

June 5, 2015

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street NE
Washington, DC 20426

Re: *Southwest Power Pool, Inc.*, Docket No. ER15-____
Submission of Network Integration Transmission Service Agreement and
Network Operating Agreement

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d, and section 35.13 of the Federal Energy Regulatory Commission's ("Commission") regulations, 18 C.F.R. § 35.13, Southwest Power Pool, Inc. ("SPP") submits the following: (1) an executed Service Agreement for Network Integration Transmission Service ("Service Agreement") between SPP as Transmission Provider and East Texas Electric Cooperative, Inc. ("ETEC") as Network Customer ("Fourth Revised ETEC Service Agreement"); and (2) an executed Network Operating Agreement ("NOA") among SPP as Transmission Provider, ETEC as Network Customer and American Electric Power Service Corporation ("AEP") as Host Transmission Owner ("Fourth Revised ETEC NOA").¹ The Fourth Revised ETEC Agreements submitted in this filing modify and supersede the Service Agreement and NOA accepted by the Commission on March 24, 2015, in Docket No. ER15-944-000.² SPP is submitting this filing because the Fourth

¹ The Fourth Revised ETEC Service Agreement and Fourth Revised ETEC NOA are referred to collectively as the "Fourth Revised ETEC Agreements," and SPP, ETEC, and AEP are referred to collectively as the "Parties." The Fourth Revised ETEC Agreements are designated as Fourth Revised Service Agreement No. 1067.

² See *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER15-944-000 (March 24, 2015) ("March Order"). The Service Agreement and NOA accepted in the March Order are referred to collectively as the "Third Revised ETEC Agreements" and individually as the "Third Revised ETEC Service Agreement" and the "Third Revised ETEC NOA."

Revised ETEC Agreements include terms and conditions that do not conform to the standard forms of service agreements in the Open Access Transmission Tariff (“SPP Tariff”).³

I. Description of the Fourth Revised ETEC Agreements

Since the March Order, the Parties modified the Third Revised ETEC Service Agreement to update the network upgrade charges in Section 8.10 of Attachment 1, and the network resources in Appendix 1. To facilitate these changes, the Parties executed the Fourth Revised ETEC Service Agreement which is submitted herein with the Fourth Revised ETEC NOA as the Fourth Revised ETEC Agreements.

II. Non-Conforming Terms and Conditions

While the changes that necessitated the execution of the Fourth Revised ETEC Agreements conform to the *pro forma* Agreements, the Fourth Revised ETEC Service Agreement retains non-conforming language from the Third Revised ETEC Service Agreement. Specifically, the Fourth Revised ETEC Service Agreement retains the non-conforming language in Sections 8.1, 8.3, 8.4, 8.9, and 8.12 of Attachment 1, Appendix 4, and Appendix 5.⁴ These non-conforming terms and conditions were previously accepted by the Commission in the March Order.⁵

III. Effective Date and Waiver

SPP requests an effective date of June 1, 2015 for the Fourth Revised ETEC Agreements. To permit such an effective date, SPP requests a waiver of the Commission's 60-day notice requirement set forth at 18 C.F.R. § 35.3. Waiver is appropriate because the Fourth Revised ETEC Agreements are being filed within 30 days of the commencement of service.⁶

³ See Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1 at Attachment F (“*pro forma* Service Agreement”) and Attachment G (“*pro forma* NOA”), collectively “the *pro forma* Agreements.”

⁴ The non-conforming terms and conditions are highlighted in Exhibit No. SPP-1. The Fourth Revised ETEC NOA does not contain any non-conforming language and conforms to the *pro forma* NOA.

⁵ See March Order.

⁶ See *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, at 61,983-84, *order on reh’g*, 65 FERC ¶ 61,081 (1993) (the Commission will grant waiver of the 60-day prior notice requirement “if service agreements are filed within 30 days after service commences.”); see also 18 C.F.R. § 35.3(a)(2).

IV. Additional Information

A. Information Required by Section 35.13 of the Commission's Regulations, 18 C.F.R. § 35.13:

(1) Documents submitted with this filing:

In addition to this transmittal letter, SPP is submitting the following:

- (i) A clean copy of the Fourth Revised ETEC Agreements;
- (ii) A redline copy of the Fourth Revised ETEC Agreements;
and
- (iii) Exhibit No. SPP-1 – Highlighted pages of non-conforming terms and conditions in the Fourth Revised ETEC Agreements.

(2) Effective Date:

As discussed herein, SPP respectfully requests that the Commission accept the Fourth Revised ETEC Agreements with an effective date of June 1, 2015.

(3) Service:

SPP is serving a copy of this filing on the representatives of the Parties listed in the Fourth Revised ETEC Agreements.

(4) Basis of Rate:

All charges will be determined in accordance with the SPP Tariff and the Fourth Revised ETEC Agreements.

The Honorable Kimberly D. Bose

June 5, 2015

Page 4

B. Communications:

Any correspondence regarding this matter should be directed to:

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V. Conclusion

For all the foregoing reasons, SPP respectfully requests that the Commission accept the Fourth Revised ETEC Agreements with an effective date of June 1, 2015.

Respectfully submitted,

/s/ Tessie Kentner

Tessie Kentner

**Attorney for Southwest Power
Pool, Inc.**

Exhibit No. SPP-1
Non-Conforming Language

The loads of Network Customer identified in Section 2.0 hereof as the Network Load are electrically located within the American Electric Power Zone.

6.0 Delivery Points

The delivery points are the interconnection points identified in Section 2.0 as the Network Load.

7.0 Receipt Points

The Points of Receipt are listed in Appendix 2.

8.0 Compensation

Service under this Service Agreement may be subject to some combination of the charges detailed below. The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.

8.1 Transmission Charge

Monthly Demand Charge per Section 34 and Part V of the Tariff. An apportionment of the Northeast Texas Electric Cooperative (NTEC) monthly demand charges are assigned to ETEC pursuant to an Assignment Letter Agreement dated January 6, 1994 and restated effective September 1, 1997 between SWEPCO, NTEC, and ETEC filed as FERC ER94-891-000. The billing formula is attached as Appendix 4.

8.2 System Impact and/or Facility Study Charge

Studies may be required in the future to assess the need for system reinforcements in light of the ten-year forecast data provided. Future charges, if required, shall be in accordance with Section 32 of the Tariff.

8.3 Direct Assignment Facilities Charge

Direct Assignment Transmission Facilities Charges shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

8.4 Ancillary Service Charges

8.4.1 The following Ancillary Services are required under this Service Agreement.

- a) Scheduling, System Control and Dispatch Service per Schedule 1 of the Tariff.
- b) Tariff Administration Service per Schedule 1-A of the Tariff.

- c) Reactive Supply and Voltage Control from Generation Sources Service per Schedule 2 of the Tariff.
- d) Regulation and Frequency Response Service per Schedule 3 of the Tariff.
- e) Energy Imbalance Service per Schedule 4 of the Tariff.
- f) Operating Reserve - Spinning Reserve Service per Schedule 5 of the Tariff.
- g) Operating Reserve - Supplemental Reserve Service per Schedule 6 of the Tariff.

The Ancillary Services may be self-supplied by the Network Customer or provided by a third party in accordance with Sections 8.4.2 through 8.4.4, with the exception of the Ancillary Services for Schedules 1, 1-A, and 2, which must be purchased from the Transmission Provider. The Transmission Provider will recognize credits for Ancillary Service Schedule 2 pursuant to the Self Supply of Ancillary Services Letter Agreement between American Electric Power and the Network Customer dated February 27, 2006 and filed in FERC Docket No. ER05-520-000, as such letter agreement may be amended from time to time. The Transmission Provider will net bill for Ancillary Service Schedule 2 reflecting credits for the customers reactive supply resources recognized under the Self Supply of Ancillary Services Letter Agreement.

- 8.4.2** In accordance with the Tariff, when the Network Customer elects to self-supply or have a third party provide Ancillary Services, the Network Customer shall indicate the source for its Ancillary Services to be in effect for the upcoming calendar year in its annual forecasts. If the Network Customer fails to include this information with its annual forecasts, Ancillary Services will be purchased from the Transmission Provider in accordance with the Tariff.
- 8.4.3** When the Network Customer elects to self-supply or have a third party provide Ancillary Services and is unable to provide its Ancillary Services, the Network Customer will pay the Transmission Provider for such services and associated penalties in accordance with the Tariff as a result of the failure of the Network Customer's alternate sources for required Ancillary Services.

8.4.4 All costs for the Network Customer to supply its own Ancillary Services shall be the responsibility of the Network Customer.

8.5 Real Power Losses - Transmission

The Network Customer shall be responsible for losses in accordance with Attachment M of the Tariff.

8.6 Real Power Losses - Distribution

8.7 Power Factor Correction Charge

8.8 Redispatch Charge

Redispatch charges shall be in accordance with Section 33.3 of the Tariff.

8.9 Wholesale Distribution Service Charge

Wholesale Distribution Service Charges shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

8.10 Network Upgrade Charges

A. The Network Customer has confirmed the following Network Resources requiring Network Upgrades:

1. Harrison County Power Plant, 31 MW from POR – CSWS, Source – CSWS.HCPP to POD – CSWS, Sink- CSWS, as more specifically identified in transmission request 81059681. Contingent upon the completion of required upgrade as specified below, designation of this network resource shall be effective on June 1, 2015 and remain effective through June 1, 2024.

Requested service requires completion of the following aggregate study SPP-2013-AG3 allocated network upgrades. The costs of these upgrades are not allocated to the Network Customer.

Construction Pending Upgrade

Upgrade Name	Upgrade Description	Transmission Owner	Date Required in Service
CHAMBER SPRINGS - FARMINGTON AECC 161KV CKT 1 AECC	Upgrade 1272 AAC bus at Farmington REC. Replace bus at Farmington REC and rebuild 400 feet of the 161 kV line going to Chamber Springs.	AECC	6/1/2021

B. In the event that the Network Upgrades specified as necessary for the provision of service are not completed by the required time, service for the dependent Designated Resource shall be provided as Secondary Service until the specified Network Upgrades are completed and will be subject to NN-6 curtailment priority in accordance with the Transmission Loading Relief procedures in Attachment R of the Tariff. As an alternative to this treatment, the Network Customer may request redispatch at its cost on an interim basis to sustain service on a firm basis.

C. Upon completion of construction of the assigned upgrades, funding of their costs shall be reconciled and trued-up against actual construction costs and requisite, additional funding or refund of excess funding shall be made between the Transmission Provider and the Network Customer.

8.11 Meter Data Processing Charge

8.12 Other Charges

Charges for Data Processing Services shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

9.0 Credit for Network Customer-Owned Transmission Facilities. None

10.0 Designation of Parties Subject to Reciprocal Service Obligation. None

11.0 Other Terms and Conditions. None

Appendix 4

Mr. W. D. Heldt
 January 6, 1994
 Exhibit A

BILLING FORMULA FOR
 ASSIGNMENT BY NTEC TO ETEC
 OF NTEC's RIGHTS TO PURCHASE POWER AND ENERGY

<u>Line</u>					
1	SUPPLEMENTAL DEMAND				
2	Fixed Assignment			30,000 kW	
3	One-Half Load Growth				
4	Peak Demand (see Notes 1 & 2)		kW		
5	1992 Peak Demand (see Note 1)	399,250 kW			
6	Load Growth (see Note 3)	(L4 - L5) kW			
7	One-Half Load Growth			(L6 * .5) kW	
8	Total Demand Assigned			(L2 + L7) kW	
9	Demand Rate (see Note 2)			\$/kW	
10	Assigned Supplemental Demand Charge				(L8 * L9)
11	SUPPLEMENTAL ENERGY				
12	<u>Supplemental Energy Allocation Ratio</u>				
13	Ratio of 1/2 load growth to supplemental demand, less 30 MW				
14	Ratio (L7 / (supplemental demand - 30,000))				
15	Ratio (L14)				
16	Total Supplemental Energy				kWh
17	Supplemental Energy Assigned (see Note 4)				
18	Allocation to 30 MW @ 100% L.F.			(30,000 kW * Hours) kWh	
19	Allocation to 1/2 load growth (Total supplemental energy less energy assigned to 30 MW times allocation ratio)			(L16 - L18) * L15 kWh	
20	Total Energy Assigned			(L18 + L19) kWh	
21	Supplemental Energy Rate (see Note 2)			\$/kWh	
22	Assigned Supplemental Energy Charge				(L20 * L21)
23	TRANSMISSION CHARGE				
24	Total Transmission Charge (see Note 2)			\$	
25	<u>Transmission Charge Allocation Ratio</u>				
26	Total Demand Assigned to Total Demand				
27	Ratio = (L8 / L4)			(L8 / L4)	
28	Assigned Transmission Charges				(L24 * L27)
29	TOTAL ASSIGNED CHARGES				<u>(L10 + L22 + L28)</u>

Note 1: Average of the four highest demands at the generator.

Note 2: Estimates will be used initially but rates, charges, and demands will be trued up at the same time rates, charges, and demands are trued up in formula rates for service to NTEC.

Note 3: Difference shall not be less than zero.

Note 4: Supplemental Energy Assigned cannot be greater than Total Supplemental Energy (Line 16).

Appendix 5

Interconnection and Local Delivery Service Agreement

**Interconnection and Local Delivery
Service Agreement**

between

American Electric Power Service Corporation

and

East Texas Electric Cooperative, Inc.

INTERCONNECTION AND LOCAL DELIVERY SERVICE AGREEMENT

This Interconnection and Local Delivery Service Agreement including all appendices referenced and attached (“Agreement”) is entered into this 21st day of July 2010, by and between East Texas Electric Cooperative, Inc. (“ETEC” or “Customer”), and American Electric Power Service Corporation, as Designated Agent for the AEP Operating Companies¹ (“AEP”), being sometimes herein referred to collectively as the “Parties” or singularly as a “Party”. In consideration of the mutual covenants and agreements herein, it is agreed as follows:

WITNESSETH:

WHEREAS, the AEP companies are wholly owned subsidiaries of American Electric Power Company, Inc., owning and operating, *inter alia*, electric facilities for, and engaged in, the generation, transmission, distribution and sale of electric power and energy;

WHEREAS, Customer is an electric cooperative engaged in the generation, purchase, sale, transmission and/or distribution of electric power and energy; and

WHEREAS, Southwest Power Pool, Inc. (“SPP”), is a Regional Transmission Organization (“RTO”), offering transmission service to eligible customers, and having functional control over the AEP West Zone transmission network (“Transmission Provider”); and

WHEREAS, the Parties wish to establish the terms and conditions of the interconnection and local delivery services as defined under this Interconnection and Local Delivery Service Agreement (“ILDSA”) that AEP will provide to Customer in coordination with, but separate from, the transmission service that will be provided by the SPP RTO;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants set forth herein, the Parties agree as follows:

Article 1. Applicable Tariffs

1.1 Applicability of Tariffs: During the term of this Agreement, as it may be amended from time to time, AEP agrees to provide Interconnection and Local Delivery Services for the Customer, and the Customer agrees to pay for such services the charges identified in Attachment 1 hereto and such other charges as shall be applicable hereunder, in accordance with this Agreement and the applicable provisions of the Open Access Transmission Tariff of the AEP System (“AEP Tariff”) and as to certain provisions referenced herein, the Open Access Transmission Tariff of the SPP

¹ Public Service Company of Oklahoma and Southwestern Electric Power Company both of which do business in the SPP as AEP.

RTO (“SPP Tariff”), as each tariff shall at any time during the term of this Agreement be on-file and accepted by the Federal Energy Regulatory Commission (“Commission”), including any applicable Schedules and Attachments appended to such tariffs. Interconnection and Local Delivery Services means interconnection of the Parties’ transmission and/or distribution facilities and wholesale distribution service over AEP facilities that are subject to the jurisdiction of the Commission but not expressly provided by the SPP RTO under the SPP Tariff. AEP shall not provide any services or make any charges hereunder that are provided or charged by the SPP RTO under the SPP Tariff or that would be provided or charged under the AEP Tariff. Capitalized terms that are not defined within this Agreement shall have the meanings as specified in the SPP Tariff or the AEP Tariff as applicable.

1.2 Governance over Conflicts: The terms and conditions of such Interconnection and Local Delivery Services shall be governed by this Agreement, the SPP Tariff, and the AEP Tariff, as they exist at the time of this Agreement, or as hereafter amended. The AEP Tariff, as it currently exists or as hereafter amended, is incorporated in this Agreement by reference. In the case of any conflict between this Agreement and the AEP Tariff or SPP Tariff, the AEP Tariff or SPP Tariff shall control, except that the SPP Tariff shall control if the AEP Tariff and the SPP Tariff are in conflict.

Article 2. Delivery Points

2.1 Existing Delivery Points: AEP will provide Interconnection and Local Delivery Service over the existing facilities connecting AEP power delivery facilities to Customer’s (or its members) power delivery facilities and new AEP facilities committed to under agreements existing as of the date of this Agreement connecting the Customer’s (or its members’) power delivery facilities to the AEP power delivery facilities (“Delivery Points”) listed in Attachment 1, and illustrated in corresponding one line diagram(s) contained in Attachment 2, both of which may be amended from time to time by mutual agreement of the Parties. The Customer and AEP shall endeavor to operate their respective facilities in continuous synchronism through such Delivery Points. AEP and the Customer, acting through its members if applicable, to the extent practicable, shall each maintain the facilities on their respective sides of all Delivery Points, in order that said facilities will operate in a reliable and satisfactory manner, and without material reduction in their intended capacity or purpose.

If the function of any such facility is impaired or the capacity of any Delivery Point is reduced or such synchronous operation at any Delivery Point becomes interrupted, either manually or automatically, as a result of *Force Majeure* or maintenance coordinated by the Parties, AEP and the Customer, acting through its members if applicable, shall cooperate to remove the cause of such impairment, interruption or reduction, so as to restore normal operating conditions expeditiously.

Notwithstanding this or any other provision of this Agreement, AEP shall retain the sole responsibility and authority for operating decisions as they relate to the integrity and security of the AEP system.

2.1.1 Interruption or Reduction of Service at the Delivery Points: The continuity of service at any Delivery Point provided under this Agreement may be interrupted or reduced, (a) by operation of automatic equipment installed for power system protection, (b) after consultation with the affected Party, if practicable, at any time that a Party deems it desirable for installation, maintenance, inspection, repairs, or replacement of equipment, and (c) at any time that in the judgment of the interrupting Party such action is necessary to protect personnel or the public, preserve the integrity of, or to prevent or limit any instability on, or to avoid a burden on, their respective system or prevent damage to equipment.

2.2 Changes in Delivery Points and Local Delivery Facilities: When it becomes necessary or desirable to make changes in the Delivery Point facilities, to upgrade, retire, replace or establish a new Delivery Point, including metering or other facilities at such location, the provisions of this Section shall apply.

2.2.1 Study Requests for Changes in Delivery Facilities: The Customer shall make requests for changes in local delivery facilities, including facility upgrades, retirements and replacements, or the establishment of any new Delivery Point in writing to AEP, delivered to Manager, Transmission and Interconnection Services, and to Manager, Southwest Transmission Planning. If applicable, AEP will coordinate with SPP regarding SPP studies that are required to evaluate such requests. If applicable, Customer agrees to enter into agreements with SPP for SPP to study such requests. A request for a new Delivery Point or modification of an existing Delivery Point should include, at a minimum, the following information:

- a) Nature of the change such as: modifications to an existing Delivery Point, new Delivery Point, increased capacity, and retirement, etc.;
- b) Location of the Delivery Point;
- c) Voltage class of the Delivery Point;
- d) Specific AEP transmission or distribution facility that the Delivery Point is to be connected to;
- e) Non-binding, good faith estimate of the amount of load to be served by the Delivery Point for the first 5 years;
- f) Specific modifications to an existing Delivery Point, if applicable; and
- g) Desired in-service date.

2.2.2 Load Connection Study: Unless otherwise mutually agreed, AEP shall respond within ten (10) Business Days of receipt of such a request and, if necessary, provide a Load Connection Study (“LCS”) Agreement and a list of any additional information that AEP would require from the Customer to proceed with such study. Unless otherwise agreed, the LCS Agreement shall commit the Customer to pay AEP the actual cost to complete the study and make an advance deposit equal to the estimated study cost or \$25,000, which ever is less. The Customer shall execute and deliver the LCS Agreement and required deposit to AEP within thirty (30) Calendar Days following its receipt. Upon receipt of the executed study agreement, study data as requested above, and the required deposit, AEP shall carry out the LCS. In the LCS, AEP shall assess the feasibility of modifying an existing Delivery Point or

establishing the new Delivery Point using power flow and short circuit analyses and any other analyses that may be appropriate. It shall also determine the details and estimated cost of facilities necessary for establishing the requested Delivery Point and any system additions/upgrades needed to address any problems identified in the LCS.

If the Customer fails to return an executed LCS Agreement and required deposit within thirty (30) Calendar Days of receipt or at a later date as the Parties may mutually agree, AEP shall deem the study request to be withdrawn. The Customer may withdraw its study request at any time by written notice of such withdrawal to AEP.

AEP shall complete the study and issue a draft LCS report to the Customer within sixty (60) Calendar Days after receipt of an executed LCS Agreement, deposit and necessary data as requested above, or at a later date as the Parties may mutually agree. Customer may, within thirty (30) Calendar Days after receipt of the draft LCS report, submit written comments to AEP, which shall be incorporated into and addressed in the final report. AEP shall issue the final LCS report within fifteen (15) Calendar Days after receiving Customer's comments or promptly after receiving Customer's notice that it has no comments. AEP may extend the fifteen-day period upon notice to Customer that Customer's comments require additional analysis or significant modification of the report, such extension not to exceed thirty (30) Calendar Days.

The results of the LCS shall be valid until the latter of (i) the date one year from the date the final LCS report is delivered to Customer or (ii) thirty (30) days after the resolution of any dispute brought pursuant to Section 5.8 of this Agreement, provided that such dispute was initiated within ninety days of the date the final LCS report is delivered to Customer. If the Customer delays for more than one year the continuation of the process for establishment of a new Delivery Point by failing to execute a Facilities Agreement (as described in Section 2.3), the Customer's request shall be deemed withdrawn, and a new request and new LCS may be required.

Upon completion of the LCS, the Customer shall reimburse AEP for the unpaid cost of the LCS if the cost of the study exceeds the deposit. AEP shall refund the Customer, with interest, any portion of the deposit that exceeds the cost of the LCS. The interest rate will be computed in accordance with 18 C.F.R. § 35.19a(a)(2).

2.2.3 Modifications to Study Request: During the course of an LCS, either the Customer or AEP may identify desirable changes in the planned facilities that may improve the costs and/or benefits (including reliability) of the planned facilities. To the extent the revised plan and study schedule are acceptable to both AEP and the Customer, such acceptance not to be unreasonably withheld, AEP shall, at Customer's Expense, proceed with any necessary restudy.

2.3 Engineering, Design and Construction of New Facilities: If Customer elects to proceed with the Delivery Point as described in the LCS report, Customer must notify AEP not less than thirty (30) days prior to the expiration of the LCS results as described in Section 2.2.2. Upon

receipt of such notice, AEP shall within ten (10) business days offer Customer a Facilities Agreement which describes the Parties' responsibilities for engineering, design, construction, ownership, operation and maintenance of the facilities described in the LCS report and any creditworthiness requirements of AEP Tariff Section 11 ("Creditworthiness") and/or additional technical information that Customer must provide. Customer and AEP shall use their best efforts to execute the Facilities Agreement prior to the expiration of the LCS results as described in Section 2.2.2.

In a case where an LCS has been determined not to be necessary, if Customer elects to proceed with the Delivery Point as described in its study request, Customer must notify AEP within thirty (30) days after AEP informs Customer that an LCS is not necessary. Upon receipt of such notice, unless otherwise mutually agreed, AEP shall within ten (10) business days offer Customer a Facilities Agreement which describes the Parties' responsibilities for engineering, design, construction, ownership, operation and maintenance of any necessary facilities and any creditworthiness requirements of AEP Tariff Section 11 and/or additional technical information that Customer must provide.

Each Facilities Agreement will be incorporated into this Agreement, initially as an attachment hereto, and after project completion through inclusion in Attachment 1 and Attachment 2. Following (i) the execution of the Facilities Agreement, (ii) the receipt of any outstanding technical information, and (iii) the receipt of any required deposit, instrument, or showing that Customer meets the Creditworthiness requirements of the AEP Tariff Section 11, the Parties will proceed with the engineering, design, and procurement activities to construct, reconfigure, upgrade, replace, or retire such local delivery or other facilities as described in the Facilities Agreement. All Facilities Agreements for Delivery Points existing as of the date of this Agreement and described in Attachment 1 shall remain in full force and effect in accordance with their terms.

2.4 Cost Recovery Protection: Pursuant to this Agreement, AEP and Customer will cooperate regarding the planning, provision and utilization of transmission and local delivery facilities needed to reliably deliver power and energy to Customer's loads connected to AEP's facilities. As such, AEP may be required to construct or otherwise expand transmission and local delivery facilities, predicated upon Customer's planned use of such facilities, including the Customer's planned use of external and internal generating capacity. If the Customer alters its use of the transmission and/or local delivery service facilities, through the transfer of load to the system of another service provider, AEP may be entitled to compensation for "Stranded Costs" (defined as the unrecovered cost of any facilities exclusively constructed pursuant to this Agreement to accommodate Local Delivery Service) to the extent such load transfer causes AEP's revenues to be reduced. Any such claim for Stranded Costs by AEP shall be net of the present value of any incremental transmission revenue that AEP will receive by providing transmission or local delivery service to other customers using the transmission or local delivery capacity freed up by the Customer's load change. To the extent practicable, AEP will make efforts to find customers to take the available transmission service to minimize the stranded cost recovery on a case by case basis. AEP will make a Section 205 filing under part 35 of Commission's regulations to seek Commission authorization for any Stranded Cost recovery, identifying the facilities and voltages and recovery support for the cost and

duration of the recovery period. This Section 2.4 shall not apply if Customer is making payments pursuant to Section 2.5 or Section 2.6.

2.5 Abandonment of Exclusive-Use Facilities: In the event Customer abandons a Delivery Point that is exclusively dedicated to service to Customer and the cost of AEP facilities at the Delivery Point is directly assigned to Customer, Customer shall pay AEP the depreciated book value plus removal cost less salvage value of such facilities used exclusively to supply Customer, or Customer may purchase such facilities at depreciated book value provided Customer removes or otherwise disconnects such facilities from a direct connection to the AEP system.

2.6 Abandonment of Joint-Use Facilities and Reductions in Load: If a Party abandons a Delivery Point that is used to supply the retail loads of both Parties or if it removes load from such a Delivery Point, for each of the next two (2) years following such abandonment or reduction in loading, the Party initiating the change shall continue to bear the same cost for its share of any joint-use distribution-related facilities for which the costs are directly assigned to Customer.

2.7 In-Line Facilities: Unless provided otherwise by the SPP Tariff and/or unless Customer and AEP otherwise agree AEP shall have the sole right to operate, maintain, and at its option, to own any new facilities that (i) are required to facilitate Interconnection and Local Delivery Service pursuant to this Agreement, (ii) are to be installed in-line with AEP's facilities, and (iii) may affect the continuity and reliability of AEP facilities that provide or protect service to other customers.

2.8 Connection Guide: The requirements for connection of non-generating facilities to the AEP West transmission system are contained in the AEP document "Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP West Transmission System", referred to herein as the "Connection Guide" or its successor. AEP shall make available a then-current version of the Connection Guide to Customer any time that AEP provides an SIS Agreement to Customer pursuant to Section 2.2.2. Copies of this document also can be obtained from AEP Transmission Planning.

Article 3. Local Delivery Services

3.1 Measurement of Load At Each Delivery Point: The Customer's load, kW, kWh and kVAR at each Delivery Point shall be measured at least on an hourly integrated basis, by suitable revenue grade metering equipment. AEP agrees to provide and install the necessary metering equipment for new Delivery Points. The measurements taken and required metering equipment shall be as needed for all settlement purposes under this Agreement, the AEP Tariff, and the SPP Tariff and in accordance with the AEP standards and practices as contained in the Connection Guide. At points where power may flow to and from the Customer, separate measurements shall be obtained for each direction of flow. Any necessary metered data shall be made available with such frequency and at such times as may be required by AEP, Customer, and SPP in suitable electronic format. If AEP, Customer or SPP requires real-time load or facility status information from any Delivery Point, the other Party shall cooperate, to the extent necessary, in order that such monitoring and telecommunications equipment, as shall be needed for such purpose may be

installed and maintained during normal business hours common to AEP and Customer. AEP shall provide to Customer, on a monthly basis by the fifth (5th) Business Day after the end of the prior month, such data as required for billing. Customer shall compensate AEP for metering and meter data processing services as specified in Attachment 1 of this Agreement. The Customer need not pay for behind the meter generator data that is self-supplied.

Customer will be permitted to remotely interrogate any AEP delivery point meter for the purpose of obtaining Customer's load data and, if available, power quality data through read-only access via the AEP delivery point meter modem and telephone circuit or real time Supervisory Control and Data Acquisition ("SCADA") system equipment. At the request of Customer, AEP will cooperate on the installation of "smart" technology metering in place of the standard metering equipment at a delivery point, provided; however, that AEP shall not be obligated to install, operate or maintain any meter or related equipment that is not approved for use on the AEP System. AEP will also cooperate with Customer on the installation of any additional telephone circuit(s) and/or satellite communications devices with associated data circuits or other mode(s) of communications and allow for the connection of such meter communications circuit(s) to the Customer's real time SCADA system equipment, provided that such equipment connections and communications can be accomplished in a manner that does not interfere with the operation of AEP equipment or fulfillment of any statutory or contractual obligation. If the potential for such interference exists, AEP will work with the Customer, through reasonable measures, to resolve such metering and/or communications issues. As with standard metering, Customer will bear all costs associated with smart technology metering, additional communication, and/or SCADA equipment it requests.

