BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of the Joint Application	)	
of Entergy Arkansas, Inc., Mid South	)	
TransCo LLC, Transmission Company	)	
Arkansas, LLC and ITC Midsouth LLC	)	File No. EO-2013-0396
for Approval of Transfer of Assets and	)	
Certificate of Convenience and Necessity,	)	
and Merger and, in connection therewith,	)	
Certain Other Related Transactions	)	

EXHIBIT CMB - 5

Overview of Credit Quality Enhancement Benefits


Independence
Credit Quality Enhancement Overview
H1 2012
ITC

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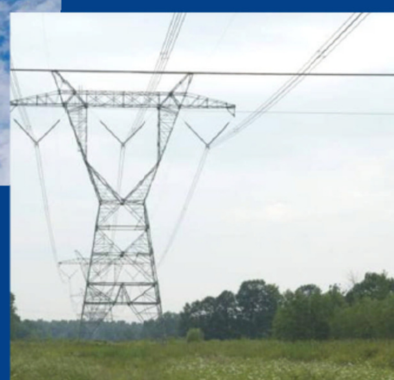


Credit Quality Enhancement Overview

Credit Quality Enhancement Overview

- We believe the merger between ITC and Entergy's transmission assets ("Mid South Operating Companies") will lead to material interest expense savings which will be beneficial to Entergy's customers due to:
  - The FERC regulatory model has been viewed favorably by the rating agencies and fixed income investors historically which supports lower funding costs given:
    - Ability to realize allowed ROEs
    - Reduced regulatory lag
    - Formula based forward looking rate construct with true-up mechanism results in more predictable cash flows
    - More conservatively-capitalized OpCos (status quo Entergy OpCos have ~50% debt-to-cap. vs. 40% for ITC's OpCos)
  - The timing of the Mid South Operating Companies debt refinancing will likely result in interest savings due to the current attractive debt markets which should be transitory
  - Improved access to capital with less pricing volatility

Rating Agency Considerations

- The senior secured credit ratings of ITC's OpCos vs. status quo Entergy OpCos highlight the favorable rating agency sentiment…

ITC's Opco's	Senior Secured	
	S&P	Moody's
ITC Transmission	A	A1
METC	A	A1
ITC Midwest	A	A1

Entergy's Opco's	Senior Secured	
	S&P	Moody's
Entergy Arkansas	A-	A3
Entergy Louisiana	A-	A3
Entergy Gulf States	BBB+	A3
Entergy New Orleans	BBB+	Baa3
Entergy Mississippi	A-	Baa1
Entergy Texas	BBB+	Baa2

- …Moreover, the ratings agencies have indicated as much in their public commentaries:

Moody's, April 20, 2012. "[ITC OpCo's] supportive federal regulatory framework provides a robust set of recovery mechanisms and healthy returns resulting in strong credit metrics…..[ITC OpCo's] credit supportive regulatory environment and formula-based rate making significantly drive its credit quality."

S&P, January 10, 2011, upon putting ITC's ratings on positive outlook for a ratings upgrade. "The company has been able to **improve its cash flow measures…benefiting from the FERC's constructive regulation**."

- The ratings of ITC and its subs were all subsequently upgraded by S&P in December of 2011, the day of the announced Merger

Quantifying Credit Quality Enhancement

Sources of Credit Quality Enhancement

- The transparent cost recovery mechanism inherent in the FERC regulatory model is viewed favorably by debt investors. As such, we foresee the following near-term and long-term benefits for the Mid South Operating Companies once merged with ITC:
  - **Refinanced Debt:** Refinancing the Mid South Operating Companies' debt during a period of historically low rates offers material interest savings relative to the existing weighted average cost of debt at Entergy's OpCos
  - **Future Debt:** Improved credit quality should also lead to lower debt financing rates for Mid South Operating Companies under ITC ownership which will be beneficial in funding future rate base growth

Key Assumptions

- Though we expect the financings to take place in mid-2013 (around closing), for analytical purposes, we have assumed a 1/1/2014 close to capture the annual benefits
- We have quantified the long-term interest savings over a five-year period from 2014-2018

