

**JOINT PRICING ZONE REVENUE ALLOCATION AGREEMENT
BETWEEN ENTERGY TEXAS, INC. AND
EAST TEXAS ELECTRIC COOPERATIVE, INC.**

This Joint Pricing Zone Revenue Allocation Agreement, including all appendices and other attachments hereto (“Agreement”), is made and entered into as of February 3, 2014, by and between Entergy Texas, Inc. (“ETI”) and East Texas Electric Cooperative, Inc. (“ETEC”). ETI and ETEC are sometimes referred to in this Agreement in the singular as “Party” and in the collective as “Parties.”

RECITALS

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

WHEREAS, on April 25, 2013, MISO’s Board of Directors approved ETEC’s application to join MISO as a Transmission Owner; and

WHEREAS, ETEC will not own or operate transmission facilities in the MISO footprint, but rather is representing, and acting as a Transmission Owner on behalf of, and under contract with, member cooperatives that will own and operate transmission facilities in the MISO footprint; and

WHEREAS, the member cooperatives that will own and operate transmission facilities in the MISO footprint, and that ETEC will represent as a Transmission Owner, consist of Jasper-Newton Electric Cooperative, Inc., Sam Houston Electric Cooperative, Inc., Deep East Texas Electric Cooperative, Inc., and Tex-La Electric Cooperative of Texas, Inc. (the “East Texas Cooperatives”); and

WHEREAS, the Parties expect to participate as Transmission Owners in a single transmission pricing zone (the ETI Zone); and

WHEREAS, the revenue requirements for such transmission facilities owned by the East Texas Cooperatives within the ETI Zone will be included in the transmission rates for the ETI Zone under the Tariff; and

WHEREAS, MISO’s practice is to collect revenues for a transmission pricing zone and remit those revenues to a single host Transmission Owner regardless of the number of Transmission Owners within that transmission pricing zone; and

WHEREAS, for the ETI Zone, MISO will distribute those revenues to ETI as the Designee; and

WHEREAS, the Parties desire in this Agreement to establish the allocation of those revenues between the Parties and related rights and obligations;

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 Agreement shall have the meanings set forth below or, if not set forth below but set forth in the Tariff, capitalized terms shall have the meaning set forth in the Tariff:

Agreement: As defined in the initial paragraph hereof.

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 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 ETI TPZ. Directly Assigned Revenues consist of all revenues collected under MISO Tariff Schedules 7, 8, and 9, including the East Texas Cooperatives' monthly payments to MISO for network service billed by MISO, and actually distributed by MISO to the ETI TPZ. For the avoidance of doubt, Directly Assigned Revenues do not include any revenues not distributed by MISO to the Designee.

East Texas Cooperatives: As defined in the Recitals hereof, provided that if at any time ETEC no longer represents Jasper-Newton Electric Cooperative, Inc., Sam Houston Electric Cooperative, Inc., Deep East Texas Electric Cooperative, Inc., or Tex-La Electric Cooperative of Texas, Inc. as a Transmission Owner, then such party no longer shall be an East Texas Cooperative for purposes of this Agreement.

Effective Date: As defined in Section 4.1 hereof.

ETEC: As defined in the initial paragraph hereof.

ETI: As defined in the initial paragraph hereof.

ETI Zone or **ETI TPZ:** The joint transmission pricing zone listed as Zone 31 in Schedule 9 of the Tariff.

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

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 the Midcontinent Independent System Operator, Inc., a Delaware Non-Stock Corporation, on file with the FERC, or any successor agreement.

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

Revenue Requirement: With respect to ETI, the Annual Net Transmission Revenue Requirement for ETI's transmission facilities in the ETI TPZ, as specified in ETI's Attachment O. With respect to ETEC, the sum of the Annual Net Transmission Revenue Requirements for the East Texas Cooperatives' transmission facilities in the ETI TPZ, as specified in Attachment O for each East Texas Cooperative.

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

Tariff: The Open Access Transmission, Energy and Operating Reserve Markets Tariff for Midcontinent Independent System Operator, Inc. 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 ETI's network load for which ETI 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, ETI will multiply the coincident peak load associated with any such network load by the rate for monthly network transmission service provided in the ETI 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 ETI Zone.