3.2 Compensation for Local Delivery Services: Under this Agreement, the Customer shall, to the extent consistent with Federal Energy Regulatory Commission Policy, reimburse AEP its costs associated with Interconnection and Local Delivery Service facilities (both new and existing) where the cost of such facilities is directly assigned to Customer and not otherwise recovered through the transmission charges under the SPP Tariff. Such costs shall be reimbursed either through monthly charges agreed to by the Parties, which charges shall be specified in Attachment 1 or, at AEP's option, pursuant to the Formula Rate for Facility Construction, Operation and Maintenance contained in Attachment 4 to this Agreement. The cost of AEP facilities needed to provide Interconnection and Local Delivery Service to Customer shall be allocated as prescribed in the settlement agreement in FERC Docket No. ER07-1069-000. In addition, within ninety days of the Effective Date of the Agreement, AEP shall credit Customer the difference between (i) the total of the monthly facilities charges for the period from January 1, 2009 through the Effective Date of this Agreement and (ii) the total of the monthly facility charges applicable to Customer over the same time period as specified in the settlement agreement in FERC Docket No. ER07-1069-000. Such credit shall include interest computed in accordance with 18 C.F.R. § 35.19a(a)(2).

3.3 Load Power Factor Charges: Load power factor charges will be assessed to the Customer pursuant to the following Delivery Point power factor clause based on the hourly kW and kVAR demand metered at the Delivery Points as follows:

The maximum hourly reactive power (kVAr) demand, both leading and lagging will be measured each month at each Delivery Point. When multiple Delivery Points are operated as closed loops, the real and reactive power measurements will be combined for the purpose of this provision. Customer will incur no load power factor charges if the maximum leading and lagging kVAr demand at each Delivery Point is managed, so as not to exceed 20% of the real power (kW) demand in the same hourly intervals. Charges will be assessed for leading and/or lagging kVAr demand at each Delivery Point if the maximum hourly value of such demand exceeds 20% of the kW demand in the same interval. The charges will be \$0.30/kVAr for all leading and/or lagging kVAr demand in excess of 20% of the corresponding kW demand, provided; however, that when the kVAr demand exceeds 50% of the kW demand, the charge will be \$0.50/kVAr, for all kVAr, leading and/or lagging, in excess of 20% of the corresponding kW demand.

3.4 Losses: The Customer's load shall be adjusted, for settlement purposes, to include AEP West Zone transmission and distribution losses, as applicable and to the extent such losses are not recovered by AEP in any applicable power purchase agreement or through the SPP Tariff. Presently, the Commission approved transmission loss factor for the AEP West Zone is 2.9% of energy received by AEP for transmission to the Customer's Delivery Points ($1/(1-.029)-1=2.987\%$ of delivered energy). Distribution losses shall be assessed, where applicable, at the rates as specified in Attachment 1. To the extent Customer's load at any Delivery Point is supplied from behind the meter generation, losses shall be assessed only for the net load delivered to such Delivery Points by AEP.

3.5 Maintenance of Local Delivery Point Facilities: When AEP provides operation and maintenance ("O&M") services for any Delivery Point and/or distribution facilities owned by the Customer, or its members if applicable, such service will be made pursuant to any repair and maintenance agreement ("O&M Agreement") that may exist between Customer and AEP, or to Attachment 3 of this Agreement.

3.6 Operational Access and Control: Except as provided in Attachment 5, AEP shall have the sole right to enter upon, test, operate and control the facilities covered by this Agreement that are owned by AEP. The right to test, operate and control said facilities includes but is not limited to the power to direct the opening and closing of switches for construction, operation, testing, maintenance and other relevant purposes.

All meters and test switches, whether provided by AEP or Customer, shall be sealed and the seals shall be broken only when the meters are to be tested, adjusted or replaced. The other Party shall be provided as much advance notice as is practicable in the circumstances when the facilities of that Party are to be entered or the seals of any meter are to be broken, and such Party shall be afforded the opportunity to be present during such test, adjustment, repair, replacement.

3.7 Administrative Committee: AEP and Customer shall each appoint a member and at least one alternate to an Administrative Committee, and so notify the other Party of such appointment(s) in writing. Such appointment(s) may be changed at any time by similar notice. Each member and alternate shall be a responsible person familiar with the day-to-day operations of their respective

system. Generally, this would mean that the Administrative Committee representative(s) will be employees of AEP and the Customer, or entities represented by the Customer; however, the representative(s) may be accompanied by other experts, appropriate to the matters to be considered.

The Administrative Committee shall represent AEP and Customer in all matters arising under this Agreement and which may be delegated to it by mutual agreement of the Parties hereto.

3.7.1 Principal Duties: The principal duties of the Administrative Committee shall be as follows:

- a.) To establish operating, scheduling and control procedures as needed to meet the requirements of this Agreement, coordinated operation, and any requirements of the Transmission Provider;
- b.) To address issues arising out of accounting and billing procedures;
- c.) To coordinate regarding the changing service requirements of the Customer and the course of action the Parties will pursue to meet such requirements;
- d.) To coordinate planning, facility construction, and maintenance as appropriate, and to the extent agreed by the Parties; and
- e.) To perform such other duties as may be specifically identified in, or required for the proper function of this Agreement.

3.7.2 Administrative Committee Meetings: The Administrative Committee shall meet or otherwise conference at least once each calendar year, or at the request of either Party upon reasonable notice, and each Party may place items on the meeting agenda. All proceedings of the Administrative Committee shall be conducted by its members taking into account the exercise of Good Utility Practice. If the Administrative Committee is unable to agree on any matter coming under its jurisdiction, that matter shall be resolved pursuant to Section 5.8 of this Agreement, or otherwise, as mutually agreed by Customer and AEP.

Article 4. Customer's Load, Capacity and Other Obligations to the RTO

4.1 AEP Responsibilities: Unless otherwise agreed, AEP shall have only such responsibilities to assist Customer in meeting its obligations to the RTO, as shall be required pursuant to the SPP Tariff, the AEP Tariff, and this Agreement. AEP shall cooperate with SPP and Customer (or Customer's designated Scheduling and/or Metering Agents) to the extent necessary and appropriate to ensure that data that SPP and AEP require is available.

4.2 Behind the Meter Generation: The Parties agree to cooperate with SPP and parties operating generators connected behind load metering such that each Party will receive such

generator output meter information as it requires to satisfy its operating, billing, and reporting requirements.

Article 5. General

5.1 Billing and Payments: As a convenience, and so long as SPP offers such accommodations, monthly charges for Delivery Point power factor, distribution services, meter and related meter reading and data processing services as specified in Attachment 1 hereto will be included in the monthly transmission service invoice issued by the RTO. Customer shall pay the monthly delivery charges invoiced by the RTO in accordance with SPP Tariff, and with respect to such charges Customer shall be subject to SPP creditworthiness provisions. If the Customer receives Transmission Service through an agreement with a third party that contracts with SPP, the charges for Interconnection and Local Delivery Services hereunder may be invoiced to the third party subject to SPP's accommodations and applicable provision of the SPP Tariff or to the Customer, subject to applicable provision of the AEP Tariff.

AEP shall invoice the Customer and the Customer shall reimburse AEP for its costs associated with any facility construction, operation and maintenance or, repair provided under this Agreement in accordance with the AEP Tariff, Section 7 ("Billing and Payments").

Customer shall have the right to receive such cost information as is reasonably necessary to verify that charges are incurred under this Agreement in accordance with Good Utility Practice. Customer shall have the right to audit the AEP accounts and records pertaining to this Agreement, at the offices where such accounts and records are maintained, provided reasonable proper notice is given prior to any audit, and provided further that the audit will be limited to those portions of such accounts and records that relate to services provided under this Agreement.

5.2 Taxes on Contributions in Aid of Construction: When the Customer funds the construction of AEP-owned facilities pursuant to a contribution in-aid of construction ("CIAC"), the Customer also shall reimburse AEP for the tax effect of such CIAC (a "Tax Effect Recovery Factor" or "TERF"), where such payment is considered taxable income and subject to income tax under the Internal Revenue Service ("IRS") and/or a state department of revenue (State) requirements. The TERF shall be computed consistent with the methodology set forth in Ozark Gas Transmission Corp., 56 F.E.R.C ¶ 61,349 as reflected in the following formula: $TERF = (Current\ Tax\ Rate \times (Gross\ Income\ Amount - Present\ Value\ of\ Tax\ Depreciation)) / (1 - Current\ Tax\ Rate)$. The Present Value of Tax Depreciation Amount shall be computed by discounting AEP's anticipated tax depreciation deductions with respect to the constructed property by AEP's current weighted average cost of capital. If, based on current law, AEP determines such contribution by the Customer shall not be taxable, AEP will not charge a TERF; however, in the event that such contribution is later determined by the IRS or state tax authority to be taxable, the Customer shall reimburse AEP in the amount of the TERF, including any interest and penalty charged to AEP by the IRS and/or state. Such reimbursement is due within thirty (30) Calendar Days of the date upon which AEP notifies the Customer of such determination. If AEP charges a TERF but such contribution is later determined by the IRS or state tax authority not to be taxable, then AEP shall

refund to Customer the amount of the TERF, including interest. Such refund is due within thirty (30) Calendar Days of the date upon which Customer notifies AEP of such determination.

At Customer's request and expense, AEP shall file with the IRS a request for a private letter ruling as to whether any CIAC paid, or to be paid, by Customer to AEP is subject to federal income taxation. Customer will prepare the initial draft of the request for a private letter ruling, and will certify under penalties of perjury that all facts represented in such request are true and accurate to the best of Customer's knowledge. AEP and Customer shall cooperate in good faith with respect to the submission of such request. AEP shall keep Customer fully informed of the status of such request for a private letter ruling and shall execute either a privacy act waiver or a limited power of attorney, in a form acceptable to the IRS that authorizes Customer to participate in all discussions with the IRS regarding such request for a private letter ruling. AEP shall allow Customer to attend all meetings with IRS officials about the request and shall permit Customer to prepare the initial drafts of any follow-up letters in connection with the request.

If Customer shall have reimbursed AEP for the TERF, upon request by Customer and at Customer's expense, AEP shall contest the taxability of such CIAC; provided, however, that AEP shall not be required to contest such taxability if AEP waives the payment by Customer of any amount that might otherwise be payable by Customer under this Agreement in respect of such determination.

5.3 Indemnity: To the extent permitted by law, each Party shall indemnify and save harmless the other Party and its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials from and against any loss, liability, cost, expenses, suits, actions, claims, and all other obligations arising out of injuries or death to persons or damage to property caused by or in any way attributable to the Delivery Point(s) and/or distribution facilities covered by this Agreement, except that a Party's obligation to indemnify the other Party and its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials shall not apply to any liabilities arising solely from the other Party's or its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials negligence, recklessness or intentional misconduct or that portion of any liabilities that arise out of the other Party's or its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials contributing negligent, reckless or intentional acts or omissions.

5.4 Effective Date and Term of Agreement: This Agreement shall become effective and shall become a binding obligation of the Parties on the date on which the last of the following events shall have occurred ("Effective Date"):

- (a) The date first written above when AEP and Customer each shall have caused this Agreement to be executed by their duly authorized representatives and each shall have furnished to the other satisfactory evidence thereof or Customer requested AEP to file an unexecuted service agreement.
- (b) The date this Agreement has been accepted for filing and made effective by order of the Commission under the Federal Power Act, in which case the Effective Date of

this Agreement shall be as specified in the said Commission order. However, if the Commission or any reviewing court, in such order or in any separate order, suspends this Agreement or any part thereof, institutes an investigation or proceeding under the provisions of the Federal Power Act with respect to the justness and reasonableness of the provisions of this Agreement or any other agreement referred to or contemplated by this Agreement, or imposes any conditions, limitations or qualifications under any of the provisions of the Federal Power Act which individually or in the aggregate are determined by AEP or Customer to be adverse to it, then AEP and Customer shall promptly renegotiate the terms of this Agreement in light of such Commission or court action. Each Party shall use its best efforts to take or cause to be taken all action requisite to the end that this Agreement shall become effective as provided herein at the earliest practicable date.

- (c) The date that approval of this Agreement by the Rural Utilities Service is secured, if applicable.

The initial term of this Agreement shall continue for five years after the date the Agreement becomes effective. Thereafter, this Agreement shall automatically renew for successive terms of one year each unless either Party elects to terminate the Agreement by providing written notice of termination to the other Party at least ninety (90) Calendar Days prior to the start of any renewal term.

5.5 Regulatory Authorities: This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises. Nothing contained in this Agreement shall be construed as affecting in any way the right of a Party, as the case may be, to unilaterally file with the Commission an application for a change in rates, charges, classification, service or any rule, regulation or contract relating thereto under Section 205 or 206 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

5.6 Assignment: It is mutually understood and agreed that this Agreement contains the entire understanding between the Parties, that there are no oral, written, implied or other understandings or agreements with respect to the work covered hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, as well as their respective successors and/or assigns. However, neither Party shall assign, transfer or sublet any of the rights hereby granted without the prior written consent of the other Party, provided, however, this Agreement may be assigned by any Party to its lender(s), including the Rural Utilities Service, without the consent of the other Party. Any such lender may assign such interest in and to this Agreement to any subsequent assignee in connection with the sale, transfer or exchange of its rights under this Agreement pursuant to such assignment. In connection with an assignment to a lender, a Party shall, if requested by such lender, provide such documentation as may be reasonably requested with respect to the assignment, provided that such documents do not alter or diminish the rights of the providing Party. If consent is required, such consent shall not be unreasonably withheld.

5.7 Definitions:

(a) **Business Day** shall mean Monday through Friday, excluding Federal holidays.

(b) **Calendar Day** shall mean any day including Saturday, Sunday or a Federal holiday.

5.8 Disputes: Any disputes arising out of or in connection with this Agreement shall be resolved pursuant to the provisions of Section 12 (“Dispute Resolution Procedures”) of the AEP Tariff.

Article 6. Notices

6.1 Addresses: Any notice given pursuant to this Agreement shall be in writing as follows:

If to AEP: American Electric Power Service Corporation
Manager, Transmission and Interconnection Services
212 East Sixth Street
Tulsa, OK 74119

And also to:

American Electric Power Service Corporation
Manager, Southwest Transmission Planning
212 East Sixth Street
Tulsa, OK 74119

If to Customer: General Manager
East Texas Electric Cooperative, Inc.
P O Box 631623
Nacogdoches, TX 75963-1623

6.2 Modifications: The above names and addresses of any Party may be changed at any time by notice to the other Party.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed.

East Texas Electric Cooperative, Inc.

By: /s/ Edd Hargett

Name: Edd Hargett

Title: Manager

Date: July 21, 2010

American Electric Power Service Corporation

By: /s/ Robert Pennybaker

Robert L. Pennybaker, Manager

Title: Transmission and Interconnection Services

Date: 7/20/2010

ATTACHMENT 1 -- Delivery Points
to
SWEPCO/ETEC/SPP Interconnect & Local Delivery Service Agreement

**Specifications of Meter and Direct Assignment Charges
for East Texas Electric Cooperative, Inc.**

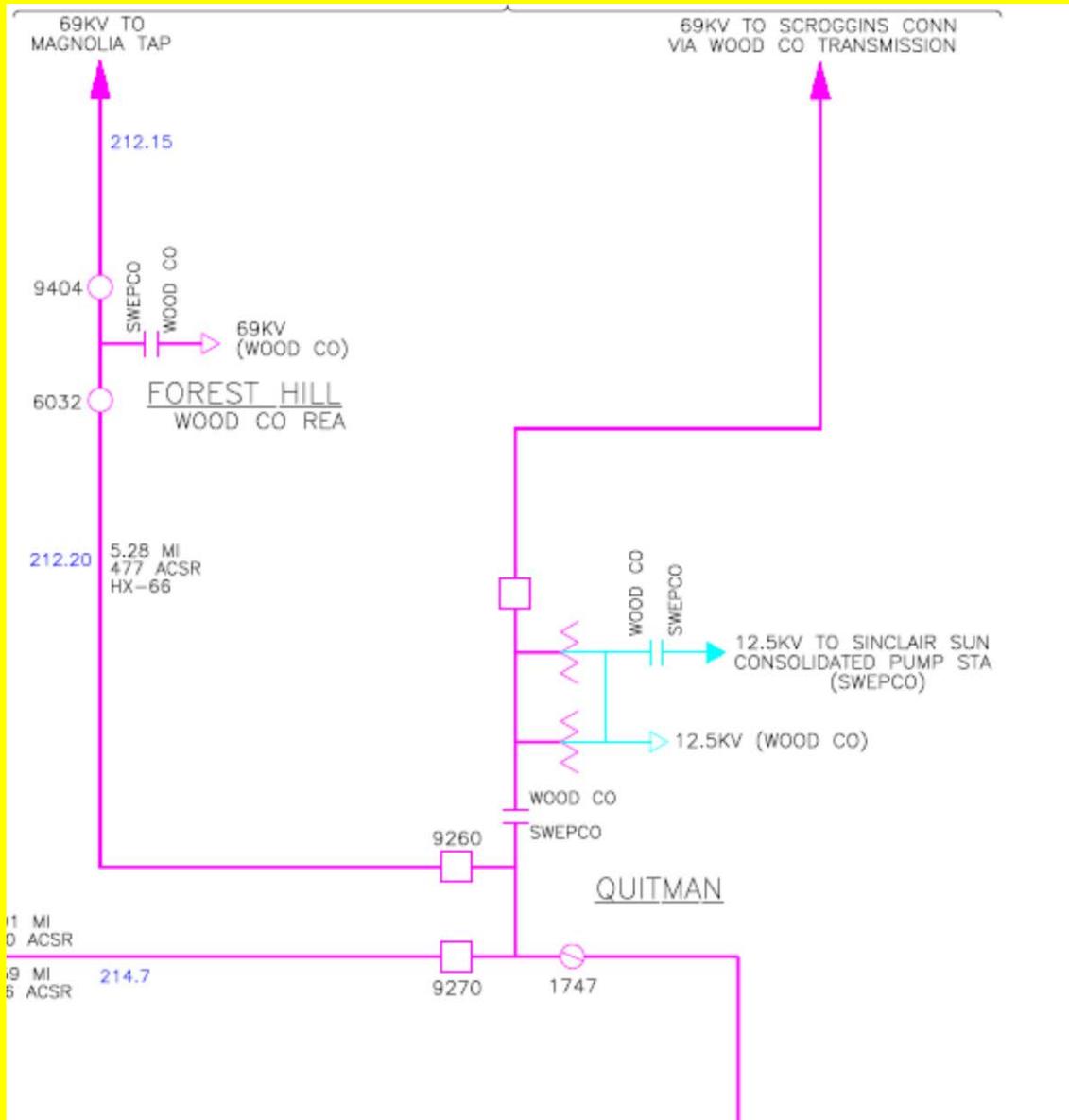
METER/DELIVERY POINT				METER CHARGES			DIRECT ASSIGNMENT CHARGES				CIAC		Total	
Elec Coop	Delivery Point	Delivery Voltage (kV)	Metered Losses Voltage (kV)	Installed Cost (\$)	Monthly Charge (\$)	Data Proc Services (\$)	Transmission Installed Cost (\$)	Monthly Charge (\$)	Distribution Installed Cost (\$)	Monthly Charge (\$)	Customer CIAC (\$)	Monthly Credit (\$)	Monthly Charges	
Wood County														
	Sanfield (via Quitman)	69	T	69	12,503	238.49	28.27	-	-	-			266.76	
	Crow Tap	138	T	138	8,886	169.50	56.54	123,937	1,465.56	-	123,937	(1,121.63)	569.97	
	E. Burges	138	T	138	4,443	84.75	28.27	130,000	1,537.25	-	130,000	(1,176.50)	473.77	
	Overton / Crocket	138	T	138	64,691	1233.98	56.54	-	-	-			1,290.52	
TOTALS					\$ 90,523	\$ 1,726.73	\$ 169.62	\$ 253,937	\$ 3,002.81	\$ -	\$ -	\$ 253,937	\$(2,298.13)	\$ 2,601.02

NOTES:

Sanfield: Served out of SWEPCO Quitman sub (DS0984) via Wood County owned 69 kV breaker. The primary meter is at NTEC (Wood County) Quitman meter point. ETEC Sanfield load is behind the NTEC Quitman meter but is metered separately at the Sanfield station. EMS-09. Net Meter Rev. \$ 1,896.35
 Non-metering Installed Costs = \$0 per Settlement in Docket ER-07-1069. Net Trans. Rev. \$ 704.68
 Crow Tap: Formerly known as Hawkins. NTEC's Clyde Brady load is behind the ETEC Crow Tap meter bus is metered separately and deducted. Net Dist. Rev. \$ -
 Customer CIAC for three way, 138 kV, 1200 ampere group operated switch structure w/vacuum interrupters. EMS-09. Total (check) \$ 2,601.02
 E. Burgess: Also known as "Burgess Tap". Not East Burgess but initial E. Burgess. NTEC Burges & Tex-La Star loads are behind the ETEC E Burgess meter. EMS-09.
 Tap off N. Mineola to Canton circuit.
 Overton / Crocket: The Overton/Crocket delivery point is metered at two locations, Jacksonville Switching Station (EMS-11) and Crocket (EMS-12), which are combined. The Overton portion is metered at Jacksonville 138 kV (CB12600) and Crocket is metered on the 138 kV bus.
 Losses: T = Transmission delivery losses per AEP Tariff; DS = Distribution Xfmr losses + T; DP = Distribution Primary Line + DS (includes T).
 Data Proc Svcs: This includes phone line charges.
 Monthly Charge: Based on 2008 annual carrying charges metering 22.89% and transmission lines 14.19%, including cost of capital, taxes, O&M, A&G, Depreciation, and Working Capital. Transmission CIAC credit = 10.86%.

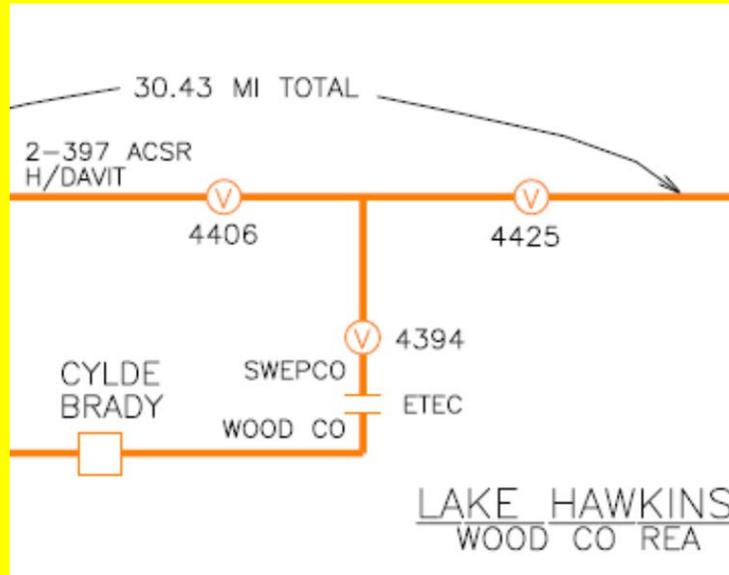
ATTACHMENT 2
One Line Diagrams

Sanfield



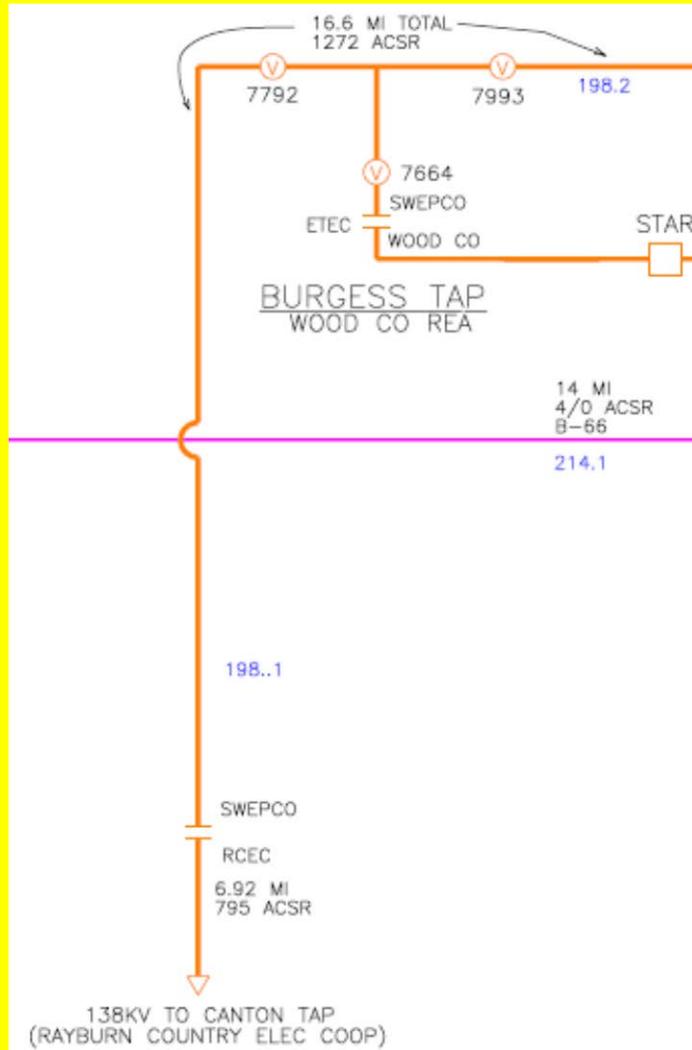
ATTACHMENT 2 (cont.)

Crow Tap



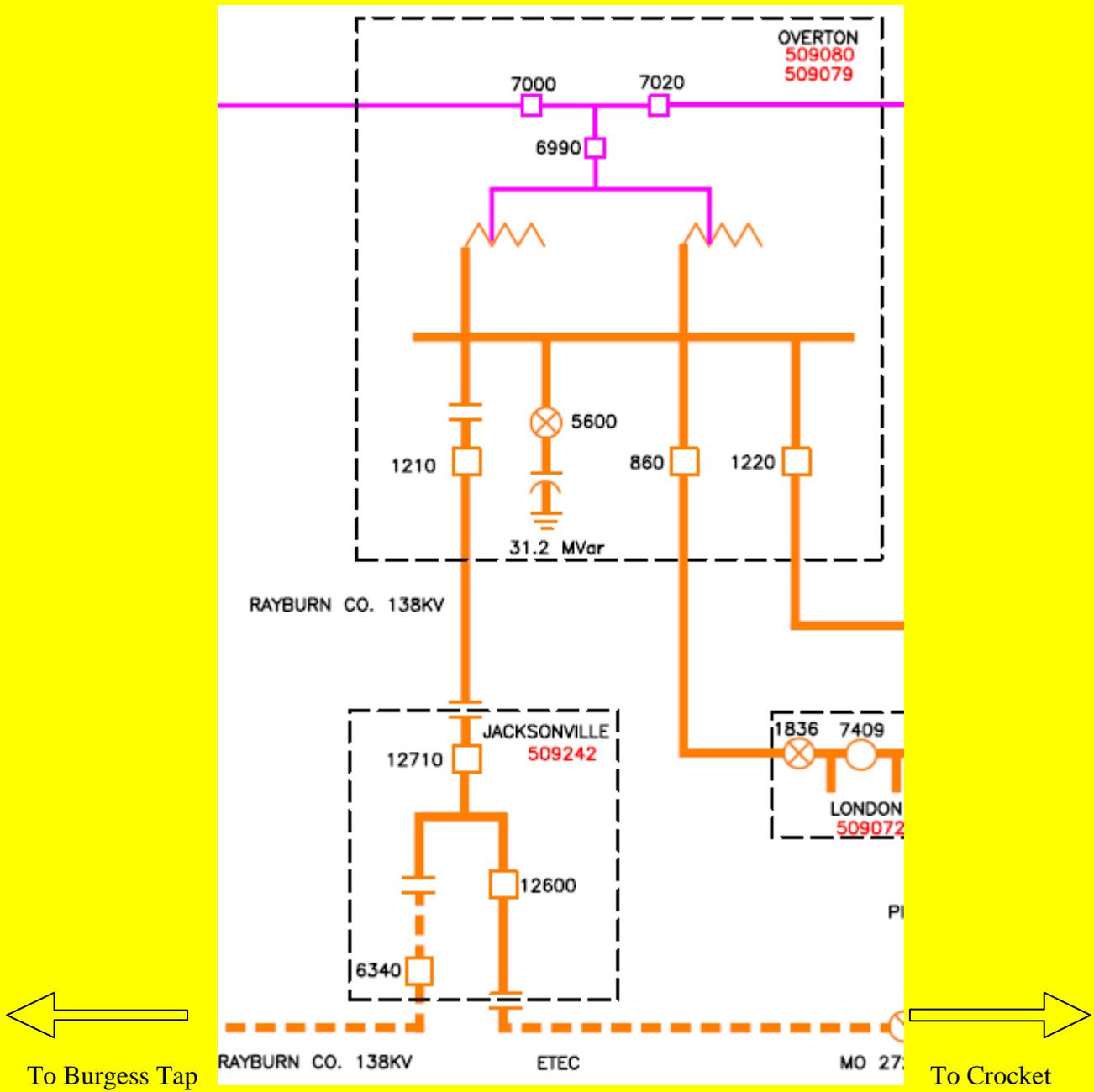
ATTACHMENT 2 (cont.)