Bond Financing Cost Comparison

- Corporate bond pricing in the U.S. bond market is based on two components:
  - **Credit Spreads:** A measure of the idiosyncratic risk of a particularly issuer and/or debt tranche
  - **US Treasury Yields:** The market proxy for the risk-free rate whose tenor will correspond with the underlying corporate bond tenor
- Indicative new issue credit spreads provided by JPMorgan, our financial advisor, demonstrates the credit quality differential between ITC's existing OpCos and Entergy's existing OpCos
- In the current market, ITC's OpCos could issue 10-yr sr. secured bonds at ~70 basis points "bps" (or 0.70%) over the 10-yr Treasury*
  - The debt costs for ITC's OpCos range from 45 to 65 bps lower than Entergy's OpCos rates in today's market

Estimated New Issue Credit Spreads (in bps)*

ITC	10 Yr.	Entergy	10 Yr.	Difference
ITC Transmission, METC and ITC Midwest	70	Louisiana	115	45
		Arkansas	120	50
		Gulf States	125	55
		Mississippi	130	60
		Texas	135	65

Note: Indicative rates are based on current market conditions and are subject to change.
** Source: JPM. Indicative spreads as of February 29, 2012.*

Estimated New ITC Operating Companies Refinancing Rate

- Upon closing the transaction, we believe the Mid South Operating Companies future debt issuances will price comparably to that of ITC's OpCos given the aforementioned benefits
- In consultation with our financial advisors, the Mid South Operating Companies cost of debt estimate as of closing is **~3.5%** which is comprised of the following:
  - A sr. secured indicative spread of **70 bps** (indicative of 10yr credit spreads as of 2/29/12)
  - A 10-yr forward U.S. Treasury estimate of **2.75%** as of July 2013*
- Comparatively, Entergy's OpCo's estimated weighted average cost of existing debt is **~6%****

Entity	Weighted Average Cost of Debt
Entergy Arkansas	5.29%
Entergy Louisiana	6.14%
Entergy Gulf States	5.80%
Entergy New Orleans	6.08%
Entergy Mississippi	6.11%
Entergy Texas	6.73%
Average	**~6.0%**

As a result of the refinancing, customers will benefit from material interest savings (3.5% vs. 6.0%)

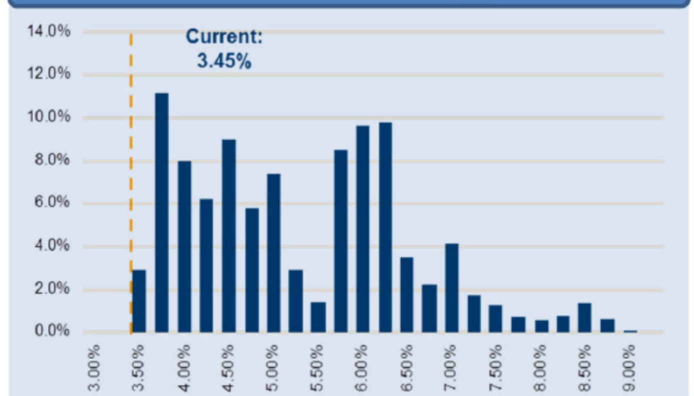
Note: Indicative rates are based on current market conditions and are subject to change.
**Source: JPM.*
***Reflects estimated weighted average cost of debt in 2014 provided by Entergy witness, Mr. Jay Lewis.*

Credit Spread Differential In Context

- The credit spread comparison between ITC's OpCos (70 bps) and Entergy's OpCos (115-135 bps) provides some measure of the potential benefits of credit quality enhancement for Mid South Operating Companies future debt financings under ITC ownership
  - However, **the current credit spread differential may be understating the long-term benefit**
- In fact, **today's market is one of the best** periods for issuers **in recent memory**
  - **Yields for utilities have been lower less than 1% of the time over the past 5 years**

Historical Utility Index Yields[1]