ARTICLE II RELATIONSHIP BETWEEN MISO AND THE PARTIES

- 2.1 **Relationship between MISO and the Parties.** The Parties acknowledge that MISO, as the independent system operator of a regional transmission system that operates the facilities in the ETI Zone and as the Tariff administrator, is obligated to distribute revenues as provided under the Tariff and the MISO Agreement.
- 2.2 **Relationship between ETI and ETEC.** The Parties agree that ETI shall serve as the Designee. As the Designee, ETI shall receive from MISO, allocate, and distribute revenues as provided under this Agreement. ETI's receipt and remittance of ETEC's Revenue Share pursuant to this Agreement shall be performed as a collection agent on behalf of ETEC.
- 2.3 **Bundled Load Exemption.** The Parties agree that, to the extent permitted under the Tariff, the Parties are not obligated to pay MISO (a) the rates for Schedules 1 and 9 of the MISO Tariff for transmission and ancillary services they receive within the ETI TPZ and (b) the rates for any other Schedules under the MISO Tariff that Transmission Owners are not obligated to pay for service to 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, ETI shall update its Attachment O template and ETEC shall cause each East Texas Cooperative to update its Attachment O template. ETEC shall notify ETI in writing of any change to an East Texas Cooperative's Attachment O template promptly upon the occurrence of such change. Following the effectiveness of any change to a Party's Revenue Requirement, ETI will use the Attachment O data for each Party's Revenue Requirement to re-determine the Zonal Revenue Requirement. Based on this information, ETI will calculate an Allocation Percentage for each Party reflecting that Party's pro rata share of the Zonal Revenue Requirement. ETEC shall provide this calculation to ETI 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 ETEC's Revenue Share for any month during the term of this Agreement, ETI shall multiply ETEC's Allocation Percentage for such month by the sum of the Directly Assigned Revenues and Zonal ITC for such month:

ETEC's Revenue Share = ETEC's Allocation Percentage x (Directly Assigned Revenues + Zonal ITC).

- 3.3 **Monthly Payment**. ETI shall make monthly payments of ETEC's Revenue Share to ETEC on or before 20 days after receiving the Directly Assigned Revenues for the applicable month.
- 3.4 **Data and Record Requirements**. ETI shall maintain records substantiating all revenues that it distributes to ETEC under this Agreement. ETEC shall maintain records substantiating all information that it provides to ETI and documenting all amounts that it receives from ETI under this 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**. ETI will file this Agreement with FERC, seeking an effective date of December 19, 2013. This Agreement shall become effective on the later of (a) December 19, 2013 or (b) the date FERC otherwise permits this Agreement to become effective (the "Effective Date"). The effectiveness of this Agreement is subject to the terms of Section 7.9.
- 4.2 **Term**. This Agreement shall remain in effect for a period of five (5) years after the Effective Date and, unless terminated in accordance with this Agreement, shall continue in effect thereafter so long as (a) MISO allocates revenues under Schedules 7, 8, and 9 to ETI as the Designee and (b) both ETI and ETEC are Transmission Owners with transmission facilities included in the ETI Zone. In the event that ETI no longer owns or has functional control of any transmission facilities within the ETI Zone, this Agreement shall immediately terminate, unless this Agreement has been assigned to the entity which then owns ETI's transmission facilities and such assignment has become effective pursuant to Section 7.3 hereof. Starting on the third anniversary of the Effective Date, a Party may terminate this Agreement by providing two (2) years' prior written notice of its intent to terminate this 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 Agreement, provided that such termination may not take effect prior to the Party's withdrawal from MISO. Nothing in this Agreement shall be construed as affecting the rights of a 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 Agreement, the Parties shall, upon the request of the adversely affected Party, negotiate in good faith to amend this 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 Agreement resulting from such a change as provided above, the adversely affected Party may terminate this Agreement upon sixty (60) days prior written notice to the other Party.

- 4.5 **Rights and Obligations upon Termination of this Agreement.** Upon termination of this Agreement, the rights and obligations hereunder shall terminate, subject to financial settlement for the period ending on the date of termination.

ARTICLE V AMENDMENT

This Agreement may be amended only by a written instrument duly executed by the Parties. No modification to any of the provisions herein will be binding on any Party unless approved in writing by the Parties.

ARTICLE VI DISPUTE RESOLUTION

- 6.1 **Dispute Resolution Process.** Any dispute or controversy relating to this 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. If no satisfactory resolution is reached, the processes set forth in this provision shall terminate. 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.
- 6.2 **Reimbursement.** Any amount owed by a Party upon the resolution of a dispute shall be paid within ten (10) days following 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 VII MISCELLANEOUS PROVISIONS

- 7.1 **Descriptive Headings.** The descriptive headings in this Agreement have been inserted for convenience of reference and shall not affect the construction of this Agreement.
- 7.2 **Governing Law and Venue.** This Agreement shall be interpreted and enforced according to the laws of the State of Texas, 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 Texas.