E. Burgess/Burgess Tap



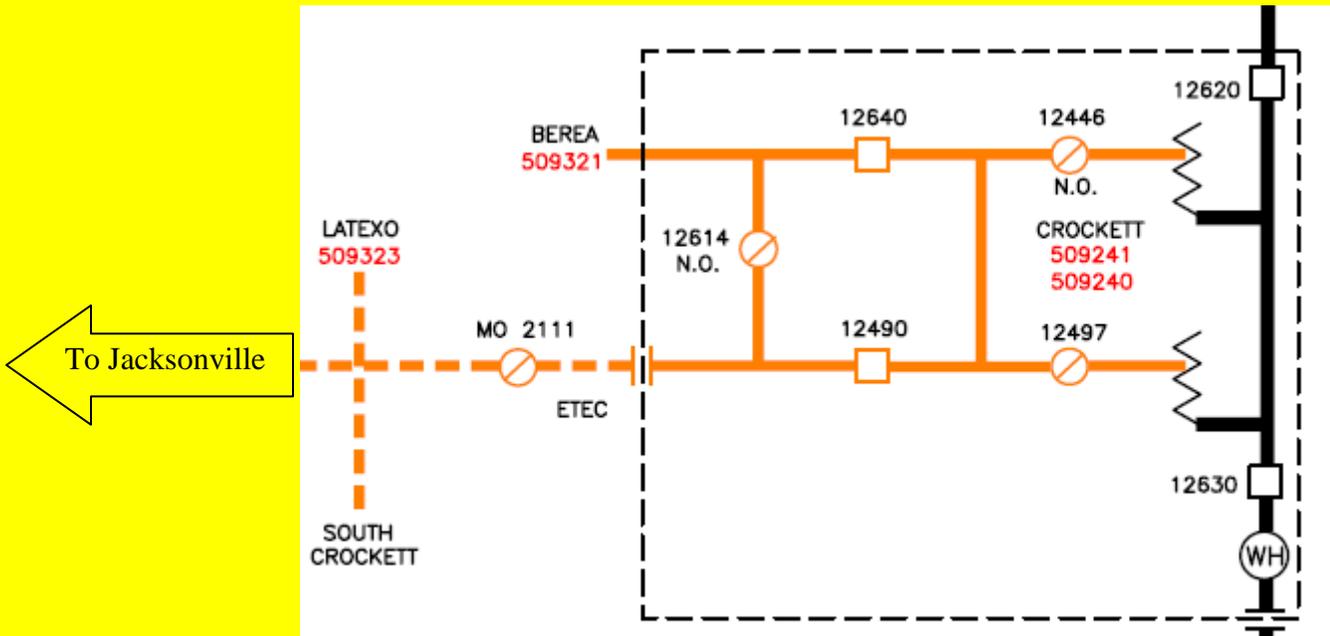
ATTACHMENT 2 (cont.)

Overton - Jacksonville Switch Station



ATTACHMENT 2 (cont.)

Crockett



Facilities, Operation, Maintenance Service and Repair Agreement ("Agreement")

For those facilities in Attachment 1 owned by the Customer where it is indicated that AEP will provide operation and maintenance ("O&M") and repair services for such Customer-owned facilities, AEP shall perform such services under the provisions herein below and on the cost of service basis reflected in the Formula Rate contained in Attachment 4. When an existing O&M agreement between the Parties which also utilizes a Formula Rate expires or is terminated by mutual agreement or otherwise, unless otherwise agreed, the services provided by AEP under such agreement, if they continue, shall be brought under this Agreement.

Service pursuant to this Attachment 3 shall be based on terms and conditions described below:

1. This Agreement shall cover the delivery and/or switching facilities currently listed in Attachment 1, attached hereto and made a part hereof, and any other delivery and/or switching facilities that are brought hereunder in accordance with the procedure hereinafter provided.
2. Subject to the terms and conditions contained herein, AEP agrees to test, maintain and repair the facilities in Attachment 1 so as to assure the satisfactory and reliable operation of said facilities, all in accordance with good industry standards and practice. AEP further agrees to perform any additional testing, maintenance, repairs and/or replacements requested from time to time by Customer.
3. AEP agrees to furnish all supervision, labor, tools conveyances and equipment necessary for carrying out the work covered for facilities described in Attachment 1 and further agrees to furnish all materials required to do the work except those materials that Customer feels are in its best interests to furnish.
4. All work shall be performed during the standard 40-hour work week, but, in the event that operating or emergency conditions warrant, overtime work can be authorized either in writing or verbally (in the case of emergency work) by Customer's representative.
5. AEP will render invoices to Customer, on forms acceptable, at suitable intervals to be mutually agreed upon by the Parties.
6. Customer agrees to promptly pay AEP the actual costs of any and all testing, maintenance, repairs and/or replacements performed pursuant to the terms and conditions of this Services Agreement, including the costs associated with labor, materials, equipment, overheads, taxes and other services incurred by AEP in performing the work, when presented with satisfactory evidence of the cost of such work.

7. The facilities covered in this Agreement may be extended or otherwise modified by attaching one or more numbered supplemental Facility Requests in the form set out below (attached herewith as Exhibit A), which show the additional facilities or changed equipment to be thereafter covered by this Agreement. Such supplements shall be effective as of the date of final execution thereof and shall be attached to all executed copies of this Agreement.

IN WITNESS WHEREOF, each of the Parties has caused this Facilities Operation, Maintenance, Service and Repair Agreement to be duly executed

East Texas Electric Cooperative, Inc.

By: _____

Name: _____

Title: _____

Date: _____

AMERICAN ELECTRIC POWER SERVICE CORPORATION
As Agent for the AEP Operating Companies

By: _____

Robert L. Pennybaker

Title: Manager, Transmission and Interconnection Services

Date: _____

Pro-forma Exhibit A

FACILITY REQUEST(S)

No. _____

Date _____

Customer hereby applies to AEP for delivery and switching facility(s) described below and shown in the attached drawing(s) in Attachment 2 of the ILDSA entered into by Customer and AEP. In exchange for Customer's promise to pay the actual cost of each facility listed below, Customer requests AEP to construct, install, operate, test, repair and/or maintain the facility(s) to be located in the following circuits of AEP's transmission system:

CIRCUIT	Facility(s)	DELIVERY POINT	LOCATION	Agreement Date

Customer understands and agrees that said facilities are to be constructed, installed, owned, operated, tested and/or maintained in the manner and under the conditions set forth in the attached Agreement, which was entered into by Customer and AEP on _____, 2009.

**AMERICAN ELECTRIC POWER
FORMULA RATE FOR FACILITY CONSTRUCTION,
OPERATION AND MAINTENANCE**

General

The formula rate contained in this document applies when construction, operation and/or maintenance activities are performed for non-AEP Parties, under circumstances precluding the charging of a profit margin. The American Electric Power Companies¹ (AEP) will recover costs for such operation and maintenance activities through bills which reflect the cost AEP has incurred in six categories, namely: 1) materials, 2) labor, 3) equipment, 4) outside services, 5) engineering and administration, and 6) taxes.

AEP charges its costs for construction, operation and maintenance activities on behalf of others to special work orders which accumulate the costs to be billed. As a result of these accounting procedures, the charges billed to non-AEP Parties are not reflected in AEP's transmission, operation, maintenance, or plant accounts.

However, the costs which AEP incurs and bills in such cases are the kinds of costs which would be assignable to the following FERC Uniform System of Accounts if they were incurred in connection with AEP's owned property:

Operation and Maintenance - Transmission Operation and Maintenance Expenses

- 560 - Operation Supervision and Engineering
- 562 - Station Expenses
- 563 - Overhead Line Expenses
- 566 - Miscellaneous Transmission Expenses
- 568 - Maintenance Supervision and Engineering
- 569 - Maintenance of Structures
- 570 - Maintenance of Station Equipment
- 571 - Maintenance of Overhead Lines

Construction - Transmission Plant Costs

- 352 - Structures and Improvements
- 353 - Station Equipment
- 397 - Communications Equipment
- 108 - Accumulated Provision for Depreciation

All Activities - Administrative, General and Other Expenses

¹ Public Service Company of Oklahoma and Southwestern Electric Power Company

920 - Administrative and General Salaries
408 - Taxes Other Than Income Taxes

The charges billed for maintenance in each of the previously identified six categories are discussed in order below.

1. Materials

Materials charges (M) are made in four sub-categories: 1) direct material costs (DM), which may be delivered direct from vendors to the job site (VDM) or issued from company stores (SDM), 2) purchasing expenses, 3) stores expenses, and 4) exempt minor materials (EM). The latter three costs are charged using material loading rates.

Direct material costs are vendor invoiced charges for items, other than exempt minor materials, which are used for Customer maintenance. Purchasing expenses are material overhead costs incurred in selecting and ordering materials. Stores expenses are the costs of performing the stores function. Exempt minor materials are low cost expendable materials, supplies, and hand tools used in Transmission and Distribution construction, maintenance, or operations.

Material items which are delivered direct from the vendor to the job site (VDM) are charged at cost, plus a purchasing loading rate (plr) of 1%, up to a maximum of \$150 per invoice. Materials issued from company storerooms for individual work orders (SDM) are charged at cost, plus a combined stores/purchasing loading rate (slr) and an exempt minor materials loading rate (mlr).

Projected annual stores and exempt minor materials costs are divided by projected annual costs of stores issued materials (SDM + EM) to determine projected stores and exempt minor materials loading rates (slr and mlr, respectively). The rates are reviewed monthly and adjusted as required in order to clear current year stores expense and exempt minor materials costs to the accounts charged with the materials issued.

In symbolic format, the charges for materials are calculated as follows:

$$M = DM + [VDM \times (\text{plr}), \text{ up to } \$150/\text{bill}] + SDM \times (1 + (\text{mlr})) \times (\text{slr})$$

2. Labor

Labor (L) is charged to Operating Company maintenance work orders in three parts - direct labor (DL), fringe labor costs (FL), and miscellaneous out-of-pocket employee expenses (ME). Direct labor charges reflect the actual work hours (whr) and basic hourly rates of pay (hrp) for the personnel that are directly involved; i.e., $DL = (\text{whr}) \times (\text{hrp})$. Fringe labor costs for vacation, holiday, sick leave, and other paid time away, plus payroll taxes, insurance, workers' compensation, pension, and savings plan expenses are recovered through labor loading rates (llr) which are developed by dividing fringe labor costs by earned payroll. The labor loading rates are reviewed monthly and adjusted, as needed, to clear fringe labor costs yearly.

In symbolic format, the charges for labor are calculated as follows:

$$L = DL + FL + ME = DL \times (1 + llr) + ME$$

3. Equipment

Equipment (E), primarily vehicles, used in the performance of maintenance are charged based on actual hours of usage (aeu) and hourly equipment cost rates (ecr). Cost of purchasing, leasing, and operating equipment, by equipment class, are collected in clearing accounts and divided by total hours of usage by class to develop the equipment cost rates (ecr). Equipment cost rates are reviewed quarterly and adjusted, as needed, to clear the cost of equipment.

In symbolic format, equipment charges are calculated as follows:

$$E = (aeu) \times (ecr)$$

4. Outside Services

The actual amount of invoices received from vendors for restorative and other maintenance services (S) performed by third parties for AEP on behalf of the Operating Company are charged in maintenance billings by AEP.

5. Engineering and Administration

Engineering and administrative overhead loading rates are used to allocate engineering, supervision, and administrative overhead costs not assigned to specific project work orders. AEP uses separate loading rates for AEP Service Corporation engineering ($SCE_{t\&d}$) and operating company construction overhead costs (CCO). A complete description of the costs recovered through the AEP Service Corporation loading rate ($sclr_{t\&d}$) and the operating company construction loading rate (cclr) is provided in Note 1 to page 218 of each AEP Company's FERC Form-1 Report. A copy of that note is included as the last page in this Attachment 4.

As the description of Construction Overhead Procedure shows, the CCO and $SCE_{t\&d}$ loading rates (cclr and $sclr_{t\&d}$, respectively) are derived in the normal course of business for the purpose of capturing the portions of AEP Service Corporation engineering and operating company construction overhead costs which are incurred in connection with transmission and distribution (T&D) plan construction. The cclr and $sclr_{t\&d}$ are reviewed monthly and updated, as needed, to clear the respective engineering and administrative overhead costs yearly.

In symbolic format the engineering and administration overhead costs (O) are calculated as follows:

$$\begin{aligned} O &= CCO + SCE_{t\&d} \\ \text{Where CCO} &= (M + L + E + S) \times cclr \\ \text{and } SCE_{t\&d} &= (M + L + E + S + CCO) \times sclr_{t\&d} \end{aligned}$$

6. Taxes

The total taxes charged to the Operating Company will be the sum of receipts (RT) and other taxes (OT) incurred.

$$\text{i.e.: } T = RT + OT$$

Summary of Charges

The total Construction or Operation and Maintenance (O&M) charges under this Agreement in symbolic form are:

$$\text{Construction or O\&M} = M + L + E + S + O + T$$

Where M, L, E, S, O, and T are calculated as explained in Sections 1 through 6 above, respectively.

General Description of Construction overhead Procedure:

1A. Engineering and Supervision (American Electric Power Service Corporation)

(a) Overheads "Engineering, Technical and Drafting Services" are engineering services performed by the Engineering Department of American Electric Power Service Corporation (AEPSC).

(b) In accordance with provisions of a service agreement between American Electric Power Service Corporation (AEPSC) and the respondent, approved by the Securities and Exchange Commission February 19, 1981, salaries, expenses and overheads of AEPSC personnel directly relating to construction activities are collected by means of a work order system and billed to the respondent as:

(1) Identifiable costs, generally relating to major construction projects, for which timekeeping and other specific cost identification is economically feasible, and

(2) Non-identifiable costs, generally relating to numerous small construction projects, for which timekeeping and other specific cost identification are not economically feasible.

(c) Charges billed by AEPSC as (b)(1) above are charged directly by respondent to the applicable specific construction projects. Charges billed by AEPSC as (b)(2) above are allocated to all applicable construction projects proportionate to the direct costs charged to such projects.

(d) A uniform rate is applied to all subject construction expenditures.

(e) See (d) above.

(f) See (c) above.

1B. Company Construction Overheads in its own Operating Division, Engineering Department and System Office Departments

(a) Charges representing cost of Company's Engineering Supervision and related drafting and technical work.

(b) On basis of time and work studies.

(c) Spread to accounts in proportion to dollar value on construction for those classes of construction accounts to which these overheads are considered to be applicable.

(d) For each class of overheads the same percentage is used for all types of construction.

(e) Not applicable. See (d) above.

(f) Shown on page 217.

1C. Company Construction Overheads in Administrative and General Departments

(a) Proportion of Administrative and General Expenses representing salaries and expenses of General Office and Managerial employees applicable to construction.

(b) Partly on basis of time and work studies.

(c) Spread to accounts in proportion to dollar value of construction for those classes of construction accounts to which these overheads are considered to be applicable.

(d) For each class of overheads the same percentage is used for all types of construction.

(e) Not applicable. See (d) above.

(f) See note (c) above

Attachment 5

Operating Procedures

Special operating procedures are identified below:

None.

**SERVICE AGREEMENT FOR NETWORK INTEGRATION TRANSMISSION
SERVICE BETWEEN SOUTHWEST POWER POOL, INC. AND EAST TEXAS
ELECTRIC COOPERATIVE, INC.**

This Network Integration Transmission Service Agreement ("Service Agreement") is entered into this 1st day of June, 2015, by and between East Texas Electric Cooperative, Inc. ("Network Customer"), and Southwest Power Pool, Inc. ("Transmission Provider"). The Network Customer and Transmission Provider shall be referred to individually as "Party" and collectively as "Parties."

WHEREAS, the Transmission Provider has determined that the Network Customer has made a valid request for Network Integration Transmission Service in accordance with the Transmission Provider's Open Access Transmission Tariff ("Tariff") filed with the Federal Energy Regulatory Commission ("Commission") as it may from time to time be amended;

WHEREAS, the Transmission Provider administers Network Integration Transmission Service for Transmission Owners within the SPP Region and acts as agent for the Transmission Owners in providing service under the Tariff;

WHEREAS, the Network Customer has represented that it is an Eligible Customer under the Tariff; and

WHEREAS, the Parties intend that capitalized terms used herein shall have the same meaning as in the Tariff.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

- 1.0 The Transmission Provider agrees during the term of this Service Agreement, as it may be amended from time to time, to provide Network Integration Transmission Service in accordance with the Tariff to enable delivery of power and energy from the Network Customer's Network Resources that the Network Customer has committed to meet its load.
- 2.0 The Network Customer agrees to take and pay for Network Integration Transmission Service in accordance with the provisions of Parts I, III and V of the Tariff and this Service Agreement with attached specifications.

- 3.0 The terms and conditions of such Network Integration Transmission Service shall be governed by the Tariff, as in effect at the time this Service Agreement is executed by the Network Customer, or as the Tariff is thereafter amended or by its successor tariff, if any. The Tariff, as it currently exists, or as it is hereafter amended, is incorporated in this Service Agreement by reference. In the case of any conflict between this Service Agreement and the Tariff, the Tariff shall control. The Network Customer has been determined by the Transmission Provider to have a Completed Application for Network Integration Transmission Service under the Tariff. The completed specifications are based on the information provided in the Completed Application and are incorporated herein and made a part hereof as Attachment 1.
- 4.0 Service under this Service Agreement shall commence on such date as it is permitted to become effective by the Commission. This Service Agreement shall be effective through January 1, 2020. Upon termination, the Network Customer remains responsible for any outstanding charges including all costs incurred and apportioned or assigned to the Network Customer under this Service Agreement.
- 5.0 The Transmission Provider and Network Customer have executed a Network Operating Agreement as required by the Tariff.
- 6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below. Such representative and address for notices or requests may be changed from time to time by notice by one Party or the other.

Southwest Power Pool, Inc. (Transmission Provider):

Tessie Kentner

201 Worthen Drive

Little Rock, AR 72223-4936

Email Address: tkentner@spp.org

Phone Number: (501) 688-1782

Network Customer:

East Texas Electric Cooperative, Inc.

Edd Hargett

General Manager

2905 Westward Drive

Nacogdoches, TX 75963-1623

Email Address: eddh@gtpower.com

Phone Number: (936) 560-9532

Fax Number: (936) 560-9215

- 7.0 This Service Agreement shall not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld. However, either Party may, without the need for consent from the other, transfer or assign this Service Agreement to any person succeeding to all or substantially all of the assets of such Party. However, the assignee shall be bound by the terms and conditions of this Service Agreement.
- 8.0 Nothing contained herein shall be construed as affecting in any way the Transmission Provider's or a Transmission Owner's right to unilaterally make application to the Federal Energy Regulatory Commission, or other regulatory agency having jurisdiction, for any change in the Tariff or this Service Agreement under Section 205 of the Federal Power Act, or other applicable statute, and any rules and regulations promulgated thereunder; or the Network Customer's rights under the Federal Power Act and rules and regulations promulgated thereunder.

9.0 By signing below, the Network Customer verifies that all information submitted to the Transmission Provider to provide service under the Tariff is complete, valid and accurate, and the Transmission Provider may rely upon such information to fulfill its responsibilities under the Tariff.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

TRANSMISSION PROVIDER

NETWORK CUSTOMER

/s/ Carl Monroe
Signature

/s/ Edd Hargett
Signature

Carl Monroe
Printed Name

Edd Hargett
Printed Name

EVP & COO
Title

Manager
Title

May 13, 2015
Date

May 11, 2015
Date

**ATTACHMENT 1 TO THE NETWORK INTEGRATION TRANSMISSION SERVICE
AGREEMENT**

**BETWEEN SOUTHWEST POWER POOL, INC. AND EAST TEXAS ELECTRIC
COOPERATIVE, INC.
SPECIFICATIONS FOR NETWORK INTEGRATION TRANSMISSION SERVICE**

1.0 Network Resources

The Network Resources are listed in Appendix 1.

2.0 Network Loads

The Network Load consists of the bundled native load or its equivalent for Network Customer load in the American Electric Power Company Zone as listed in Appendix 3.

The Network Customer's Network Load shall be measured on an hourly integrated basis, by suitable metering equipment located at each connection and delivery point, and each generating facility. The meter owner shall cause to be provided to the Transmission Provider, Network Customer and applicable Transmission Owner, on a monthly basis such data as required by Transmission Provider for billing. The Network Customer's load shall be adjusted, for settlement purposes, to include applicable Transmission Owner transmission and distribution losses, as applicable, as specified in Sections 8.5 and 8.6, respectively. For a Network Customer providing retail electric service pursuant to a state retail access program, profiled demand data, based upon revenue quality non-IDR meters may be substituted for hourly integrated demand data. Measurements taken and all metering equipment shall be in accordance with the Transmission Provider's standards and practices for similarly determining the Transmission Provider's load. The actual hourly Network Loads, by delivery point, internal generation site and point where power may flow to and from the Network Customer, with separate readings for each direction of flow, shall be provided.

3.0 Affected Zone(s) and Intervening Systems Providing Transmission Service

The affected Zone is American Electric Power Company. The intervening systems providing transmission service are Entergy Corporation.

4.0 Electrical Location of Initial Sources

See Appendix 1.

5.0 Electrical Location of the Ultimate Loads

The loads of Network Customer identified in Section 2.0 hereof as the Network Load are electrically located within the American Electric Power Zone.

6.0 Delivery Points

The delivery points are the interconnection points identified in Section 2.0 as the Network Load.

7.0 Receipt Points

The Points of Receipt are listed in Appendix 2.

8.0 Compensation

Service under this Service Agreement may be subject to some combination of the charges detailed below. The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.

8.1 Transmission Charge

Monthly Demand Charge per Section 34 and Part V of the Tariff. An apportionment of the Northeast Texas Electric Cooperative (NTEC) monthly demand charges are assigned to ETEC pursuant to an Assignment Letter Agreement dated January 6, 1994 and restated effective September 1, 1997 between SWEPCO, NTEC, and ETEC filed as FERC ER94-891-000. The billing formula is attached as Appendix 4.

8.2 System Impact and/or Facility Study Charge

Studies may be required in the future to assess the need for system reinforcements in light of the ten-year forecast data provided. Future charges, if required, shall be in accordance with Section 32 of the Tariff.

8.3 Direct Assignment Facilities Charge

Direct Assignment Transmission Facilities Charges shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

8.4 Ancillary Service Charges

8.4.1 The following Ancillary Services are required under this Service Agreement.

- a) Scheduling, System Control and Dispatch Service per Schedule 1 of the Tariff.
- b) Tariff Administration Service per Schedule 1-A of the Tariff.

- c) Reactive Supply and Voltage Control from Generation Sources Service per Schedule 2 of the Tariff.
- d) Regulation and Frequency Response Service per Schedule 3 of the Tariff.
- e) Energy Imbalance Service per Schedule 4 of the Tariff.
- f) Operating Reserve - Spinning Reserve Service per Schedule 5 of the Tariff.
- g) Operating Reserve - Supplemental Reserve Service per Schedule 6 of the Tariff.

The Ancillary Services may be self-supplied by the Network Customer or provided by a third party in accordance with Sections 8.4.2 through 8.4.4, with the exception of the Ancillary Services for Schedules 1, 1-A, and 2, which must be purchased from the Transmission Provider. The Transmission Provider will recognize credits for Ancillary Service Schedule 2 pursuant to the Self Supply of Ancillary Services Letter Agreement between American Electric Power and the Network Customer dated February 27, 2006 and filed in FERC Docket No. ER05-520-000, as such letter agreement may be amended from time to time. The Transmission Provider will net bill for Ancillary Service Schedule 2 reflecting credits for the customers reactive supply resources recognized under the Self Supply of Ancillary Services Letter Agreement.

8.4.2 In accordance with the Tariff, when the Network Customer elects to self-supply or have a third party provide Ancillary Services, the Network Customer shall indicate the source for its Ancillary Services to be in effect for the upcoming calendar year in its annual forecasts. If the Network Customer fails to include this information with its annual forecasts, Ancillary Services will be purchased from the Transmission Provider in accordance with the Tariff.

8.4.3 When the Network Customer elects to self-supply or have a third party provide Ancillary Services and is unable to provide its Ancillary Services, the Network Customer will pay the Transmission Provider for such services and associated penalties in accordance with the Tariff as a result of the failure of the Network Customer's alternate sources for required Ancillary Services.

8.4.4 All costs for the Network Customer to supply its own Ancillary Services shall be the responsibility of the Network Customer.

8.5 Real Power Losses - Transmission

The Network Customer shall be responsible for losses in accordance with Attachment M of the Tariff.

8.6 Real Power Losses - Distribution

8.7 Power Factor Correction Charge

8.8 Redispatch Charge

Redispatch charges shall be in accordance with Section 33.3 of the Tariff.

8.9 Wholesale Distribution Service Charge

Wholesale Distribution Service Charges shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

8.10 Network Upgrade Charges

A. The Network Customer has confirmed the following Network Resources requiring Network Upgrades:

1. Harrison County Power Plant, 31 MW from POR – CSWS, Source – CSWS.HCPP to POD – CSWS, Sink- CSWS, as more specifically identified in transmission request 81059681. Contingent upon the completion of required upgrade as specified below, designation of this network resource shall be effective on June 1, 2015 and remain effective through June 1, 2024.

Requested service requires completion of the following aggregate study SPP-2013-AG3 allocated network upgrades. The costs of these upgrades are not allocated to the Network Customer.

Construction Pending Upgrade

Upgrade Name	Upgrade Description	Transmission Owner	Date Required in Service
CHAMBER SPRINGS - FARMINGTON AECC 161KV CKT 1 AECC	Upgrade 1272 AAC bus at Farmington REC. Replace bus at Farmington REC and rebuild 400 feet of the 161 kV line going to Chamber Springs.	AECC	6/1/2021

- B. In the event that the Network Upgrades specified as necessary for the provision of service are not completed by the required time, service for the dependent Designated Resource shall be provided as Secondary Service until the specified Network Upgrades are completed and will be subject to NN-6 curtailment priority in accordance with the Transmission Loading Relief procedures in Attachment R of the Tariff. As an alternative to this treatment, the Network Customer may request redispatch at its cost on an interim basis to sustain service on a firm basis.
- C. Upon completion of construction of the assigned upgrades, funding of their costs shall be reconciled and trued-up against actual construction costs and requisite, additional funding or refund of excess funding shall be made between the Transmission Provider and the Network Customer.

8.11 Meter Data Processing Charge

8.12 Other Charges

Charges for Data Processing Services shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

9.0 Credit for Network Customer-Owned Transmission Facilities. None

10.0 Designation of Parties Subject to Reciprocal Service Obligation. None

11.0 Other Terms and Conditions. None

APPENDIX 1

**Network Resources of
East Texas Electric Cooperative, Inc.**

APPENDIX 1 EAST TEXAS ELECTRIC COOPERATIVE NETWORK RESOURCES

Network Resource	Maximum Net Dependable Capacity		Location	Comments
	Summer	Winter		
Restated and Amended Power Sales Agreement between Southwestern Electric Power Company (SWEPCO) and East Texas Electric Cooperative, Inc. effective March 1, 2014.	92	116	Various	SWEPCO agrees to sell to ETEC and ETEC agrees to purchase from SWEPCO, the power and energy required by ETEC to meet ETEC load requirements at the Points of Delivery (as listed in Appendix 2) in excess of the power and energy supplied by ETEC power supply. SWEPCO agrees to sell ETEC sufficient Capacity to meet the peak demand and planning reserve capacity. SWEPCO shall supply ETEC with Ancillary Services 3, 4, 5, and 6.
Harrison County Power Plant	Summer & Winter Profile 31 MW 6/1/2015 to 1/1/2018, 50 MW 1/1/2018 to 1/1/2019, 40 MW 1/1/2019 to 1/1/2020, 30 MW 1/1/2020 to 1/1/2021, 21 MW 1/1/2021 to 1/1/2022, 12 MW 1/1/2022 to 1/1/2023, 2 MW 1/1/2023 to 6/1/2024		Harrison County, TX	Term of Service: 6/1/2015 to 6/1/2024 OASIS Ref: 81059681

Appendix 2

**Receipt Points of
East Texas Electric Cooperative, Inc**

Appendix 3

**Delivery Points of
East Texas Electric Cooperative, Inc.**

APPENDIX 3 EAST TEXAS ELECTRIC COOPERATIVE DELIVERY POINTS

SPP Bus Number	Delivery Point Name	Ownership	Voltage (kV)
509320	ALTO 4	ETEC	138
509324	PINEGRV4	ETEC	138
509321	BEREA 4	ETEC	138
509322	GRAPLND4	ETEC	138
509323	LATEXO 4	ETEC	138
509326	SLOCUM4	ETEC	138
509325	MUSTPR4	ETEC	138
508357	BENWHEL4	ETEC	138
508358	GARDVAL4	ETEC	138
508358	KENSULI4	ETEC	138
508353	QUITMAN2	ETEC	138
508358	PECANHL4	ETEC	138
509101	TRCD 38	Rayburn Country	138

Appendix 4

Mr. W. D. Heldt
 January 6, 1994
 Exhibit A

BILLING FORMULA FOR
 ASSIGNMENT BY NTEC TO ETEC
 OF NTEC's RIGHTS TO PURCHASE POWER AND ENERGY

<u>Line</u>					
1	SUPPLEMENTAL DEMAND				
2	Fixed Assignment			30,000 kW	
3	One-Half Load Growth				
4	Peak Demand (see Notes 1 & 2)		kW		
5	1992 Peak Demand (see Note 1)	399,250 kW			
6	Load Growth (see Note 3)	(L4 - L5) kW			
7	One-Half Load Growth			(L6 * .5) kW	
8	Total Demand Assigned			(L2 + L7) kW	
9	Demand Rate (see Note 2)			\$/kW	
10	Assigned Supplemental Demand Charge				(L8 * L9)
11	SUPPLEMENTAL ENERGY				
12	<u>Supplemental Energy Allocation Ratio</u>				
13	Ratio of 1/2 load growth to supplemental demand, less 30 MW				
14	Ratio (L7 / (supplemental demand - 30,000))				
15	Ratio (L14)				
16	Total Supplemental Energy				kWh
17	Supplemental Energy Assigned (see Note 4)				
18	Allocation to 30 MW @ 100% L.F.			(30,000 kW * Hours) kWh	
19	Allocation to 1/2 load growth (Total supplemental energy less energy assigned to 30 MW times allocation ratio)			(L16 - L18) * L15 kWh	
20	Total Energy Assigned			(L18 + L19) kWh	
21	Supplemental Energy Rate (see Note 2)			\$/kWh	
22	Assigned Supplemental Energy Charge				(L20 * L21)
23	TRANSMISSION CHARGE				
24	Total Transmission Charge (see Note 2)			\$	
25	<u>Transmission Charge Allocation Ratio</u>				
26	Total Demand Assigned to Total Demand				
27	Ratio = (L8 / L4)			(L8 / L4)	
28	Assigned Transmission Charges				(L24 * L27)
29	TOTAL ASSIGNED CHARGES				<u>(L10 + L22 + L28)</u>

Note 1: Average of the four highest demands at the generator.

