

1 Q25. HOW IS THE AOC DETERMINED?

2 A. The AOC rate consists of capital costs, federal and state income tax rates,
3 and operating expenses scaled by investment costs. Section 20.06 of the
4 Entergy System Agreement shows the AOC formula.¹²

5

6 Q26. ARE SERVICE SCHEDULE MSS-2 EXPENSES INCLUDED IN ETI'S
7 COST OF SERVICE?

8 A. Yes. ETI's MSS-2 expenses are identified in Schedule A and discussed
9 by Company witness Michael P. Considine.

10

11 Q27. HAS THE COMMISSION PREVIOUSLY CONSIDERED SERVICE
12 SCHEDULE MSS-2 PAYMENTS?

13 A. Yes. In its Second Order on Rehearing dated October 13, 1998, in Docket
14 No. 16705, Finding of Fact No. 96N, the Commission stated:

15 The FERC has approved the relevant parts of the ESA
16 (Entergy System Agreement) as amended to reflect the
17 inclusion of EGS. In Opinion No. 385, the FERC expressly
18 accepted an amendment to the ESA which added Gulf
19 States to the ESA as an operating subsidiary. EGS' MSS-2
20 expenses are therefore mandated by the FERC.

21 Furthermore, as the Commission ordered in Docket No. 16705,
22 Conclusion of Law No. 11D, "under *Mississippi Power & Light Co. v.*
23 *Mississippi*, 487 U.S. 354, 369-370, 108 S.Ct. 2428 (1988), a state utility

¹² Service Schedule MSS-2 billing parameters are in effect from June 1 to the succeeding May 31 based on the preceding year's results.

1 commission must treat FERC-mandated system agreement payments as
2 reasonably incurred operating expenses for the purpose of setting retail
3 rates." The Commission went on to say that *Mississippi Power & Light*
4 Co. preempts the Commission from disallowing Service Schedule MSS-2
5 expenses.

6

7 Q28. PLEASE DESCRIBE SERVICE SCHEDULE MSS-3.

8 A. Service Schedule MSS-3 serves two functions. It first mandates how
9 energy will be allocated and priced among the Operating Companies. The
10 second function is to provide for RPCE payments and receipts in
11 accordance with the provisions of Opinion Nos. 480 and 480-A.

12

13 Q29. IS THERE A FUNDAMENTAL PRINCIPLE AT WORK BEHIND THE
14 OPERATION OF SERVICE SCHEDULE MSS-3 AS IT RELATES TO
15 ENERGY ALLOCATION?

16 A. Yes. The fundamental principle of the Entergy System Agreement is that,
17 subject to the operational and reliability constraints imposed on the
18 System, the lowest-cost resources available to the System Dispatcher are
19 the first resources used to meet the aggregate System load, without
20 regard to which Operating Company owns the resource or which
21 Operating Company's load is being served. Although the economic
22 dispatch of the entire System will result in total System generation output
23 matching total System load, in any given hour the generating output of

1 some Operating Companies will be greater than their individual load, and
2 the generating output of other Operating Companies will be less than their
3 individual load. Therefore, after the System is economically dispatched,
4 an energy accounting process is conducted to, in effect, have the
5 Operating Companies that are "short" on energy in an hour compensate
6 the "long" Companies for the energy that was used to meet the short
7 Companies' needs.

8 Because this calculation is performed for each hour, in any given
9 hour, an Operating Company may either be taking exchange energy or
10 supplying exchange energy, but not both. This exchange energy
11 accounting is set out in Service Schedule MSS-3.

12

13 Q30. HOW DOES SERVICE SCHEDULE MSS-3 WORK WITH RESPECT TO
14 THE OPERATIONS OF EXCHANGE ACCOUNTING?

15 A. Service Schedule MSS-3 allocates all of the System's energy resources
16 among the Operating Companies. Under MSS-3, an Operating Company
17 retains the energy (and the associated costs) actually produced from its
18 lowest-cost resources if those resources are needed to meet the loads of
19 its customers. Only after the needs of an Operating Company's own
20 customers have been met will the excess energy that the Operating
21 Company generated in a particular hour, and the associated costs, be
22 allocated to other Operating Companies. This allocation of excess energy
23 pursuant to Service Schedule MSS-3 is referred to as "Exchange Energy"

1 or "Pool Energy." Operating Companies whose resources provided an
2 amount of energy that was greater than their load in an hour furnish
3 energy to the Entergy Energy Exchange (the "Exchange"), and
4 Companies whose load is greater than the amount of energy provided by
5 their resources in an hour are allocated energy from the Exchange.
6 However, it is important to note that, in total, MSS-3 is a zero-sum game.
7 The sum of the MSS-3 payments and receipts for all of the Operating
8 Companies for any individual hour is zero.

9

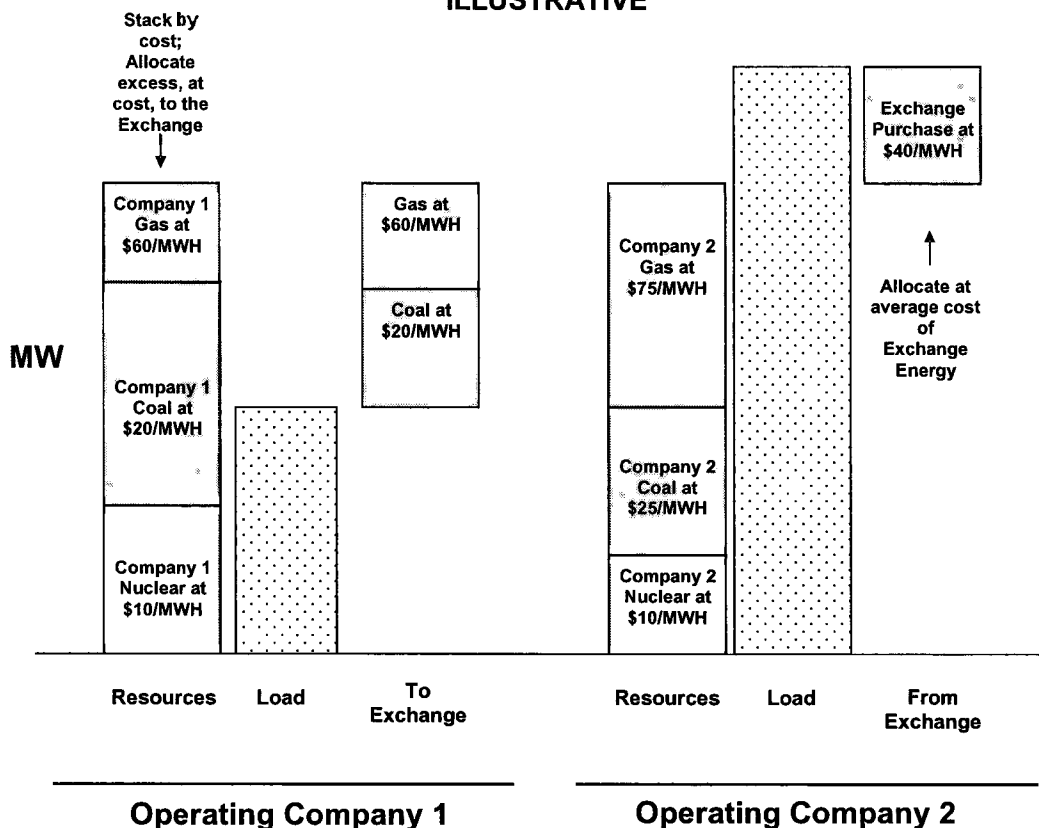
10 Q31. HOW IS THE MSS-3 EXCHANGE ACCOUNTING PERFORMED?

11 A. Service Schedule MSS-3 is an automated, after-the-fact allocation
12 mechanism. That allocation of energy and associated costs required by
13 the System Agreement is performed within a computer program known as
14 the Intra-System Bill ("ISB"). For a more detailed discussion of the ISB,
15 see the next section.