- 7.3 **Successors and Assigns.** This Agreement shall inure to the benefit of, and be binding upon, the Parties' respective successors and assigns. This Agreement may not be assigned by a Party without the prior written consent of the other Party; provided, however, that ETI may, without the consent of ETEC, transfer or assign its rights, liabilities, and interests in and under this Agreement to an affiliate of ETI if (a) such affiliate's creditworthiness (determined using commercially reasonable credit standards) is equal to or higher than that of ETI and (b) such affiliate agrees to be bound by the terms hereof. No assignment by ETI to an ETI affiliate of ETI's liabilities or interests hereunder shall release or discharge ETI from its obligations under this Agreement unless such affiliate receives directly from MISO, or has been assigned by ETI the right to receive, the Directly Assigned Revenues. In addition, a Party may, without the consent of the other Party, transfer, assign, or delegate its rights, liabilities, and interests in and under this Agreement to an entity that is being transferred all or a portion of (i) such Party's obligation to serve retail load pursuant to a change in law or (ii) all or substantially all of the Party's transmission facilities within the ETI Zone, effective upon such transfer or assignment. Notwithstanding the foregoing, ETEC may, without the prior consent of ETI, assign, transfer, mortgage or pledge this Agreement to create a security interest for the benefit of its lenders, including the United States of America, acting through the Administrator of the Rural Utilities Service ("Administrator"). Thereafter, the Administrator, without the approval of Buyer, may (A) cause this Agreement to be sold, assigned, transferred, or otherwise disposed of to a third party pursuant to the terms governing such security interest, or (B) if the Administrator first acquires this Agreement pursuant to 7 U.S.C. § 907, sell, assign, transfer or otherwise dispose of this Agreement to a third party; provided, however, that in either case [the following conditions precedent must be satisfied](#): (1) Seller is in default of its obligations to the Administrator that are secured by such security interest and the Administrator has given Buyer notice of such default; and (2) the Administrator has given Buyer thirty (30) days' prior notice of its intention to sell, assign, transfer or otherwise dispose of this Agreement, indicating the identity of the intended third-party assignees or purchaser. No permitted sale, assignment, transfer or other dispositions shall release or discharge ETEC from its obligations under this Agreement.

- 7.4 **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 ETI shall be addressed as follows, unless changed in writing by ETI:

Vice President, Regulatory and Governmental Affairs

Entergy Texas, Inc.
919 Congress, Suite 740
Austin, TX 78701.

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

General Manager
East Texas Electric Cooperative, Inc.
2905 Westward Drive
Nacogdoches, Texas 75964.

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.

- 7.5 **Entire Agreement; Waiver.** This Agreement constitutes the entire agreement between the Parties with respect to the subject matter of this 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 Agreement shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.
- 7.6 **Counterparts.** This Agreement may be executed in counterparts, including counterparts delivered by facsimile in accordance with Section 7.4, all of which shall constitute one agreement and have the same force and effect as an original instrument.
- 7.7 **FERC Section 205 and 206 Rights.** Nothing contained in this Agreement shall limit in any way the ability of ETI to exercise its rights under Section 205 of the FPA or the ability of ETEC to exercise its rights under Section 206 of the FPA to propose changes to this Agreement. Absent the agreement of the Parties to the proposed change to this Agreement, the standard of review for changes to this 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 Agreement proposed by a non-Party shall be subject to the most stringent standard of review permissible under applicable law.

- 7.8 **Audit Rights.** Any Party may conduct, at its own expense, audits of the other Party's books and records that relate to a payment under this Agreement, for a period of five years from the date of such payment. Such audits will be conducted at reasonable, mutually agreed-upon times, and the Parties will cooperate in good faith to effectuate such audits.
- 7.9 **Regulatory Approval.** This Agreement is subject to regulatory approval by FERC. In the event that FERC disapproves or refuses to accept this Agreement in whole or in part, this Agreement shall cease to be effective, except that the Parties shall be obligated 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 will 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 Agreement.
- 7.10 **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 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 Agreement. This Agreement shall not be construed to create any third-party beneficiary rights of any sort. NO 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.
- 7.11 **Independent Contractors**{tc "18.20 Independent Contractors" \f C \l 2}. Except as specified in Section 2.2 of this Agreement, neither Party is a partner, joint venturer, agent or representative of or with the other Party in connection with this Agreement or any of the undertakings set forth herein or activities contemplated hereby. Nothing in this 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 a Party any fiduciary, trust, partnership, or similar obligation or liability on any Party.

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

EAST TEXAS ELECTRIC COOPERATIVE, INC.

By: /s/ Ryan Thomas

Printed Name: Ryan Thomas

Title: Chief Financial Officer

Date: 1/28/2014

ENTERGY TEXAS, INC.

By: /s/ Richard C. Riley

Printed Name: Richard C. Riley

Title: Vice President, Transmission

Date: 1/28/2014