Note 2: Estimates will be used initially but rates, charges, and demands will be trued up at the same time rates, charges, and demands are trued up in formula rates for service to NTEC.

Note 3: Difference shall not be less than zero.

Note 4: Supplemental Energy Assigned cannot be greater than Total Supplemental Energy (Line 16).

Appendix 5

Interconnection and Local Delivery Service Agreement

**Interconnection and Local Delivery
Service Agreement**

between

American Electric Power Service Corporation

and

East Texas Electric Cooperative, Inc.

INTERCONNECTION AND LOCAL DELIVERY SERVICE AGREEMENT

This Interconnection and Local Delivery Service Agreement including all appendices referenced and attached (“Agreement”) is entered into this 21st day of July 2010, by and between East Texas Electric Cooperative, Inc. (“ETEC” or “Customer”), and American Electric Power Service Corporation, as Designated Agent for the AEP Operating Companies¹ (“AEP”), being sometimes herein referred to collectively as the “Parties” or singularly as a “Party”. In consideration of the mutual covenants and agreements herein, it is agreed as follows:

WITNESSETH:

WHEREAS, the AEP companies are wholly owned subsidiaries of American Electric Power Company, Inc., owning and operating, *inter alia*, electric facilities for, and engaged in, the generation, transmission, distribution and sale of electric power and energy;

WHEREAS, Customer is an electric cooperative engaged in the generation, purchase, sale, transmission and/or distribution of electric power and energy; and

WHEREAS, Southwest Power Pool, Inc. (“SPP”), is a Regional Transmission Organization (“RTO”), offering transmission service to eligible customers, and having functional control over the AEP West Zone transmission network (“Transmission Provider”); and

WHEREAS, the Parties wish to establish the terms and conditions of the interconnection and local delivery services as defined under this Interconnection and Local Delivery Service Agreement (“ILDSA”) that AEP will provide to Customer in coordination with, but separate from, the transmission service that will be provided by the SPP RTO;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants set forth herein, the Parties agree as follows:

Article 1. Applicable Tariffs

1.1 Applicability of Tariffs: During the term of this Agreement, as it may be amended from time to time, AEP agrees to provide Interconnection and Local Delivery Services for the Customer, and the Customer agrees to pay for such services the charges identified in Attachment 1 hereto and such other charges as shall be applicable hereunder, in accordance with this Agreement and the applicable provisions of the Open Access Transmission Tariff of the AEP System (“AEP Tariff”) and as to certain provisions referenced herein, the Open Access Transmission Tariff of the SPP

¹ Public Service Company of Oklahoma and Southwestern Electric Power Company both of which do business in the SPP as AEP.

RTO (“SPP Tariff”), as each tariff shall at any time during the term of this Agreement be on-file and accepted by the Federal Energy Regulatory Commission (“Commission”), including any applicable Schedules and Attachments appended to such tariffs. Interconnection and Local Delivery Services means interconnection of the Parties’ transmission and/or distribution facilities and wholesale distribution service over AEP facilities that are subject to the jurisdiction of the Commission but not expressly provided by the SPP RTO under the SPP Tariff. AEP shall not provide any services or make any charges hereunder that are provided or charged by the SPP RTO under the SPP Tariff or that would be provided or charged under the AEP Tariff. Capitalized terms that are not defined within this Agreement shall have the meanings as specified in the SPP Tariff or the AEP Tariff as applicable.

1.2 Governance over Conflicts: The terms and conditions of such Interconnection and Local Delivery Services shall be governed by this Agreement, the SPP Tariff, and the AEP Tariff, as they exist at the time of this Agreement, or as hereafter amended. The AEP Tariff, as it currently exists or as hereafter amended, is incorporated in this Agreement by reference. In the case of any conflict between this Agreement and the AEP Tariff or SPP Tariff, the AEP Tariff or SPP Tariff shall control, except that the SPP Tariff shall control if the AEP Tariff and the SPP Tariff are in conflict.

Article 2. Delivery Points

2.1 Existing Delivery Points: AEP will provide Interconnection and Local Delivery Service over the existing facilities connecting AEP power delivery facilities to Customer’s (or its members) power delivery facilities and new AEP facilities committed to under agreements existing as of the date of this Agreement connecting the Customer’s (or its members’) power delivery facilities to the AEP power delivery facilities (“Delivery Points”) listed in Attachment 1, and illustrated in corresponding one line diagram(s) contained in Attachment 2, both of which may be amended from time to time by mutual agreement of the Parties. The Customer and AEP shall endeavor to operate their respective facilities in continuous synchronism through such Delivery Points. AEP and the Customer, acting through its members if applicable, to the extent practicable, shall each maintain the facilities on their respective sides of all Delivery Points, in order that said facilities will operate in a reliable and satisfactory manner, and without material reduction in their intended capacity or purpose.

If the function of any such facility is impaired or the capacity of any Delivery Point is reduced or such synchronous operation at any Delivery Point becomes interrupted, either manually or automatically, as a result of *Force Majeure* or maintenance coordinated by the Parties, AEP and the Customer, acting through its members if applicable, shall cooperate to remove the cause of such impairment, interruption or reduction, so as to restore normal operating conditions expeditiously.

Notwithstanding this or any other provision of this Agreement, AEP shall retain the sole responsibility and authority for operating decisions as they relate to the integrity and security of the AEP system.

2.1.1 Interruption or Reduction of Service at the Delivery Points: The continuity of service at any Delivery Point provided under this Agreement may be interrupted or reduced, (a) by operation of automatic equipment installed for power system protection, (b) after consultation with the affected Party, if practicable, at any time that a Party deems it desirable for installation, maintenance, inspection, repairs, or replacement of equipment, and (c) at any time that in the judgment of the interrupting Party such action is necessary to protect personnel or the public, preserve the integrity of, or to prevent or limit any instability on, or to avoid a burden on, their respective system or prevent damage to equipment.

2.2 Changes in Delivery Points and Local Delivery Facilities: When it becomes necessary or desirable to make changes in the Delivery Point facilities, to upgrade, retire, replace or establish a new Delivery Point, including metering or other facilities at such location, the provisions of this Section shall apply.

2.2.1 Study Requests for Changes in Delivery Facilities: The Customer shall make requests for changes in local delivery facilities, including facility upgrades, retirements and replacements, or the establishment of any new Delivery Point in writing to AEP, delivered to Manager, Transmission and Interconnection Services, and to Manager, Southwest Transmission Planning. If applicable, AEP will coordinate with SPP regarding SPP studies that are required to evaluate such requests. If applicable, Customer agrees to enter into agreements with SPP for SPP to study such requests. A request for a new Delivery Point or modification of an existing Delivery Point should include, at a minimum, the following information:

- a) Nature of the change such as: modifications to an existing Delivery Point, new Delivery Point, increased capacity, and retirement, etc.;
- b) Location of the Delivery Point;
- c) Voltage class of the Delivery Point;
- d) Specific AEP transmission or distribution facility that the Delivery Point is to be connected to;
- e) Non-binding, good faith estimate of the amount of load to be served by the Delivery Point for the first 5 years;
- f) Specific modifications to an existing Delivery Point, if applicable; and
- g) Desired in-service date.

2.2.2 Load Connection Study: Unless otherwise mutually agreed, AEP shall respond within ten (10) Business Days of receipt of such a request and, if necessary, provide a Load Connection Study (“LCS”) Agreement and a list of any additional information that AEP would require from the Customer to proceed with such study. Unless otherwise agreed, the LCS Agreement shall commit the Customer to pay AEP the actual cost to complete the study and make an advance deposit equal to the estimated study cost or \$25,000, which ever is less. The Customer shall execute and deliver the LCS Agreement and required deposit to AEP within thirty (30) Calendar Days following its receipt. Upon receipt of the executed study agreement, study data as requested above, and the required deposit, AEP shall carry out the LCS. In the LCS, AEP shall assess the feasibility of modifying an existing Delivery Point or

establishing the new Delivery Point using power flow and short circuit analyses and any other analyses that may be appropriate. It shall also determine the details and estimated cost of facilities necessary for establishing the requested Delivery Point and any system additions/upgrades needed to address any problems identified in the LCS.

If the Customer fails to return an executed LCS Agreement and required deposit within thirty (30) Calendar Days of receipt or at a later date as the Parties may mutually agree, AEP shall deem the study request to be withdrawn. The Customer may withdraw its study request at any time by written notice of such withdrawal to AEP.

AEP shall complete the study and issue a draft LCS report to the Customer within sixty (60) Calendar Days after receipt of an executed LCS Agreement, deposit and necessary data as requested above, or at a later date as the Parties may mutually agree. Customer may, within thirty (30) Calendar Days after receipt of the draft LCS report, submit written comments to AEP, which shall be incorporated into and addressed in the final report. AEP shall issue the final LCS report within fifteen (15) Calendar Days after receiving Customer's comments or promptly after receiving Customer's notice that it has no comments. AEP may extend the fifteen-day period upon notice to Customer that Customer's comments require additional analysis or significant modification of the report, such extension not to exceed thirty (30) Calendar Days.

The results of the LCS shall be valid until the latter of (i) the date one year from the date the final LCS report is delivered to Customer or (ii) thirty (30) days after the resolution of any dispute brought pursuant to Section 5.8 of this Agreement, provided that such dispute was initiated within ninety days of the date the final LCS report is delivered to Customer. If the Customer delays for more than one year the continuation of the process for establishment of a new Delivery Point by failing to execute a Facilities Agreement (as described in Section 2.3), the Customer's request shall be deemed withdrawn, and a new request and new LCS may be required.

Upon completion of the LCS, the Customer shall reimburse AEP for the unpaid cost of the LCS if the cost of the study exceeds the deposit. AEP shall refund the Customer, with interest, any portion of the deposit that exceeds the cost of the LCS. The interest rate will be computed in accordance with 18 C.F.R. § 35.19a(a)(2).

2.2.3 Modifications to Study Request: During the course of an LCS, either the Customer or AEP may identify desirable changes in the planned facilities that may improve the costs and/or benefits (including reliability) of the planned facilities. To the extent the revised plan and study schedule are acceptable to both AEP and the Customer, such acceptance not to be unreasonably withheld, AEP shall, at Customer's Expense, proceed with any necessary restudy.

2.3 Engineering, Design and Construction of New Facilities: If Customer elects to proceed with the Delivery Point as described in the LCS report, Customer must notify AEP not less than thirty (30) days prior to the expiration of the LCS results as described in Section 2.2.2. Upon

receipt of such notice, AEP shall within ten (10) business days offer Customer a Facilities Agreement which describes the Parties' responsibilities for engineering, design, construction, ownership, operation and maintenance of the facilities described in the LCS report and any creditworthiness requirements of AEP Tariff Section 11 ("Creditworthiness") and/or additional technical information that Customer must provide. Customer and AEP shall use their best efforts to execute the Facilities Agreement prior to the expiration of the LCS results as described in Section 2.2.2.

In a case where an LCS has been determined not to be necessary, if Customer elects to proceed with the Delivery Point as described in its study request, Customer must notify AEP within thirty (30) days after AEP informs Customer that an LCS is not necessary. Upon receipt of such notice, unless otherwise mutually agreed, AEP shall within ten (10) business days offer Customer a Facilities Agreement which describes the Parties' responsibilities for engineering, design, construction, ownership, operation and maintenance of any necessary facilities and any creditworthiness requirements of AEP Tariff Section 11 and/or additional technical information that Customer must provide.

Each Facilities Agreement will be incorporated into this Agreement, initially as an attachment hereto, and after project completion through inclusion in Attachment 1 and Attachment 2. Following (i) the execution of the Facilities Agreement, (ii) the receipt of any outstanding technical information, and (iii) the receipt of any required deposit, instrument, or showing that Customer meets the Creditworthiness requirements of the AEP Tariff Section 11, the Parties will proceed with the engineering, design, and procurement activities to construct, reconfigure, upgrade, replace, or retire such local delivery or other facilities as described in the Facilities Agreement. All Facilities Agreements for Delivery Points existing as of the date of this Agreement and described in Attachment 1 shall remain in full force and effect in accordance with their terms.

2.4 Cost Recovery Protection: Pursuant to this Agreement, AEP and Customer will cooperate regarding the planning, provision and utilization of transmission and local delivery facilities needed to reliably deliver power and energy to Customer's loads connected to AEP's facilities. As such, AEP may be required to construct or otherwise expand transmission and local delivery facilities, predicated upon Customer's planned use of such facilities, including the Customer's planned use of external and internal generating capacity. If the Customer alters its use of the transmission and/or local delivery service facilities, through the transfer of load to the system of another service provider, AEP may be entitled to compensation for "Stranded Costs" (defined as the unrecovered cost of any facilities exclusively constructed pursuant to this Agreement to accommodate Local Delivery Service) to the extent such load transfer causes AEP's revenues to be reduced. Any such claim for Stranded Costs by AEP shall be net of the present value of any incremental transmission revenue that AEP will receive by providing transmission or local delivery service to other customers using the transmission or local delivery capacity freed up by the Customer's load change. To the extent practicable, AEP will make efforts to find customers to take the available transmission service to minimize the stranded cost recovery on a case by case basis. AEP will make a Section 205 filing under part 35 of Commission's regulations to seek Commission authorization for any Stranded Cost recovery, identifying the facilities and voltages and recovery support for the cost and

duration of the recovery period. This Section 2.4 shall not apply if Customer is making payments pursuant to Section 2.5 or Section 2.6.

2.5 Abandonment of Exclusive-Use Facilities: In the event Customer abandons a Delivery Point that is exclusively dedicated to service to Customer and the cost of AEP facilities at the Delivery Point is directly assigned to Customer, Customer shall pay AEP the depreciated book value plus removal cost less salvage value of such facilities used exclusively to supply Customer, or Customer may purchase such facilities at depreciated book value provided Customer removes or otherwise disconnects such facilities from a direct connection to the AEP system.

2.6 Abandonment of Joint-Use Facilities and Reductions in Load: If a Party abandons a Delivery Point that is used to supply the retail loads of both Parties or if it removes load from such a Delivery Point, for each of the next two (2) years following such abandonment or reduction in loading, the Party initiating the change shall continue to bear the same cost for its share of any joint-use distribution-related facilities for which the costs are directly assigned to Customer.

2.7 In-Line Facilities: Unless provided otherwise by the SPP Tariff and/or unless Customer and AEP otherwise agree AEP shall have the sole right to operate, maintain, and at its option, to own any new facilities that (i) are required to facilitate Interconnection and Local Delivery Service pursuant to this Agreement, (ii) are to be installed in-line with AEP's facilities, and (iii) may affect the continuity and reliability of AEP facilities that provide or protect service to other customers.

2.8 Connection Guide: The requirements for connection of non-generating facilities to the AEP West transmission system are contained in the AEP document "Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP West Transmission System", referred to herein as the "Connection Guide" or its successor. AEP shall make available a then-current version of the Connection Guide to Customer any time that AEP provides an SIS Agreement to Customer pursuant to Section 2.2.2. Copies of this document also can be obtained from AEP Transmission Planning.

Article 3. Local Delivery Services

3.1 Measurement of Load At Each Delivery Point: The Customer's load, kW, kWh and kVAR at each Delivery Point shall be measured at least on an hourly integrated basis, by suitable revenue grade metering equipment. AEP agrees to provide and install the necessary metering equipment for new Delivery Points. The measurements taken and required metering equipment shall be as needed for all settlement purposes under this Agreement, the AEP Tariff, and the SPP Tariff and in accordance with the AEP standards and practices as contained in the Connection Guide. At points where power may flow to and from the Customer, separate measurements shall be obtained for each direction of flow. Any necessary metered data shall be made available with such frequency and at such times as may be required by AEP, Customer, and SPP in suitable electronic format. If AEP, Customer or SPP requires real-time load or facility status information from any Delivery Point, the other Party shall cooperate, to the extent necessary, in order that such monitoring and telecommunications equipment, as shall be needed for such purpose may be

installed and maintained during normal business hours common to AEP and Customer. AEP shall provide to Customer, on a monthly basis by the fifth (5th) Business Day after the end of the prior month, such data as required for billing. Customer shall compensate AEP for metering and meter data processing services as specified in Attachment 1 of this Agreement. The Customer need not pay for behind the meter generator data that is self-supplied.

Customer will be permitted to remotely interrogate any AEP delivery point meter for the purpose of obtaining Customer's load data and, if available, power quality data through read-only access via the AEP delivery point meter modem and telephone circuit or real time Supervisory Control and Data Acquisition ("SCADA") system equipment. At the request of Customer, AEP will cooperate on the installation of "smart" technology metering in place of the standard metering equipment at a delivery point, provided; however, that AEP shall not be obligated to install, operate or maintain any meter or related equipment that is not approved for use on the AEP System. AEP will also cooperate with Customer on the installation of any additional telephone circuit(s) and/or satellite communications devices with associated data circuits or other mode(s) of communications and allow for the connection of such meter communications circuit(s) to the Customer's real time SCADA system equipment, provided that such equipment connections and communications can be accomplished in a manner that does not interfere with the operation of AEP equipment or fulfillment of any statutory or contractual obligation. If the potential for such interference exists, AEP will work with the Customer, through reasonable measures, to resolve such metering and/or communications issues. As with standard metering, Customer will bear all costs associated with smart technology metering, additional communication, and/or SCADA equipment it requests.

3.2 Compensation for Local Delivery Services: Under this Agreement, the Customer shall, to the extent consistent with Federal Energy Regulatory Commission Policy, reimburse AEP its costs associated with Interconnection and Local Delivery Service facilities (both new and existing) where the cost of such facilities is directly assigned to Customer and not otherwise recovered through the transmission charges under the SPP Tariff. Such costs shall be reimbursed either through monthly charges agreed to by the Parties, which charges shall be specified in Attachment 1 or, at AEP's option, pursuant to the Formula Rate for Facility Construction, Operation and Maintenance contained in Attachment 4 to this Agreement. The cost of AEP facilities needed to provide Interconnection and Local Delivery Service to Customer shall be allocated as prescribed in the settlement agreement in FERC Docket No. ER07-1069-000. In addition, within ninety days of the Effective Date of the Agreement, AEP shall credit Customer the difference between (i) the total of the monthly facilities charges for the period from January 1, 2009 through the Effective Date of this Agreement and (ii) the total of the monthly facility charges applicable to Customer over the same time period as specified in the settlement agreement in FERC Docket No. ER07-1069-000. Such credit shall include interest computed in accordance with 18 C.F.R. § 35.19a(a)(2).

3.3 Load Power Factor Charges: Load power factor charges will be assessed to the Customer pursuant to the following Delivery Point power factor clause based on the hourly kW and kVAR demand metered at the Delivery Points as follows:

The maximum hourly reactive power (kVAr) demand, both leading and lagging will be measured each month at each Delivery Point. When multiple Delivery Points are operated as closed loops, the real and reactive power measurements will be combined for the purpose of this provision. Customer will incur no load power factor charges if the maximum leading and lagging kVAr demand at each Delivery Point is managed, so as not to exceed 20% of the real power (kW) demand in the same hourly intervals. Charges will be assessed for leading and/or lagging kVAr demand at each Delivery Point if the maximum hourly value of such demand exceeds 20% of the kW demand in the same interval. The charges will be \$0.30/kVAr for all leading and/or lagging kVAr demand in excess of 20% of the corresponding kW demand, provided; however, that when the kVAr demand exceeds 50% of the kW demand, the charge will be \$0.50/kVAr, for all kVAr, leading and/or lagging, in excess of 20% of the corresponding kW demand.

3.4 Losses: The Customer's load shall be adjusted, for settlement purposes, to include AEP West Zone transmission and distribution losses, as applicable and to the extent such losses are not recovered by AEP in any applicable power purchase agreement or through the SPP Tariff. Presently, the Commission approved transmission loss factor for the AEP West Zone is 2.9% of energy received by AEP for transmission to the Customer's Delivery Points ($1/(1-.029)-1=2.987\%$ of delivered energy). Distribution losses shall be assessed, where applicable, at the rates as specified in Attachment 1. To the extent Customer's load at any Delivery Point is supplied from behind the meter generation, losses shall be assessed only for the net load delivered to such Delivery Points by AEP.

3.5 Maintenance of Local Delivery Point Facilities: When AEP provides operation and maintenance ("O&M") services for any Delivery Point and/or distribution facilities owned by the Customer, or its members if applicable, such service will be made pursuant to any repair and maintenance agreement ("O&M Agreement") that may exist between Customer and AEP, or to Attachment 3 of this Agreement.

3.6 Operational Access and Control: Except as provided in Attachment 5, AEP shall have the sole right to enter upon, test, operate and control the facilities covered by this Agreement that are owned by AEP. The right to test, operate and control said facilities includes but is not limited to the power to direct the opening and closing of switches for construction, operation, testing, maintenance and other relevant purposes.

All meters and test switches, whether provided by AEP or Customer, shall be sealed and the seals shall be broken only when the meters are to be tested, adjusted or replaced. The other Party shall be provided as much advance notice as is practicable in the circumstances when the facilities of that Party are to be entered or the seals of any meter are to be broken, and such Party shall be afforded the opportunity to be present during such test, adjustment, repair, replacement.

3.7 Administrative Committee: AEP and Customer shall each appoint a member and at least one alternate to an Administrative Committee, and so notify the other Party of such appointment(s) in writing. Such appointment(s) may be changed at any time by similar notice. Each member and alternate shall be a responsible person familiar with the day-to-day operations of their respective

system. Generally, this would mean that the Administrative Committee representative(s) will be employees of AEP and the Customer, or entities represented by the Customer; however, the representative(s) may be accompanied by other experts, appropriate to the matters to be considered.

The Administrative Committee shall represent AEP and Customer in all matters arising under this Agreement and which may be delegated to it by mutual agreement of the Parties hereto.

3.7.1 Principal Duties: The principal duties of the Administrative Committee shall be as follows:

- a.) To establish operating, scheduling and control procedures as needed to meet the requirements of this Agreement, coordinated operation, and any requirements of the Transmission Provider;
- b.) To address issues arising out of accounting and billing procedures;
- c.) To coordinate regarding the changing service requirements of the Customer and the course of action the Parties will pursue to meet such requirements;
- d.) To coordinate planning, facility construction, and maintenance as appropriate, and to the extent agreed by the Parties; and
- e.) To perform such other duties as may be specifically identified in, or required for the proper function of this Agreement.

3.7.2 Administrative Committee Meetings: The Administrative Committee shall meet or otherwise conference at least once each calendar year, or at the request of either Party upon reasonable notice, and each Party may place items on the meeting agenda. All proceedings of the Administrative Committee shall be conducted by its members taking into account the exercise of Good Utility Practice. If the Administrative Committee is unable to agree on any matter coming under its jurisdiction, that matter shall be resolved pursuant to Section 5.8 of this Agreement, or otherwise, as mutually agreed by Customer and AEP.

Article 4. Customer's Load, Capacity and Other Obligations to the RTO

4.1 AEP Responsibilities: Unless otherwise agreed, AEP shall have only such responsibilities to assist Customer in meeting its obligations to the RTO, as shall be required pursuant to the SPP Tariff, the AEP Tariff, and this Agreement. AEP shall cooperate with SPP and Customer (or Customer's designated Scheduling and/or Metering Agents) to the extent necessary and appropriate to ensure that data that SPP and AEP require is available.

4.2 Behind the Meter Generation: The Parties agree to cooperate with SPP and parties operating generators connected behind load metering such that each Party will receive such

generator output meter information as it requires to satisfy its operating, billing, and reporting requirements.

Article 5. General

5.1 Billing and Payments: As a convenience, and so long as SPP offers such accommodations, monthly charges for Delivery Point power factor, distribution services, meter and related meter reading and data processing services as specified in Attachment 1 hereto will be included in the monthly transmission service invoice issued by the RTO. Customer shall pay the monthly delivery charges invoiced by the RTO in accordance with SPP Tariff, and with respect to such charges Customer shall be subject to SPP creditworthiness provisions. If the Customer receives Transmission Service through an agreement with a third party that contracts with SPP, the charges for Interconnection and Local Delivery Services hereunder may be invoiced to the third party subject to SPP's accommodations and applicable provision of the SPP Tariff or to the Customer, subject to applicable provision of the AEP Tariff.

AEP shall invoice the Customer and the Customer shall reimburse AEP for its costs associated with any facility construction, operation and maintenance or, repair provided under this Agreement in accordance with the AEP Tariff, Section 7 ("Billing and Payments").

Customer shall have the right to receive such cost information as is reasonably necessary to verify that charges are incurred under this Agreement in accordance with Good Utility Practice. Customer shall have the right to audit the AEP accounts and records pertaining to this Agreement, at the offices where such accounts and records are maintained, provided reasonable proper notice is given prior to any audit, and provided further that the audit will be limited to those portions of such accounts and records that relate to services provided under this Agreement.

5.2 Taxes on Contributions in Aid of Construction: When the Customer funds the construction of AEP-owned facilities pursuant to a contribution in-aid of construction ("CIAC"), the Customer also shall reimburse AEP for the tax effect of such CIAC (a "Tax Effect Recovery Factor" or "TERF"), where such payment is considered taxable income and subject to income tax under the Internal Revenue Service ("IRS") and/or a state department of revenue (State) requirements. The TERF shall be computed consistent with the methodology set forth in Ozark Gas Transmission Corp., 56 F.E.R.C ¶ 61,349 as reflected in the following formula: $TERF = (Current\ Tax\ Rate \times (Gross\ Income\ Amount - Present\ Value\ of\ Tax\ Depreciation)) / (1 - Current\ Tax\ Rate)$. The Present Value of Tax Depreciation Amount shall be computed by discounting AEP's anticipated tax depreciation deductions with respect to the constructed property by AEP's current weighted average cost of capital. If, based on current law, AEP determines such contribution by the Customer shall not be taxable, AEP will not charge a TERF; however, in the event that such contribution is later determined by the IRS or state tax authority to be taxable, the Customer shall reimburse AEP in the amount of the TERF, including any interest and penalty charged to AEP by the IRS and/or state. Such reimbursement is due within thirty (30) Calendar Days of the date upon which AEP notifies the Customer of such determination. If AEP charges a TERF but such contribution is later determined by the IRS or state tax authority not to be taxable, then AEP shall

refund to Customer the amount of the TERF, including interest. Such refund is due within thirty (30) Calendar Days of the date upon which Customer notifies AEP of such determination.

At Customer's request and expense, AEP shall file with the IRS a request for a private letter ruling as to whether any CIAC paid, or to be paid, by Customer to AEP is subject to federal income taxation. Customer will prepare the initial draft of the request for a private letter ruling, and will certify under penalties of perjury that all facts represented in such request are true and accurate to the best of Customer's knowledge. AEP and Customer shall cooperate in good faith with respect to the submission of such request. AEP shall keep Customer fully informed of the status of such request for a private letter ruling and shall execute either a privacy act waiver or a limited power of attorney, in a form acceptable to the IRS that authorizes Customer to participate in all discussions with the IRS regarding such request for a private letter ruling. AEP shall allow Customer to attend all meetings with IRS officials about the request and shall permit Customer to prepare the initial drafts of any follow-up letters in connection with the request.

If Customer shall have reimbursed AEP for the TERF, upon request by Customer and at Customer's expense, AEP shall contest the taxability of such CIAC; provided, however, that AEP shall not be required to contest such taxability if AEP waives the payment by Customer of any amount that might otherwise be payable by Customer under this Agreement in respect of such determination.

5.3 Indemnity: To the extent permitted by law, each Party shall indemnify and save harmless the other Party and its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials from and against any loss, liability, cost, expenses, suits, actions, claims, and all other obligations arising out of injuries or death to persons or damage to property caused by or in any way attributable to the Delivery Point(s) and/or distribution facilities covered by this Agreement, except that a Party's obligation to indemnify the other Party and its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials shall not apply to any liabilities arising solely from the other Party's or its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials negligence, recklessness or intentional misconduct or that portion of any liabilities that arise out of the other Party's or its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials contributing negligent, reckless or intentional acts or omissions.

5.4 Effective Date and Term of Agreement: This Agreement shall become effective and shall become a binding obligation of the Parties on the date on which the last of the following events shall have occurred ("Effective Date"):

- (a) The date first written above when AEP and Customer each shall have caused this Agreement to be executed by their duly authorized representatives and each shall have furnished to the other satisfactory evidence thereof or Customer requested AEP to file an unexecuted service agreement.
- (b) The date this Agreement has been accepted for filing and made effective by order of the Commission under the Federal Power Act, in which case the Effective Date of

this Agreement shall be as specified in the said Commission order. However, if the Commission or any reviewing court, in such order or in any separate order, suspends this Agreement or any part thereof, institutes an investigation or proceeding under the provisions of the Federal Power Act with respect to the justness and reasonableness of the provisions of this Agreement or any other agreement referred to or contemplated by this Agreement, or imposes any conditions, limitations or qualifications under any of the provisions of the Federal Power Act which individually or in the aggregate are determined by AEP or Customer to be adverse to it, then AEP and Customer shall promptly renegotiate the terms of this Agreement in light of such Commission or court action. Each Party shall use its best efforts to take or cause to be taken all action requisite to the end that this Agreement shall become effective as provided herein at the earliest practicable date.

- (c) The date that approval of this Agreement by the Rural Utilities Service is secured, if applicable.