16 The process that is used to allocate System energy is sometimes
17 known as a "stacking" process. An example of the stacking process is
18 shown in the following Figure MJG-1. As may be seen in that example,
19 the underlying process is to stack the amount of energy produced by each
20 Operating Company's resources from lowest cost to highest cost in
21 separate stacks for each Operating Company. Then, again within each
22 hour, the amount of energy resources within each Operating Company's
23 stack is compared to the amount of energy consumed by its customers. If,

1 for an individual company, the amount of energy produced is greater than
2 the amount of energy used by its customers, the energy (and associated
3 costs) at the top end of the stack (in essence, above the level needed for
4 that Company's own customers) is allocated to the Exchange. A
5 Company whose resources produced less energy than the amount of
6 energy its own customers used is allocated the deficit amount of energy
7 from the Exchange. Each of these transactions occurs at cost. Operating
8 Companies that have excess energy that is allocated to the Exchange
9 receive a payment, as defined in Section 30.08 of the Entergy System
10 Agreement, that is based on average fuel costs (plus an O&M- and
11 SO₂-based adder), and the Companies that have energy allocated to
12 them from the Exchange pay the weighted average cost of all of the
13 energy allocated to the Exchange in that hour.

Figure MJG - 1
MSS - 3 EXCHANGE ENERGY ACCOUNTING EXAMPLE
ILLUSTRATIVE



1 Q32. HAS THE COMMISSION PREVIOUSLY ADDRESSED WHETHER
2 EXCHANGE ENERGY COSTS INCURRED BY ETI UNDER SERVICE
3 SCHEDULE MSS-3 ARE REASONABLE?

4 A. Yes. In its Order on Rehearing in Docket No. 15102, the Commission
5 addressed costs incurred under Service Schedule MSS-3 in the following
6 Findings of Fact:

7 202. Schedule MSS-3 of the ESA (Entergy System Agreement)
8 determined the pricing and exchange of energy among EGS and

1 the affiliate EOCs (Entergy Operating Companies) during the
2 reconciliation period.

3 203. By approving Schedule MSS-3 and the ESA, the Federal Energy
4 Regulatory Commission (FERC) has determined how the EOCs will
5 be reimbursed for energy sold to the exchange pool and how the
6 EOCs, including EGS, will purchase energy from the
7 exchange pool.

8 207. The FERC has determined that the ESA and Schedule MSS-3 is a
9 just and reasonable way of allocating energy costs and revenues
10 among the EOCs, including EGS, and has determined that the
11 charges imposed on EGS by operation of the ESA are fair and
12 reasonable in comparison to the charges imposed on the
13 other EOCs.

14 As these Findings of Fact demonstrate, the Commission has already
15 concluded that costs incurred pursuant to Service Schedule MSS-3
16 are reasonable.¹³

¹³ See *also* Docket No. 15102, Proposal for Decision at 94-96; Docket No. 16705, Second Order on Rehearing at 138 (Conclusion of Law 11D); Docket No. 32710, Order at 9 (Finding of Fact 43).

1 Q33. ARE THE COSTS THAT ETI INCURS UNDER SERVICE SCHEDULE
2 MSS-3 ANY MORE THAN THE COSTS INCURRED BY ANY OTHER
3 ENTERGY OPERATING COMPANY UNDER THAT SERVICE
4 SCHEDULE?

5 A. No. ETI incurs the exact same cost per kWh for energy from the Service
6 Schedule MSS-3 Exchange pool as does any other Entergy Operating
7 Company that is allocated energy from the Service Schedule MSS-3
8 Exchange in the same hour.

9

10 Q34. ARE SERVICE SCHEDULE MSS-3 EXPENSES INCLUDED IN THIS
11 CASE?

12 A. Yes. Service Schedule MSS-3 Exchange revenue and expense is
13 identified in Schedules H-12.4 a-g and H-12.5 b-e.

14

15 Q35. ARE ANY OTHER TRANSFERS OF ENERGY GOVERNED BY SERVICE
16 SCHEDULE MSS-3?

17 A. Yes. The allocation of energy for sales to off-system companies made for
18 the joint account of all the Operating Companies (Joint Account Sales) is
19 made pursuant to Service Schedule MSS-3. According to Service
20 Schedule MSS-3, any costs incurred by the Operating Companies whose
21 sources supplied the sale are paid out of the gross revenue received for
22 such sales. Then, the remaining revenue from such sales (the "net

1 balance”) is divided among the Operating Companies in accordance with
2 Service Schedule MSS-5.

3

4 Q36. YOU ALSO STATE THAT SERVICE SCHEDULE MSS-3 PROVIDES
5 FOR RPCE PAYMENTS AND RECEIPTS IN ACCORDANCE WITH THE
6 PROVISIONS OF OPINION NOS. 480 AND 480-A. PLEASE EXPLAIN.

7 A. The FERC has determined in its Orders 480 and 480-A (2005) that no
8 Operating Company’s bus-bar production costs should be either more
9 than 11% above or more than 11% below the System average bus-bar
10 production costs.¹⁴ The remedy ordered by the FERC, and now
11 incorporated in Service Schedule MSS-3, provides that, if any Operating
12 Company’s bus-bar production costs for a given calendar year were below
13 or above that bandwidth, payments (“RPCE payments”) must be made by
14 the low-cost Company(ies) to the high-cost Company(ies) to “roughly
15 equalize” their respective production costs, such that, after reflecting the
16 payments and receipts, no Operating Company would have bus-bar
17 production costs more than 11% above the System average bus-bar
18 production cost or more than 11% below the System average. RPCE
19 payments are not discretionary by the low-cost Operating Companies.

¹⁴ The bus-bar production costs of an Operating Company include all of the direct costs, fixed and variable, of the Operating Company’s owned generating facilities up to the “bus” or the point of interconnection with the transmission grid. Such costs include the demand and energy costs associated with power purchases as well as indirect or common costs, such as administrative and general expenses, and the return of and on general intangible plant related to the production function (as contrasted with the transmission or distribution functions).

1 Since 2007, the Entergy Operating Companies have made annual
2 filings ("Bandwidth filings" or "Bandwidth cases") with the FERC for a
3 determination of whether RPCE payments should be made among the
4 Operating Companies and what the level of the payments should be with
5 respect to annual production costs beginning for calendar year 2006.

6

7 Q37. IS THE COMPANY MAKING A REQUEST WITH RESPECT TO RPCE
8 PAYMENTS IN THIS CASE?

9 A. Yes. For calendar year 2012, for the first time, the FERC has determined
10 that ETI is to make RPCE payments in the amount of \$14.6 million to
11 ENO. ETI requests approval of a tariff – Schedule RPCEA, sponsored by
12 Ms. McCloskey – to recover this amount.

13

14 Q38. HAS ETI PREVIOUSLY RECEIVED RPCE PAYMENTS?

15 A. Yes. In a series of orders applicable to the period from 2005 through
16 2011, ETI has *received* over \$250 million in RPCE payments. As
17 discussed by Ms. McCloskey, the Commission has previously approved
18 riders to accomplish the distribution of those receipts to ETI's customers.

19

20 Q39. DO OTHER COMPANY WITNESSES ADDRESS RPCE PAYMENTS?

21 A. Yes. Company witnesses McCloskey and Talkington address the
22 Company's request to recover 2012 RPCE payments and Schedule
23 RPCEA.

1 Q40. PLEASE DESCRIBE SERVICE SCHEDULE MSS-4.

2 A. Service Schedule MSS-4 prescribes a method for determining the
3 payment for a unit power purchase between Operating Companies and/or
4 the sale of power purchased by another Operating Company. A unit
5 power purchase is defined as the purchase of a portion of a Designated
6 Generating Unit's capability, which entitles the purchaser to receive each
7 hour that portion of the total energy generated by that unit.

8

9 Q41. PLEASE EXPLAIN HOW AFFILIATED POWER PURCHASES ARE
10 MADE PURSUANT TO SERVICE SCHEDULE MSS-4.

11 A. An Operating Company may enter into a resource-specific power
12 transaction with another Operating Company pursuant to Service
13 Schedule MSS-4. Service Schedule MSS-4 is a cost-based formula rate
14 that bills the buyer a monthly per-kilowatt rate relating to the non-fuel cost
15 and a per kWh rate relating to the actual energy cost for the participating
16 unit subject to the transaction. During the term of a Service
17 Schedule MSS-4 transaction, the resource is considered to be under the
18 control of the purchasing Operating Company for purposes of cost
19 responsibility and allocation of energy under the Entergy System
20 Agreement.

