

**FIRST REVISED
JOINT PRICING ZONE REVENUE ALLOCATION AGREEMENT
BETWEEN ENTERGY MISSISSIPPI, INC. AND
SOUTH MISSISSIPPI ELECTRIC POWER ASSOCIATION**

This First Revised Joint Pricing Zone Revenue Allocation Agreement, including all appendices and other attachments hereto (“First Revised Agreement”), is made and entered into as of December 16, 2015, by and between Entergy Mississippi, Inc. (“EMI”) and South Mississippi Electric Power Association (“SMEPA”). This First Revised Agreement supersedes the Joint Pricing Zone Revenue Allocation Agreement between EMI and SMEPA entered into as of October 15, 2013, that was accepted by letter order of the Federal Energy Regulatory Commission (“FERC”) in Docket No. ER14-100-000 and became effective on December 19, 2013 (“Original Agreement”). On its Effective Date, this First Revised Agreement will supersede the Original Agreement in its entirety. EMI and SMEPA are sometimes referred to in this First Revised Agreement in the singular as “Party” and in the collective as “Parties.”

RECITALS

WHEREAS, on December 13, 2012, the Board of Directors of the Midcontinent Independent System Operator, Inc. (“MISO”) approved EMI’s application to join MISO as a Transmission Owner and SMEPA’s application to join MISO as a Transmission Owner; and

WHEREAS, EMI and SMEPA integrated into MISO on December 19, 2013; and

WHEREAS, SMEPA and EMI both own transmission facilities in the Entergy Mississippi Pricing Zone of the MISO RTO (“the EMI Zone”); and

WHEREAS, the Parties expect to jointly participate in a single transmission pricing zone, the EMI Zone; and

WHEREAS, the revenue requirements for both EMI’s transmission facilities and SMEPA’s transmission facilities located in the EMI Zone are included in the rates for the EMI Zone under the Tariff; and

WHEREAS, MISO collects revenues for a transmission pricing zone and remits those revenues to a single designated Transmission Owner (“Designee”) regardless of the number of Transmission Owners within that transmission pricing zone; and

WHEREAS, for the EMI Zone, MISO distributes those revenues to EMI as the Designee; and

WHEREAS, the Parties desire in this First Revised Agreement to establish the allocation of those revenues to be carried out from and after the Effective Date between the Parties and related rights and obligations;

WHEREAS, the Parties agree to supersede the Original Agreement with this First Revised Agreement, which is modeled after and is essentially a modified version of the Original Agreement;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

ARTICLE I DEFINITIONS

Capitalized terms used in this First Revised Agreement shall have the meanings set forth below or, if not set forth below but set forth in the Tariff, in the Tariff:

Allocation Percentage: A Party's share of the Zonal Revenue Requirement, as determined by dividing such Party's Revenue Requirement by the total Zonal Revenue Requirement for the applicable period. The Allocation Percentage shall be subject to adjustment from time to time pursuant to Section 3.1 hereof.

Attachment O: Attachment O to the Tariff.

Bundled Load: The aggregate usage by customers that purchase electric services as a single service or customers that purchase electric services under a retail tariff rate schedule that includes energy and delivery components, as distinguished from customers that purchase transmission service as a separate service.

Designee: The entity designated as such in Section 2.2 of this First Revised Agreement.

Directly Assigned Revenues: The transmission revenues collected by or on behalf of MISO and actually distributed by or on behalf of MISO to the Designee for the EMI TPZ. Directly Assigned Revenues consist of all revenues collected under MISO Tariff Schedules 7, 8, and 9, including SMEPA's monthly payments to MISO for network service billed by MISO, and actually distributed by MISO to the EMI TPZ. For the avoidance of doubt, Directly Assigned Revenues do not include any revenues not distributed by MISO to the Designee.

Effective Date: As defined in Section 4.1 hereof.

EMI: As defined in the initial paragraph hereof.

EMI Zone or EMI TPZ: The joint transmission pricing zone listed as Zone 30 in Schedule 9 of the Tariff.