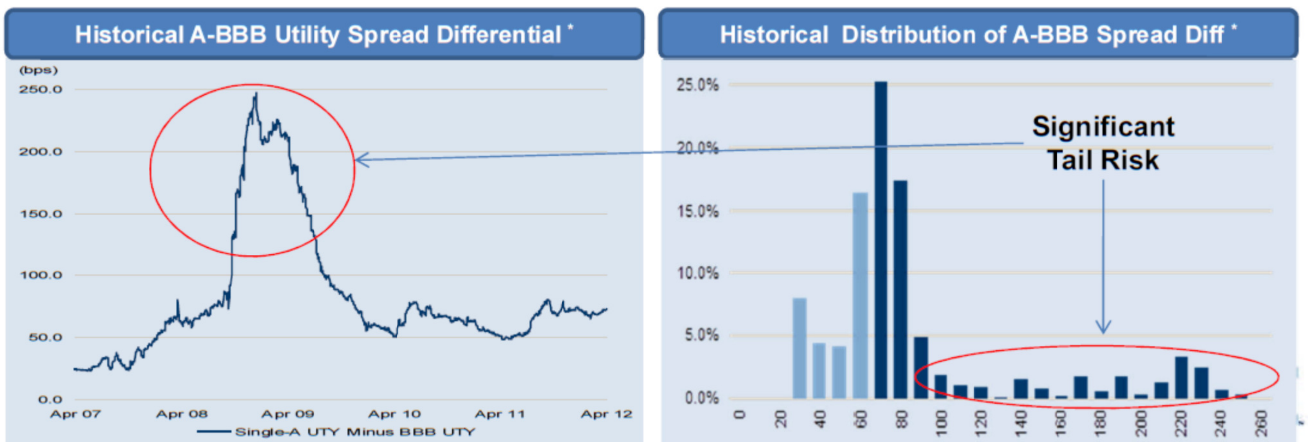
Historical Distribution of Utility Index Yields[1]



[1] Source: Barclays, Data since 4/25/2007.

Historical Credit Spread Comparison

- Limited issuance activity among other factors precludes us from observing the historical credit spread differential between ITC's OpCos and Entergy's OpCos over a meaningful period
  - In order to estimate the high end of the credit spread differential range between the ITC and Entergy OpCos, we compared the historical yields of the Barclays Single-A and BBB Utility Corporate Bond Indices*
  - Though imperfect, we believe these indices are suitable proxies as evidenced by their spread differential in the current market (74bps) which is comparable to that of ITC's OpCos and Entergy Opcos (45-65 bps)
- During the credit crisis, BBB-rated utilities issued debt at much wider levels than Single-A rated utilities suggesting that the spread differential could spike meaningfully in a downside scenario

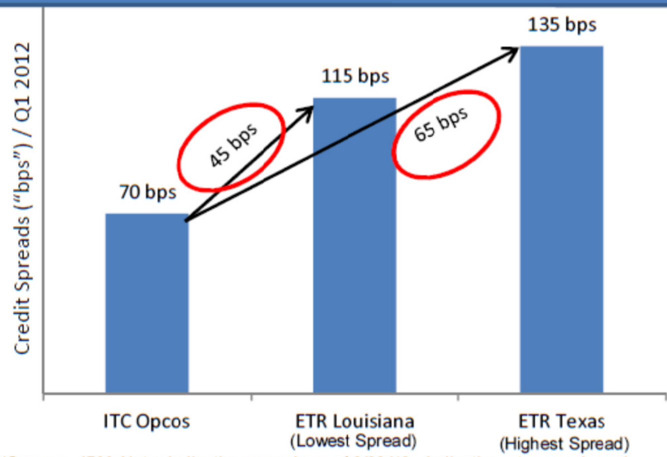


*Source: Barclays. Barclays indices comprised of utility bonds above $250M, tenors > 1 year and varying levels of contractual and structural subordination. Data since 4/25/2007.

Application to Future Debt Financings

- In light of the uncertainty around the long-term credit spread differential of Mid South Operating Companies pre- and post-closing (i.e., status quo vs. under ITC ownership), we have established a range to quantify the interest savings attributable to future debt financings above the initial $1.2B refinancing
  - **Low End of Range (45-65 bps):** Reflects the difference between the market debt rates for ITC's OpCos vs. Entergy's OpCos*
  - **High End of Range (185-205 bps):** An approximation of the 90th percentile distribution of the credit spread differential between Single A and BBB Utilities over the past five years**

ITC OpCos vs. Entergy OpCo Spread Comparison*



*Source: JPM. Note: Indicative spreads as of 2/29/12. Indicative rates are based on current market conditions and are subject to change.
**Source: Barclays. Barclays indices comprised of utility bonds above $250M, tenors > 1 year and varying levels of contractual and structural subordination. Data since 4/25/2007.