1 Q42. HAS THE COMMISSION ADDRESSED SERVICE SCHEDULE MSS-4
2 COSTS?

3 A. Yes. The Commission previously recognized:

4 Service Schedule MSS-4 of the System Agreement sets
5 forth the method for determining the payment for unit power
6 purchases between Operating Companies. By approving
7 Service Schedule MSS-4, the FERC has approved the
8 methodology for pricing Inter-Operating Company unit power
9 purchases.¹⁵

10

11 Q43. ARE THE RATES PAID BY ETI UNDER SERVICE SCHEDULE MSS-4
12 ANY MORE THAN THE RATES CHARGED TO ANY OTHER ENTERGY
13 OPERATING COMPANY UNDER THAT SERVICE SCHEDULE?

14 A. No. Service Schedule MSS-4 is a cost-based formula rate. That same
15 formula rate is applied to each Service Schedule MSS-4 transaction
16 between Operating Companies. The cost structure for the underlying
17 resource will be unique to each resource, but the rate charged is the same
18 for all Operating Companies.

19

20 Q44. ARE SERVICE SCHEDULE MSS-4 AMOUNTS ADDRESSED IN THIS
21 PROCEEDING?

22 A. Yes. Service schedule MSS-4 energy and capacity costs are identified in
23 Schedule H-12.4 a-g.

¹⁵ Docket No. 32710, Order at 9 (Finding of Fact 44).

1 Q45. PLEASE DESCRIBE SERVICE SCHEDULE MSS-5.

2 A. Service Schedule MSS-5 prescribes the method for distributing the net
3 balance from Joint Account Sales, which are wholesale sales to third
4 parties made by the System on behalf of all of the Operating Companies.
5 The System makes such sales when they can be made at a price that is
6 expected to exceed the System's incremental cost. As mentioned above,
7 in accordance with Service Schedule MSS-3, any costs associated with
8 these Joint Account Sales first are deducted from the gross revenue
9 received for such sales and distributed to the Operating Companies
10 whose sources supplied the sale. Service Schedule MSS-5 provides that
11 the remainder of the revenues or deficit in revenues (the "Net Balance") is
12 distributed among the Operating Companies in proportion to the
13 Responsibility Ratio of each Operating Company.

14

15 Q46. ARE SERVICE SCHEDULE MSS-5 REVENUES INCLUDED IN THIS
16 CASE?

17 A. Yes. Those revenues shown in Schedule H-12.5 b-e are credited to ETI's
18 fuel balance as revenues from off-system sales.

19

20 Q47. PLEASE DESCRIBE SERVICE SCHEDULE MSS-6.

21 A. Service Schedule MSS-6 sets forth a method by which the costs incurred
22 in providing and operating the System Operations Center may be

1 distributed among the Entergy Operating Companies. During the Test
2 Year, these costs were included in the ESI affiliate billings.

3

4 Q48. PLEASE DESCRIBE SERVICE SCHEDULE MSS-7.

5 A. Service Schedule MSS-7 is entitled "Merger Fuel Protection Procedure"
6 and resulted from the merger between Gulf States Utilities Company and
7 Entergy.¹⁶ This service schedule expired by its own terms prior to the
8 Reconciliation Period.

9

10 Q49. DOES THE ENTERGY SYSTEM AGREEMENT PERMIT PURCHASES
11 OF POWER FROM THE WHOLESALE MARKET?

12 A. Yes. In particular, the Entergy System Agreement addresses wholesale
13 market purchases in Sections 5.06(p), 4.02 and 4.03. Section 5.06(p) of
14 the Entergy System Agreement requires the Operating Committee to
15 coordinate the procurement of power for one or more of the Operating
16 Companies for either reliability or economic purposes.

17 Section 4.02 of the Entergy System Agreement, entitled
18 "Purchased Capacity and Energy," empowers the Operating Committee to
19 specify the conditions under which one or more individual Operating
20 Companies can purchase capacity for their own account, which is then

¹⁶ Gulf States Utilities Company was renamed Entergy Gulf States, Inc. and was subsequently separated into EGSL and ETI.

1 treated as a resource included in the purchasing Company's (or
2 Companies') capacity as if it was an owned resource. Generally, as
3 described in more detail in Company witness Robert R. Cooper's
4 testimony, the Operating Committee has adopted a broad set of planning
5 principles and objectives that drive the resource allocation process.
6 However, the factors that the Operating Committee considers when
7 evaluating the allocation of limited or long-term resources – such as
8 System reliability, relative production costs, and the match between an
9 Operating Company's load profile and the mix of supply types – are rooted
10 in the requirements of, among others, Sections 3.01 and 3.05 of the
11 Entergy System Agreement. All of the power purchase agreements
12 discussed in Company witness Cooper's testimony were entered into
13 pursuant to Section 4.02 of the Entergy System Agreement.

14 Section 4.03, "Energy Purchased by Services," of the Entergy
15 System Agreement dictates when and how ESI may make purchases from
16 third parties on behalf of the Operating Companies. It provides that ESI
17 "may purchase energy under economic dispatch or emergency conditions
18 for the joint account of all the Operating Companies. The energy
19 purchased shall be allocated to each Operating Company in proportion to
20 its Responsibility Ratio in effect at the end of the preceding month." Most
21 of the purchases described in the testimony of Company witness
22 Andrew J. O'Brien, especially those purchases with a term of one month
23 or less, are such purchases that are made for the benefit of the System

1 when ESI, who is delegated the authority under the Entergy System
2 Agreement to make the purchases, deems such purchases economical or
3 necessary. When such purchases are made for the joint account of all the
4 Operating Companies, ETI is allocated its Responsibility Ratio share of all
5 of those purchases in each hour.

6

7 Q50. DOES THE ENTERGY SYSTEM AGREEMENT PROVIDE THE
8 OPERATING COMPANIES ANY DISCRETION IN ACCEPTING AN
9 ALLOCATED PORTION OF PURCHASES?

10 A. No. The Operating Companies are required to take their respective
11 allocated share of purchased power because those purchases arise out of
12 the joint economic dispatch of the System. Each Operating Company
13 must bear responsibility for its share of purchases made for the benefit of
14 the System. Moreover, the joint planning obligations of the Entergy
15 System Agreement require each Operating Company to accept its
16 allocated share of purchased capacity and energy, when so allocated by
17 the Operating Committee.

18

19 Q51. ARE THE PURCHASES ALLOCATED TO ETI ALWAYS USED TO
20 SERVE ETI'S CUSTOMERS' NEEDS?

21 A. No, not necessarily. ETI's allocated share of purchases is considered an
22 ETI source for the purposes of allocating energy and costs under Service
23 Schedule MSS-3. Therefore, in any given hour, if ETI has resources in

1 excess of its needs and a wholesale power purchase is among the lowest
2 cost resources, that purchase stays with ETI's customers for that hour.
3 However, if ETI has resources in excess of its needs and its allocated
4 share of a purchase is more costly than other ETI resources, ETI's
5 allocated share of the purchase is assigned to the Exchange for that hour,
6 for which ETI is compensated.

7

8 Q52. CAN ETI EVER RECEIVE MORE THAN ITS ALLOCATED SHARE OF A
9 PURCHASE?

10 A. No, not directly. However, as described above, purchases are treated as
11 an Operating Company resource under Service Schedule MSS-3.
12 Therefore, if ETI's needs were in excess of its resources in any given hour
13 and thus ETI was purchasing energy from the Exchange, it may receive
14 some purchased energy that was originally allocated to another Entergy
15 Operating Company that later flowed through the Exchange. However,
16 under the terms of the Entergy System Agreement, such allocations are
17 considered to be from the Exchange and are not considered a Joint
18 Account Purchase allocation.

