SCHEDULE 16

Financial Transmission Rights Administrative Service

Cost Recovery Adder

I. GENERAL

Financial Transmission Rights Administrative Service (the “Service”) is provided by the Transmission Provider to all Market Participants that are the primary holders of Financial Transmission Rights (“FTRs”) issued by the Transmission Provider through allocation, assignment, auction or any other process accepted by the Commission (“FTR Holder”), or that are taking Option B Grandfathered Agreements (“GFA”) service, consistent with the terms of an FTR Services Agreement in a form provided for in this Tariff.

This FTR Administrative Service Cost Recovery Adder provides for the recovery of all costs incurred by the Transmission Provider in providing the Service, inclusive of all costs resulting from assignment or allocation of costs to the Service. The Transmission Provider’s costs incurred in providing the Service include, but are not limited to, costs associated with: 1) coordination of FTR bilateral trading; 2) administration of FTRs through allocation, assignment, auction or any other process accepted by the Commission; 3) support of the Transmission Provider’s on-line, Internet-based FTR tool; 4) “simultaneous feasibility” analyses to determine the total combination of FTRs and Option B GFA entitlements that can be outstanding and accommodated by the Transmission System at a given point in time; and, 5) the administration of FTRs and revenue distribution.

II. FINANCIAL TRANSMISSION RIGHTS ADMINISTRATIVE SERVICE COST RECOVERY ADDER

A. Billing Determinants

The billing determinants for the FTR Administrative Service Cost Recovery Adder shall be the total amount of FTR volume for all FTR Holders and Option B GFA entitlements, expressed in MW. The total FTR volume shall equal the MW of FTR capacity in effect in each hour for all FTRs held during the applicable month exclusive of FTR volume subject to Schedule 16-B and Schedule 16-C, plus Option B GFAs volume, which shall be based on the volume scheduled for the Option B GFA in the Day-Ahead Energy Market, for which the FTR Administrative Service Cost Recovery Adder rate is effective, summed over all hours of that month.

B. Determination of Costs to Be Recovered

The costs to be recovered under this Schedule 16 in the monthly charge shall include any direct and indirect capital costs, direct and indirect operating expenses and all other costs associated with administering the Service (collectively the "Schedule 16 Costs"). For capital costs, the Transmission Provider shall not recover a rate of return on equity, but instead will recover its actual costs of financing any such capital costs associated with the Service. The indirect capital and indirect operating costs will include an allocable portion of infrastructure, resources, personnel and overheads. Non-allocated operating expenses shall be the direct operating expenses incurred by the Transmission Provider in providing the Service under this Schedule 16.

The formula set forth in Section III of this Schedule 16 shall be used to calculate the monthly charges.

C. <u>Payments Applicable to Withdrawing Entities</u>

In the event that an owner of transmission facilities withdraws its transmission facilities ("Withdrawing Entity") from the operational control of the Transmission Provider, the Withdrawing Entity shall pay its share of all Schedule 16-related financial obligations incurred and payments applicable to time periods prior to the effective date of such withdrawal (the "Schedule 16 Withdrawal Obligation") as required by Article Five, Section II(B) of the ISO Agreement. The Withdrawing Entity's total responsibility for the Schedule 16 Withdrawal Obligation shall be based on the outcome of a negotiated or contested settlement accepted by the Commission.

D. Credit for Schedule 16 Withdrawal Obligations

In determining the costs to be recovered under Schedule 16 a monthly credit shall be applied to the total monthly costs to be recovered to reflect Schedule 16 Withdrawal Obligation payments received from Withdrawing Entities.

The effective date for the monthly credit associated with Schedule 16-B under this Schedule 16 shall be June 1, 2011. The termination date shall be May 31, 2026. The monthly amount of the credit shall be the unamortized balance of the Withdrawal Obligation under Schedule 16-B as of May 31, 2011 divided by the number of months between June 1, 2011 and May 31, 2026.

Also, the effective date for the monthly credit associated with Schedule 16-C under this Schedule 16 shall be January 1, 2012. The termination date shall be December 31, 2026. The monthly amount of the credit shall be the unamortized balance of the Withdrawal Obligation under Schedule 16-C as of December 31, 2011 divided by the number of months between January 1, 2012 and December 31, 2026.

E. Exceptions

The charges in this Schedule 16 are subject to the exceptions in the Settlement Agreements described below, as accepted by the Commission,[1] regarding the following grandfathered agreements ("GFAs" or "Agreements").

1. Settlement Agreement among the Transmission Provider, Otter Tail Corporation d/b/a Otter Tail Power Company ("Otter Tail"), and Central Power Electric Cooperative, Inc. ("CPEC"), regarding Agreement No. 297

Neither CPEC nor Otter Tail shall be assessed any Schedule 16 charges with regard to CPEC's loads and transmission rights under Agreement No. 297.