FERC or Commission: The Federal Energy Regulatory Commission or its successor.

First Revised Agreement: As defined in the initial paragraph hereof.

FPA: The Federal Power Act, 16 U.S.C. §§ 791a-825r, *as amended by* Pub. L. No. 109-58, 119 Stat. 594 (2005).

MISO: As defined in the Recitals. MISO includes any successor(s) thereof.

MISO Agreement: Agreement of Transmission Facilities Owners to Organize MISO, a Delaware Non-Stock Corporation, on file with the FERC, or any successor agreement.

Original Agreement: As defined in the initial paragraph hereof.

Party or Parties: As defined in the initial paragraph hereof.

Revenue Requirement: With respect to EMI, the Annual Net Transmission Revenue Requirement for EMI's transmission facilities in the EMI TPZ, as specified in EMI's Attachment O. With respect to SMEPA, the Annual Net Transmission Revenue Requirements for SMEPA's transmission facilities in the EMI TPZ, as specified in SMEPA's Attachment O.

Revenue Share: Each Party's share of the Directly Assigned Revenues determined in accordance with Section 3.2 hereof.

SMEPA: As defined in the initial paragraph hereof.

Tariff: The Open Access Transmission, Energy and Operating Reserve Markets Tariff for MISO on file with the Commission, or any successor tariff.

Transmission Owner: A party to the MISO Agreement that meets the criteria for the term "Owner" set forth therein.

Zonal Imputed Transmission Charge ("Zonal ITC"): A monthly imputed transmission charge associated with EMI's network load for which EMI is not obligated to pay network transmission service charges under Schedule 9 of the MISO Tariff. To determine the Zonal ITC for a given month, EMI shall multiply the coincident peak load associated with any such network load by the rate for monthly network transmission service provided in the EMI Zone under Schedule 9 of the Tariff.

Zonal Revenue Requirement: The sum of the Parties' Revenue Requirements plus the Attachment O revenue requirements of any other Transmission Owners in the EMI Zone, as determined by MISO.

ARTICLE II RELATIONSHIP BETWEEN MISO AND THE PARTIES

2.1 **Relationship between MISO and the Parties.** MISO, as the independent system operator of a regional transmission system that operates the facilities in the EMI Zone

and as the Tariff administrator, is obligated to distribute revenues as provided under the Tariff and the MISO Agreement.

- 2.2 **Relationship between EMI and SMEPA.** EMI shall serve as the Designee. As the Designee, EMI shall allocate and distribute revenues as provided under this First Revised Agreement. EMI's receipt and remittance of SMEPA's Revenue Share pursuant to this First Revised Agreement shall be performed as a collection agent on behalf of SMEPA. EMI shall not retain any portion of SMEPA's Revenue Share.
- 2.3 **Bundled Load Exemption.** To the extent permitted under the Tariff, (a) the Parties are not obligated to pay MISO the rates for Schedules 1 and 9 of the MISO Tariff for transmission and ancillary services they receive within the EMI TPZ and (b) the Parties are not obligated to pay MISO the rates for any other Schedules under the MISO Tariff that Transmission Owners are not obligated to pay for service associated with serving Bundled Load.

ARTICLE III REVENUE DISTRIBUTION METHOD

- 3.1 **Allocation Percentages.** On an annual basis, or as otherwise necessary to reflect changes to the Attachment O template or zonal transmission facilities, the Parties shall update their Attachment O templates. Each Party shall notify the other Party in writing of any change to the Attachment O template promptly upon the occurrence of such change. Following the effectiveness of any change to a Party's Revenue Requirement, the Designee shall use the Attachment O data for each Party's Revenue Requirement and re-determine the Zonal Revenue Requirement. Based on this information, the Designee shall calculate an Allocation Percentage for each Party reflecting that Party's pro rata share of the Zonal Revenue Requirement. The Designee shall provide this calculation to SMEPA within thirty (30) days of a change in the Attachment O template or other change to a Party's Revenue Requirement.
- 3.2 **Calculation of Parties' Revenue Shares.** To determine SMEPA's Revenue Share for any month during the term of this First Revised Agreement, the Designee shall multiply SMEPA's Allocation Percentage for such month by the sum of the Directly Assigned Revenues and Zonal ITC for such month:
- $$\text{SMEPA's Revenue Share} = \text{SMEPA's Allocation Percentage} \times (\text{Directly Assigned Revenues} + \text{Zonal ITC}).$$
- 3.3 **Monthly Payment.** The Designee shall make monthly payments of SMEPA's Revenue Share to SMEPA on or before twenty (20) days after receiving the Directly Assigned Revenues for the applicable month.
- 3.4 **Data and Record Requirements.** EMI shall maintain records substantiating all revenues that it distributes to SMEPA under this First Revised Agreement. SMEPA shall