19

20 C. Billing for Entergy System Agreement-Related Revenues and Costs

21 Q53. HOW ARE OPERATING COMPANIES BILLED FOR THE COSTS
22 INCURRED PURSUANT TO THE ENTERGY SYSTEM AGREEMENT?

23 A. The Operating Companies are billed through a monthly ISB.

1 Q54. WHAT IS THE ISB?

2 A. The ISB is a program that creates inter-company invoices prepared by
3 ESI. The ISB details the costs to be paid and revenues to be received by
4 each Operating Company for the transactions that occurred pursuant to
5 the Entergy System Agreement.

6

7 Q55. HOW IS THE ISB PREPARED?

8 A. The ISB is prepared by a custom computer program that incorporates the
9 algorithms specified in the Entergy System Agreement. On an hourly
10 and/or daily basis, fuel costs, unit generation, Operating Company load,
11 and wholesale transactions data are collected and compiled into the ISB's
12 database records.

13

14 Q56. HOW IS THE MONTHLY ISB ORGANIZED?

15 A. The monthly ISB is divided into attachments, with each attachment
16 containing multiple pages, if necessary. These are the current
17 attachments, as of July 2013:

- 18 • Attachment 1 - kWh Disposition by Operating Company, Joint
19 Account Purchases and Individual Company Purchases by
20 Operating Company;
- 21 • Attachment 2 - Exchange Energy (to/from), Unit Power Purchases,
22 AECC Excess Energy;
- 23 • Attachment 3 - Joint Account Sales and Net Balance;

- 1 • Attachment 4 - Peak Load Data and Responsibility Ratios;
- 2 • Attachment 5 – Owned or Contracted Capacity, Reserve &
- 3 Transmission Equalization;
- 4 • Attachment 6 - Operating Company Summaries and System
- 5 Total;¹⁷
- 6 • Attachment 11 – Summary of Joint Account Purchases and
- 7 Individual Company Purchases; and
- 8 • Attachment 12 - Fiber Optics Equalization.

9

10 Q57. PLEASE BRIEFLY DESCRIBE EACH ATTACHMENT OF THE

11 MONTHLY ISB.

12 A. Attachment 1 shows the monthly totals of energy allocated to each

13 Operating Company by source and the disposition of that energy.

14 This attachment shows the allocation of kWh from each Operating

15 Company's own sources (net generation and off-system purchases) to

16 each Operating Company's net area, to the Exchange, to inadvertent

17 energy or to sales. It also shows Joint Account Purchases allocated to

18 each Operating Company based on Responsibility Ratios. Toward the

19 end of Attachment 1 is a one-page summary of the allocation of the total

20 kWh for each Operating Company and for the total System and a

¹⁷ The Operating Company detail now provided in Attachment 6 was previously provided in Attachments 6 through 10. Attachments 7 through 10 have been eliminated.

1 summary listing the allocation to each Operating Company of purchases
2 made during the month.

3 Attachment 2 is a summary, by Operating Company, of the kWh
4 and the associated cost of the sources furnishing energy to the Exchange
5 during that month. Only Operating Companies furnishing Exchange
6 energy during the month are included in this section of Attachment 2.
7 Following the summary of sources by each Operating Company furnishing
8 energy to the Exchange is a summary, by Operating Company, of the
9 allocations of energy from the Exchange during the month. This page lists
10 each Operating Company, the kWh allocated to it during the month, the
11 total dollars charged for those allocations, and the average cost of the
12 kWh allocated. Each Operating Company that is allocated Exchange
13 energy in a given hour pays the same price per kWh for that energy;
14 however, this summary is prepared on a monthly basis, so the dollars per
15 kWh paid by each Operating Company averaged over a month will
16 necessarily be different. For example, consider the following data
17 contained in Attachment 2 in the April 2013 ISB that is attached as
18 Exhibit MJG-2.

| Figure MJG-2 April 2012 | | | |
|----------------------------|--------------------|-------------------------------|----------------------|
| Company | KWh | Average Charge (mills/KWh) | Cost (\$) |
| EAI | 31,613,342 | 35.921464 | 1,135,597.53 |
| ELL | 198,787,403 | 30.019668 | 5,967,531.87 |
| EMI | 144,393,218 | 34.508614 | 4,982,809.79 |
| ENOI | 9,814,336 | 30.841445 | 302,688.30 |
| EGSL | 19,324,810 | 30.458430 | 588,603.38 |
| ETI | 44,883,887 | 30.681318 | 1,377,096.83 |
| Total | 448,816,996 | 31.982585 | 14,354,327.70 |

Note: Dollars may not add due to rounding.

As may be seen, the use of averages can be misleading. The average cost for the total of all of the Operating Companies for this month is \$31.982585/MWh. ELL, ENO, EGSL, and ETI pay less than the average cost, but EAI and EMI pay more. However, in each of the hours comprising the average, each Operating Company allocated energy from the Exchange paid exactly the same price for that energy.

The next page shows the energy amounts sold to each Operating Company under service schedule MSS-4. At the end of Attachment 2 is a summary of the kWh and dollars allocated to each Operating Company from the Arkansas Electric Cooperative Corporation ("AECC") excess energy purchase. The kWh from this purchase are allocated using the previous month's responsibility ratio, as specified in the Entergy System Agreement.

Attachment 3 relates to off-system Joint Account Sales. Attachment 3 lists the purchasing entity, type of sale, total kWh sold, total

1 dollars charged, and the average cost for each sale. Next is a listing of
2 the sources used by each Operating Company to supply the off-system
3 Joint Account Sales during the month, the kWh supplied, and the cost that
4 the Operating Companies were credited for having supplied the energy.
5 Next is a summary of the off-system Joint Account Sales, sources
6 supplying the sales. The next page reflects revenue from the sales and
7 the calculated net balance, profit or loss, from the sales.

8 Attachment 4 shows the monthly coincident peak loads for the
9 previous twelve months and shows the calculation of responsibility ratios.

10 Attachment 5 reflects the owned or contracted MW ratings for each
11 Operating Company. These ratings are approved by Entergy's Operating
12 Committee for the purpose of calculating Reserve Equalization (MSS-1).

13 Attachment 6 is a summary of transactions for each of the
14 Operating Companies. It shows the Purchases and Sales from
15 Associated Companies, including Exchange energy and dollars and Unit
16 Power Purchases, Sales to Non-Associated Companies (Joint Account
17 Sales), Purchases from Non-Associated Companies (Joint Account
18 Purchases), and Other Revenues or Costs, including Transmission
19 Service Revenue.

20 Attachment 11 is a monthly summary of the joint account
21 purchases by Seller and Contract Name/Type indicating the net payable
22 for each Operating Company. Each entry shows the breakdown of
23 energy, dollars, and an average cost of the purchase(s) by Operating

1 Company. Attachment 11 also shows the allocation of capacity charges
2 for purchased power contracts by contract and by Operating Company.

3 Attachment 12 is a summary of the fiber optics equalization.
4 Billings under this Attachment are not part of the Entergy System
5 Agreement, but are included in the ISB only as a convenience.

6

7 Q58. IS IT YOUR OPINION THAT THE ISB PROPERLY IMPLEMENTS THE
8 ALLOCATION OF COSTS PURSUANT TO THE ENTERGY SYSTEM
9 AGREEMENT?

10 A. Yes. The ISB properly implements the FERC-approved allocation of costs
11 among the Operating Companies as specified in the Entergy System
12 Agreement.

13

14 Q59. CAN THE COSTS ALLOCATED THROUGH THE ISB BE REVISED
15 SOLELY FOR THE BENEFIT OF A SINGLE OPERATING COMPANY OR
16 JURISDICTION?

17 A. Any revision to the allocation of energy and/or costs reflected in an ISB
18 will necessarily affect the other Operating Companies. It is my
19 understanding that FERC is the only regulatory authority with jurisdiction
20 to review the multi-jurisdictional effects of such a revision.