2. Settlement Agreement among the Transmission Provider, Otter Tail Corporation d/b/a Otter Tail Power Company, and Minnkota Power Cooperative, Inc. ("Minnkota"), regarding Agreement Nos. 309, 313, 314 and 317

Neither Otter Tail nor Minnkota shall be assessed any Schedule 16 charges with regard to Minnkota's loads, generation, and transmission rights under Agreement Nos. 309, 313, 314 and 317.

3. Settlement Agreement among the Transmission Provider, Otter Tail Corporation d/b/a Otter Tail Power Company, Montana-Dakota Utilities Co. ("MDU"), Minnkota Power Cooperative, Inc. as agent for Northern Municipal Power Agency, and Northwestern Corporation d/b/a NorthWestern Energy ("NorthWestern"), regarding Agreement Nos. 311/273 and 320/274

Neither Minnkota nor NorthWestern shall be assessed any Schedule 16 charges with regard to Minnkota's and NorthWestern's load, generation, and transmission rights under the Agreements Nos. 311/273 and 320/274. The load and/or generation of Minnkota and NorthWestern also shall not be used in the determination of any such charges to be paid by Otter Tail and/or MDU.

4. Settlement Agreement among the Transmission Provider, Minnesota Power, and Minnkota Power Cooperative, Inc., regarding Agreement Nos. 284, 316 and 450

Neither Minnesota Power nor Minnkota shall be assessed any Schedule 16 charges with regard to Minnkota's generation, load, and transmission rights under such Agreement Nos. 284, 316 and 450.

III. RATE FORMULA

Each month the Transmission Provider shall determine the FTR Administrative Service Cost Recovery Adder for the next month by dividing the Transmission Provider's either the budgeted Schedule 16 Costs or forecasted Schedule 16 Costs to be recovered under this Schedule 16 for that month,[2] including true-up amounts from the prior month and the monthly credit associated with the Schedule 16-B and Schedule 16-C Withdrawal Obligations, by the total quantity of estimated FTRs less the quantity of FTRs determined in Section II.D of Schedule 16-B and Schedule 16-C of this Tariff, expressed in MW, associated with the Service as set forth in Section II.A above.

The formula shall be as follows:

F_t = $(X_t + T_{t-1} - FTR\_Prepayment_{bt} - FTR\_Prepayment_{ct}) / Z_{t,}$ where

t = Effective month.

Z = Estimated total FTR volume of all FTR Holders and Option B GFA entitlements expressed in MW less the FTR volume pursuant to Section III of Schedule 16-B and Section III of Schedule 16-C of this Tariff, as determined by the Transmission Provider pursuant to Section II.A hereof.

$FTR\_Prepayment_b$ = Exit Fee_{16b} / 180 months, where:

Exit Fee_{16b} equals the balance as of May 31, 2011 of the deferred revenue account associated with the Withdrawal Obligation defined in Schedule 16-B of this Tariff

$FTR\_Prepayment_c$ = Exit Fee_{16c} / 180 months where:

Exit Fee_{16c} equals the balance as of December 31, 2011 of the deferred revenue account associated with the Withdrawal Obligation defined in Schedule 16-C of this Tariff

T = True-up amount from prior month defined as the difference between Actual Schedule 16 Costs and Actual Schedule 16 Revenue, where

"Actual Schedule 16 Costs" equal the sum Financial Transmission Rights Administrative Service Cost Components A.1 through A.7 less A.8 for the prior month.

"Actual Schedule 16 Revenue" equal the Financial Transmission Rights Administrative Service Cost Recovery Adder for the prior month x Actual FTR Volume for the prior month, where

"Actual FTR Volume" equals the sum of the FTR volume of all FTR Holders expressed in MW.

F = FTR Administrative Service Cost Recovery Adder, in dollars per MW.

X = Budgeted Schedule 16 Costs or Forecasted Schedule 16 Costs, defined as A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 – A.8, where:

A.1 = Sum of [Operation Expense (401) + Maintenance Expense (402) + Taxes Other Than Income Taxes (408)] directly charged to Schedule 16 accounts ("Direct Schedule 16 Costs").

Direct Schedule 16 Costs are limited to operating expenses directly associated with the provision of FTR Administrative Services, including, but not limited to, FTR allocation and FTR auction activities. Direct Schedule 16 Costs exclude costs allocated to Schedule 1, Schedule 10 and Schedule 17.