Historical A and BBB Utility Spread Comparison**

	A Utility Spread	BBB Utility Spread	A-BBB Diff
1% Percentile	82	106	24
5% Percentile	85	116	26
10% Percentile	105	155	33
25% Percentile	117	169	55
50% Percentile	132	202	68
75% Percentile	181	255	79
90% Percentile	290	501	183
95% Percentile	359	550	214
Average - 5yr	163	245	82
Mininum	81	104	23
Maximum	435	661	247
Current	124	198	74

Estimated Benefits

Detailed Assumptions

	OpCo-specific amounts	Description of effect	Entergy cost of debt[1]	ITC cost of debt
1 **Existing T debt to be refinanced post closing (Total $1.2B across OpCos)**	▪ EAI – $400M ▪ EGSL – $176M ▪ ELL – $238M ▪ EMI – $178M ▪ ENOI – $9M ▪ ETI – $198M ▪ Total – $1.2B	▪ Debt for the T business would move from Entergy to ITC ▪ Results in ~$1.2B of OpCo debt at ITC post spin-merge, in line with 60/40 E/D cap structure[2] ▪ Debt at Entergy is at higher cost vs. debt at ITC	▪ EAI – 5.29%, ▪ EGSL – 5.80% ▪ ELL – 6.14%, ▪ EMI – 6.11%, ▪ ENOI – 6.08% ▪ ETI – 6.73% ▪ Average ~6.0 %	▪ ITC – ~3.5%. Calculation assumes refinancing with 10-yr senior secured bonds[3]
2 **Future debt incurred over 2014-2018 (Total $0.8B across OpCos)**	▪ EAI – $152M ▪ EGSL – $114M ▪ ELL – $137M ▪ EMI – $141M ▪ ENOI – $9M ▪ ETI – $254M ▪ Total – $0.8B	▪ New debt to be incurred to finance the CapX investments planned across OpCos ▪ New debt will be incurred at a lower cost of debt due to ITC's higher credit ratings compared to Entergy OpCos	**Cost of financing future debt under ITC is 45/65 - 185/205 bps lower than under Entergy** ▪ EAI – 50-190bps ▪ EGSL – 55-195bps ▪ ELL – 45-185bps ▪ EMI – 60-200bps ▪ ENOI – 65-205bps ▪ ETI – 65-205bps ▪ Average – 57-185/205bps	

Disclaimer: Actual rates are subject to market fluctuations; numbers used reflect current estimates. Numbers may not add up due to rounding.
Note; For analytical purposes estimated debt balances and interest savings reflect full-year 2014 rate effects
1. Weighted average cost of debt for Entergy in 2014 provided by Entergy witness, Mr. Jay Lewis. 2. Excludes ~$575M of MidSouth Transco Holding Company debt which will also be assumed by ITC at closing. 3. Working assumption of 10-yr debt is comparable to ITC's weighted average debt.

Estimated Interest Expense Savings Range

Methodology

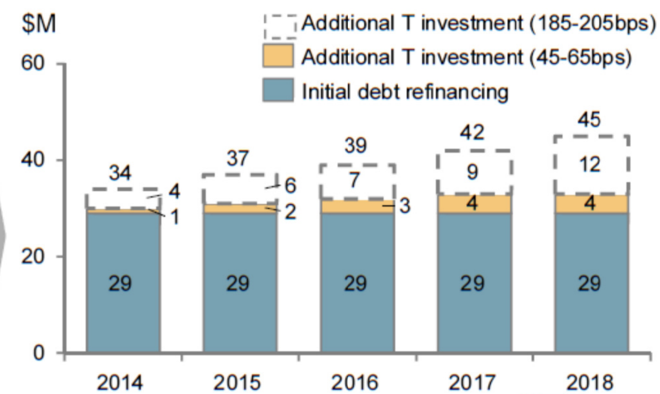
1 Existing T debt post closing[1] – $1.2B total

- Refinanced in 2014 with senior secured bonds under 60/40 E/D capital structure when transaction takes place
- Under Entergy: Average ~6.0% in interest rates[1]
- Under ITC: ~3.5% expected[3]

2 Future debt incurred over 2014-2018[2] – $0.8B total

- Happens at a higher cost of debt under Entergy than under ITC
- Entergy – ITC spreads:
  - Current credit spread differential 45-65bps[4]
  - Spreads could increase as in late 2008 early 2009 when spreads between high and low investment grade debt reached 185-205bps[5]