1 III. ETEC PARTIAL REQUIREMENTS AMENDMENT

2 Q60. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

3 A. In this section, I discuss the amendment to the PRA with ETEC, which
4 provides for termination of the PRA effective upon the Company's
5 integration into MISO. As a result, the Company will have no wholesale
6 business subsequent to that event.

7

8 Q61. PLEASE EXPLAIN.

9 A. The Company currently provides 150 MW of wholesale electric service to
10 ETEC under the PRA, which began in 2010 and was set to expire in 2014.
11 In May 2013, ETI and ETEC entered into a contract that addressed certain
12 MISO-related amendments to existing agreements between them,
13 including amendments to the PRA ("PRA amendments"). One of the PRA
14 amendments called for the termination of the PRA effective upon ETI's
15 integration into MISO. The parties agreed that allowing the PRA to
16 terminate when ETI began operations in MISO would enable them to
17 avoid the difficult, challenging, and undesired negotiations required to
18 allow the PRA to function in a MISO operating environment for a brief
19 period of time. The negotiations would include allocating between them
20 numerous MISO-related cost and risks.

1 Q62. WHAT IS THE STATUS OF THE PRA AMENDMENTS BECOMING
2 EFFECTIVE?

3 A. The PRA amendments are fully negotiated and complete, have been
4 approved by the ETEC Board of Directors, and have been accepted for
5 filing by the FERC.¹⁸ The few remaining conditions necessary for the PRA
6 amendments to become effective are expected to be satisfied not long
7 after ETI files its application in this case.

8

9 IV. CONCLUSION

10 Q63. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

11 A. Yes.

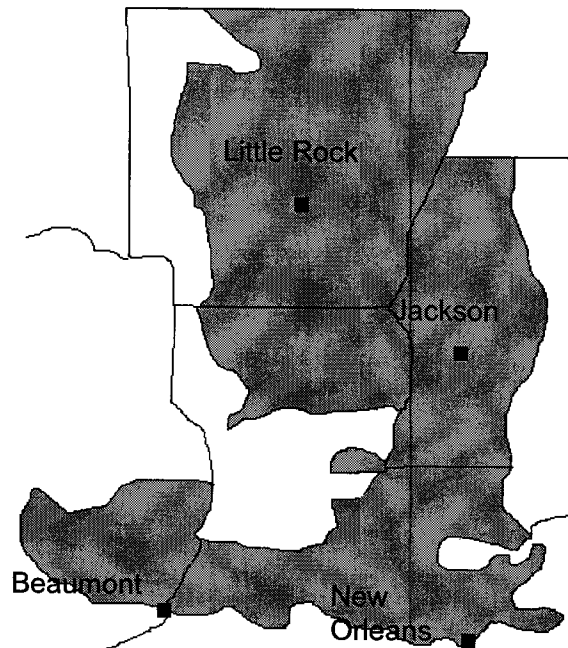
¹⁸ *Entergy Texas, Inc.*, FERC Docket No. ER13-1608-000; July 10, 2013 Office of Energy Market Regulation letter providing Acceptance for Filing of Revised Rate Schedules.

ENTERGY

System Agreement

Agreement Among:

Entergy Arkansas, Inc.
Entergy Gulf States Louisiana, L.L.C.
Entergy Louisiana, LLC
Entergy Mississippi, Inc.
Entergy New Orleans, Inc.
Entergy Texas, Inc.
Entergy Services, Inc.



Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

Entergy Arkansas, Inc., Third Revised Rate Schedule FERC No. 94
Entergy Gulf States Louisiana, L.L.C., Rate Schedule FERC No. 181
Entergy Louisiana, LLC, Third Revised Rate Schedule FERC No. 69
Entergy Mississippi, Inc., Third Revised Rate Schedule FERC No. 262
Entergy New Orleans, Inc., Third Revised Rate Schedule FERC No. 8
Entergy Texas, Inc., Rate Schedule FERC No. 181

Exhibit MJG-1
2013 TX Rate Case
Original Sheet No. 2 Page 2 of 83

AGREEMENT

Among

ENTERGY ARKANSAS, INC.
ENTERGY GULF STATES LOUISIANA, L.L.C.
ENTERGY LOUISIANA, LLC
ENTERGY MISSISSIPPI, INC.
ENTERGY NEW ORLEANS, INC.
ENTERGY TEXAS, INC.
ENTERGY SERVICES, INC.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

Entergy Arkansas, Inc., Third Revised Rate Schedule FERC No. 94
Entergy Gulf States Louisiana, L.L.C., Rate Schedule FERC No. 181
Entergy Louisiana, LLC, Third Revised Rate Schedule FERC No. 69
Entergy Mississippi, Inc., Third Revised Rate Schedule FERC No. 262
Entergy New Orleans, Inc., Third Revised Rate Schedule FERC No. 8
Entergy Texas, Inc., Rate Schedule FERC No. 181

Original Sheet No. 3

INDEX

| | <u>Sheet No.</u> |
|---|------------------|
| Preface..... | 4 |
| Article I Term of Agreement..... | 6 |
| Article II Definitions | 7 |
| Article III Objectives | 13 |
| Article IV Obligations | 16 |
| Article V Composition and Duties of the Operating Committee | 23 |
| Article VI System Operations Center | 27 |
| Signatory | 29 |
| Service Schedule MSS-1 | |
| Reserve Equalization | 30 |
| Service Schedule MSS-2 | |
| Transmission Equalization..... | 38 |
| Service Schedule MSS-3 | |
| Exchange of Electric Energy Among the Companies..... | 44 |
| Service Schedule MSS-4 | |
| Unit Power Purchase..... | 61 |
| Service Schedule MSS-5 | |
| Distribution of Revenue from Sales Made for the Joint Account of All Companies | 71 |
| Service Schedule MSS-6 | |
| Distribution of Operating Expenses of System Operations Center .. | 74 |
| Service Schedule MSS-7 | |
| Merger Fuel Protection Procedure | 76 |

Issued by: Kimberly Despeaux
 Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

AGREEMENT

Among

ENTERGY ARKANSAS, INC.

ENTERGY GULF STATES LOUISIANA, L.L.C.

ENTERGY LOUISIANA, LLC

ENTERGY MISSISSIPPI, INC.

ENTERGY NEW ORLEANS, INC.

ENTERGY TEXAS, INC.

ENTERGY SERVICES, INC.

THIS AGREEMENT, first made and entered into on the 23rd day of April 1982, and subsequently amended, is by and among Entergy Arkansas, Inc., herein-after called EAI; Entergy Gulf States Louisiana, L.L.C., herein-after called EGSL or Gulf States Louisiana; Entergy Louisiana, LLC, hereinafter called ELL; Entergy Mississippi Inc., hereinafter called EMI; Entergy New Orleans Inc., hereinafter called ENOI; Entergy Texas Inc., hereinafter called ETI, and Entergy Services, Inc., hereinafter called Services, all of whose common stock is wholly owned by Entergy Corporation, hereinafter called Parent Company.

WITNESSETH

0.01 WHEREAS, EAI, EGSL, ELL, EMI, ENOI, and ETI hereinafter called Companies, are the owners and operators of electric generation, transmission and distribution facilities with which they are engaged in the business of generating, transmitting and selling electric energy to the general public and to other electric distributing agencies; and

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

0.02 WHEREAS, Services is an associated Service Company acting as the Agent for the Companies under the terms of the Middle South Utilities System Agency Agreement and the Middle South Utilities System Agency Coordination Agreement dated the 11th day of December 1970; and

0.03 WHEREAS, the Companies have been achieving substantial benefits for their customers by operating within the framework of an interconnection agreement dated April 11, 1973; and

0.04 WHEREAS, the individual Companies are interconnected by transmission lines and operated as a coordinated system from a central dispatching center; and

0.05 WHEREAS, technological progress and changed economic conditions have necessitated the updating of the aforementioned interconnection agreement to continue to obtain the maximum benefits for them and their respective customers;

NOW THEREFORE, the Parties hereto mutually understand and agree as follows:

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

ARTICLE I

TERM OF AGREEMENT

1.01 This Agreement shall become effective on August 1, 1982, or such later date as may be fixed by any requisite regulatory approval or acceptance for filing and shall continue in full force and effect until terminated by mutual agreement of the Companies. Notwithstanding this, any Company may terminate its participation in this Agreement by ninety-six (96) months written notice to the other Companies hereto; and effective upon and after the date of implementation of retail open access in Texas, ETI shall terminate its participation in this Agreement, except as to Service Schedule MSS-2 (Transmission Equalization), consistent with Section 2.02 below.