A.2 = Sum of [Operation Expense (401) + Maintenance Expense (402) + Taxes Other Than Income Taxes (408)] not directly charged to Schedule 1, Schedule 10, Schedule 16 or Schedule 17 accounts ("Indirect Costs") x Operating Expense Allocation Factor - Schedule 16, where:

Operating Expense Allocation Factor – Schedule 16 = Base Wages 16 / (Base Wages 1 + Base Wages 10 + Base Wages 16 + Base Wages 17), where:

Base Wages 1 = Administrative and General Salaries (401.920) directly charged to Schedule 1 accounts exclusive of fringe benefits

Base Wages 10 = Administrative and General Salaries (401.920) directly charged to Schedule 10 accounts exclusive of fringe benefits

Base Wages 16 = Administrative and General Salaries (401.920) directly charged to Schedule 16 accounts exclusive of fringe benefits

Base Wages 17 = Administrative and General Salaries (401.920) directly charged to Schedule 17 accounts exclusive of fringe benefits

Indirect Costs are the operating expenses associated with corporate support functions, including but not limited to the Transmission Provider's executive, facilities, finance and human resources support functions. Indirect Costs exclude any costs of the Transmission Provider that are directly charged to a Schedule 1, Schedule 10, Schedule 16 or Schedule 17 operating expense account. As such, Indirect Costs exclude any costs recovered under Variable A.1 in this Schedule 16.

A.3 = Depreciation Expense directly charged to Schedule 16 accounts (account 403, Transmission Plant sub-account 403.016) and amortization expense. Amortization expense (account 405) directly charged to Schedule 16 accounts (405.016). The account includes charges for amortization of intangible or other electric utility plant which does not have a definite or terminable life and which is not subject to charges for depreciation expense.

Depreciation expense directly charged to Schedule 16 is maintained in account 403, Transmission Plant sub-account 403.016 of the Transmission Provider’s internal books and records. Sub-account 403.016 includes depreciation expense associated with certain assets for the Midwest Market Initiative that were not solely assigned to either Schedule 16 or Schedule 17 and therefore were allocated between Schedule 16 and Schedule 17 based on the ratio of plant closed to Schedule 16 and Schedule 17. Variable A.3 under this Schedule 16 excludes depreciation directly charged to Schedule 1, Schedule 10 and Schedule 17 accounts as well as depreciation associated with general plant accounts.

Amortization expense directly charge to Schedule 16 is maintained in account 405, Transmission Plant sub-account 405.016 of the Transmission Provider’s internal books and records. Sub-account 405.016 includes amortization expense associated with certain assets for the Midwest Market Initiative that were not solely assigned to either Schedule 16 or Schedule 17 and therefore were allocated between Schedule 16 and Schedule 17 based on the ratio of plant closed to Schedule 16 and Schedule 17. Variable A.3 under this Schedule 16 excludes amortization directly charged to Schedule 1, Schedule 10 and Schedule 17 accounts.

As enhancements to the Transmission Provider's FTR systems are completed the new FTR-related assets will be added to this sub-account (403.016) based on use studies. The results of such use studies for each enhancement completed will be posted on the Transmission Provider's website. Any changes to the use study findings would require a Section 205 filing to change the allocated amount of depreciation associated with the affected enhancement or enhancements. The Transmission Provider will provide support for these study findings upon request of stakeholders or Market Participants.

A.4 = Depreciation Expense (403) and amortization expense (account 405) not directly charged to Schedule 1, Schedule 10, Schedule 16 or Schedule 17 accounts ("General Plant Depreciation") x Operating Expense Allocation Factor – Schedule 16. Amortization account (account 405) includes charges for amortization of intangible or other electric utility plant which does not have a definite or terminable life and which is not subject to charges for depreciation expense.

A.5 = Sum of [Interest on Long-Term Debt (427) + Amortization of Debt Discount and Expense (428)] directly charged to Schedule 16 accounts.

The interest expense directly charged to Schedule 16 account number 427 includes interest expense associated with all senior, unsecured notes authorized by the Commission and issued by MISO.

All interest expense not associated with the above debt obligations of the Transmission Provider and all interest income earned by the Transmission Provider are included in the category Indirect Interest Expense.

The amortization of debt discount and expense directly charged to Schedule 16 account number 428 includes amortization of debt discount and expense associated with all senior, unsecured notes authorized by the Commission and issued by MISO.

All amortization of debt discount and expense not associated with the above debt obligations of the Transmission Provider is included in the category Indirect Interest Expense.

Variable A.5 under this Schedule 16 excludes interest on long-term debt and amortization of debt discount and expense directly charged to Schedule 1, Schedule 10 and Schedule 17.

