

ENTERGY CORP /DE/  
Form 425  
September 27, 2012

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

Spin-Merge Transaction into ITC

Spin-Merge Transaction into ITC

September 27, 2012

Presented by Entergy Texas

Filed by Entergy Corporation Pursuant to Rule 425

Under the Securities Act of 1933

Subject Company: Entergy Corporation

Commission File No. 001-11299

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

and  
from  
time  
to  
time,  
Entergy  
makes  
certain

forward-looking  
statements  
within

the meaning of the Private Securities Litigation Reform Act of 1995. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including (i) those factors discussed in Entergy's Annual Report on Form 10-K for the year ended December 31, 2011, its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012, and other filings made by Entergy with the Securities and Exchange Commission (the "SEC"); (ii) the following transactional factors (in addition to others described elsewhere in this communication, in the preliminary proxy statement/prospectus included in the registration statement on Form S-4 that ITC filed with the SEC on September 25, 2012 in connection with the proposed transactions, and in subsequent securities filings)

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

the  
tax-free  
status  
of  
the  
transaction;

(iii)  
legislative  
and  
regulatory  
actions;

and  
(iv)  
conditions  
of

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

which such transactions will be consummated.

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Additional Information and Where to Find It

Additional Information and Where to Find It

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

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

In addition, TransCo will file a registration statement with the SEC registering TransCo common units to be issued to Entergy shareholders in connection with the proposed transactions. Entergy shareholders are urged to read the proxy statement/prospectus included in the ITC registration statement and the proxy

statement/prospectus to be included in the TransCo registration statement (when available) and any other relevant documents, because they contain important information about ITC, TransCo and the proposed transactions. ITC shareholders are urged to read the proxy statement/prospectus and any other relevant documents because they contain important information about TransCo and the proposed transactions. The proxy statement/prospectus and other documents

relating to the proposed

transactions (when they are available) can be obtained free of charge from the SEC's website at

[www.sec.gov](http://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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Rate Effects of Spin-Merge Transaction

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of  
ETR

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Storm Response

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

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

Generation

Distribution

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

Transmission  
\$700M  
recapitalization  
(pre-close)  
ETR and  
OpCos  
reduce  
debt by  
\$1.775B  
\$1.775B debt  
transferred  
with assets  
Trust  
Up to ~5%  
ITC Shares  
ITC  
Shares  
ETR  
Shares  
ETR  
Shares  
~5%  
ITC Shares`  
Expected closing in 2013



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Benefits of ETR  
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Independence  
Operational  
Excellence  
Financial  
Flexibility  
and Growth

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

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

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

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

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

Provides proven business model for owning and operating transmission systems

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

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

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

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ITC

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Capital Trends

Capital Trends

The Industry Facing a Huge Capital Need

The Industry Facing a Huge Capital Need

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

9

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

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

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

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

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

Challenges  
facing the  
electric  
utilities  
industry

Addressing  
challenges

Standard and Poor's Outlook

"Utility Credit Ratings Critical to Raising Capital

Money Needed to Build Wires and Plants

Capital Trends

Capital Trends

Rating Agency Considerations

Rating Agency Considerations

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

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

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

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

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Capital Trends

Capital Trends

Industry Responding with Different Approaches

Industry Responding with Different Approaches

Create larger footprint; upsize balance sheet

Duke / Progress

Northeast Utilities / NSTAR

PPL / LG&E

First Energy / Allegheny

Exelon / Constellation

Achieve greater certainty in regulations

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

e.g., FPL Rate Hike Request

Align business model with capital needs

e.g., AEP TransCo

Consolidate

Build

Regulatory

Flexibility /

Certainty

Change

Business

Model

specific rider recovery, CWIP in rates, etc.

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

Capital Trends

Rising Capital for Entergy Overall

Rising Capital for Entergy Overall

???

Effect of EPA rules?

???

Effect of EPA rules?

Infrastructure

improvements?

+43%

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

Entergy Utilities Capital Investment

Total Spend

(\$B)

Capital spending could significantly increase over the next

10 years due to the potential for new environmental

regulations and improvement of infrastructure

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Capital Trends

Capital Trends

Rising Capital for Entergy's Transmission Business

Rising Capital for Entergy's Transmission Business

Entergy Projected Transmission Capital Investment

2012E-2014E

(\$M)

Projected  
Depreciation

Expense

0

100

200

300

400

500

600

2012E

2013E

2014E

13

13

13

Capital Trends

Capital Trends

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

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

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

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

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

1. Includes capital and O&M spend

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

1

14

2015-2021

2011-2014

2007-2010

2003-2006

Note: Excludes storm CapX for historical data

Capital spending could significantly increase over the next

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

Capital Trends

Capital Trends

Rising Capital for ETI

Rising Capital for ETI

ETI Capital Investment

Total Spend

(\$M)

822

573

587

-2%

???