1.02 This Agreement shall supersede the agreement listed below: Agreement among Arkansas Power & Light Company, Arkansas-Missouri Power Company, Louisiana Power & Light Company, Mississippi Power & Light Company, New Orleans Public Service Inc. and Middle South Services, Inc. dated the 16th day of April 1973 in FPC Docket No. E-8130 as amended in FERC Docket No. ER79-277, FERC Docket No. ER80-366, and FERC Docket No. ER 81-405.

1.03 This Agreement will be reviewed periodically by the Operating Committee to determine whether revisions are necessary to meet changing conditions. In the event that revisions are made by the parties hereto, and after requisite approval or acceptance for filing by the appropriate regulatory authorities, the Operating Committee will thereafter, for the purpose of ready reference to a single document, prepare for distribution to the Companies an amended document reflecting all changes in and additions to this Agreement with notations thereon of the date amended.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

ARTICLE II DEFINITIONS

For the purpose of this Agreement and of the Service schedules which are a part hereof, the following definitions shall apply:

2.01 Agreement shall be this Agreement together with all attachments and service schedules applying thereto and any amendments made hereafter.

2.02 Company shall be one of the Entergy System Operating Companies (EAI, ELL, EMI, ENOI, EGSL, ETI).

2.03 Parent Company shall be Entergy Corporation.

2.04 Agent shall be Entergy Services, Inc. which shall act as Agent for one or more of the Companies whenever appropriate.

2.05 System shall be the interconnected coordinated systems of the Companies.

2.06 Operating Committee shall be the administrative organization created under this Agreement to administer its provisions.

2.07 Generating Unit shall be an electric generator, together with its prime mover and all auxiliary and appurtenant devices and equipment designed to be operated as a unit for the production of electric power and energy or as otherwise determined by the Operating Committee.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

2.08 Base Generating Units - shall be all generating units included in FERC accounts 310 through 316 and whose fuel supply is coal and all generating units included in FERC accounts 320 through 325 whose fuel supply is nuclear respectively, and such other generating units as may be designated from time to time by the Operating Committee.

2.09 Intermediate Generating Units - shall be all generating units included in FERC accounts 310 through 316 and whose fuel supply is gas or oil and such other generating units as may be designated from time to time by the Operating Committee.

2.10 Peaking Generating Units - shall be all generating units included in FERC accounts 340 through 346 and such other generating units as may be designated from time to time by the Operating Committee.

2.11 Hydraulic Production Units - shall be all generating units included in FERC accounts 330 through 336.

2.12 Qualified Cogeneration Capacity shall be any capacity available from a cogeneration facility that qualifies under Subpart B of Part 292 of the Regulations of the FERC, 18 C.F.R. § 292.201, et seq., as amended, or any successor provisions issued pursuant to Section 3(18)(B) of the Federal Power Act, and which, in accordance with Section 4.08 of this Agreement is under the control of the System Operator, to the extent practicable, and where the State or local regulatory body having jurisdiction over any Company which establishes the rate for a particular purchase also determines that the purchase will permit non-qualifying facility capacity costs to be avoided or, in the absence of such determination, to the extent that the Operating Committee determines that, in accordance with Section 4.01 of this Agreement and pursuant to Section 292.304 of the FERC Regulations or any successor provision, the capacity will be employed to postpone generation that would otherwise be installed and thereby benefit the customers of all Companies. Individual Qualified Cogeneration Capacity below 10 mW will not be considered as

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

a power or energy source to any party to the System Agreement but will be considered as a negative load.

2.13 Qualified Small Power Production Capacity shall be any capacity available from a small power production facility that qualifies under Subpart B of Part 292 of the FERC Regulations, 18 C.F.R. § 292.201, et seq., as amended, or any successor provisions issued pursuant to Section 3(17)(C) of the Federal Power Act, and which, in accordance with Section 4.08 of this Agreement, is under the control of the System Operator, to the extent practicable, and where the State or local regulatory body having jurisdiction over any Company which establishes the rate for a particular purchase also determines that the purchase will permit non-qualifying facility capacity costs to be avoided or, in the absence of such determination, to the extent that the Operating Committee determines that, in accordance with Section 4.01 of this Agreement and pursuant to Section 292.304 of the FERC Regulations or any successor provision, the capacity will be employed to postpone generation that would otherwise be installed and thereby benefit the customers of all Companies. Individual Qualified Small Power Production Capacity below 10 mW will not be considered as a power or energy source to any party to the System Agreement but will be considered as a negative load.

2.14 Capability shall be the net output in megawatts that can be produced by a generating unit under conditions specified by the Operating Committee, that is devoted to serving System load but excluding that portion of any unit the output of which has been sold to another Company (other than through MSS-3), or the input in megawatts available under contract from a supplying source, excluding the portion of such supply that has been sold to another Company (other than through MSS-3), including any capacity determined in Sections 2.12 or 2.13 above, plus the contractual amount of firm purchases with reserves available during the month from other systems adjusted upward by the ratio of Seller's Capability and Seller's Load Responsibility as determined in Section 10.02C.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

2.15 System Capability shall be the arithmetical sum in megawatts of the individual Company Capabilities.

2.16 Company Load Responsibility shall be determined as follows:

- (a) To be used in conjunction with Service Schedules MSS-2 and MSS-6:
 - (i) The average of the sum of the Company's twelve monthly hourly loads coincident with the System's monthly peak hour load for the period ended with the current month measured in megawatts. Each demand shall represent the simultaneous hourly input from all sources into the system of a Company, less the sum of the simultaneous hourly outputs to the systems of other interconnected utilities.
 - (ii) Less the power supplied to others as sales for the joint account of all Companies.
- (b) As of April 1, 2004,* to be used in conjunction with Service Schedules MSS-1 and MSS-5 and in conjunction with the allocation of a purchase of capacity and energy for the joint account of all Companies under Section 4.02:
 - (i) The average of the sum of the Company's twelve monthly hourly loads coincident with the System's monthly peak hour load for the period ended with the current month measured in megawatts.
Each demand shall represent the simultaneous hourly input from all sources into the system of a Company, less the sum of the simultaneous hourly outputs to the systems of other interconnected utilities.
 - (ii) Less the power supplied to others as sales for the joint account of all Companies.

* In the calculation pursuant to Section 2.16(b)(iii), the full amount of the interruptible load has been removed as of April 1, 2004 (as opposed to phased-in over a twelve month period).

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

- (iii) Less loads served under interruptible tariffs or contracts, where the interruptible load excluded at the time of the system's monthly peak hour load (which does not include the excludable interruptible load determined herein) is to be that load that, pursuant to said tariff or contract, is subject to interruption. To the extent practical the determination of what loads are interruptible shall be based on actual data and if it is not practical, shall be based on reasonable estimates.

2.17 System Load Responsibility:

- (a) To be used in conjunction with Service Schedules MSS-2 and MSS-6 shall be the arithmetical sum in megawatts of the individual Company Load Responsibilities derived pursuant to Section 2.16(a).
- (b) As of April 1, 2004, to be used in conjunction with Service Schedules MSS-1 and MSS-5 and in conjunction with the allocation of a purchase of capacity and energy for the joint account of all Companies under Section 4.02 shall be the arithmetical sum in megawatts of the individual Company Load Responsibilities derived pursuant to Section 2.16(b).

2.18 Responsibility Ratio of a Company shall be the ratio obtained by dividing the load responsibility of that company by the System Load Responsibility.

2.19 Capability Responsibility of a Company shall be the System Capability multiplied by the Responsibility Ratio for that Company.