The initial term of this Agreement shall continue for five years after the date the Agreement becomes effective. Thereafter, this Agreement shall automatically renew for successive terms of one year each unless either Party elects to terminate the Agreement by providing written notice of termination to the other Party at least ninety (90) Calendar Days prior to the start of any renewal term.

5.5 Regulatory Authorities: This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises. Nothing contained in this Agreement shall be construed as affecting in any way the right of a Party, as the case may be, to unilaterally file with the Commission an application for a change in rates, charges, classification, service or any rule, regulation or contract relating thereto under Section 205 or 206 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

5.6 Assignment: It is mutually understood and agreed that this Agreement contains the entire understanding between the Parties, that there are no oral, written, implied or other understandings or agreements with respect to the work covered hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, as well as their respective successors and/or assigns. However, neither Party shall assign, transfer or sublet any of the rights hereby granted without the prior written consent of the other Party, provided, however, this Agreement may be assigned by any Party to its lender(s), including the Rural Utilities Service, without the consent of the other Party. Any such lender may assign such interest in and to this Agreement to any subsequent assignee in connection with the sale, transfer or exchange of its rights under this Agreement pursuant to such assignment. In connection with an assignment to a lender, a Party shall, if requested by such lender, provide such documentation as may be reasonably requested with respect to the assignment, provided that such documents do not alter or diminish the rights of the providing Party. If consent is required, such consent shall not be unreasonably withheld.

5.7 Definitions:

- (a) **Business Day** shall mean Monday through Friday, excluding Federal holidays.
- (b) **Calendar Day** shall mean any day including Saturday, Sunday or a Federal holiday.

5.8 Disputes: Any disputes arising out of or in connection with this Agreement shall be resolved pursuant to the provisions of Section 12 (“Dispute Resolution Procedures”) of the AEP Tariff.

Article 6. Notices

6.1 Addresses: Any notice given pursuant to this Agreement shall be in writing as follows:

If to AEP:	American Electric Power Service Corporation Manager, Transmission and Interconnection Services 212 East Sixth Street Tulsa, OK 74119
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And also to:

American Electric Power Service Corporation
Manager, Southwest Transmission Planning
212 East Sixth Street
Tulsa, OK 74119

If to Customer:	General Manager East Texas Electric Cooperative, Inc. P O Box 631623 Nacogdoches, TX 75963-1623
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6.2 Modifications: The above names and addresses of any Party may be changed at any time by notice to the other Party.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed.

East Texas Electric Cooperative, Inc.

By: /s/ Edd Hargett

Name: Edd Hargett

Title: Manager

Date: July 21, 2010

American Electric Power Service Corporation

By: /s/ Robert Pennybaker

Robert L. Pennybaker, Manager

Title: Transmission and Interconnection Services

Date: 7/20/2010

ATTACHMENT 1 -- Delivery Points
to
SWEPCO/ETEC/SPP Interconnect & Local Delivery Service Agreement

**Specifications of Meter and Direct Assignment Charges
for East Texas Electric Cooperative, Inc.**

METER/DELIVERY POINT				METER CHARGES			DIRECT ASSIGNMENT CHARGES				CIAC		Total	
Elec Coop	Delivery Point	Delivery Voltage (kV)	Metered Losses Voltage (kV)	Installed Cost (\$)	Monthly Charge (\$)	Data Proc Services (\$)	Transmission		Distribution		Customer CIAC (\$)	Monthly Credit (\$)	Monthly Charges	
							Installed Cost (\$)	Monthly Charge (\$)	Installed Cost (\$)	Monthly Charge (\$)				
Wood County														
	Sanfield (via Quitman)	69	T	69	12,503	238.49	28.27	-	-	-			266.76	
	Crow Tap	138	T	138	8,886	169.50	56.54	123,937	1,465.56	-	123,937	(1,121.63)	569.97	
	E. Burges	138	T	138	4,443	84.75	28.27	130,000	1,537.25	-	130,000	(1,176.50)	473.77	
	Overton / Crocket	138	T	138	64,691	1233.98	56.54	-	-	-			1,290.52	
TOTALS					\$ 90,523	\$1,726.73	\$ 169.62	\$ 253,937	\$ 3,002.81	\$ -	\$ -	\$ 253,937	\$(2,298.13)	\$ 2,601.02

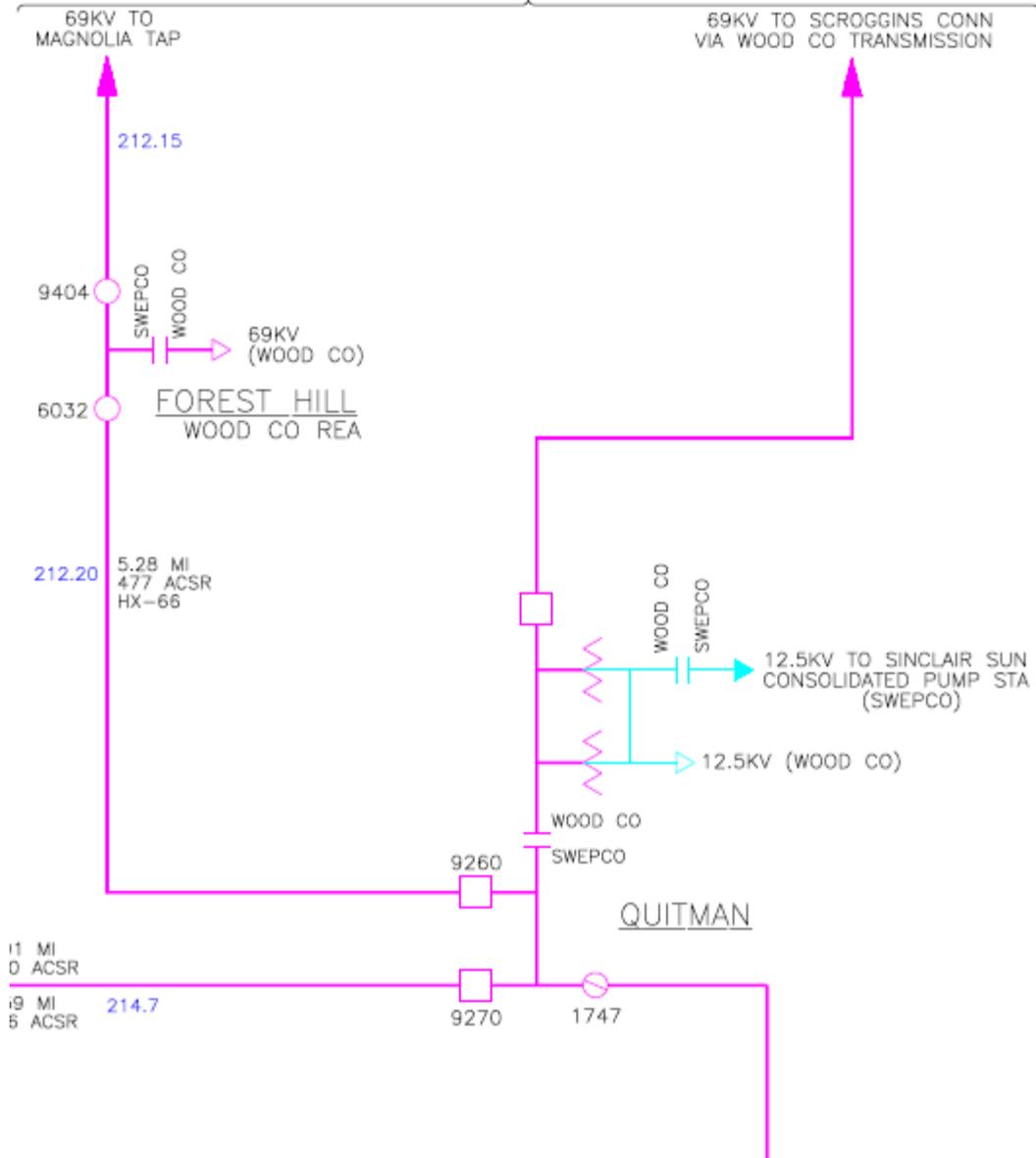
NOTES:

- Sanfield: Served out of SWEPCO Quitman sub (DS0984) via Wood County owned 69 kV breaker. The primary meter is at NTEC (Wood County) Quitman meter point. ETEC Sanfield load is behind the NTEC Quitman meter but is metered separately at the Sanfield station. EMS-09. Non-metering Installed Costs = \$0 per Settlement in Docket ER-07-1069.
- Crow Tap: Formerly known as Hawkins. NTEC's Clyde Brady load is behind the ETEC Crow Tap meter bus is metered separately and deducted. Customer CIAC for three way, 138 kV, 1200 ampere group operated switch structure w/vacuum interrupters. EMS-09.
- E. Burgess: Also known as "Burgess Tap". Not East Burgess but initial E. Burgess. NTEC Burges & Tex-La Star loads are behind the ETEC E Burgess meter. EMS-09. Tap off N. Mineola to Canton circuit.
- Overton / Crocket: The Overton/Crocket delivery point is metered at two locations, Jacksonville Switching Station (EMS-11) and Crocket (EMS-12), which are combined. The Overton portion is metered at Jacksonville 138 kV (CB12600) and Crockett is metered on the 138 kV bus.
- Losses: T = Transmission delivery losses per AEP Tariff; DS = Distribution Xfmr losses + T; DP = Distribution Primary Line + DS (includes T).
- Data Proc Srvs: This includes phone line charges.
- Monthly Charge: Based on 2008 annual carrying charges metering 22.89% and transmission lines 14.19%, including cost of capital, taxes, O&M, A&G, Depreciation, and Working Capital. Transmission CIAC credit = 10.86%.

Net Meter Rev.	\$	1,896.35
Net Trans. Rev.	\$	704.68
Net Dist. Rev.	\$	-
Total (check)	\$	2,601.02

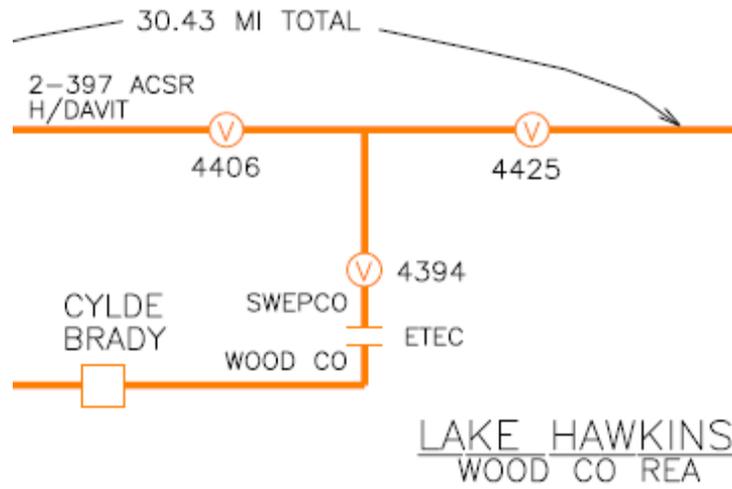
ATTACHMENT 2
One Line Diagrams

Sanfield



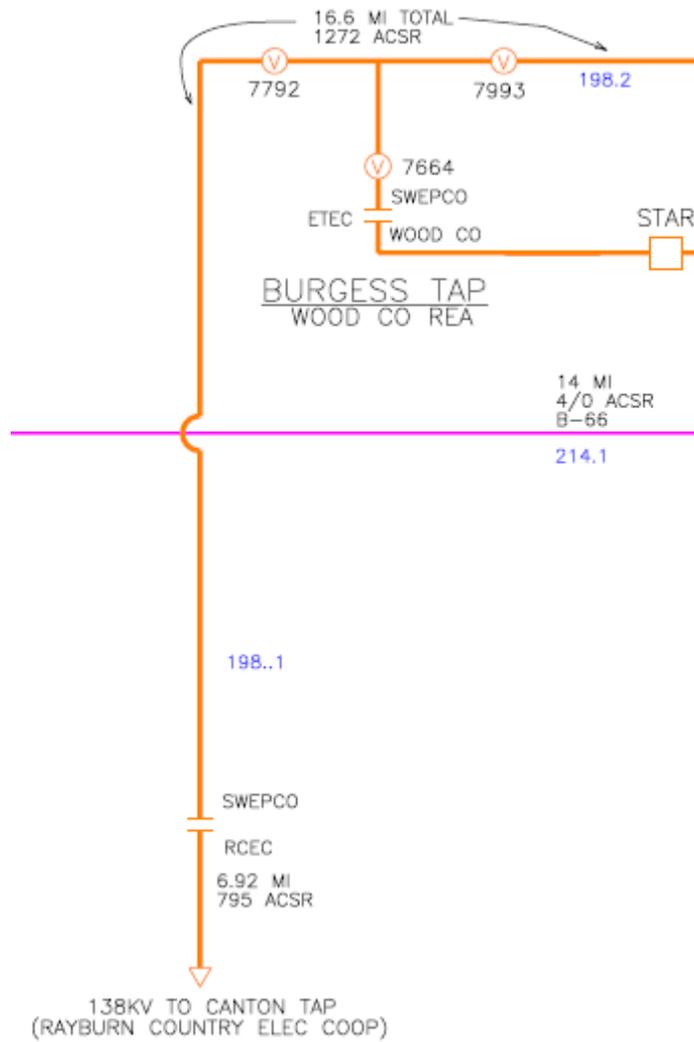
ATTACHMENT 2 (cont.)

Crow Tap



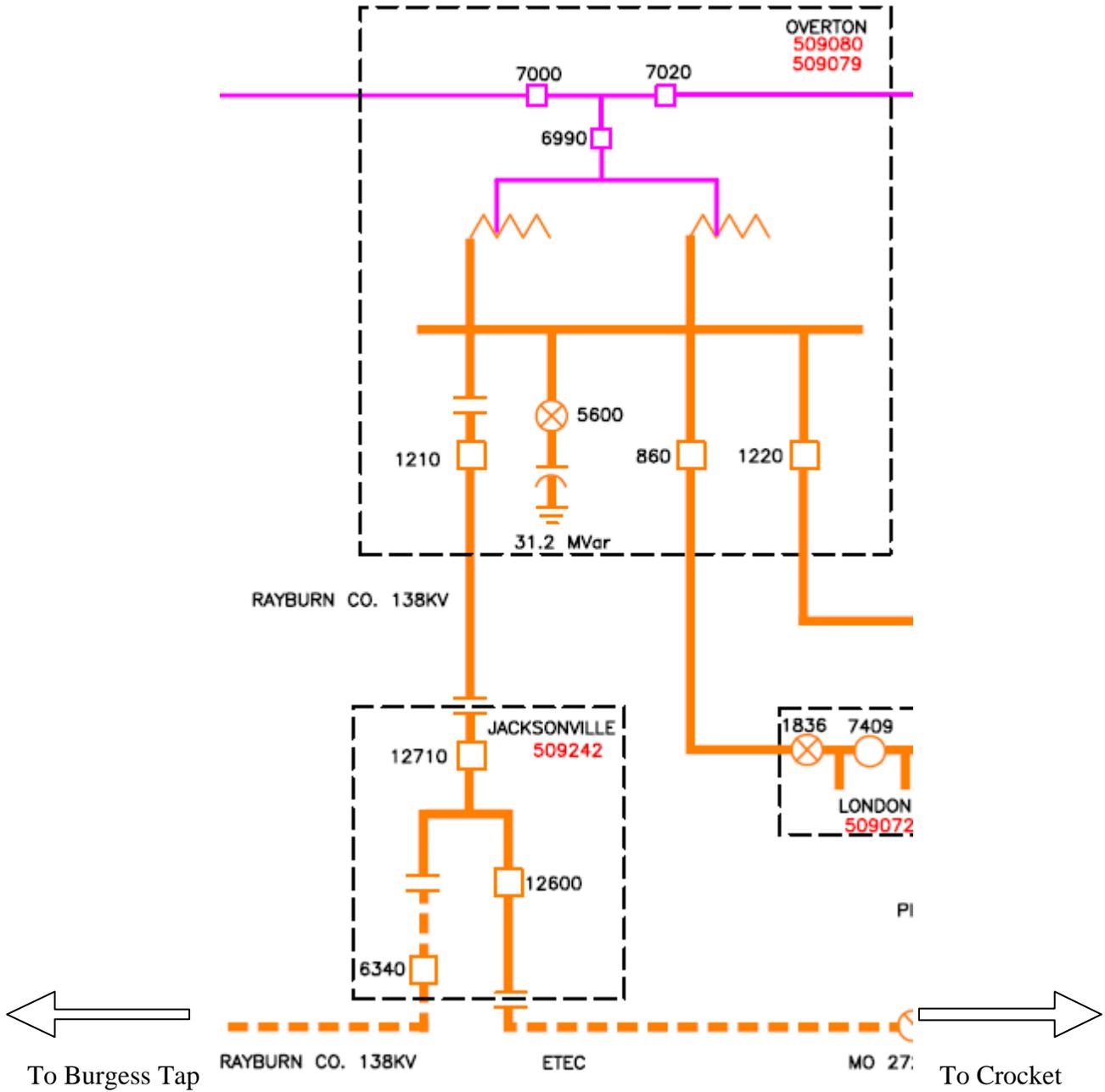
ATTACHMENT 2 (cont.)

E. Burgess/Burgess Tap



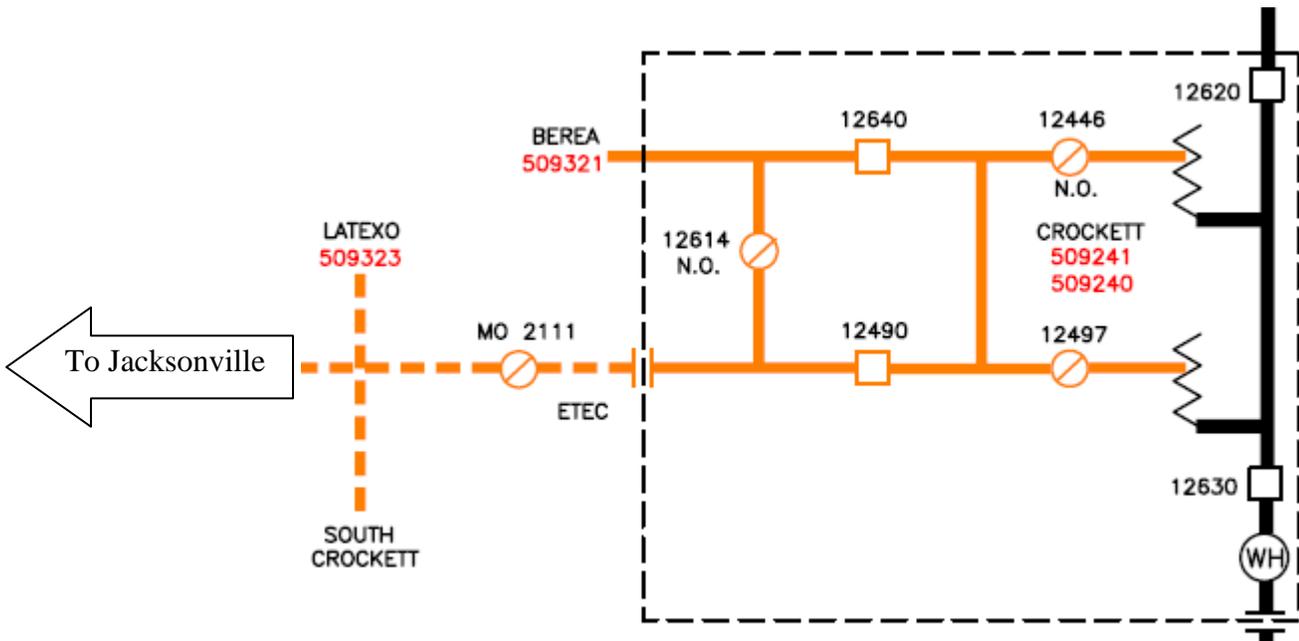
ATTACHMENT 2 (cont.)

Overton - Jacksonville Switch Station



ATTACHMENT 2 (cont.)

Crockett



Facilities, Operation, Maintenance Service and Repair Agreement ("Agreement")

For those facilities in Attachment 1 owned by the Customer where it is indicated that AEP will provide operation and maintenance ("O&M") and repair services for such Customer-owned facilities, AEP shall perform such services under the provisions herein below and on the cost of service basis reflected in the Formula Rate contained in Attachment 4. When an existing O&M agreement between the Parties which also utilizes a Formula Rate expires or is terminated by mutual agreement or otherwise, unless otherwise agreed, the services provided by AEP under such agreement, if they continue, shall be brought under this Agreement.

Service pursuant to this Attachment 3 shall be based on terms and conditions described below:

1. This Agreement shall cover the delivery and/or switching facilities currently listed in Attachment 1, attached hereto and made a part hereof, and any other delivery and/or switching facilities that are brought hereunder in accordance with the procedure hereinafter provided.
2. Subject to the terms and conditions contained herein, AEP agrees to test, maintain and repair the facilities in Attachment 1 so as to assure the satisfactory and reliable operation of said facilities, all in accordance with good industry standards and practice. AEP further agrees to perform any additional testing, maintenance, repairs and/or replacements requested from time to time by Customer.
3. AEP agrees to furnish all supervision, labor, tools conveyances and equipment necessary for carrying out the work covered for facilities described in Attachment 1 and further agrees to furnish all materials required to do the work except those materials that Customer feels are in its best interests to furnish.
4. All work shall be performed during the standard 40-hour work week, but, in the event that operating or emergency conditions warrant, overtime work can be authorized either in writing or verbally (in the case of emergency work) by Customer's representative.
5. AEP will render invoices to Customer, on forms acceptable, at suitable intervals to be mutually agreed upon by the Parties.
6. Customer agrees to promptly pay AEP the actual costs of any and all testing, maintenance, repairs and/or replacements performed pursuant to the terms and conditions of this Services Agreement, including the costs associated with labor, materials, equipment, overheads, taxes and other services incurred by AEP in performing the work, when presented with satisfactory evidence of the cost of such work.

7. The facilities covered in this Agreement may be extended or otherwise modified by attaching one or more numbered supplemental Facility Requests in the form set out below (attached herewith as Exhibit A), which show the additional facilities or changed equipment to be thereafter covered by this Agreement. Such supplements shall be effective as of the date of final execution thereof and shall be attached to all executed copies of this Agreement.

IN WITNESS WHEREOF, each of the Parties has caused this Facilities Operation, Maintenance, Service and Repair Agreement to be duly executed

East Texas Electric Cooperative, Inc.

By: _____

Name: _____

Title: _____

Date: _____

AMERICAN ELECTRIC POWER SERVICE CORPORATION
As Agent for the AEP Operating Companies

By: _____

Robert L. Pennybaker

Title: Manager, Transmission and Interconnection Services

Date: _____

Pro-forma Exhibit A

FACILITY REQUEST(S)

No. _____

Date _____

Customer hereby applies to AEP for delivery and switching facility(s) described below and shown in the attached drawing(s) in Attachment 2 of the ILDSA entered into by Customer and AEP. In exchange for Customer's promise to pay the actual cost of each facility listed below, Customer requests AEP to construct, install, operate, test, repair and/or maintain the facility(s) to be located in the following circuits of AEP's transmission system:

CIRCUIT	<u>Facility(s)</u>	DELIVERY POINT	LOCATION	<u>Agreement Date</u>

Customer understands and agrees that said facilities are to be constructed, installed, owned, operated, tested and/or maintained in the manner and under the conditions set forth in the attached Agreement, which was entered into by Customer and AEP on _____, 2009.

**AMERICAN ELECTRIC POWER
FORMULA RATE FOR FACILITY CONSTRUCTION,
OPERATION AND MAINTENANCE**

General

The formula rate contained in this document applies when construction, operation and/or maintenance activities are performed for non-AEP Parties, under circumstances precluding the charging of a profit margin. The American Electric Power Companies¹ (AEP) will recover costs for such operation and maintenance activities through bills which reflect the cost AEP has incurred in six categories, namely: 1) materials, 2) labor, 3) equipment, 4) outside services, 5) engineering and administration, and 6) taxes.

AEP charges its costs for construction, operation and maintenance activities on behalf of others to special work orders which accumulate the costs to be billed. As a result of these accounting procedures, the charges billed to non-AEP Parties are not reflected in AEP's transmission, operation, maintenance, or plant accounts.

However, the costs which AEP incurs and bills in such cases are the kinds of costs which would be assignable to the following FERC Uniform System of Accounts if they were incurred in connection with AEP's owned property:

Operation and Maintenance - Transmission Operation and Maintenance Expenses

- 560 - Operation Supervision and Engineering
- 562 - Station Expenses
- 563 - Overhead Line Expenses
- 566 - Miscellaneous Transmission Expenses
- 568 - Maintenance Supervision and Engineering
- 569 - Maintenance of Structures
- 570 - Maintenance of Station Equipment
- 571 - Maintenance of Overhead Lines

Construction - Transmission Plant Costs

- 352 - Structures and Improvements
- 353 - Station Equipment
- 397 - Communications Equipment
- 108 - Accumulated Provision for Depreciation

All Activities - Administrative, General and Other Expenses

¹ Public Service Company of Oklahoma and Southwestern Electric Power Company

920 - Administrative and General Salaries
408 - Taxes Other Than Income Taxes

The charges billed for maintenance in each of the previously identified six categories are discussed in order below.

1. Materials

Materials charges (M) are made in four sub-categories: 1) direct material costs (DM), which may be delivered direct from vendors to the job site (VDM) or issued from company stores (SDM), 2) purchasing expenses, 3) stores expenses, and 4) exempt minor materials (EM). The latter three costs are charged using material loading rates.

Direct material costs are vendor invoiced charges for items, other than exempt minor materials, which are used for Customer maintenance. Purchasing expenses are material overhead costs incurred in selecting and ordering materials. Stores expenses are the costs of performing the stores function. Exempt minor materials are low cost expendable materials, supplies, and hand tools used in Transmission and Distribution construction, maintenance, or operations.

Material items which are delivered direct from the vendor to the job site (VDM) are charged at cost, plus a purchasing loading rate (plr) of 1%, up to a maximum of \$150 per invoice. Materials issued from company storerooms for individual work orders (SDM) are charged at cost, plus a combined stores/purchasing loading rate (slr) and an exempt minor materials loading rate (mlr).

Projected annual stores and exempt minor materials costs are divided by projected annual costs of stores issued materials (SDM + EM) to determine projected stores and exempt minor materials loading rates (slr and mlr, respectively). The rates are reviewed monthly and adjusted as required in order to clear current year stores expense and exempt minor materials costs to the accounts charged with the materials issued.

In symbolic format, the charges for materials are calculated as follows:

$$M = DM + [VDM \times (\text{plr}), \text{ up to } \$150/\text{bill}] + SDM \times (1 + (\text{mlr})) \times (\text{slr})$$

2. Labor

Labor (L) is charged to Operating Company maintenance work orders in three parts - direct labor (DL), fringe labor costs (FL), and miscellaneous out-of-pocket employee expenses (ME). Direct labor charges reflect the actual work hours (whr) and basic hourly rates of pay (hrp) for the personnel that are directly involved; i.e., $DL = (\text{whr}) \times (\text{hrp})$. Fringe labor costs for vacation, holiday, sick leave, and other paid time away, plus payroll taxes, insurance, workers' compensation, pension, and savings plan expenses are recovered through labor loading rates (llr) which are developed by dividing fringe labor costs by earned payroll. The labor loading rates are reviewed monthly and adjusted, as needed, to clear fringe labor costs yearly.

In symbolic format, the charges for labor are calculated as follows:

$$L = DL + FL + ME = DL \times (1 + llr) + ME$$

3. Equipment

Equipment (E), primarily vehicles, used in the performance of maintenance are charged based on actual hours of usage (aeu) and hourly equipment cost rates (ecr). Cost of purchasing, leasing, and operating equipment, by equipment class, are collected in clearing accounts and divided by total hours of usage by class to develop the equipment cost rates (ecr). Equipment cost rates are reviewed quarterly and adjusted, as needed, to clear the cost of equipment.

In symbolic format, equipment charges are calculated as follows:

$$E = (aeu) \times (ecr)$$

4. Outside Services

The actual amount of invoices received from vendors for restorative and other maintenance services (S) performed by third parties for AEP on behalf of the Operating Company are charged in maintenance billings by AEP.

5. Engineering and Administration

Engineering and administrative overhead loading rates are used to allocate engineering, supervision, and administrative overhead costs not assigned to specific project work orders. AEP uses separate loading rates for AEP Service Corporation engineering ($SCE_{t\&d}$) and operating company construction overhead costs (CCO). A complete description of the costs recovered through the AEP Service Corporation loading rate ($sclr_{t\&d}$) and the operating company construction loading rate (cclr) is provided in Note 1 to page 218 of each AEP Company's FERC Form-1 Report. A copy of that note is included as the last page in this Attachment 4.

As the description of Construction Overhead Procedure shows, the CCO and $SCE_{t\&d}$ loading rates (cclr and $sclr_{t\&d}$, respectively) are derived in the normal course of business for the purpose of capturing the portions of AEP Service Corporation engineering and operating company construction overhead costs which are incurred in connection with transmission and distribution (T&D) plan construction. The cclr and $sclr_{t\&d}$ are reviewed monthly and updated, as needed, to clear the respective engineering and administrative overhead costs yearly.

In symbolic format the engineering and administration overhead costs (O) are calculated as follows:

$$\begin{aligned} O &= CCO + SCE_{t\&d} \\ \text{Where CCO} &= (M + L + E + S) \times cclr \\ \text{and } SCE_{t\&d} &= (M + L + E + S + CCO) \times sclr_{t\&d} \end{aligned}$$

6. Taxes

The total taxes charged to the Operating Company will be the sum of receipts (RT) and other taxes (OT) incurred.

$$\text{i.e.: } T = RT + OT$$

Summary of Charges

The total Construction or Operation and Maintenance (O&M) charges under this Agreement in symbolic form are:

$$\text{Construction or O\&M} = M + L + E + S + O + T$$

Where M, L, E, S, O, and T are calculated as explained in Sections 1 through 6 above, respectively.

