.23

30

80

Expected

Rate Construct

Effects *

EAI Typical Residential Customer Bill Expected to Increase

EAI Typical Residential Customer Bill Expected to Increase

1.3%

1.3%

Expected Mitigation by Customer Benefits

Expected Mitigation by Customer Benefits

Over the long term, customer

bill effects expected to be

mitigated by...

Enhanced Financial

Flexibility

Operational Excellence

Reliability, System

Performance, Scale

Efficiencies, etc.

Independent and

transparent ITC model,

which supports robust

markets and competition

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18
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Illustrative

*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 movement

prices or rate cases between now and time of deal close

Note:

Contents exclude estimated
one-time rate timing effect of
\$45.87 in 2014 due to
conversion to forward test

year

reflects amounts that
would have been collected in
future years

500

1,000

6,500

0

2014 Benefits

From Higher

Credit Quality

resulting from

Rate

Construct

~(22.76)

2014 Rate

Construct

Effects from

FERC

regulated

model

~133.06

Illustrative

Bill if ETR

owns

T assets

current state

7,241.79

2014 Net

Other

Effects*

~0.00

~7,352.09

Illustrative

Bill if ITC

owns

T assets

post

transaction

7,000

~110.30

1.5%

8,000

EAI LGS Bill -

250 kW, 55% Load Factor, Summer

\$

7,500

Expected

Rate Construct

Effects *

EAI Typical LGS Customer Bill Expected to Increase

EAI Typical LGS Customer Bill Expected to Increase

1.5%

1.5%

Expected Mitigation by Customer Benefits

Expected Mitigation by Customer Benefits

Over the long term, customer

bill effects expected to be

mitigated by...

Enhanced Financial

Flexibility

Operational Excellence

Reliability, System

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transparent ITC model,

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markets and competition

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Rate Effects of Spin-Merge Transaction

Financial Flexibility

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Benefits of ETR

ITC Spin-Merge Transaction
Approvals Required

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 requirements for a
tax-free treatment of the distribution of Transco are met
Securities and
Exchange
Commission

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

Transco Registration Statement
ITC shareholders
Approvals required for:

Merger,

Issuance of shares to ETR shareholders, and

Amendment to ITC charter to increase authorized number of shares
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