2.20 Pool Energy shall be the energy generated by a Company in excess of its own requirements, or acquired by any Company under economic dispatch or as directed by the System Operator, that goes to supply requirements of other Companies. Such energy shall in all cases be nonfirm, that is, it has no guaranteed or assured availability.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

2.21 Cogeneration or Small Power Production Energy shall be the energy acquired by any Company from qualified facilities whether or not acquired under economic dispatch.

2.22 Transmission Responsibility of a Company shall be the System Net Inter-Transmission Investment multiplied by the Responsibility Ratio for that Company.

2.23 System Net Inter-Transmission Investment shall be the arithmetical sum of the individual Company Net Inter-Transmission Investments.

* 2.24 * Typographical error - 2.24 not used in numbering of definitions.

2.25 Day shall be a continuous 24-hour period beginning at midnight CST, or such other time as may be agreed upon by the Operating Committee.

2.26 Month shall be a calendar month.

2.27 Year shall be calendar year.

2.28 Power shall be the rate of doing work and shall be expressed in kilowatts (kW), megawatts (mW), or gigawatts (gW).

2.29 Energy shall be work and shall be expressed in kilowatt hours (kWh), megawatt-hours (mWh), or gigawatt-hours (gWh).

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

ARTICLE III

OBJECTIVES

3.01 The purpose of this Agreement is to provide the contractual basis for the continued planning, construction, and operation of the electric generation, transmission and other facilities of the Companies in such a manner as to achieve economies consistent with the highest practicable reliability of service, subject to financial considerations, reasonable utilization of natural resources and minimization of the effect on the environment. This Agreement also provides a basis for equalizing among the Companies any imbalance of costs associated with the construction, ownership and operation of such facilities as are used for the mutual benefit of all the Companies.

3.02 It is recognized by the Companies that economies of scale and integrated operations require that the planning, construction and operation of the bulk power supply and related facilities of the Companies be on a coordinated basis.

3.03 It is recognized that the Companies have traditionally used natural gas as their primary boiler fuel and that curtailments by suppliers have necessitated a conversion to oil as boiler fuel. Minimizing current and future costs of electricity and reducing energy dependence on oil and gas require the Companies to move toward a new fuel base of coal and nuclear.

3.04 It is recognized that these new coal and nuclear units will be Base Generating Units as defined in 2.08 and will be units of the larger ratings in generating stations of large size, strategically located with regard to fuel, water supply and electric load.

3.05 It is the long term goal of the Companies that each Company have its proportionate share of Base Generating Units available to serve its customers either by ownership or purchase.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

Any Company which has generating capacity above its requirements, which desires to sell all or any portion of such excess generating capacity and associated energy, shall offer the right of first refusal for this capacity and associated energy to the other Companies under Service Schedule MSS-4 Unit Power Purchase.

3.06 It is recognized that the installation of large base generating stations at locations, in many cases necessarily remote from major load centers, will require the installation of additional major high voltage and extra high voltage transmission lines and substations to connect these large generating stations to the major load centers in a manner to assure the highest practicable reliability of service.

3.07 It is recognized that reliability of service and economy of operation require that the energy supply to the system be controlled, to the extent practicable, from a centralized dispatching office and that this will require adequate communication facilities and the provision of economic dispatch computer facilities and automatic controls of generation.

3.08 By jointly planning on a systemwide basis for the construction and operation of these major facilities:

- (a) The combined loads of the Companies can be supplied with less aggregate installed capacity; and
- (b) Installations of additional capacity can be made at lower cost per kW because of the large unit sizes; and
- (c) The new installations will be more economical and require less operating labor and maintenance per kW because of the larger unit sizes; and
- (d) The strengthened transmission system will make possible a fuller utilization of the capability of the lower cost generating units of the System; and

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

- (e) Emergency conditions in any part of the System or other systems in adjacent areas can be met with less probability of impairment of service to the general public.

3.09 It is intended that each Company shall be willing and able to provide its portion of the major facilities determined to be necessary and each Company shall share in the benefits and pay its share of the costs of coordinated operations as agreed upon in accordance with Service Schedules to be attached hereto from time to time and made a part hereof.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

ARTICLE IV

OBLIGATIONS

4.01 Production Facilities

Each Company shall normally own, or have available to it under contract, such generating capability and other facilities as are necessary to supply all of the requirements of its own customers.

Each Company shall furnish the Operating Committee, at the time and in the manner designated, estimates of its annual peak load for the next succeeding 10-year period, or such period as may be required, together with estimates of its capability available from generating units in operation, under construction or already approved, capability available from other sources under contract and Qualified Cogeneration Capacity or Qualified Small Power Production Capacity in accordance with Sections 2.12 and 2.13 of this Agreement.

The Operating Committee shall then determine a generation addition plan to provide capacity for the projected system load and furnish reliable service to customers at the lowest cost consistent with sound business practice. Any anticipated large blocks of power sales not previously submitted to the Operating Committee shall be submitted to the Operating Committee as soon as load information is available so that appropriate capacity can be scheduled into the generation addition plan.

Each Company that installs a Generating Unit will make the necessary financial arrangements and promptly proceed with the design and construction of the unit to meet the "in-service" date of the generation addition plan.

Any Capability in excess of the Capability Responsibility of a Company that may exist in the system of one or more Companies as a result of installation of facilities in accordance with the provisions of the generation addition plan shall be equalized among the Companies in accordance with the provisions of the applicable Service Schedule.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

4.02 Purchased Capacity & Energy

The Companies, with the consent of or under conditions specified by the Operating Committee, may agree to a contract by one or more of them, for the purchase of capacity and/or energy from outside sources for the account of a Company or Companies.

If purchased by a Company for its own account, the capacity shall be included by the purchasing Company in its Capability to the extent provided by the applicable Service Schedule. The energy purchased shall be considered as part of the purchasing Company's energy supply.

If purchased by a Company for the joint account of less than all of the Companies, the capacity and energy shall be allocated among the purchasing Companies in any manner mutually agreeable to them.

If purchased by a Company for the joint account of all the Companies, the capacity and energy shall be allocated to each Company in proportion to its Responsibility Ratio based on Sections 2.16(b) and 2.17(b) in effect at the end of the preceding month. Each Company shall include its allocated portion of the capacity, so purchased, in its Capability to the extent provided by the applicable Service Schedule and shall include its portion of the energy so purchased in its energy supply. Each Company shall pay for capacity and energy allocated to it hereunder at the rates paid by the Company making the purchase.

4.03 Energy Purchased by Services

Services, through the System Operations Center, may purchase energy under economic dispatch or emergency conditions, in accordance with Article VI paragraph 6.02 of this Agreement, for the joint account of all the Companies. The energy purchased shall be allocated to each Company in proportion to its Responsibility Ratio in effect at the end of the preceding month.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

4.04 Capacity and Energy Exchanged with Outside Systems

Capacity and energy may be delivered to or received from an outside system under agreements providing for a return in kind. The accounting for such deliveries and receipts shall be as follows:

- (a) If the System supplies first, the obligations to supply shall be prorated to each Company, in proportion to its Responsibility Ratio in effect as of the preceding October 31st, and the capacity and energy which each Company is entitled to receive in return shall be equal to the obligation to supply.
- (b) If the System receives first, the capacity and energy to be received shall be prorated to each Company in proportion to its Responsibility Ratio in effect as of the preceding October 31st, and each Company shall be obligated to supply in return the amount of capacity and energy that it was entitled to receive.

4.05 Sales to Others for the Joint Account of All the Companies

Sales of capacity and energy to others for which any Company does not wish to assume sole responsibility, shall, with the consent of or under conditions specified by the Operating Committee, be made by the Company having direct connection with such others, for the joint account of all the Companies, and the net balance derived from such sales shall be divided among the Companies as provided in the applicable Service Schedule.

4.06 Transmission Facilities

The Companies own and operate extensive transmission systems traversing their operating areas and interconnecting with each other, as well as with the transmission systems of adjacent utilities.