A.6 = Sum of [Interest and Dividend Income (419) + Interest on Long-Term Debt (427) + Amortization of Debt Discount and Expense (428) + Other Interest Expense (431)] not directly charged to Schedule 1, Schedule 10, Schedule 16 or Schedule 17 accounts ("Indirect Interest Expense") x Operating Expense Allocation Factor – Schedule 16

Variable A.6 under this Schedule 16 excludes interest on long-term debt and amortization of debt discount and expense directly charged to Schedule 16, as well as interest on long-term debt and amortization of debt discount directly charged to Schedule 1, Schedule 10 and Schedule 17.

A.7 = Regulatory Debits (407.3) and Amortization of property losses, unrecovered plant and regulatory study costs (407) directly charged to Schedule 16

A.8 = Regulatory Credits (407.4) directly charged to Schedule 16

The depreciation rates to be used for calculating depreciation expense for variables A.3 and A.4 above are a function of when the asset is placed into service. For assets placed into service prior to June 1, 2009, the depreciation rates are as follows:

Asset	Life	Rate (percent)
General Hardware	3 years	33.33
ICCS Hardware	6 years	16.67
Market Hardware	6 years	16.67
General Software	5 years	20.00
ICCS Software	7 years	14.29
Market Software	7 years	14.29
Furniture & Fixtures	7 years	14.29
Telecommunications	7 years	14.29
Leasehold Improvements	20 years	5.00

For assets placed into service as on or after June 1, 2009, the depreciation and amortization rates are as follows:

Asset	Life	Rate (percent)
General Hardware	3 years	33.33
ICCS Hardware (Commodity)	3 years	33.33
ICCS Hardware (Enterprise)	5 years	20.00

Market Hardware (Commodity)	3 years	33.33
Market Hardware (Enterprise)	5 years	20.00
General Software	3 years	33.33
ICCS Software	5 years	20.00
Market Software	5 years	20.00
Furniture & Fixtures	7 years	14.29
Telecommunications	7 years	14.29
Building	20 years	5.00
Leasehold Improvements (Structural Modifications) - Lease Term		
Leasehold Improvements (Affixed Equipment) lesser of 4 years or lease term		
Land*		20.00

* Life is not terminable amortizing cost over 5 years

The terms “ICCS Hardware” or “ICCS Software” as used in the tables above are defined as the cost of hardware or software associated with the Transmission Provider supplying regional transmission service. The terms "Market Hardware" or “Market Software” as used in the tables above are defined as the cost of hardware or software associated with supporting the market-based, congestion management systems and processes of the Transmission Provider. “Commodity” hardware includes computer systems that provide economical but limited computer resources in support of standard workloads. These computer systems are typically built using standardized commodity parts. “Enterprise” hardware includes computer systems that provide support for programs that collectively serve the needs of multiple users, departments, or specialized applications – typically under heavy workloads. These computer systems are designed and built to address specific reliability, availability and scalability ("RAS") requirements. Costs for Market Hardware and Market Software are recorded to sub-accounts by cost recovery schedule.

The Transmission Provider shall maintain separate books and records for each cost recovery adder (*e.g.*, Schedule 10, Schedule 16 and Schedule 17) in accordance with the Commission's Uniform System of Accounts ("USofA"). All of the references in parenthesis in the formulas above are to USofA account numbers. All budgeted and actual costs are assigned to one of five categories: (1) Schedule 1 direct costs, (2) Schedule 10 direct costs, (3) Schedule 16 direct costs, (4) Schedule 17 direct costs, or (5) indirect costs to be allocated for cost recovery purposes to Schedule 1, Schedule 10, Schedule 16 and Schedule 17 based on the allocation factor defined above. Direct costs are those related to the services associated with Schedule 1, Schedule 10, Schedule 16 or Schedule 17. Indirect costs are costs associated with corporate support functions, including but not limited to, the Transmission Provider's executive, facilities, finance and human resource functions.

Loan principal is recovered through depreciation variable A.4 as well as other line items.

IV. MONTHLY CHARGES FOR FTR HOLDERS

For each month, the charges for FTR Holders shall be calculated by multiplying the FTR Administrative Service Cost Recovery Adder rate effective in that month, as determined under the above rate formula, by the FTR Holders' total FTR volume for that month, expressed in MW, as discussed in Section II.A above.

[1] *Midwest Independent Transmission System Operator, Inc.*, 111 FERC ¶ 61,491 (2005).

[2] Schedule 16 costs are exclusive of other deferred costs which include, but are not limited to, costs associated with the integration of the Entergy Operating Companies, Cleco Power LLC, South Mississippi Electric Power Association, Lafayette Utilities Systems and East Texas Electric Cooperative that will be recovered over a five-year period beginning on the date of the integration of the first Entergy Operating Company.