General Description of Construction overhead Procedure:

1A. Engineering and Supervision (American Electric Power Service Corporation)

(a) Overheads "Engineering, Technical and Drafting Services" are engineering services performed by the Engineering Department of American Electric Power Service Corporation (AEPSC).

(b) In accordance with provisions of a service agreement between American Electric Power Service Corporation (AEPSC) and the respondent, approved by the Securities and Exchange Commission February 19, 1981, salaries, expenses and overheads of AEPSC personnel directly relating to construction activities are collected by means of a work order system and billed to the respondent as:

(1) Identifiable costs, generally relating to major construction projects, for which timekeeping and other specific cost identification is economically feasible, and

(2) Non-identifiable costs, generally relating to numerous small construction projects, for which timekeeping and other specific cost identification are not economically feasible.

(c) Charges billed by AEPSC as (b)(1) above are charged directly by respondent to the applicable specific construction projects. Charges billed by AEPSC as (b)(2) above are allocated to all applicable construction projects proportionate to the direct costs charged to such projects.

(d) A uniform rate is applied to all subject construction expenditures.

(e) See (d) above.

(f) See (c) above.

1B. Company Construction Overheads in its own Operating Division, Engineering Department and System Office Departments

(a) Charges representing cost of Company's Engineering Supervision and related drafting and technical work.

(b) On basis of time and work studies.

(c) Spread to accounts in proportion to dollar value on construction for those classes of construction accounts to which these overheads are considered to be applicable.

(d) For each class of overheads the same percentage is used for all types of construction.

(e) Not applicable. See (d) above.

(f) Shown on page 217.

1C. Company Construction Overheads in Administrative and General Departments

(a) Proportion of Administrative and General Expenses representing salaries and expenses of General Office and Managerial employees applicable to construction.

(b) Partly on basis of time and work studies.

(c) Spread to accounts in proportion to dollar value of construction for those classes of construction accounts to which these overheads are considered to be applicable.

(d) For each class of overheads the same percentage is used for all types of construction.

(e) Not applicable. See (d) above.

(f) See note (c) above

Attachment 5
Operating Procedures

Special operating procedures are identified below:

None.

**NETWORK OPERATING AGREEMENT AMONG SOUTHWEST POWER POOL,
INC., EAST TEXAS ELECTRIC COOPERATIVE, INC., AND AMERICAN ELECTRIC
POWER SERVICE CORPORATION**

This Network Operating Agreement ("Operating Agreement") is entered into this 1st day of January, 2015, by and between East Texas Electric Cooperative, Inc. ("Network Customer"), Southwest Power Pool, Inc. ("Transmission Provider") and American Electric Power Service Corporation ("Host Transmission Owner"). The Network Customer, Transmission Provider and Host Transmission Owner shall be referred to individually as a "Party" and collectively as "Parties."

WHEREAS, the Transmission Provider has determined that the Network Customer has made a valid request for Network Integration Transmission Service in accordance with the Transmission Provider's Open Access Transmission Tariff ("Tariff") filed with the Federal Energy Regulatory Commission ("Commission");

WHEREAS, the Transmission Provider administers Network Integration Transmission Service for Transmission Owners within the SPP Region and acts as an agent for these Transmission Owners in providing service under the Tariff;

WHEREAS, the Host Transmission Owner(s) owns the transmission facilities to which the Network Customer's Network Load is physically connected;

WHEREAS, the Network Customer has represented that it is an Eligible Customer under the Tariff;

WHEREAS, the Network Customer and Transmission Provider have entered into a Network Integration Transmission Service Agreement ("Service Agreement") under the Tariff; and

WHEREAS, the Parties intend that capitalized terms used herein shall have the same meaning as in the Tariff, unless otherwise specified herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

1.0 NETWORK SERVICE

This Operating Agreement sets out the terms and conditions under which the Transmission Provider, Host Transmission Owner, and Network Customer will cooperate and the Host Transmission Owner and Network Customer will operate their respective systems and specifies the equipment that will be installed and operated. The Parties shall operate and maintain their respective systems in a manner that will allow the Host Transmission Owner and the Network Customer to operate their systems and the Transmission Provider to perform its obligations consistent with Good Utility Practice. The Transmission Provider may, on a non-discriminatory basis, waive the requirements of Section 4.1 and Section 8.3 to the extent that such information is unknown at the time of application or where such requirement is not applicable.

2.0 DESIGNATED REPRESENTATIVES OF THE PARTIES

- 2.1 Each Party shall designate a representative and alternate ("Designated Representative(s)") from their respective company to coordinate and implement, on an ongoing basis, the terms and conditions of this Operating Agreement, including planning, operating, scheduling, redispatching, curtailments, control requirements, technical and operating provisions, integration of equipment, hardware and software, and other operating considerations.
- 2.2 The Designated Representatives shall represent the Transmission Provider, Host Transmission Owner, and Network Customer in all matters arising under this Operating Agreement and which may be delegated to them by mutual agreement of the Parties hereto.
- 2.3 The Designated Representatives shall meet or otherwise confer at the request of any Party upon reasonable notice, and each Party may place items on the meeting agenda. All deliberations of the Designated Representatives shall be conducted by taking into account the exercise of Good Utility Practice. If the Designated Representatives are unable to agree on any matter subject to their deliberation, that matter shall be resolved pursuant to Section 12.0 of the Tariff, or otherwise, as mutually agreed by the Parties.

3.0 SYSTEM OPERATING PRINCIPLES

- 3.1 The Network Customer must design, construct, and operate its facilities safely and efficiently in accordance with Good Utility Practice, NERC, SPP, or any successor requirements, industry standards, criteria, and applicable manufacturer's equipment specifications, and within operating physical parameter ranges (voltage schedule, load power factor, and other parameters) required by the Host Transmission Owner and Transmission Provider.
- 3.2 The Host Transmission Owner and Transmission Provider reserve the right to inspect the facilities and operating records of the Network Customer upon mutually agreeable terms and conditions.
- 3.3 Electric service, in the form of three phase, approximately sixty hertz alternating current, shall be delivered at designated delivery points and nominal voltage(s) listed in the Service Agreement. When multiple delivery points are provided to a specific Network Load identified in Appendix 3 of the Service Agreement, they shall not be operated in parallel by the Network Customer without the approval of the Host Transmission Owner and Transmission Provider. The Designated Representatives shall establish the procedure for obtaining such approval. The Designated Representatives shall also establish and monitor standards and operating rules and procedures to assure that transmission system integrity and the safety of customers, the public and employees are maintained or enhanced when such parallel operations is permitted either on a continuing basis or for intermittent switching or other service needs. Each Party shall exercise due diligence and reasonable care in maintaining and operating its facilities so as to maintain continuity of service.
- 3.4 The Host Transmission Owner and Network Customer shall operate their systems and delivery points in continuous synchronism and in accord with applicable NERC Standards, SPP Criteria, and Good Utility Practice.
- 3.5 If the function of any Party's facilities is impaired or the capacity of any delivery point is reduced, or synchronous operation at any delivery point(s) becomes interrupted, either manually or automatically, as a result of force majeure or maintenance coordinated by the Parties, the Parties will cooperate to remove the

cause of such impairment, interruption or reduction, so as to restore normal operating conditions expeditiously.

- 3.6 The Transmission Provider and Host Transmission Owner, if applicable, reserve the sole right to take any action necessary during an actual or imminent emergency to preserve the reliability and integrity of the Transmission System, limit or prevent damage, expedite restoration of service, ensure safe and reliable operation, avoid adverse effects on the quality of service, or preserve public safety.
- 3.7 In an emergency, the reasonable judgment of the Transmission Provider and Host Transmission Owner, if applicable, in accordance with Good Utility Practice, shall be the sole determinant of whether the operation of the Network Customer loads or equipment adversely affects the quality of service or interferes with the safe and reliable operation of the transmission system. The Transmission Provider or Host Transmission Owner, if applicable, may discontinue transmission service to such Network Customer until the power quality or interfering condition has been corrected. Such curtailment of load, redispatching, or load shedding shall be done on a non-discriminatory basis by Load Ratio Share, to the extent practicable. The Transmission Provider or Host Transmission Owner, if applicable, will provide reasonable notice and an opportunity to alleviate the condition by the Network Customer to the extent practicable.

4.0 SYSTEM PLANNING & PROTECTION

- 4.1 No later than October 1 of each year, the Network Customer shall provide the Transmission Provider and Host Transmission Owner the following information:
- a) A ten (10) year projection of summer and winter peak demands with the corresponding power factors and annual energy requirements on an aggregate basis for each delivery point. If there is more than one delivery point, the Network Customer shall provide the summer and winter peak demands and energy requirements at each delivery point for the normal operating configuration;
 - b) A ten (10) year projection by summer and winter peak of planned generating capabilities and committed transactions with third parties

which resources are expected to be used by the Network Customer to supply the peak demand and energy requirements provided in (a);

- c) A ten (10) year projection by summer and winter peak of the estimated maximum demand in kilowatts that the Network Customer plans to acquire from the generation resources owned by the Network Customer, and generation resources purchased from others; and
- d) A projection for each of the next ten (10) years of transmission facility additions to be owned and/or constructed by the Network Customer which facilities are expected to affect the planning and operation of the transmission system within the Host Transmission Owner's Zone.

This information is to be delivered to the Transmission Provider's and Host Transmission Owner's Designated Representatives pursuant to Section 2.0.

4.2 Information exchanged by the Parties under this article will be used for system planning and protection only, and will not be disclosed to third parties absent mutual consent or order of a court or regulatory agency.

4.3 The Host Transmission Owner, and Transmission Provider, if applicable, will incorporate this information in its system load flow analyses performed during the first half of each year. Following completion of these analyses, the Transmission Provider or Host Transmission Owner will provide the following to the Network Customer:

- a) A statement regarding the ability of the Host Transmission Owner's transmission system to meet the forecasted deliveries at each of the delivery points;
- b) A detailed description of any constraints on the Host Transmission Owner's system within the five (5) year horizon that will restrict forecasted deliveries; and
- c) In the event that studies reveal a potential limitation of the Transmission Provider's ability to deliver power and energy to any of the delivery points, a Designated Representative of the Transmission Provider will coordinate with the Designated Representatives of the Host Transmission Owner and the Network Customer to identify appropriate remedies for

such constraints including but not limited to: construction of new transmission facilities, upgrade or other improvements to existing transmission facilities or temporary modification to operating procedures designed to relieve identified constraints. Any constraints within the Transmission System will be remedied pursuant to the procedures of Attachment O of the Tariff.

For all other constraints the Host Transmission Owner, upon agreement with the Network Customer and consistent with Good Utility Practice, will endeavor to construct and place into service sufficient capacity to maintain reliable service to the Network Customer.

An appropriate sharing of the costs to relieve such constraints will be determined by the Parties, consistent with the Tariff and with the Commission's rules, regulations, policies, and precedents then in effect. If the Parties are unable to agree upon an appropriate remedy or sharing of the costs, the Transmission Provider shall submit its proposal for the remedy or sharing of such costs to the Commission for approval consistent with the Tariff.

- 4.4 The Host Transmission Owner and the Network Customer shall coordinate with the Transmission Provider: (1) all scheduled outages of generating resources and transmission facilities consistent with the reliability of service to the customers of each Party, and (2) additions or changes in facilities which could affect another Party's system. Where coordination cannot be achieved, the Designated Representatives shall intervene for resolution.
- 4.5 The Network Customer shall coordinate with the Host Transmission Owner regarding the technical and engineering arrangements for the delivery points, including one line diagrams depicting the electrical facilities configuration and parallel generation, and shall design and build the facilities to avoid interruptions on the Host Transmission Owner's transmission system.
- 4.6 The Network Customer shall provide for automatic and underfrequency load shedding of the Network Customer Network Load in accordance with the SPP Criteria related to emergency operations.

5.0 Maintenance of Facilities

- 5.1 The Network Customer shall maintain its facilities necessary to reliably receive capacity and energy from the Host Transmission Owner's transmission system consistent with Good Utility Practice. The Transmission Provider or Host Transmission Owner, as appropriate, may curtail service under this Operating Agreement to limit or prevent damage to generating or transmission facilities caused by the Network Customer's failure to maintain its facilities in accordance with Good Utility Practice, and the Transmission Provider or Host Transmission Owner may seek as a result any appropriate relief from the Commission.
- 5.2 The Designated Representatives shall establish procedures to coordinate the maintenance schedules, and return to service, of the generating resources and transmission and substation facilities, to the greatest extent practical, to ensure sufficient transmission resources are available to maintain system reliability and reliability of service.
- 5.3 The Network Customer shall obtain: (1) concurrence from the Transmission Provider before beginning any scheduled maintenance of facilities which could impact the operation of the Transmission System over which transmission service is administered by Transmission Provider; and (2) clearance from the Transmission Provider when the Network Customer is ready to begin maintenance on a transmission line or substation. The Transmission Provider shall coordinate clearances with the Host Transmission Owner. The Network Customer shall notify the Transmission Provider and the Host Transmission Owner as soon as practical at the time when any unscheduled or forced outages occur and again when such unscheduled or forced outages end.

6.0 Scheduling Procedures

- 6.1 The Network Customer is responsible for providing its Resource and load information to the Transmission Provider in accordance with Attachment AE.
- 6.2 For Interchange Transactions the Network Customer shall submit, or arrange to have submitted, the schedule of Energy to or from the Transmission Provider and a transaction identification E-Tag for each such schedule where required by NERC Standard INT-001.

7.0 Ancillary Services

- 7.1 The Network Customer must make arrangements in appropriate amounts for all of the required Ancillary Services described in the Tariff. The Network Customer must obtain these services from the Transmission Provider or, where applicable, self-supply or obtain these services from a third party.
- 7.2 Where the Network Customer elects to self-supply or have a third party provide Ancillary Services, the Network Customer must demonstrate to the Transmission Provider that it has either acquired the Ancillary Services from another source or is capable of self-supplying the services.
- 7.3 The Network Customer must designate the supplier of Ancillary Services.

8.0 Metering

- 8.1 The Network Customer shall provide for the installation of meters, associated metering equipment and telemetering equipment. The Network Customer shall permit (or provide for, if the Network Customer is not the meter owner) the Transmission Provider's and Host Transmission Owner's representative to have access to the equipment at all reasonable hours and for any reasonable purpose, and shall not permit unauthorized persons to have access to the space housing the equipment. Network Customer shall provide to (or provide for, if the Network Customer is not the meter owner) the Host Transmission Owner access to load data and other data available from any delivery point meter. If the Network Customer does not own the meter, the Host Transmission Owner shall make available, upon request, all load data and other data obtained by the Host Transmission Owner from the relevant delivery point meter, if available utilizing existing equipment. The Network Customer will cooperate on the installation of advanced technology metering in place of the standard metering equipment at a delivery point at the expense of the requestor; provided, however, that meter owner shall not be obligated to install, operate or maintain any meter or related equipment that is not approved for use by the meter owner and/or Host Transmission Owner, and provided that such equipment addition can be accomplished in a manner that does not interfere with the operation of the meter

owner's equipment or any Party's fulfillment of any statutory or contractual obligation.

- 8.2 The Network Customer shall provide for the testing of the metering equipment at suitable intervals and its accuracy of registration shall be maintained in accordance with standards acceptable to the Transmission Provider and consistent with Good Utility Practice. At the request of the Transmission Provider or Host Transmission Owner, a special test shall be made, but if less than two percent inaccuracy is found, the requesting Party shall pay for the test. Representatives of the Parties may be present at all routine or special tests and whenever any readings for purposes of settlement are taken from meters not having an automated record. If any test of metering equipment discloses an inaccuracy exceeding two percent, the accounts of the Parties shall be adjusted. Such adjustment shall apply to the period over which the meter error is shown to have been in effect or, where such period is indeterminable, for one-half the period since the prior meter test. Should any metering equipment fail to register, the amounts of energy delivered shall be estimated from the best available data.
- 8.3 If the Network Customer is supplying energy to retail load that has a choice in its supplier, the Network Customer shall be responsible for providing all information required by the Transmission Provider for billing purposes. Metering information shall be available to the Transmission Provider either by individual retail customer or aggregated retail energy information for that load the Network Customer has under contract during the billing month. For the retail load that has interval demand metering, the actual energy used by interval must be supplied. For the retail load using standard kWh metering, the total energy consumed by meter cycle, along with the estimated demand profile must be supplied. All rights and limitations between Parties granted in Sections 8.1, and 8.2 are applicable in regards to retail metering used as the basis for billing the Network Customer.

9.0 Connected Generation Resources

- 9.1 The Network Customer's connected generation resources that have automatic generation control and automatic voltage regulation shall be operated and maintained consistent with regional operating standards, and the Network Customer or the operator shall operate, or cause to be operated, such resources to avoid adverse disturbances or interference with the safe and reliable operation of the transmission system as instructed by the Transmission Provider.
- 9.2 For all Network Resources of the Network Customer, the following generation telemetry readings shall be submitted to the Transmission Provider and Host Transmission Owner:
- 1) Analog MW;
 - 2) Integrated MWHRS/HR;
 - 3) Analog MVARs; and
 - 4) Integrated MVARHRS/HR.

10.0 Redispatching, Curtailment and Load Shedding

- 10.1 In accordance with Section 33 of the Tariff, the Transmission Provider may require redispatching of Resources to relieve existing or potential transmission system constraints. The Transmission Provider shall redispatch Resources in accordance with the Energy and Operating Reserve Markets operations specified in Attachment AE. The Network Customer shall respond immediately to requests for redispatch from the Transmission Provider. The Transmission Provider will bill or credit the Network Customer as appropriate using the settlement procedures specified in Attachment AE.
- 10.2 The Parties shall implement load-shedding procedures to maintain the reliability and integrity for the Transmission System as provided in Section 33.1 of the Tariff and in accordance with applicable NERC and SPP requirements and Good Utility Practice. Load shedding may include (1) automatic load shedding, (2) manual load shedding, and (3) rotating interruption of customer load. When manual load shedding or rotating interruptions are necessary, the Host Transmission Owner shall notify the Network Customer's dispatcher or

schedulers of the required action and the Network Customer shall comply immediately.

- 10.3 The Network Customer will coordinate with the Host Transmission Owner to ensure sufficient load shedding equipment is in place on their respective systems to meet SPP requirements. The Network Customer and the Host Transmission Owner shall develop a plan for load shedding which may include manual load shedding by the Network Customer.

11.0 Communications

- 11.1 The Network Customer shall, at its own expense, install and maintain communication link(s) for scheduling. The communication link(s) shall be used for data transfer and for voice communication.
- 11.2 A Network Customer self-supplying Ancillary Services or securing Ancillary Services from a third-party shall, at its own expense, install and maintain telemetry equipment communicating between the generating resource(s) providing such Ancillary Services and the Host Transmission Owner's Zone.

12.0 Cost Responsibility

- 12.1 The Network Customer shall be responsible for all costs incurred by the Network Customer, Host Transmission Owner, and Transmission Provider to implement the provisions of this Operating Agreement including, but not limited to, engineering, administrative and general expenses, material and labor expenses associated with the specification, design, review, approval, purchase, installation, maintenance, modification, repair, operation, replacement, checkouts, testing, upgrading, calibration, removal, and relocation of equipment or software, so long as the direct assignment of such costs is consistent with Commission policy.
- 12.2 The Network Customer shall be responsible for all costs incurred by Network Customer, Host Transmission Owner, and Transmission Provider for on-going operation and maintenance of the facilities required to implement the provisions of this Operating Agreement so long as the direct assignment of such costs is consistent with Commission policy. Such work shall include, but is not limited to, normal and extraordinary engineering, administrative and general expenses, material and labor expenses associated with the specifications, design, review,

approval, purchase, installation, maintenance, modification, repair, operation, replacement, checkouts, testing, calibration, removal, or relocation of equipment required to accommodate service provided under this Operating Agreement.

13.0 Billing and Payments

Billing and Payments shall be in accordance with Attachment AE and Section 7 of the Tariff.

14.0 Dispute Resolution

Any dispute among the Parties regarding this Operating Agreement shall be resolved pursuant to Section 12 of the Tariff, or otherwise, as mutually agreed by the Parties.

15.0 Assignment

This Operating Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns, but shall not be assigned by any Party, except to successors to all or substantially all of the electric properties and assets of such Party, without the written consent of the other Parties. Such written consent shall not be unreasonably withheld.

16.0 Choice of Law

The interpretation, enforcement, and performance of this Operating Agreement shall be governed by the laws of the State of Arkansas, except laws and precedent of such jurisdiction concerning choice of law shall not be applied, except to the extent governed by the laws of the United States of America.

17.0 Entire Agreement

The Tariff and Service Agreement, as they are amended from time to time, are incorporated herein and made a part hereof. To the extent that a conflict exists between the terms of this Operating Agreement and the terms of the Tariff, the Tariff shall control.

18.0 Unilateral Changes and Modifications

Nothing contained in this Operating Agreement or any associated Service Agreement shall be construed as affecting in any way the right of the Transmission Provider or a Transmission Owner unilaterally to file with the Commission, or make application to the Commission for, changes in rates, charges, classification of service, or any rule, regulation, or agreement related thereto, under section 205 of the Federal Power Act and

pursuant to the Commission's rules and regulations promulgated thereunder, or under other applicable statutes or regulations.

Nothing contained in this Operating Agreement or any associated Service Agreement shall be construed as affecting in any way the ability of any Network Customer receiving Network Integration Transmission Service under the Tariff to exercise any right under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder; provided, however, that it is expressly recognized that this Operating Agreement is necessary for the implementation of the Tariff and Service Agreement. Therefore, no Party shall propose a change to this Operating Agreement that is inconsistent with the rates, terms and conditions of the Tariff and/or Service Agreement.

19.0 Term

This Operating Agreement shall become effective on the date assigned by the Commission ("Effective Date"), and shall continue in effect until the Tariff or the Network Customer's Service Agreement is terminated, whichever shall occur first.

20.0 Notice

20.1 Any notice that may be given to or made upon any Party by any other Party under any of the provisions of this Operating Agreement shall be in writing, unless otherwise specifically provided herein, and shall be considered delivered when the notice is personally delivered or deposited in the United States mail, certified or registered postage prepaid, to the following:

Transmission Provider
Southwest Power Pool, Inc.
Tessie Kentner
Attorney
201 Worthen Drive
Little Rock, AR 72223-4936
Phone: (501) 688-1782
Email: tkentner@spp.org

Host Transmission Owner
American Electric Power Service Corporation
Robert Pennybaker

Director, Transmission and Interconnection Services
P.O. Box 201, Tulsa, OK 74102
212 E. Sixth St., Tulsa, OK 74119
Phone: (918) 599-2723
Fax: (918) 599-3071
Email: rlpennybaker@aep.com

Network Customer
East Texas Electric Cooperative, Inc.
Edd Hargett
General Manager
2905 Westward Drive
Nacogdoches, TX 75963-1623
Phone: (936) 560-9532
Fax: (936) 560-9215
Email: eddh@gtpower.com

Any Party may change its notice address by written notice to the other Parties in accordance with this Article 20.

- 20.2 Any notice, request, or demand pertaining to operating matters may be delivered in writing, in person or by first class mail, e-mail, messenger, or facsimile transmission as may be appropriate and shall be confirmed in writing as soon as reasonably practical thereafter, if any Party so requests in any particular instance.

21.0 Execution in Counterparts

This Operating Agreement may be executed in any number of counterparts with the same effect as if all Parties executed the same document. All such counterparts shall be construed together and shall constitute one instrument.

IN WITNESS WHEREOF, the Parties have caused this Operating Agreement to be executed by their respective authorized officials, and copies delivered to each Party, to become effective as of the Effective Date.

TRANSMISSION PROVIDER

/s/ Lanny Nickell
Signature

Lanny Nickell
Printed Name

Vice President, Engineering
Title

Jan. 29, 2015
Date

HOST TRANSMISSION OWNER

/s/ Robert Pennybaker
Signature

Robert Pennybaker
Printed Name

Director, Transmission and
Interconnection Services
Title

Jan. 19, 2015
Date

NETWORK CUSTOMER

/s/ Edd Hargett
Signature

Edd Hargett
Printed Name

Manager
Title

1-15-15
Date

**SERVICE AGREEMENT FOR NETWORK INTEGRATION TRANSMISSION
SERVICE BETWEEN SOUTHWEST POWER POOL, INC. AND EAST TEXAS
ELECTRIC COOPERATIVE, INC.**

This Network Integration Transmission Service Agreement ("Service Agreement") is entered into this 1st day of ~~January~~ June, 2015, by and between East Texas Electric Cooperative, Inc. ("Network Customer"), and Southwest Power Pool, Inc. ("Transmission Provider"). The Network Customer and Transmission Provider shall be referred to individually as "Party" and collectively as "Parties."

WHEREAS, the Transmission Provider has determined that the Network Customer has made a valid request for Network Integration Transmission Service in accordance with the Transmission Provider's Open Access Transmission Tariff ("Tariff") filed with the Federal Energy Regulatory Commission ("Commission") as it may from time to time be amended;

WHEREAS, the Transmission Provider administers Network Integration Transmission Service for Transmission Owners within the SPP Region and acts as agent for the Transmission Owners in providing service under the Tariff;

WHEREAS, the Network Customer has represented that it is an Eligible Customer under the Tariff; and

WHEREAS, the Parties intend that capitalized terms used herein shall have the same meaning as in the Tariff.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

- 1.0 The Transmission Provider agrees during the term of this Service Agreement, as it may be amended from time to time, to provide Network Integration Transmission Service in accordance with the Tariff to enable delivery of power and energy from the Network Customer's Network Resources that the Network Customer has committed to meet its load.
- 2.0 The Network Customer agrees to take and pay for Network Integration Transmission Service in accordance with the provisions of Parts I, III and V of the Tariff and this Service Agreement with attached specifications.

- 3.0 The terms and conditions of such Network Integration Transmission Service shall be governed by the Tariff, as in effect at the time this Service Agreement is executed by the Network Customer, or as the Tariff is thereafter amended or by its successor tariff, if any. The Tariff, as it currently exists, or as it is hereafter amended, is incorporated in this Service Agreement by reference. In the case of any conflict between this Service Agreement and the Tariff, the Tariff shall control. The Network Customer has been determined by the Transmission Provider to have a Completed Application for Network Integration Transmission Service under the Tariff. The completed specifications are based on the information provided in the Completed Application and are incorporated herein and made a part hereof as Attachment 1.
- 4.0 Service under this Service Agreement shall commence on such date as it is permitted to become effective by the Commission. This Service Agreement shall be effective through January 1, 2020. Upon termination, the Network Customer remains responsible for any outstanding charges including all costs incurred and apportioned or assigned to the Network Customer under this Service Agreement.
- 5.0 The Transmission Provider and Network Customer have executed a Network Operating Agreement as required by the Tariff.
- 6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below. Such representative and address for notices or requests may be changed from time to time by notice by one Party or the other.

Southwest Power Pool, Inc. (Transmission Provider):

Tessie Kentner

201 Worthen Drive

Little Rock, AR 72223-4936

Email Address: tkentner@spp.org

Phone Number: (501) 688-1782

Network Customer:

East Texas Electric Cooperative, Inc.

Edd Hargett

General Manager

2905 Westward Drive

Nacogdoches, TX 75963-1623

Email Address: eddh@gtpower.com

Phone Number: (936) 560-9532

Fax Number: (936) 560-9215

- 7.0 This Service Agreement shall not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld. However, either Party may, without the need for consent from the other, transfer or assign this Service Agreement to any person succeeding to all or substantially all of the assets of such Party. However, the assignee shall be bound by the terms and conditions of this Service Agreement.
- 8.0 Nothing contained herein shall be construed as affecting in any way the Transmission Provider's or a Transmission Owner's right to unilaterally make application to the Federal Energy Regulatory Commission, or other regulatory agency having jurisdiction, for any change in the Tariff or this Service Agreement under Section 205 of the Federal Power Act, or other applicable statute, and any rules and regulations promulgated thereunder; or the Network Customer's rights under the Federal Power Act and rules and regulations promulgated thereunder.

9.0 By signing below, the Network Customer verifies that all information submitted to the Transmission Provider to provide service under the Tariff is complete, valid and accurate, and the Transmission Provider may rely upon such information to fulfill its responsibilities under the Tariff.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

TRANSMISSION PROVIDER

NETWORK CUSTOMER

/s/ Carl Monroe
Signature

/s/ Edd Hargett
Signature

Carl Monroe
Printed Name

Edd Hargett
Printed Name

EVP & COO
Title

Manager
Title

May 13, 2015
Date

May 11, 2015
Date

ATTACHMENT 1 TO THE NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT

BETWEEN SOUTHWEST POWER POOL, INC. AND EAST TEXAS ELECTRIC COOPERATIVE, INC.

SPECIFICATIONS FOR NETWORK INTEGRATION TRANSMISSION SERVICE

1.0 Network Resources

The Network Resources are listed in Appendix 1.

2.0 Network Loads

The Network Load consists of the bundled native load or its equivalent for Network Customer load in the American Electric Power Company Zone as listed in Appendix 3.

The Network Customer's Network Load shall be measured on an hourly integrated basis, by suitable metering equipment located at each connection and delivery point, and each generating facility. The meter owner shall cause to be provided to the Transmission Provider, Network Customer and applicable Transmission Owner, on a monthly basis such data as required by Transmission Provider for billing. The Network Customer's load shall be adjusted, for settlement purposes, to include applicable Transmission Owner transmission and distribution losses, as applicable, as specified in Sections 8.5 and 8.6, respectively. For a Network Customer providing retail electric service pursuant to a state retail access program, profiled demand data, based upon revenue quality non-IDR meters may be substituted for hourly integrated demand data. Measurements taken and all metering equipment shall be in accordance with the Transmission Provider's standards and practices for similarly determining the Transmission Provider's load. The actual hourly Network Loads, by delivery point, internal generation site and point where power may flow to and from the Network Customer, with separate readings for each direction of flow, shall be provided.