It is agreed that portions of each Company's bulk power transmission system shall be equalized in accordance with the applicable Service Schedule so that the ownership costs of those transmission facilities shall be distributed equitably among the Companies.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

The Operating Committee shall make studies of bulk power transmission facilities and agree upon the facilities that will be required to transmit the power supply from generating or other sources to the load centers. The facilities agreed upon shall be built to comply with a time schedule determined by the Operating Committee and shall be adequate to provide the bulk power transmission system requirements with due allowances for contingencies that may reasonably be expected. The Operating Committee shall agree on the general routes of bulk power transmission lines, the voltages and conductor sizes, and the location of substations which are covered by this Agreement.

4.07 Communication and Other Facilities

The Companies shall provide communication and other facilities, determined by the Operating Committee to be necessary for metering, control, protection and dispatch of the production and transmission facilities, and for such other purposes as may be necessary or desirable for the operation of the Companies' Systems.

4.08 Dispatch

Under general direction of the Operating Committee, Services will operate a centralized operations center properly equipped and staffed to dispatch the capacity and energy capability of the Companies, in the efficient, economical, and reliable manner as provided in this Agreement. All generating units, included in System Capability under this Agreement, presently in operation or installed in the future, shall be equipped with such controls as may be determined by the Operating Committee to be necessary to accomplish such centralized economic dispatch.

It is recognized by the Companies that, because of such economic dispatch, a Company may not, at all times, be supplying the energy requirements of its system, but may be taking energy from the resources of the other Companies or supplying energy to the other Companies. The payments or charges for such energy exchange shall be as provided in the applicable Service Schedule.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

4.09 Records and Reports

Services shall keep such records as may be necessary for the efficient administration of the Agreement, and shall make such records available to any Company on request. Each Company shall make all reports requested by the Operating Committee within the time prescribed.

4.10 Regulatory Authorization

This Agreement is subject to certain regulatory approvals and each Company shall diligently seek all necessary regulatory authorization for this Agreement and the performance of its obligations thereunder.

4.11 Effect on Other Agreements

This Agreement shall not modify the obligations of any Company under any Agreement between that Company and others not parties to this Agreement in effect at the date of this Agreement.

4.12 Service Schedules

The basis of compensation for the use of facilities and for the capacity and energy provided or supplied by a Company to another Company or Companies under this Agreement shall be in accordance with arrangements agreed upon from time to time among the Companies. Such arrangements shall be in the form of Service Schedules, each of which, when signed by the parties hereto, and approved or accepted for filing by appropriate regulatory authority shall be attached to and become a part of this Agreement.

Each Company reserves the right to unilaterally seek amendments or changes in the terms and conditions of service and increases or decreases in the rates and charges provided in any of the Service Schedules from any regulatory body having or acquiring jurisdiction thereover.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

4.13 Measurements

All capacity and energy measurements, such as between the systems of the Companies, shall be made at or corrected to the points of interconnection unless otherwise agreed to by the Operating Committee.

4.14 Billings

Bills for services rendered hereunder shall be calculated in accordance with applicable Service Schedules, and shall be issued on the fifth working day of the month following that in which such service was rendered and shall be payable on or before the 15th day of such month. After the 20th day, interest shall accrue on any balance due at the rate as determined in Section 35.19a(2)iii of the FERC Regulations, or at such other rate established by the Operating Committee.

4.15 Waivers

Any waiver at any time by a Company of its rights with respect to a default by any other Company under this Agreement, shall not be deemed a waiver with respect to any subsequent default.

4.16 Successors and Assigns

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective Companies here to, but shall not be assignable by any Company without the written consent of the other Companies, except upon foreclosure of a mortgage or deed of trust.

4.17 Amendment

This Agreement may be changed, amended, or supplemented, only by an instrument in writing, signed by all the Companies.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

4.18 Independent Contractors

It is agreed among the Companies that by entering into this Agreement providing for the coordinated planning, construction and operation of power production, transmission, communications and other facilities of the Companies, the Companies shall not become partners, but as to each other and to third persons, the Companies shall remain independent contractors in all matters relating to this Agreement.

4.19 Responsibility for Loss or Damage

Each Company shall defend, indemnify, and save harmless the other Companies, against liability, loss, costs and expenses on account of any injury or damage to persons or property occurring on or in connection with its facilities on its side of any of the points of interconnection, except to the extent such injury or damage was caused by the sole or contributory negligence of another Company, its agent or employees.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

ARTICLE V

COMPOSITION AND DUTIES OF THE OPERATING COMMITTEE

5.01 Operating Committee

An Operating Committee shall be the administrative organization of this Agreement and shall consist of members designated by the chief executive officers of each Company and by the chief executive officer of the Parent Company. Such designation shall be by written notice to the Secretary of the Operating Committee with copies to each of the other Companies. The Companies and the Parent Company may change its designated members at any time by written notice to the Secretary of the Operating Committee and each of the other Companies.

5.02 Officers of the Operating Committee

The Operating Committee shall have the following officers with duties as designated:

- (a) Chairman - The Chairman shall issue calls for and shall preside at meetings of the Operating Committee. He shall have responsibility for the general coordination of the Operating Committee functions among the various members.
- (b) Vice Chairman - The Vice Chairman shall perform the duties of the Chairman in his absence or incapacity.
- (c) Secretary - The Secretary shall be responsible for keeping the minutes of the meetings of the Operating Committee and for preparing copies thereof and for distributing them to the Companies. The Secretary shall be responsible for obtaining written approval from the Companies for any acts or decisions of the Operating Committee which may require such written approval, and shall be responsible for distributing copies of such approvals to the Companies.

The Chairman and Vice Chairman shall be elected from the members by majority vote at the first meeting held in each calendar year and shall take office immediately upon being elected.

The Secretary shall be designated by the Operating Committee.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

5.03 Meeting Dates

The Operating Committee shall hold meetings at least quarterly and at any time upon the request of a member, and shall keep minutes of its proceedings.

5.04 Decisions

All decisions of the Operating Committee shall be by a majority vote. For the purposes of voting, the Parent Company shall have twenty (20) percent of the vote and the remaining eighty (80) percent shall be divided among the Companies in proportion to each Company's Responsibility Ratio in effect as of the preceding December 31st.

5.05 Attendance at Meetings

Each Company and the Parent Company shall be represented at each Operating Committee meeting by their members on the Committee or a proxy designated by the member or chief executive officer. Such proxy member need not be an employee of the Company represented.

5.06 Duties

The Operating Committee shall:

- (a) Be responsible for the day-to-day administration of the Agreement and for the filing of this Agreement and any amendments thereto with the Federal Energy Regulatory Commission for approval or acceptance for filing and for distributing copies of such filings to the Companies.
- (b) Make the studies required to fulfill the obligations agreed to in the Article IV of this Agreement, and its decisions shall become the basis for the installation of generation, bulk power transmission, communication, and other facilities necessary for the supply of capacity and energy to the System.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective. November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.

- (c) Determine the amount of and require installation of adequate reserves of System Capability to assure, insofar as practicable, the continuous supply of capacity and energy to the major load centers of the System.
- (d) Establish safe loading criteria for generating units, transmission lines and any other facilities necessary for the supply of power and energy to the major load centers of the System.
- (e) Promulgate whatever standards may be required for the safe and reliable operation of the System.
- (f) Consult with and provide general supervision for Services in employing and supervising a System Operator and provide for such assistance as needed.
- (g) Determine the need for and generally supervise the keeping of records and the making of such reports as are deemed necessary or appropriate.
- (h) Determine the need for and generally supervise communications, interchange and automatic generation control, metering, economic dispatch and relaying facilities necessary for the purpose of this Agreement.
- (i) Make any determinations required for the purpose of administering any schedules subject to its administration.
- (j) Study and determine from time to time additions or changes in facilities necessary to keep abreast of the production and transmission requirements of the System.
- (k) Provide for and coordinate safe dispatching, switching and other routine procedures.
- (l) Provide for proper distribution of spinning reserves and the supply of reactive kVa.

Issued by: Kimberly Despeaux
Associate General Counsel

Effective: November 22, 2008

Issued on: November 21, 2008

Filed to comply with unpublished letter order of the Federal Energy Regulatory Commission, Docket No. ER08-460, issued April 22, 2008.