Effect of EPA rules?

???

Effect of EPA rules?

Infrastructure

improvements?

+44%

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Financial Flexibility  
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Storm Response

Storm Response

Utilizing Best Practices

Utilizing Best Practices

ETR System Incident

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

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Storm Response  
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Rate Effects

Rate Effects

Significant Variability in Average Residential Bills

Significant Variability in Average Residential Bills

Illustrative

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

Source: Entergy Regulatory Services, Typical Bill Report

Henry Hub

Gas Index

(\$/mmBtu)

2.7

3.1

5.4

5.9

8.3

6.5

6.9

9.0

3.8

4.4

4.0

Henry Hub Gas Index

\$/mmBtu

ETI

Avg.

Monthly

Residential

Bill

1,000

kWh

(\$)

Henry Hub Gas Index

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

150

100

50

0

15

10

5

0

2011

108.73

2010

98.06

2009

103.32

2008

113.06

2007

107.24

2006

116.92

99.77

2004

86.55

2003

2005

2002

75.72

2001

89.41

88.24

4% reduction in customer  
bills since 2008

-1.69

(-2%)

+17.15

(+17%)

-4%

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

19

19

Rate Effects

Rate Effects

Transmission ~5.8% of Typical ETI Customer Bill

Transmission ~5.8% of Typical ETI Customer Bill

Typical ETI Customer Bill

Transmission  
Non-Transmission

Note:  
Average  
of  
January  
2011

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

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

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

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

Rate Effects

Rate Effects

Split into Rate Construct, Rate Timing and

Split into Rate Construct, Rate Timing and

Other Effects for Retail Customers

Other Effects for Retail Customers

WACC

Effects

Rate

Timing

Effects

Forward

Test

Year:

Eliminates

regulatory

lag

in

recovery

of

capital

investments

On-

time impact of conversion to forward test year

Reflects amounts that would have been collected in future years

MSS-2 construct eliminated post transaction

Current

estimation

reflects

effect

of

paying

load

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

21  
21  
21  
Rate Effects  
Rate Effects  
No  
No

Increase

Increase

Expected

Expected

in

in

Typical

Typical

ETI

ETI

Customer

Customer

Bill

Bill

Illustrative

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

Note:

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

reflects amounts that  
would have been collected in  
future years

40

20

140

0

2014

WACC Effects

~0.52

Illustrative Bill

if ETR owns

T assets

status quo

108.73

~(0.21)

(0.2)%

Illustrative Bill

if ITC owns

T assets

post-transaction

~108.52

2014

Net Other Effects

~(0.73)

80

60

ETI Residential Bill

1,000 kWh

(\$)

120

100

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

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

Enhanced Financial Flexibility

Reliability, System Performance, Scale efficiencies etc.

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

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Illustrative

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

Enhanced Financial  
Flexibility

Operational  
Excellence

Reliability, System  
Performance, Scale  
Efficiencies, etc.

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

Note:

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

reflects amounts that  
would have been collected in  
future years

ETI LIPS Bill

5,000 kW, 80% Load Factor

(\$)

170,000

168,000

166,000

164,000

162,000

4,000

2,000

0

~-0.46

0.0%

Illustrative Bill

if ITC owns

T assets

post-transaction

~166,962.81

2014

Net Other Effects

~(451.91)

2014

WACC Effects

~452.37

Illustrative Bill

if ETR owns

T assets

status quo

166,962.35

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

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

an

actual

future

customer

bill.

Illustration

does

not

include

effects

of

any

future

potential

changes

in

fuel

prices,

rate

cases

between

now

and

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

Rate Effects

Rate Effects

ETI Typical LIPS Bill Unaffected As Well

ETI Typical LIPS Bill Unaffected As Well

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Pathway to Completion  
Pathway to Completion  
Required Approvals  
Required Approvals  
Authority

Requirements  
Entergy retail  
regulators

Change of control of transmission assets

Affiliate transaction approvals related to steps in the spin / merge

Authorization to incur debt in some jurisdictions  
FERC

Change of control of transmission assets (203 filing)

Acceptance of jurisdictional agreements (205 filing)

Authorization to assume debt / issue securities (204 filings)

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

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

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

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

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

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

Transco Registration Statement  
ITC shareholders  
Approvals required for:

Merger,

Issuance of shares to ETR shareholders, and

Amendment to ITC charter to increase authorized number of shares