maintain records substantiating all information that it provides to EMI and documenting all amounts that it receives from EMI under this First Revised Agreement. The Parties shall maintain such records for six (6) years, unless FERC record retention requirements establish a retention requirement longer than six (6) years for a Party; if so, the FERC retention requirements shall apply.

ARTICLE IV TERM AND WITHDRAWAL

4.1 **Effective Date.** This First Revised Agreement shall become effective on the later of (a) January 1, 2016 or (b) the date FERC permits this First Revised Agreement to become effective (the “Effective Date”). Once accepted, the First Revised Agreement will supersede the Original Agreement in its entirety. The effectiveness of this First Revised Agreement is subject to the terms of Section 8.9.

4.2 **Term.** This First Revised Agreement shall remain in effect for a period of five (5) years after the Effective Date and, unless terminated in accordance with this First Revised Agreement, shall continue in effect thereafter so long as (a) MISO allocates revenues under Schedules 7, 8, and 9 to EMI as the Designee and (b) both EMI and SMEPA are Transmission Owners with transmission facilities included in the EMI Zone. In the event that EMI no longer owns or has functional control of any transmission facilities within the EMI Zone, this First Revised Agreement shall immediately terminate, unless this First Revised Agreement has been assigned to the entity which then owns EMI’s transmission facilities and such assignment has become effective pursuant to Section 8.3, hereof. In the event that SMEPA no longer owns or has functional control of any transmission facilities within the EMI Zone, this First Revised Agreement shall immediately terminate, unless this First Revised Agreement has been assigned to the entity which then owns SMEPA’s transmission facilities and such assignment has become effective pursuant to Section 8.3, hereof. Starting on the third anniversary of the Effective Date, either Party may terminate this First Revised Agreement by providing two (2) years’ prior written notice of its intent to terminate this First Revised Agreement. However, such termination shall not become effective absent the permission of the Commission to the extent that the Commission has jurisdiction over such termination.

In the event that the Mississippi Public Service Commission (“MPSC”) issues an order modifying the level of MISO revenues under Schedules 7, 8 and 9 that are included in and recovered through EMI’s retail rates, currently the EMI Energy Cost Recovery Rider Schedule and the EMI MISO Cost & Revenue Rider Schedule on file with the MPSC, EMI shall have the right to terminate this First Revised Agreement upon 60 days’ written notice after the MPSC decision’s becomes final and non-appealable. In such event, the Parties shall meet within ten (10) business days after EMI provides such written notification to negotiate in good faith a replacement agreement.

4.3 **Withdrawal from MISO.** If a Party is withdrawing from MISO, such Party may, upon sixty (60) days’ prior written notice to the other Party, terminate this First Revised Agreement, provided that such termination may not take effect prior to the Party’s

withdrawal from MISO. Nothing in this First Revised Agreement shall be construed as affecting the rights of either Party to (a) make a unilateral application to FERC to withdraw from MISO or (b) challenge a withdrawal from MISO by the other Party.