3.0 Affected Zone(s) and Intervening Systems Providing Transmission Service

The affected Zone is American Electric Power Company. The intervening systems providing transmission service are Entergy Corporation.

4.0 Electrical Location of Initial Sources

See Appendix 1.

5.0 Electrical Location of the Ultimate Loads

The loads of Network Customer identified in Section 2.0 hereof as the Network Load are electrically located within the American Electric Power Zone.

6.0 Delivery Points

The delivery points are the interconnection points identified in Section 2.0 as the Network Load.

7.0 Receipt Points

The Points of Receipt are listed in Appendix 2.

8.0 Compensation

Service under this Service Agreement may be subject to some combination of the charges detailed below. The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.

8.1 Transmission Charge

Monthly Demand Charge per Section 34 and Part V of the Tariff. An apportionment of the Northeast Texas Electric Cooperative (NTEC) monthly demand charges are assigned to ETEC pursuant to an Assignment Letter Agreement dated January 6, 1994 and restated effective September 1, 1997 between SWEPCO, NTEC, and ETEC filed as FERC ER94-891-000. The billing formula is attached as Appendix 4.

8.2 System Impact and/or Facility Study Charge

Studies may be required in the future to assess the need for system reinforcements in light of the ten-year forecast data provided. Future charges, if required, shall be in accordance with Section 32 of the Tariff.

8.3 Direct Assignment Facilities Charge

Direct Assignment Transmission Facilities Charges shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

8.4 Ancillary Service Charges

8.4.1 The following Ancillary Services are required under this Service Agreement.

- a) Scheduling, System Control and Dispatch Service per Schedule 1 of the Tariff.
- b) Tariff Administration Service per Schedule 1-A of the Tariff.

- c) Reactive Supply and Voltage Control from Generation Sources Service per Schedule 2 of the Tariff.
- d) Regulation and Frequency Response Service per Schedule 3 of the Tariff.
- e) Energy Imbalance Service per Schedule 4 of the Tariff.
- f) Operating Reserve - Spinning Reserve Service per Schedule 5 of the Tariff.
- g) Operating Reserve - Supplemental Reserve Service per Schedule 6 of the Tariff.

The Ancillary Services may be self-supplied by the Network Customer or provided by a third party in accordance with Sections 8.4.2 through 8.4.4, with the exception of the Ancillary Services for Schedules 1, 1-A, and 2, which must be purchased from the Transmission Provider. The Transmission Provider will recognize credits for Ancillary Service Schedule 2 pursuant to the Self Supply of Ancillary Services Letter Agreement between American Electric Power and the Network Customer dated February 27, 2006 and filed in FERC Docket No. ER05-520-000, as such letter agreement may be amended from time to time. The Transmission Provider will net bill for Ancillary Service Schedule 2 reflecting credits for the customers reactive supply resources recognized under the Self Supply of Ancillary Services Letter Agreement.

8.4.2 In accordance with the Tariff, when the Network Customer elects to self-supply or have a third party provide Ancillary Services, the Network Customer shall indicate the source for its Ancillary Services to be in effect for the upcoming calendar year in its annual forecasts. If the Network Customer fails to include this information with its annual forecasts, Ancillary Services will be purchased from the Transmission Provider in accordance with the Tariff.

8.4.3 When the Network Customer elects to self-supply or have a third party provide Ancillary Services and is unable to provide its Ancillary Services, the Network Customer will pay the Transmission Provider for such services and associated penalties in accordance with the Tariff as a result of the failure of the Network Customer's alternate sources for required Ancillary Services.

8.4.4 All costs for the Network Customer to supply its own Ancillary Services shall be the responsibility of the Network Customer.

8.5 Real Power Losses - Transmission

The Network Customer shall be responsible for losses in accordance with Attachment M of the Tariff.

8.6 Real Power Losses - Distribution

8.7 Power Factor Correction Charge

8.8 Redispatch Charge

Redispatch charges shall be in accordance with Section 33.3 of the Tariff.

8.9 Wholesale Distribution Service Charge

Wholesale Distribution Service Charges shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

8.10 Network Upgrade Charges

A. The Network Customer has confirmed the following Network Resources requiring Network Upgrades:

1. Harrison County Power Plant, 31 MW from POR – CSWS, Source – CSWS.HCPP to POD – CSWS, Sink- CSWS, as more specifically identified in transmission request 81059681. Contingent upon the completion of required upgrade as specified below, designation of this network resource shall be effective on June 1, 2015 and remain effective through June 1, 2024.

Requested service requires completion of the following aggregate study SPP-2013-AG3 allocated network upgrades. The costs of these upgrades are not allocated to the Network Customer.

Construction Pending Upgrade

<u>Upgrade Name</u>	<u>Upgrade Description</u>	<u>Transmission Owner</u>	<u>Date Required in Service</u>
<u>CHAMBER SPRINGS - FARMINGTON AECC 161KV CKT 1 AECC</u>	<u>Upgrade 1272 AAC bus at Farmington REC. Replace bus at Farmington REC and rebuild 400 feet of the 161 kV line going to Chamber Springs.</u>	<u>AECC</u>	<u>6/1/2021</u>

B. In the event that the Network Upgrades specified as necessary for the provision of service are not completed by the required time, service for the dependent Designated Resource shall be provided as Secondary Service until the specified Network Upgrades are completed and will be subject to NN-6 curtailment priority in accordance with the Transmission Loading Relief procedures in Attachment R of the Tariff. As an alternative to this treatment, the Network Customer may request redispatch at its cost on an interim basis to sustain service on a firm basis.

B-C. Upon completion of construction of the assigned upgrades, funding of their costs shall be reconciled and trued-up against actual construction costs and requisite, additional funding or refund of excess funding shall be made between the Transmission Provider and the Network Customer.

8.11 Meter Data Processing Charge

8.12 Other Charges

Charges for Data Processing Services shall be set forth in the Interconnection and Local Delivery Service Agreement between American Electric Power and Network Customer as it may be amended from time to time. The Interconnection and Local Delivery Service Agreement is included as Appendix 5.

9.0 Credit for Network Customer-Owned Transmission Facilities. None

10.0 Designation of Parties Subject to Reciprocal Service Obligation. None

11.0 Other Terms and Conditions. None

APPENDIX 1

**Network Resources of
East Texas Electric Cooperative, Inc.**

APPENDIX 1 EAST TEXAS ELECTRIC COOPERATIVE NETWORK RESOURCES

Network Resource	Maximum Net Dependable Capacity		Location	Comments
	Summer	Winter		
Restated and Amended Power Sales Agreement between Southwestern Electric Power Company (SWEPCO) and East Texas Electric Cooperative, Inc. effective March 1, 2014.	92	116	Various	SWEPCO agrees to sell to ETEC and ETEC agrees to purchase from SWEPCO, the power and energy required by ETEC to meet ETEC load requirements at the Points of Delivery (as listed in Appendix 2) in excess of the power and energy supplied by ETEC power supply. SWEPCO agrees to sell ETEC sufficient Capacity to meet the peak demand and planning reserve capacity. SWEPCO shall supply ETEC with Ancillary Services 3, 4, 5, and 6.
Harrison County Power Plant	Summer & Winter Profile 31 MW 6/1/2015 to 1/1/2018. 50 MW 1/1/2018 to 1/1/2019. 40 MW 1/1/2019 to 1/1/2020. 30 MW 1/1/2020 to 1/1/2021. 21 MW 1/1/2021 to 1/1/2022. 12 MW 1/1/2022 to 1/1/2023. 2 MW 1/1/2023 to 6/1/2024		Harrison County, TX	Term of Service: 6/1/2015 to 6/1/2024 OASIS Ref: 81059681

Appendix 2

**Receipt Points of
East Texas Electric Cooperative, Inc**

Appendix 3

**Delivery Points of
East Texas Electric Cooperative, Inc.**

APPENDIX 3 EAST TEXAS ELECTRIC COOPERATIVE DELIVERY POINTS

SPP Bus Number	Delivery Point Name	Ownership	Voltage (kV)
509320	ALTO 4	ETEC	138
509324	PINEGRV4	ETEC	138
509321	BEREA 4	ETEC	138
509322	GRAPLND4	ETEC	138
509323	LATEXO 4	ETEC	138
509326	SLOCUM4	ETEC	138
509325	MUSTPR4	ETEC	138
508357	BENWHEL4	ETEC	138
508358	GARDVAL4	ETEC	138
508358	KENSULI4	ETEC	138
508353	QUITMAN2	ETEC	138
508358	PECANHL4	ETEC	138
509101	TRCD 38	Rayburn Country	138

Appendix 4

Mr. W. D. Heldt
 January 6, 1994
 Exhibit A

BILLING FORMULA FOR
 ASSIGNMENT BY NTEC TO ETEC
 OF NTEC's RIGHTS TO PURCHASE POWER AND ENERGY

<u>Line</u>					
1	SUPPLEMENTAL DEMAND				
2	Fixed Assignment			30,000 kW	
3	One-Half Load Growth				
4	Peak Demand (see Notes 1 & 2)		kW		
5	1992 Peak Demand (see Note 1)	399,250 kW			
6	Load Growth (see Note 3)	(L4 - L5) kW			
7	One-Half Load Growth			(L6 * .5) kW	
8	Total Demand Assigned			(L2 + L7) kW	
9	Demand Rate (see Note 2)			\$/kW	
10	Assigned Supplemental Demand Charge				(L8 * L9)
11	SUPPLEMENTAL ENERGY				
12	<u>Supplemental Energy Allocation Ratio</u>				
13	Ratio of 1/2 load growth to supplemental demand, less 30 MW				
14	Ratio (L7 / (supplemental demand - 30,000))				
15	Ratio (L14)				
16	Total Supplemental Energy			kWh	
17	Supplemental Energy Assigned (see Note 4)				
18	Allocation to 30 MW @ 100% L.F.			(30,000 kW * Hours) kWh	
19	Allocation to 1/2 load growth (Total supplemental energy less energy assigned to 30 MW times allocation ratio)			(L16 - L18) * L15 kWh	
20	Total Energy Assigned			(L18 + L19) kWh	
21	Supplemental Energy Rate (see Note 2)			\$/kWh	
22	Assigned Supplemental Energy Charge				(L20 * L21)
23	TRANSMISSION CHARGE				
24	Total Transmission Charge (see Note 2)			\$	
25	<u>Transmission Charge Allocation Ratio</u>				
26	Total Demand Assigned to Total Demand				
27	Ratio = (L8 / L4)			(L8 / L4)	
28	Assigned Transmission Charges				(L24 * L27)
29	TOTAL ASSIGNED CHARGES				<u>(L10 + L22 + L28)</u>

Note 1: Average of the four highest demands at the generator.

Note 2: Estimates will be used initially but rates, charges, and demands will be trued up at the same time rates, charges, and demands are trued up in formula rates for service to NTEC.

Note 3: Difference shall not be less than zero.

Note 4: Supplemental Energy Assigned cannot be greater than Total Supplemental Energy (Line 16).

Appendix 5

Interconnection and Local Delivery Service Agreement

**Interconnection and Local Delivery
Service Agreement**

between

American Electric Power Service Corporation

and

East Texas Electric Cooperative, Inc.

INTERCONNECTION AND LOCAL DELIVERY SERVICE AGREEMENT

This Interconnection and Local Delivery Service Agreement including all appendices referenced and attached (“Agreement”) is entered into this 21st day of July 2010, by and between East Texas Electric Cooperative, Inc. (“ETEC” or “Customer”), and American Electric Power Service Corporation, as Designated Agent for the AEP Operating Companies¹ (“AEP”), being sometimes herein referred to collectively as the “Parties” or singularly as a “Party”. In consideration of the mutual covenants and agreements herein, it is agreed as follows:

WITNESSETH:

WHEREAS, the AEP companies are wholly owned subsidiaries of American Electric Power Company, Inc., owning and operating, *inter alia*, electric facilities for, and engaged in, the generation, transmission, distribution and sale of electric power and energy;

WHEREAS, Customer is an electric cooperative engaged in the generation, purchase, sale, transmission and/or distribution of electric power and energy; and

WHEREAS, Southwest Power Pool, Inc. (“SPP”), is a Regional Transmission Organization (“RTO”), offering transmission service to eligible customers, and having functional control over the AEP West Zone transmission network (“Transmission Provider”); and

WHEREAS, the Parties wish to establish the terms and conditions of the interconnection and local delivery services as defined under this Interconnection and Local Delivery Service Agreement (“ILDSA”) that AEP will provide to Customer in coordination with, but separate from, the transmission service that will be provided by the SPP RTO;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants set forth herein, the Parties agree as follows:

Article 1. Applicable Tariffs

1.1 Applicability of Tariffs: During the term of this Agreement, as it may be amended from time to time, AEP agrees to provide Interconnection and Local Delivery Services for the Customer, and the Customer agrees to pay for such services the charges identified in Attachment 1 hereto and such other charges as shall be applicable hereunder, in accordance with this Agreement and the applicable provisions of the Open Access Transmission Tariff of the AEP System (“AEP Tariff”) and as to certain provisions referenced herein, the Open Access Transmission Tariff of the SPP

¹ Public Service Company of Oklahoma and Southwestern Electric Power Company both of which do business in the SPP as AEP.

RTO (“SPP Tariff”), as each tariff shall at any time during the term of this Agreement be on-file and accepted by the Federal Energy Regulatory Commission (“Commission”), including any applicable Schedules and Attachments appended to such tariffs. Interconnection and Local Delivery Services means interconnection of the Parties’ transmission and/or distribution facilities and wholesale distribution service over AEP facilities that are subject to the jurisdiction of the Commission but not expressly provided by the SPP RTO under the SPP Tariff. AEP shall not provide any services or make any charges hereunder that are provided or charged by the SPP RTO under the SPP Tariff or that would be provided or charged under the AEP Tariff. Capitalized terms that are not defined within this Agreement shall have the meanings as specified in the SPP Tariff or the AEP Tariff as applicable.

1.2 Governance over Conflicts: The terms and conditions of such Interconnection and Local Delivery Services shall be governed by this Agreement, the SPP Tariff, and the AEP Tariff, as they exist at the time of this Agreement, or as hereafter amended. The AEP Tariff, as it currently exists or as hereafter amended, is incorporated in this Agreement by reference. In the case of any conflict between this Agreement and the AEP Tariff or SPP Tariff, the AEP Tariff or SPP Tariff shall control, except that the SPP Tariff shall control if the AEP Tariff and the SPP Tariff are in conflict.

Article 2. Delivery Points

2.1 Existing Delivery Points: AEP will provide Interconnection and Local Delivery Service over the existing facilities connecting AEP power delivery facilities to Customer’s (or its members) power delivery facilities and new AEP facilities committed to under agreements existing as of the date of this Agreement connecting the Customer’s (or its members’) power delivery facilities to the AEP power delivery facilities (“Delivery Points”) listed in Attachment 1, and illustrated in corresponding one line diagram(s) contained in Attachment 2, both of which may be amended from time to time by mutual agreement of the Parties. The Customer and AEP shall endeavor to operate their respective facilities in continuous synchronism through such Delivery Points. AEP and the Customer, acting through its members if applicable, to the extent practicable, shall each maintain the facilities on their respective sides of all Delivery Points, in order that said facilities will operate in a reliable and satisfactory manner, and without material reduction in their intended capacity or purpose.

If the function of any such facility is impaired or the capacity of any Delivery Point is reduced or such synchronous operation at any Delivery Point becomes interrupted, either manually or automatically, as a result of *Force Majeure* or maintenance coordinated by the Parties, AEP and the Customer, acting through its members if applicable, shall cooperate to remove the cause of such impairment, interruption or reduction, so as to restore normal operating conditions expeditiously.

Notwithstanding this or any other provision of this Agreement, AEP shall retain the sole responsibility and authority for operating decisions as they relate to the integrity and security of the AEP system.

2.1.1 Interruption or Reduction of Service at the Delivery Points: The continuity of service at any Delivery Point provided under this Agreement may be interrupted or reduced, (a) by operation of automatic equipment installed for power system protection, (b) after consultation with the affected Party, if practicable, at any time that a Party deems it desirable for installation, maintenance, inspection, repairs, or replacement of equipment, and (c) at any time that in the judgment of the interrupting Party such action is necessary to protect personnel or the public, preserve the integrity of, or to prevent or limit any instability on, or to avoid a burden on, their respective system or prevent damage to equipment.

2.2 Changes in Delivery Points and Local Delivery Facilities: When it becomes necessary or desirable to make changes in the Delivery Point facilities, to upgrade, retire, replace or establish a new Delivery Point, including metering or other facilities at such location, the provisions of this Section shall apply.

2.2.1 Study Requests for Changes in Delivery Facilities: The Customer shall make requests for changes in local delivery facilities, including facility upgrades, retirements and replacements, or the establishment of any new Delivery Point in writing to AEP, delivered to Manager, Transmission and Interconnection Services, and to Manager, Southwest Transmission Planning. If applicable, AEP will coordinate with SPP regarding SPP studies that are required to evaluate such requests. If applicable, Customer agrees to enter into agreements with SPP for SPP to study such requests. A request for a new Delivery Point or modification of an existing Delivery Point should include, at a minimum, the following information:

- a) Nature of the change such as: modifications to an existing Delivery Point, new Delivery Point, increased capacity, and retirement, etc.;
- b) Location of the Delivery Point;
- c) Voltage class of the Delivery Point;
- d) Specific AEP transmission or distribution facility that the Delivery Point is to be connected to;
- e) Non-binding, good faith estimate of the amount of load to be served by the Delivery Point for the first 5 years;
- f) Specific modifications to an existing Delivery Point, if applicable; and
- g) Desired in-service date.

2.2.2 Load Connection Study: Unless otherwise mutually agreed, AEP shall respond within ten (10) Business Days of receipt of such a request and, if necessary, provide a Load Connection Study (“LCS”) Agreement and a list of any additional information that AEP would require from the Customer to proceed with such study. Unless otherwise agreed, the LCS Agreement shall commit the Customer to pay AEP the actual cost to complete the study and make an advance deposit equal to the estimated study cost or \$25,000, which ever is less. The Customer shall execute and deliver the LCS Agreement and required deposit to AEP within thirty (30) Calendar Days following its receipt. Upon receipt of the executed study agreement, study data as requested above, and the required deposit, AEP shall carry out the LCS. In the LCS, AEP shall assess the feasibility of modifying an existing Delivery Point or

establishing the new Delivery Point using power flow and short circuit analyses and any other analyses that may be appropriate. It shall also determine the details and estimated cost of facilities necessary for establishing the requested Delivery Point and any system additions/upgrades needed to address any problems identified in the LCS.

If the Customer fails to return an executed LCS Agreement and required deposit within thirty (30) Calendar Days of receipt or at a later date as the Parties may mutually agree, AEP shall deem the study request to be withdrawn. The Customer may withdraw its study request at any time by written notice of such withdrawal to AEP.

AEP shall complete the study and issue a draft LCS report to the Customer within sixty (60) Calendar Days after receipt of an executed LCS Agreement, deposit and necessary data as requested above, or at a later date as the Parties may mutually agree. Customer may, within thirty (30) Calendar Days after receipt of the draft LCS report, submit written comments to AEP, which shall be incorporated into and addressed in the final report. AEP shall issue the final LCS report within fifteen (15) Calendar Days after receiving Customer's comments or promptly after receiving Customer's notice that it has no comments. AEP may extend the fifteen-day period upon notice to Customer that Customer's comments require additional analysis or significant modification of the report, such extension not to exceed thirty (30) Calendar Days.

The results of the LCS shall be valid until the latter of (i) the date one year from the date the final LCS report is delivered to Customer or (ii) thirty (30) days after the resolution of any dispute brought pursuant to Section 5.8 of this Agreement, provided that such dispute was initiated within ninety days of the date the final LCS report is delivered to Customer. If the Customer delays for more than one year the continuation of the process for establishment of a new Delivery Point by failing to execute a Facilities Agreement (as described in Section 2.3), the Customer's request shall be deemed withdrawn, and a new request and new LCS may be required.

Upon completion of the LCS, the Customer shall reimburse AEP for the unpaid cost of the LCS if the cost of the study exceeds the deposit. AEP shall refund the Customer, with interest, any portion of the deposit that exceeds the cost of the LCS. The interest rate will be computed in accordance with 18 C.F.R. § 35.19a(a)(2).

2.2.3 Modifications to Study Request: During the course of an LCS, either the Customer or AEP may identify desirable changes in the planned facilities that may improve the costs and/or benefits (including reliability) of the planned facilities. To the extent the revised plan and study schedule are acceptable to both AEP and the Customer, such acceptance not to be unreasonably withheld, AEP shall, at Customer's Expense, proceed with any necessary restudy.

2.3 Engineering, Design and Construction of New Facilities: If Customer elects to proceed with the Delivery Point as described in the LCS report, Customer must notify AEP not less than thirty (30) days prior to the expiration of the LCS results as described in Section 2.2.2. Upon

receipt of such notice, AEP shall within ten (10) business days offer Customer a Facilities Agreement which describes the Parties' responsibilities for engineering, design, construction, ownership, operation and maintenance of the facilities described in the LCS report and any creditworthiness requirements of AEP Tariff Section 11 ("Creditworthiness") and/or additional technical information that Customer must provide. Customer and AEP shall use their best efforts to execute the Facilities Agreement prior to the expiration of the LCS results as described in Section 2.2.2.

In a case where an LCS has been determined not to be necessary, if Customer elects to proceed with the Delivery Point as described in its study request, Customer must notify AEP within thirty (30) days after AEP informs Customer that an LCS is not necessary. Upon receipt of such notice, unless otherwise mutually agreed, AEP shall within ten (10) business days offer Customer a Facilities Agreement which describes the Parties' responsibilities for engineering, design, construction, ownership, operation and maintenance of any necessary facilities and any creditworthiness requirements of AEP Tariff Section 11 and/or additional technical information that Customer must provide.

Each Facilities Agreement will be incorporated into this Agreement, initially as an attachment hereto, and after project completion through inclusion in Attachment 1 and Attachment 2. Following (i) the execution of the Facilities Agreement, (ii) the receipt of any outstanding technical information, and (iii) the receipt of any required deposit, instrument, or showing that Customer meets the Creditworthiness requirements of the AEP Tariff Section 11, the Parties will proceed with the engineering, design, and procurement activities to construct, reconfigure, upgrade, replace, or retire such local delivery or other facilities as described in the Facilities Agreement. All Facilities Agreements for Delivery Points existing as of the date of this Agreement and described in Attachment 1 shall remain in full force and effect in accordance with their terms.

2.4 Cost Recovery Protection: Pursuant to this Agreement, AEP and Customer will cooperate regarding the planning, provision and utilization of transmission and local delivery facilities needed to reliably deliver power and energy to Customer's loads connected to AEP's facilities. As such, AEP may be required to construct or otherwise expand transmission and local delivery facilities, predicated upon Customer's planned use of such facilities, including the Customer's planned use of external and internal generating capacity. If the Customer alters its use of the transmission and/or local delivery service facilities, through the transfer of load to the system of another service provider, AEP may be entitled to compensation for "Stranded Costs" (defined as the unrecovered cost of any facilities exclusively constructed pursuant to this Agreement to accommodate Local Delivery Service) to the extent such load transfer causes AEP's revenues to be reduced. Any such claim for Stranded Costs by AEP shall be net of the present value of any incremental transmission revenue that AEP will receive by providing transmission or local delivery service to other customers using the transmission or local delivery capacity freed up by the Customer's load change. To the extent practicable, AEP will make efforts to find customers to take the available transmission service to minimize the stranded cost recovery on a case by case basis. AEP will make a Section 205 filing under part 35 of Commission's regulations to seek Commission authorization for any Stranded Cost recovery, identifying the facilities and voltages and recovery support for the cost and

duration of the recovery period. This Section 2.4 shall not apply if Customer is making payments pursuant to Section 2.5 or Section 2.6.

2.5 Abandonment of Exclusive-Use Facilities: In the event Customer abandons a Delivery Point that is exclusively dedicated to service to Customer and the cost of AEP facilities at the Delivery Point is directly assigned to Customer, Customer shall pay AEP the depreciated book value plus removal cost less salvage value of such facilities used exclusively to supply Customer, or Customer may purchase such facilities at depreciated book value provided Customer removes or otherwise disconnects such facilities from a direct connection to the AEP system.

2.6 Abandonment of Joint-Use Facilities and Reductions in Load: If a Party abandons a Delivery Point that is used to supply the retail loads of both Parties or if it removes load from such a Delivery Point, for each of the next two (2) years following such abandonment or reduction in loading, the Party initiating the change shall continue to bear the same cost for its share of any joint-use distribution-related facilities for which the costs are directly assigned to Customer.

2.7 In-Line Facilities: Unless provided otherwise by the SPP Tariff and/or unless Customer and AEP otherwise agree AEP shall have the sole right to operate, maintain, and at its option, to own any new facilities that (i) are required to facilitate Interconnection and Local Delivery Service pursuant to this Agreement, (ii) are to be installed in-line with AEP's facilities, and (iii) may affect the continuity and reliability of AEP facilities that provide or protect service to other customers.

2.8 Connection Guide: The requirements for connection of non-generating facilities to the AEP West transmission system are contained in the AEP document "Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP West Transmission System", referred to herein as the "Connection Guide" or its successor. AEP shall make available a then-current version of the Connection Guide to Customer any time that AEP provides an SIS Agreement to Customer pursuant to Section 2.2.2. Copies of this document also can be obtained from AEP Transmission Planning.

Article 3. Local Delivery Services

3.1 Measurement of Load At Each Delivery Point: The Customer's load, kW, kWh and kVAR at each Delivery Point shall be measured at least on an hourly integrated basis, by suitable revenue grade metering equipment. AEP agrees to provide and install the necessary metering equipment for new Delivery Points. The measurements taken and required metering equipment shall be as needed for all settlement purposes under this Agreement, the AEP Tariff, and the SPP Tariff and in accordance with the AEP standards and practices as contained in the Connection Guide. At points where power may flow to and from the Customer, separate measurements shall be obtained for each direction of flow. Any necessary metered data shall be made available with such frequency and at such times as may be required by AEP, Customer, and SPP in suitable electronic format. If AEP, Customer or SPP requires real-time load or facility status information from any Delivery Point, the other Party shall cooperate, to the extent necessary, in order that such monitoring and telecommunications equipment, as shall be needed for such purpose may be

installed and maintained during normal business hours common to AEP and Customer. AEP shall provide to Customer, on a monthly basis by the fifth (5th) Business Day after the end of the prior month, such data as required for billing. Customer shall compensate AEP for metering and meter data processing services as specified in Attachment 1 of this Agreement. The Customer need not pay for behind the meter generator data that is self-supplied.

Customer will be permitted to remotely interrogate any AEP delivery point meter for the purpose of obtaining Customer's load data and, if available, power quality data through read-only access via the AEP delivery point meter modem and telephone circuit or real time Supervisory Control and Data Acquisition ("SCADA") system equipment. At the request of Customer, AEP will cooperate on the installation of "smart" technology metering in place of the standard metering equipment at a delivery point, provided; however, that AEP shall not be obligated to install, operate or maintain any meter or related equipment that is not approved for use on the AEP System. AEP will also cooperate with Customer on the installation of any additional telephone circuit(s) and/or satellite communications devices with associated data circuits or other mode(s) of communications and allow for the connection of such meter communications circuit(s) to the Customer's real time SCADA system equipment, provided that such equipment connections and communications can be accomplished in a manner that does not interfere with the operation of AEP equipment or fulfillment of any statutory or contractual obligation. If the potential for such interference exists, AEP will work with the Customer, through reasonable measures, to resolve such metering and/or communications issues. As with standard metering, Customer will bear all costs associated with smart technology metering, additional communication, and/or SCADA equipment it requests.

3.2 Compensation for Local Delivery Services: Under this Agreement, the Customer shall, to the extent consistent with Federal Energy Regulatory Commission Policy, reimburse AEP its costs associated with Interconnection and Local Delivery Service facilities (both new and existing) where the cost of such facilities is directly assigned to Customer and not otherwise recovered through the transmission charges under the SPP Tariff. Such costs shall be reimbursed either through monthly charges agreed to by the Parties, which charges shall be specified in Attachment 1 or, at AEP's option, pursuant to the Formula Rate for Facility Construction, Operation and Maintenance contained in Attachment 4 to this Agreement. The cost of AEP facilities needed to provide Interconnection and Local Delivery Service to Customer shall be allocated as prescribed in the settlement agreement in FERC Docket No. ER07-1069-000. In addition, within ninety days of the Effective Date of the Agreement, AEP shall credit Customer the difference between (i) the total of the monthly facilities charges for the period from January 1, 2009 through the Effective Date of this Agreement and (ii) the total of the monthly facility charges applicable to Customer over the same time period as specified in the settlement agreement in FERC Docket No. ER07-1069-000. Such credit shall include interest computed in accordance with 18 C.F.R. § 35.19a(a)(2).

3.3 Load Power Factor Charges: Load power factor charges will be assessed to the Customer pursuant to the following Delivery Point power factor clause based on the hourly kW and kVAR demand metered at the Delivery Points as follows:

The maximum hourly reactive power (kVAr) demand, both leading and lagging will be measured each month at each Delivery Point. When multiple Delivery Points are operated as closed loops, the real and reactive power measurements will be combined for the purpose of this provision. Customer will incur no load power factor charges if the maximum leading and lagging kVAr demand at each Delivery Point is managed, so as not to exceed 20% of the real power (kW) demand in the same hourly intervals. Charges will be assessed for leading and/or lagging kVAr demand at each Delivery Point if the maximum hourly value of such demand exceeds 20% of the kW demand in the same interval. The charges will be \$0.30/kVAr for all leading and/or lagging kVAr demand in excess of 20% of the corresponding kW demand, provided; however, that when the kVAr demand exceeds 50% of the kW demand, the charge will be \$0.50/kVAr, for all kVAr, leading and/or lagging, in excess of 20% of the corresponding kW demand.

