

and purchase all of ETC's common stock for a price of \$1,000 per share, using funds contributed or loaned to EEI by Entergy. EEI would provide ETC with additional funding, through December 31, 1998, in the form of capital contributions, open account advances, or loans, or combination thereof, in an aggregate amount not to exceed \$100 million. Entergy proposes to provide funding to EEI for reinvestment in ETC out of Entergy's internally generated cash and other available cash resources. Loans from Entergy to EEI and from EEI to ETC will bear interest at a rate per annum not in excess of the prime commercial lending rate announced from time to time by a money center bank designated by Entergy plus 3%, and will have a final maturity not to exceed 20 years from the loan origination date.

In addition, ETC seeks authority to incur borrowings from external sources in an aggregate amount not to exceed \$100 million at any one time outstanding. Such borrowings would be evidenced by notes issued by ETC, would have final maturities not to exceed 20 years from their date of issuance, and would bear interest at rates not to exceed the greater of: (1) The prime rate as described above plus 5% per annum; or (2) 14% per annum. EEI and/or Entergy propose to guarantee such loans.

ETC would use the proceeds of such investments by EEI and external borrowings to make payments to the System Operating Companies and ESI, to pay debt service and to meet its working capital and other cash needs.

ETC proposes to enter into arrangements with the System Operating Companies, and other Entergy subsidiary companies permitting ETC to use and make available to nonassociate companies from time to time certain unused capacity on the Entergy System's Telecommunications Backbone System ("Backbone System") for the purpose of providing interstate "long haul" or "carrier of carriers" services.²

ETC would enter into one or more Capacity Use and Service Agreements ("Agreement") with the System Operating Companies and ESI under which they would make available to ETC unused capacity on the Backbone System, as determined from time to time. The System Operating Companies

and ESI would retain full ownership of, and rights to operate and maintain, their respective portions of the Backbone System. Capacity on the Backbone System would not be deemed unused or made available to ETC for any period of time in which it would interfere with the actual and anticipated usage of the Backbone System for utility purposes by other System companies.

Under the Agreements, ETC would receive only the right to commercialize for interstate carrier of carriers purposes the unused communications capacity on the Backbone System (i.e., the right to commercialize the signal transmission and carrying capability of the Backbone System). Accordingly, the System Operating Companies would not transfer ownership or control of the Backbone System to ETC or to any nonassociate company.

ETC would be responsible pursuant to the Agreements for monitoring, establishing and evaluating operational standards for use of the Backbone System by its nonassociates. ETC also would cause to be developed, constructed and installed, at no cost to the System Operating Companies or ESI, equipment and facilities to link the Backbone System to the telecommunications systems of other carriers. Any such equipment or facilities located on utility property would be owned by the appropriate System Operating Company or ESI. ETC also, under certain circumstances, would make additional investments in advanced electronics and other new technologies that could serve to enhance the transmission capability of the Backbone System. ETC would pay for the full costs (including both capital and increased operating and maintenance expenses) of such upgrades, if such upgrades are not primarily for utility-related purposes or if they would not have been necessary but for the use of capacity by ETC pursuant to the Agreement(s).

ETC may acquire rights to use the capacity of telecommunications systems of non-System parties in order to enhance its ability to commercialize the unused capacity on the Backbone System. This would be done at no cost to the System Operating Companies. Arrangements with nonassociates may take the form of capacity exchanges or other reciprocal use or "in kind" transactions, pooling arrangements, consortia, joint ventures or other transactions involving the use of, or access to, the unused capacity on the Backbone System. The purposes of these transactions would include, but not be limited to, providing alternative or extended routing for fiber-based or

wireless telecommunications, creating back-up or other redundant telecommunications networks, and other measures designed to enhance the capability and value of the Backbone System. The particular terms and conditions regarding the provision of interstate carrier of carriers telecommunications services by ETC to nonassociates would be negotiated at arm's length between such parties. In addition, ETC proposes to provide unused capacity on the Backbone System, at cost to associate companies that are not regulated utilities, including EEI and SASI.

ETC also proposes to engage in research and development activities relating to telecommunications and information systems and products that might potentially be deployed on a utility or non-utility basis, or both. ETC will be a "clearinghouse" for telecommunications and information systems technologies, undertaking research and development activities, field testing various manufacturers' equipment, and evaluating prototype technologies and equipment that may be useful in enhancing the operation of utility and nonutility telecommunications facilities. Entergy believes such activities will facilitate the design and development of communications practices and applications in connection with the Backbone System. In conjunction with such activities, ETC may acquire ownership of, or licenses to use or sublicense, telecommunications products or technologies, and may provide consulting services.

Entergy expects to staff ETC initially through a combination of recruiting (e.g., marketing and business staff) and transfers from ESI. Total staffing is not expected to exceed thirty employees, including up to ten employees transferred from ESI. In accordance with the terms of settlement arrangements among the Entergy System Operating Companies and certain of their retail regulators ("Settlement Arrangement"),³ Entergy would not effect any personnel transfers that would adversely affect ESI or any System Operating Company. Moreover, no more than one percent (1%) of the total number of the personnel of the System Operating Companies and ESI would be utilized by ETC at any one time in connection with its authorized activities.

In exchange for the right under the Agreements, ETC would pay to the respective System companies a monthly

² The Backbone System is the Entergy system's fiber optic network, high capacity analog and digital telecommunications system, related coaxial cables, computers, software and other telecommunications equipment, facilities and property, and any future extensions and additions to such systems, equipment, facilities and property.

³ The settlement arrangement is currently pending before the Commission under file no. 70-8529.