- 4.4 **Material Changes to Tariff or MISO Agreement.** In the event that the Commission approves a change to the Tariff or the MISO Agreement that has a material adverse effect upon a Party's rights, obligations, costs, risks, and/or liabilities under this First Revised Agreement, the Parties shall, upon the request of the adversely affected Party, negotiate in good faith to amend this First Revised Agreement as necessary to provide for a just and reasonable allocation of revenues hereunder. If the Parties are unable to reach agreement on an amendment to this First Revised Agreement resulting from such a change as provided above, the adversely affected Party may terminate this First Revised Agreement upon six (6) months' prior written notice to the other Party.
- 4.5 **Rights And Obligations Upon Termination of this First Revised Agreement.** Upon termination of this First Revised Agreement, the Parties' rights and obligations hereunder shall terminate, subject to financial settlement for the period ending on the date of termination.

ARTICLE V OTHER CHARGES

Except as specifically provided in this First Revised Agreement, revenues collected by or on behalf of MISO or distributed by MISO to any Transmission Owner shall not be distributed under this First Revised Agreement.

ARTICLE VI AMENDMENT

This First Revised Agreement may be amended only by a written instrument duly executed by both Parties. Any such modification to any of the provisions herein shall not be binding on either Party unless approved in writing by both Parties.

ARTICLE VII DISPUTE RESOLUTION

- 7.1 **Dispute Resolution Process.** Any dispute or controversy relating to this First Revised Agreement shall be referred to one or more designated representative(s) of each Party for resolution on an informal basis as promptly as practicable. A Party may initiate this process by providing written notice of the dispute to the other Party. In the event that the Parties are unable to resolve the dispute within sixty (60) days, the dispute may be referred to formal alternative dispute resolution processes if mutually agreeable to the Parties. Upon the expiration of sixty (60) days from the date notice of a dispute is given pursuant to this provision, such dispute or controversy may be submitted to FERC or any court having jurisdiction under applicable law.

- 7.2 **Reimbursement.** Any amount owed by a Party upon the resolution of a dispute shall be paid within ten (10) days following final resolution of that dispute, including interest from the original due date at a rate equal to the FERC interest rate in effect for each day on which interest accrues, unless otherwise agreed by the Parties.

ARTICLE VIII MISCELLANEOUS PROVISIONS

- 8.1 **Descriptive Headings.** The descriptive headings in this First Revised Agreement have been inserted for convenience of reference and shall not affect the construction of this First Revised Agreement.
- 8.2 **Governing Law and Venue.** This First Revised Agreement shall be interpreted and enforced according to the laws of the State of Mississippi, except to the extent preempted by the laws of the United States of America, and without regard to any principle of conflicts of law that may require or permit the application of the laws of any other jurisdiction. Any action arising hereunder that involves questions of state law shall be instituted and litigated in the courts of Mississippi.
- 8.3 **Successors and Assigns.** This First Revised Agreement shall inure to the benefit of, and be binding upon, the Parties' respective successors and assigns. This First Revised Agreement may not be assigned by a Party without the prior written consent of the other Party; provided, however, that EMI may, without the consent of SMEPA, transfer or assign its rights, liabilities, and interests in and under this First Revised Agreement to an affiliate of EMI. In addition, either Party may, without the consent of the other Party, transfer, assign, or delegate its rights, liabilities, and interests in and under this First Revised Agreement to an entity that is being transferred all or a portion of (a) such Party's obligation to serve retail load pursuant to a change in law or (b) all or substantially all of the Party's transmission facilities within the EMI Zone, effective upon such transfer or assignment.
- 8.4 **Delivery of Notices.** All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally, sent by documented overnight delivery service or, to the extent receipt is confirmed, by United States mail or facsimile to the appropriate address or number as set forth below.

Notices to EMI shall be addressed as follows, unless changed in writing by EMI:

Darron Case
Entergy Mississippi, Inc.
308 E. Pearl Street
Jackson, MS 39201

Notices to SMEPA shall be addressed as follows, unless changed in writing by SMEPA:

South Mississippi Electric Power Association
Chief Operating Officer
P.O. Box 15849
Hattiesburg, MS 39404

Notice given by overnight delivery or mail shall be effective upon actual receipt. Notice given by facsimile shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices by facsimile shall be confirmed by the Party giving such notice promptly after transmission in writing by certified mail or overnight delivery to the recipient Party.