Annual savings on interest payments – Total



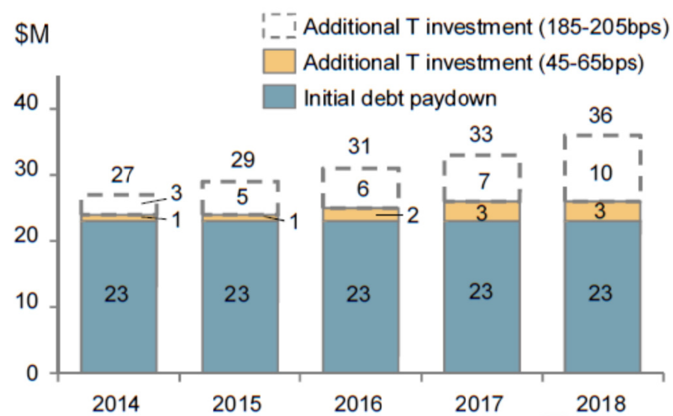
Nominal benefit 2014-2018	$159M - $197M
NPV[6]	$127M - $156M

Interest expense savings are a direct benefit to customers through reduced rates

Disclaimer: Actual rates are subject to market fluctuations; numbers used reflect estimates as of February 29, 2012.
1. Long-term debt required to recapitalize OpCos at 60/40 2. Forecasted future debt levels 3. Based on indicative spreads as of Q1 2012 and 10-year treasury estimates as of Mid-2013.
4. Source: JPM. ENOI indicative spread not available, so ETI's value used as approximation due to proximity of credit rating
5. Source: Barclays. Barclays indices comprised of utility bonds above $250M, tenors > 1 year and varying levels of contractual and structural subordination. Data since 4/25/2007.
8% discount rate used to calculate NPV of benefits over 2014-2018
Note: Values not adjusted for inflation or time vale of money in nominal calculations. Base case capital assumptions used. Aggregate numbers shown for simplicity – calculations used OpCo-specific debt and interest rates.

Estimated Retail Savings Range

Annual savings on interest payments – retail customers



Nominal benefit 2014-2018 ▶ **$125M - $156M**

NPV ▶ **$ 99M - $123M**

Interest cost savings are a direct benefit to customers through reduced rates

Disclaimer: Actual rates are subject to market fluctuations; numbers used reflect current estimates.
Note: Values not adjusted for inflation or time vale of money in nominal calculations. Base case capital assumptions used. Aggregate numbers shown for simplicity – calculations used OpCo-specific debt and interest rates. Allocation among retail and wholesale customers based on percentage of the revenue requirement. 8% discount rate used for calculations.

Appendix

Supporting Detail Retail Savings (Low End of Range)

OpCo	Customer benefits from initial refinancing and lower cost of future debt under ITC – 45 to 65bps						
	'14	'15	'16	'17	'18	Total ($M)	
						Nominal	NPV
						'14-'18	'14-'18
EAI	4.8	4.9	5.0	5.2	5.3	25.2	20.0
EGSL	3.3	3.4	3.5	3.6	3.6	17.4	13.8
ELL	5.2	5.2	5.3	5.4	5.4	26.5	21.1
EMI	4.2	4.3	4.4	4.5	4.6	22.0	17.5
ENOI	0.2	0.2	0.2	0.2	0.2	1.0	0.8
ETI	6.0	6.4	6.6	6.8	7.0	32.8	26.0
Total	23.7	24.4	25.0	25.7	26.1	124.9	99.2

Note: *8% discount rate used to calculate NPV of benefits. Numbers may not add up due to rounding.*

Supporting Detail Retail Savings (High End of Range)

OpCo	Customer benefits from initial refinancing and lower cost of future debt under ITC – 185 to 205bps					Total ($M)	
	'14	'15	'16	'17	'18	Nominal '14-'18	NPV '14-'18
EAI	4.8	5.3	5.8	6.3	6.7	28.9	22.8
EGSL	3.8	4.0	4.2	4.6	4.9	21.5	17.0
ELL	6.0	6.1	6.3	6.6	6.9	31.9	25.3
EMI	4.9	5.2	5.6	6.0	6.3	28.0	22.1
ENOI	0.2	0.3	0.3	0.3	0.3	1.4	1.1
ETI	7.0	8.2	9.0	9.5	10.1	43.8	34.5
Total	26.7	29.1	31.2	33.3	35.2	155.5	122.8

Note: *8% discount rate used to calculate NPV of benefits. Numbers may not add up due to rounding.*