- 8.5 **Entire Agreement; Waiver.** This First Revised Agreement constitutes the entire agreement between the Parties with respect to the subject matter of this First Revised Agreement and supersedes all negotiations, representations, warranties, commitments, offers, contracts and communications, written or oral, occurring, made, or entered into prior to the date first written above with respect to the matters contained herein. A Party's waiver or failure to insist upon strict compliance with an obligation, covenant, agreement, or term in this First Revised Agreement shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.
- 8.6 **Counterparts.** This First Revised Agreement may be executed in counterparts, including counterparts delivered by facsimile in accordance with Section 8.4, all of which shall constitute one agreement and have the same force and effect as an original instrument.
- 8.7 **FERC Section 205 and 206 Rights.** Nothing contained in this First Revised Agreement shall limit in any way the ability of EMI to exercise its rights under Section 205 of the FPA or the ability of SMEPA to exercise its rights under Section 206 of the FPA to propose changes to this First Revised Agreement. Absent the agreement of both Parties to the proposed change to this First Revised Agreement, the standard of review for changes to this First Revised Agreement proposed by any Party shall be the "just and reasonable" standard of review, provided that such standard of review shall not be the public interest application of the "just and reasonable" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956). Changes to this First Revised Agreement proposed by a non-Party shall be subject to the most stringent standard of review permissible under applicable law.
- 8.8 **Audit Rights.** A Party may conduct, at its own expense, audits of the other Party's books and records that relate to this First Revised Agreement. Such audits will be conducted at reasonable, mutually agreed-upon times, and the Parties will cooperate in good faith to effectuate such audits.

- 8.9 **Regulatory Approval.** This First Revised Agreement is subject to regulatory approval by FERC. In the event that FERC disapproves or refuses to accept this First Revised Agreement in whole or in part, this First Revised Agreement shall cease to be effective and the Original Agreement shall remain in effect in that instance; except that the Parties shall be obligated in such instance to attempt expeditiously and in good faith to negotiate a substitute agreement that addresses the reasons for such refusal or disapproval. In negotiating a substitute agreement, neither Party shall be required to accept any change that would reasonably be expected to result in a material change to the expected economic outcome of such Party under this First Revised Agreement.
- 8.10 **Limitations.** Each Party shall remain liable for its share of charges or assessments incurred under the Tariff or MISO Agreement, including congestion costs, lost revenue charges, exit fees, and comparable costs. This First Revised Agreement shall not impart rights enforceable by any person or entity that is not a Party hereto or is not a permitted successor or assignee of a Party bound by this First Revised Agreement. This First Revised Agreement shall not be construed to create any third-party beneficiary rights of any sort. NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL, INDIRECT, PUNITIVE, OR EXEMPLARY DAMAGES OF ANY KIND OR NATURE ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, INCLUDING LOST PROFITS, LOST SALES OR REVENUES, WHETHER BY STATUTE, IN TORT OR CONTRACT.
- 8.11 **Independent Contractors.** Except as specified in Section 2.2 of this First Revised Agreement, neither Party is a partner, joint venturer, agent or representative of or with the other Party in connection with this First Revised Agreement or any of the undertakings set forth herein or activities contemplated hereby. Nothing in this First Revised Agreement is intended or shall be deemed to create an association, trust, joint venture, partnership, or relationship of principal and agent between the Parties or to impose upon either Party any fiduciary, trust, partnership, or similar obligation or liability on either Party.

IN WITNESS THEREOF, the Parties, by their duly authorized agents, have hereunder executed this First Revised Agreement.

(Signature page to follow)

SOUTH MISSISSIPPI ELECTRIC POWER ASSOCIATION

By: Nathan I. Brown

Printed Name: Nathan I. Brown, P.E.

Title: Chief Operating Officer

Date: 12/16/15

ENTERGY MISSISSIPPI, INC.

By: Haley R. Fisackerly

Printed Name: Haley R. Fisackerly

Title: President and CEO

Date: 12/15/15