3.4 Losses: The Customer's load shall be adjusted, for settlement purposes, to include AEP West Zone transmission and distribution losses, as applicable and to the extent such losses are not recovered by AEP in any applicable power purchase agreement or through the SPP Tariff. Presently, the Commission approved transmission loss factor for the AEP West Zone is 2.9% of energy received by AEP for transmission to the Customer's Delivery Points ($1/(1-.029)-1=2.987\%$ of delivered energy). Distribution losses shall be assessed, where applicable, at the rates as specified in Attachment 1. To the extent Customer's load at any Delivery Point is supplied from behind the meter generation, losses shall be assessed only for the net load delivered to such Delivery Points by AEP.

3.5 Maintenance of Local Delivery Point Facilities: When AEP provides operation and maintenance ("O&M") services for any Delivery Point and/or distribution facilities owned by the Customer, or its members if applicable, such service will be made pursuant to any repair and maintenance agreement ("O&M Agreement") that may exist between Customer and AEP, or to Attachment 3 of this Agreement.

3.6 Operational Access and Control: Except as provided in Attachment 5, AEP shall have the sole right to enter upon, test, operate and control the facilities covered by this Agreement that are owned by AEP. The right to test, operate and control said facilities includes but is not limited to the power to direct the opening and closing of switches for construction, operation, testing, maintenance and other relevant purposes.

All meters and test switches, whether provided by AEP or Customer, shall be sealed and the seals shall be broken only when the meters are to be tested, adjusted or replaced. The other Party shall be provided as much advance notice as is practicable in the circumstances when the facilities of that Party are to be entered or the seals of any meter are to be broken, and such Party shall be afforded the opportunity to be present during such test, adjustment, repair, replacement.

3.7 Administrative Committee: AEP and Customer shall each appoint a member and at least one alternate to an Administrative Committee, and so notify the other Party of such appointment(s) in writing. Such appointment(s) may be changed at any time by similar notice. Each member and alternate shall be a responsible person familiar with the day-to-day operations of their respective

system. Generally, this would mean that the Administrative Committee representative(s) will be employees of AEP and the Customer, or entities represented by the Customer; however, the representative(s) may be accompanied by other experts, appropriate to the matters to be considered.

The Administrative Committee shall represent AEP and Customer in all matters arising under this Agreement and which may be delegated to it by mutual agreement of the Parties hereto.

3.7.1 Principal Duties: The principal duties of the Administrative Committee shall be as follows:

- a.) To establish operating, scheduling and control procedures as needed to meet the requirements of this Agreement, coordinated operation, and any requirements of the Transmission Provider;
- b.) To address issues arising out of accounting and billing procedures;
- c.) To coordinate regarding the changing service requirements of the Customer and the course of action the Parties will pursue to meet such requirements;
- d.) To coordinate planning, facility construction, and maintenance as appropriate, and to the extent agreed by the Parties; and
- e.) To perform such other duties as may be specifically identified in, or required for the proper function of this Agreement.

3.7.2 Administrative Committee Meetings: The Administrative Committee shall meet or otherwise conference at least once each calendar year, or at the request of either Party upon reasonable notice, and each Party may place items on the meeting agenda. All proceedings of the Administrative Committee shall be conducted by its members taking into account the exercise of Good Utility Practice. If the Administrative Committee is unable to agree on any matter coming under its jurisdiction, that matter shall be resolved pursuant to Section 5.8 of this Agreement, or otherwise, as mutually agreed by Customer and AEP.

Article 4. Customer's Load, Capacity and Other Obligations to the RTO

4.1 AEP Responsibilities: Unless otherwise agreed, AEP shall have only such responsibilities to assist Customer in meeting its obligations to the RTO, as shall be required pursuant to the SPP Tariff, the AEP Tariff, and this Agreement. AEP shall cooperate with SPP and Customer (or Customer's designated Scheduling and/or Metering Agents) to the extent necessary and appropriate to ensure that data that SPP and AEP require is available.

4.2 Behind the Meter Generation: The Parties agree to cooperate with SPP and parties operating generators connected behind load metering such that each Party will receive such

generator output meter information as it requires to satisfy its operating, billing, and reporting requirements.

Article 5. General

5.1 Billing and Payments: As a convenience, and so long as SPP offers such accommodations, monthly charges for Delivery Point power factor, distribution services, meter and related meter reading and data processing services as specified in Attachment 1 hereto will be included in the monthly transmission service invoice issued by the RTO. Customer shall pay the monthly delivery charges invoiced by the RTO in accordance with SPP Tariff, and with respect to such charges Customer shall be subject to SPP creditworthiness provisions. If the Customer receives Transmission Service through an agreement with a third party that contracts with SPP, the charges for Interconnection and Local Delivery Services hereunder may be invoiced to the third party subject to SPP's accommodations and applicable provision of the SPP Tariff or to the Customer, subject to applicable provision of the AEP Tariff.

AEP shall invoice the Customer and the Customer shall reimburse AEP for its costs associated with any facility construction, operation and maintenance or, repair provided under this Agreement in accordance with the AEP Tariff, Section 7 ("Billing and Payments").

Customer shall have the right to receive such cost information as is reasonably necessary to verify that charges are incurred under this Agreement in accordance with Good Utility Practice. Customer shall have the right to audit the AEP accounts and records pertaining to this Agreement, at the offices where such accounts and records are maintained, provided reasonable proper notice is given prior to any audit, and provided further that the audit will be limited to those portions of such accounts and records that relate to services provided under this Agreement.

5.2 Taxes on Contributions in Aid of Construction: When the Customer funds the construction of AEP-owned facilities pursuant to a contribution in-aid of construction ("CIAC"), the Customer also shall reimburse AEP for the tax effect of such CIAC (a "Tax Effect Recovery Factor" or "TERF"), where such payment is considered taxable income and subject to income tax under the Internal Revenue Service ("IRS") and/or a state department of revenue (State) requirements. The TERF shall be computed consistent with the methodology set forth in Ozark Gas Transmission Corp., 56 F.E.R.C ¶ 61,349 as reflected in the following formula: $TERF = (Current\ Tax\ Rate \times (Gross\ Income\ Amount - Present\ Value\ of\ Tax\ Depreciation)) / (1 - Current\ Tax\ Rate)$. The Present Value of Tax Depreciation Amount shall be computed by discounting AEP's anticipated tax depreciation deductions with respect to the constructed property by AEP's current weighted average cost of capital. If, based on current law, AEP determines such contribution by the Customer shall not be taxable, AEP will not charge a TERF; however, in the event that such contribution is later determined by the IRS or state tax authority to be taxable, the Customer shall reimburse AEP in the amount of the TERF, including any interest and penalty charged to AEP by the IRS and/or state. Such reimbursement is due within thirty (30) Calendar Days of the date upon which AEP notifies the Customer of such determination. If AEP charges a TERF but such contribution is later determined by the IRS or state tax authority not to be taxable, then AEP shall

refund to Customer the amount of the TERF, including interest. Such refund is due within thirty (30) Calendar Days of the date upon which Customer notifies AEP of such determination.

At Customer's request and expense, AEP shall file with the IRS a request for a private letter ruling as to whether any CIAC paid, or to be paid, by Customer to AEP is subject to federal income taxation. Customer will prepare the initial draft of the request for a private letter ruling, and will certify under penalties of perjury that all facts represented in such request are true and accurate to the best of Customer's knowledge. AEP and Customer shall cooperate in good faith with respect to the submission of such request. AEP shall keep Customer fully informed of the status of such request for a private letter ruling and shall execute either a privacy act waiver or a limited power of attorney, in a form acceptable to the IRS that authorizes Customer to participate in all discussions with the IRS regarding such request for a private letter ruling. AEP shall allow Customer to attend all meetings with IRS officials about the request and shall permit Customer to prepare the initial drafts of any follow-up letters in connection with the request.

If Customer shall have reimbursed AEP for the TERF, upon request by Customer and at Customer's expense, AEP shall contest the taxability of such CIAC; provided, however, that AEP shall not be required to contest such taxability if AEP waives the payment by Customer of any amount that might otherwise be payable by Customer under this Agreement in respect of such determination.

5.3 Indemnity: To the extent permitted by law, each Party shall indemnify and save harmless the other Party and its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials from and against any loss, liability, cost, expenses, suits, actions, claims, and all other obligations arising out of injuries or death to persons or damage to property caused by or in any way attributable to the Delivery Point(s) and/or distribution facilities covered by this Agreement, except that a Party's obligation to indemnify the other Party and its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials shall not apply to any liabilities arising solely from the other Party's or its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials negligence, recklessness or intentional misconduct or that portion of any liabilities that arise out of the other Party's or its directors, trustees, officers, employees, agents, members, duly elected officials and/or appointed officials contributing negligent, reckless or intentional acts or omissions.

5.4 Effective Date and Term of Agreement: This Agreement shall become effective and shall become a binding obligation of the Parties on the date on which the last of the following events shall have occurred ("Effective Date"):

- (a) The date first written above when AEP and Customer each shall have caused this Agreement to be executed by their duly authorized representatives and each shall have furnished to the other satisfactory evidence thereof or Customer requested AEP to file an unexecuted service agreement.
- (b) The date this Agreement has been accepted for filing and made effective by order of the Commission under the Federal Power Act, in which case the Effective Date of

this Agreement shall be as specified in the said Commission order. However, if the Commission or any reviewing court, in such order or in any separate order, suspends this Agreement or any part thereof, institutes an investigation or proceeding under the provisions of the Federal Power Act with respect to the justness and reasonableness of the provisions of this Agreement or any other agreement referred to or contemplated by this Agreement, or imposes any conditions, limitations or qualifications under any of the provisions of the Federal Power Act which individually or in the aggregate are determined by AEP or Customer to be adverse to it, then AEP and Customer shall promptly renegotiate the terms of this Agreement in light of such Commission or court action. Each Party shall use its best efforts to take or cause to be taken all action requisite to the end that this Agreement shall become effective as provided herein at the earliest practicable date.

- (c) The date that approval of this Agreement by the Rural Utilities Service is secured, if applicable.

The initial term of this Agreement shall continue for five years after the date the Agreement becomes effective. Thereafter, this Agreement shall automatically renew for successive terms of one year each unless either Party elects to terminate the Agreement by providing written notice of termination to the other Party at least ninety (90) Calendar Days prior to the start of any renewal term.

5.5 Regulatory Authorities: This Agreement is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises. Nothing contained in this Agreement shall be construed as affecting in any way the right of a Party, as the case may be, to unilaterally file with the Commission an application for a change in rates, charges, classification, service or any rule, regulation or contract relating thereto under Section 205 or 206 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

5.6 Assignment: It is mutually understood and agreed that this Agreement contains the entire understanding between the Parties, that there are no oral, written, implied or other understandings or agreements with respect to the work covered hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, as well as their respective successors and/or assigns. However, neither Party shall assign, transfer or sublet any of the rights hereby granted without the prior written consent of the other Party, provided, however, this Agreement may be assigned by any Party to its lender(s), including the Rural Utilities Service, without the consent of the other Party. Any such lender may assign such interest in and to this Agreement to any subsequent assignee in connection with the sale, transfer or exchange of its rights under this Agreement pursuant to such assignment. In connection with an assignment to a lender, a Party shall, if requested by such lender, provide such documentation as may be reasonably requested with respect to the assignment, provided that such documents do not alter or diminish the rights of the providing Party. If consent is required, such consent shall not be unreasonably withheld.

5.7 Definitions:

- (a) **Business Day** shall mean Monday through Friday, excluding Federal holidays.
- (b) **Calendar Day** shall mean any day including Saturday, Sunday or a Federal holiday.

5.8 Disputes: Any disputes arising out of or in connection with this Agreement shall be resolved pursuant to the provisions of Section 12 (“Dispute Resolution Procedures”) of the AEP Tariff.

Article 6. Notices

6.1 Addresses: Any notice given pursuant to this Agreement shall be in writing as follows:

If to AEP:	American Electric Power Service Corporation Manager, Transmission and Interconnection Services 212 East Sixth Street Tulsa, OK 74119
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And also to:

American Electric Power Service Corporation
Manager, Southwest Transmission Planning
212 East Sixth Street
Tulsa, OK 74119

If to Customer:	General Manager East Texas Electric Cooperative, Inc. P O Box 631623 Nacogdoches, TX 75963-1623
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6.2 Modifications: The above names and addresses of any Party may be changed at any time by notice to the other Party.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed.

East Texas Electric Cooperative, Inc.

By: /s/ Edd Hargett

Name: Edd Hargett

Title: Manager

Date: July 21, 2010

American Electric Power Service Corporation

By: /s/ Robert Pennybaker

Robert L. Pennybaker, Manager

Title: Transmission and Interconnection Services

Date: 7/20/2010

ATTACHMENT 1 -- Delivery Points
to
SWEPCO/ETEC/SPP Interconnect & Local Delivery Service Agreement

**Specifications of Meter and Direct Assignment Charges
for East Texas Electric Cooperative, Inc.**

METER/DELIVERY POINT				METER CHARGES			DIRECT ASSIGNMENT CHARGES				CIAC		Total	
Elec Coop	Delivery Point	Delivery Voltage (kV)	Metered Losses Voltage (kV)	Installed Cost (\$)	Monthly Charge (\$)	Data Proc Services (\$)	Transmission		Distribution		Customer CIAC (\$)	Monthly Credit (\$)	Monthly Charges	
							Installed Cost (\$)	Monthly Charge (\$)	Installed Cost (\$)	Monthly Charge (\$)				
Wood County														
	Sanfield (via Quitman)	69	T	69	12,503	238.49	28.27	-	-	-			266.76	
	Crow Tap	138	T	138	8,886	169.50	56.54	123,937	1,465.56	-	123,937	(1,121.63)	569.97	
	E. Burges	138	T	138	4,443	84.75	28.27	130,000	1,537.25	-	130,000	(1,176.50)	473.77	
	Overton / Crocket	138	T	138	64,691	1233.98	56.54	-	-	-			1,290.52	
TOTALS					\$ 90,523	\$1,726.73	\$ 169.62	\$ 253,937	\$ 3,002.81	\$ -	\$ -	\$ 253,937	\$(2,298.13)	\$ 2,601.02

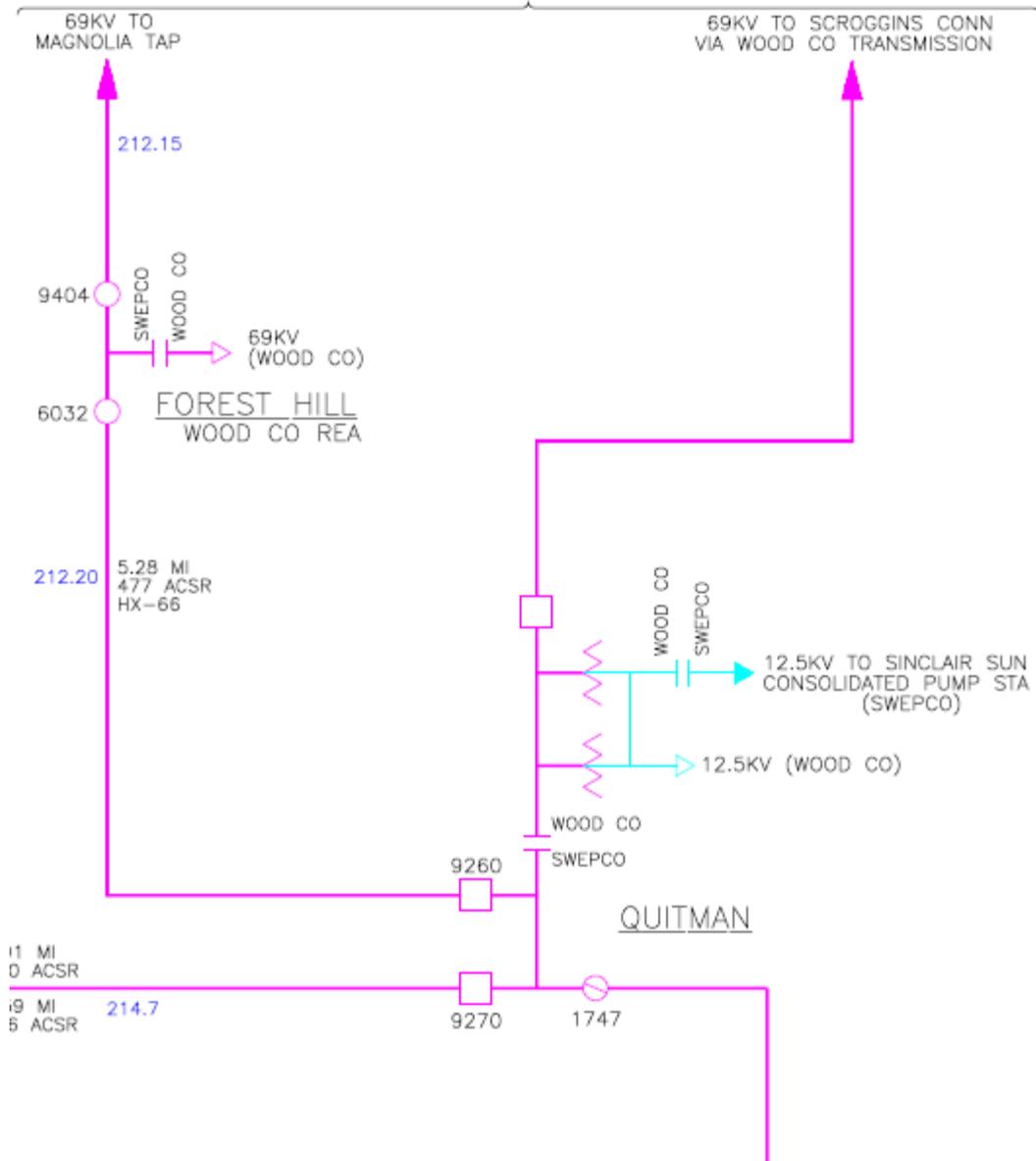
NOTES:

- Sanfield: Served out of SWEPCO Quitman sub (DS0984) via Wood County owned 69 kV breaker. The primary meter is at NTEC (Wood County) Quitman meter point. ETEC Sanfield load is behind the NTEC Quitman meter but is metered separately at the Sanfield station. EMS-09. Non-metering Installed Costs = \$0 per Settlement in Docket ER-07-1069.
- Crow Tap: Formerly known as Hawkins. NTEC's Clyde Brady load is behind the ETEC Crow Tap meter bus is metered separately and deducted. Customer CIAC for three way, 138 kV, 1200 ampere group operated switch structure w/vacuum interrupters. EMS-09.
- E. Burgess: Also known as "Burgess Tap". Not East Burgess but initial E. Burgess. NTEC Burges & Tex-La Star loads are behind the ETEC E Burgess meter. EMS-09. Tap off N. Mineola to Canton circuit.
- Overton / Crocket: The Overton/Crocket delivery point is metered at two locations, Jacksonville Switching Station (EMS-11) and Crocket (EMS-12), which are combined. The Overton portion is metered at Jacksonville 138 kV (CB12600) and Crockett is metered on the 138 kV bus.
- Losses: T = Transmission delivery losses per AEP Tariff; DS = Distribution Xfmr losses + T; DP = Distribution Primary Line + DS (includes T).
- Data Proc Svcs: This includes phone line charges.
- Monthly Charge: Based on 2008 annual carrying charges metering 22.89% and transmission lines 14.19%, including cost of capital, taxes, O&M, A&G, Depreciation, and Working Capital. Transmission CIAC credit = 10.86%.

Net Meter Rev.	\$	1,896.35
Net Trans. Rev.	\$	704.68
Net Dist. Rev.	\$	-
Total (check)	\$	2,601.02

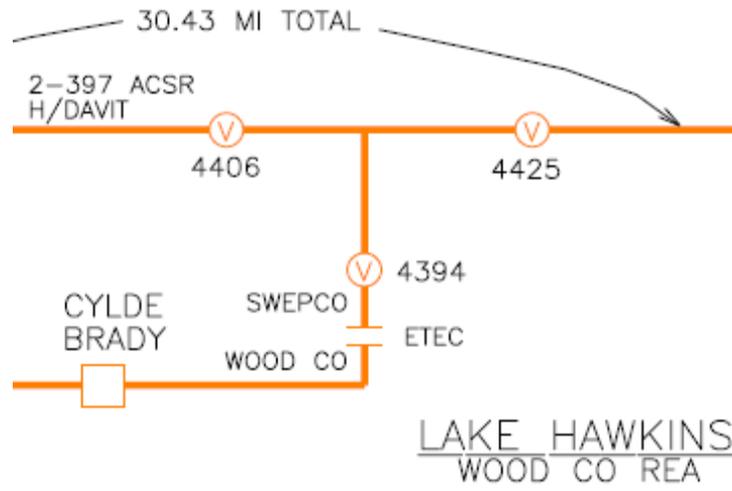
ATTACHMENT 2
One Line Diagrams

Sanfield



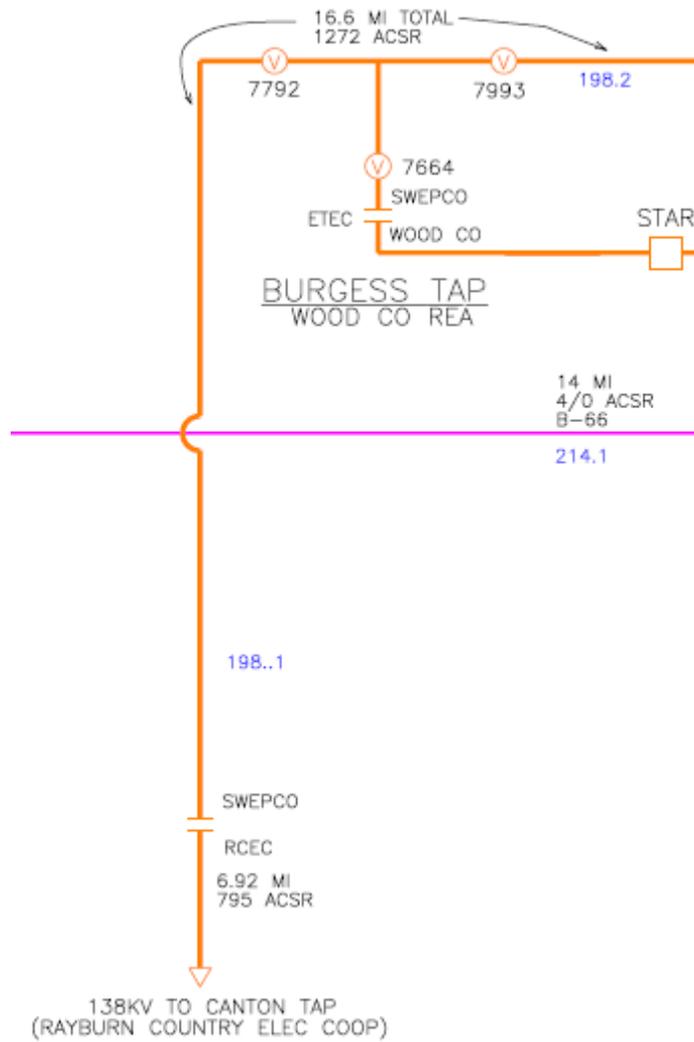
ATTACHMENT 2 (cont.)

Crow Tap



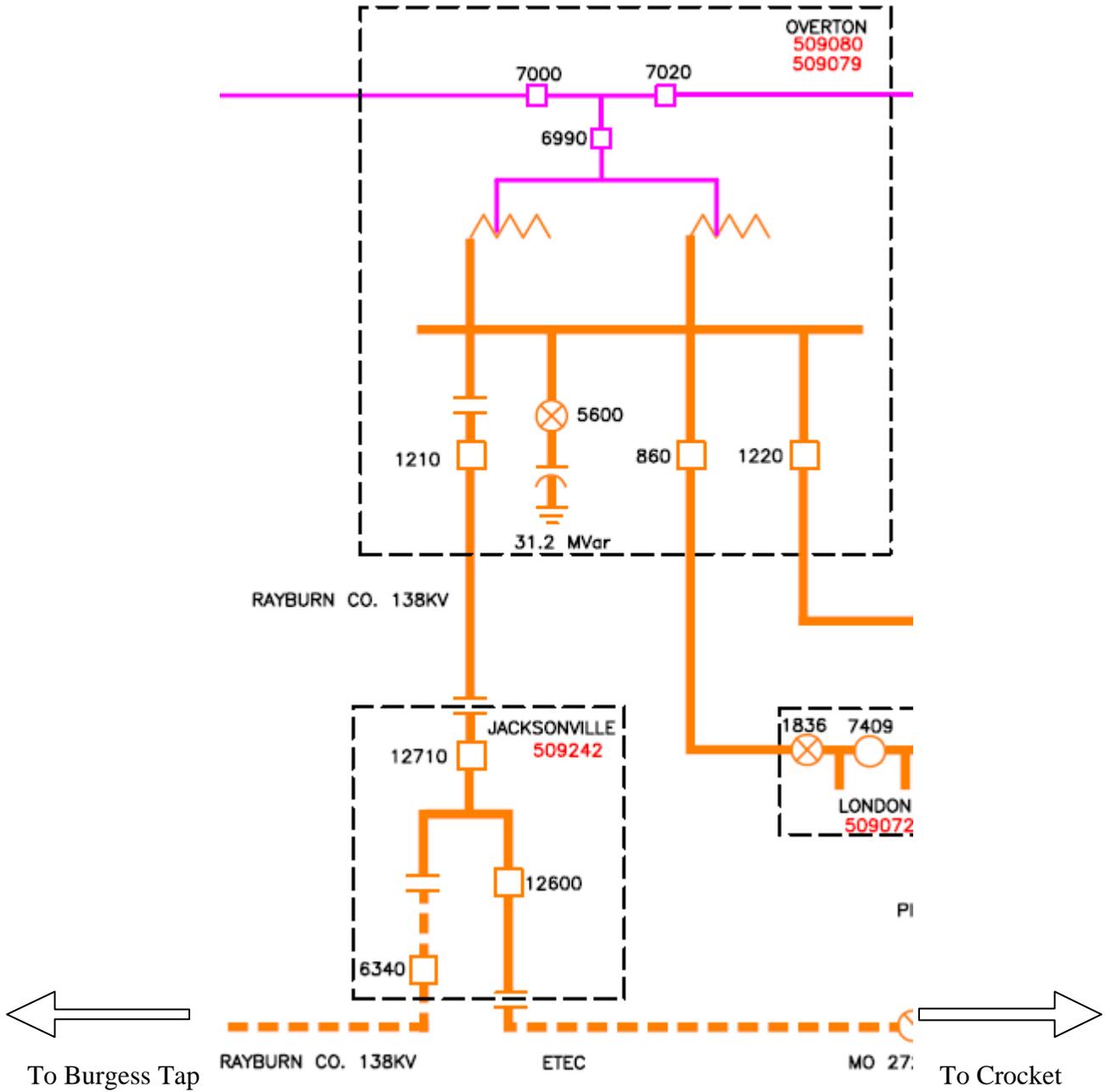
ATTACHMENT 2 (cont.)

E. Burgess/Burgess Tap



ATTACHMENT 2 (cont.)

Overton - Jacksonville Switch Station



Facilities, Operation, Maintenance Service and Repair Agreement ("Agreement")

For those facilities in Attachment 1 owned by the Customer where it is indicated that AEP will provide operation and maintenance ("O&M") and repair services for such Customer-owned facilities, AEP shall perform such services under the provisions herein below and on the cost of service basis reflected in the Formula Rate contained in Attachment 4. When an existing O&M agreement between the Parties which also utilizes a Formula Rate expires or is terminated by mutual agreement or otherwise, unless otherwise agreed, the services provided by AEP under such agreement, if they continue, shall be brought under this Agreement.

Service pursuant to this Attachment 3 shall be based on terms and conditions described below:

1. This Agreement shall cover the delivery and/or switching facilities currently listed in Attachment 1, attached hereto and made a part hereof, and any other delivery and/or switching facilities that are brought hereunder in accordance with the procedure hereinafter provided.
2. Subject to the terms and conditions contained herein, AEP agrees to test, maintain and repair the facilities in Attachment 1 so as to assure the satisfactory and reliable operation of said facilities, all in accordance with good industry standards and practice. AEP further agrees to perform any additional testing, maintenance, repairs and/or replacements requested from time to time by Customer.
3. AEP agrees to furnish all supervision, labor, tools conveyances and equipment necessary for carrying out the work covered for facilities described in Attachment 1 and further agrees to furnish all materials required to do the work except those materials that Customer feels are in its best interests to furnish.
4. All work shall be performed during the standard 40-hour work week, but, in the event that operating or emergency conditions warrant, overtime work can be authorized either in writing or verbally (in the case of emergency work) by Customer's representative.
5. AEP will render invoices to Customer, on forms acceptable, at suitable intervals to be mutually agreed upon by the Parties.
6. Customer agrees to promptly pay AEP the actual costs of any and all testing, maintenance, repairs and/or replacements performed pursuant to the terms and conditions of this Services Agreement, including the costs associated with labor, materials, equipment, overheads, taxes and other services incurred by AEP in performing the work, when presented with satisfactory evidence of the cost of such work.

7. The facilities covered in this Agreement may be extended or otherwise modified by attaching one or more numbered supplemental Facility Requests in the form set out below (attached herewith as Exhibit A), which show the additional facilities or changed equipment to be thereafter covered by this Agreement. Such supplements shall be effective as of the date of final execution thereof and shall be attached to all executed copies of this Agreement.

IN WITNESS WHEREOF, each of the Parties has caused this Facilities Operation, Maintenance, Service and Repair Agreement to be duly executed

East Texas Electric Cooperative, Inc.

By: _____

Name: _____

Title: _____

Date: _____

AMERICAN ELECTRIC POWER SERVICE CORPORATION
As Agent for the AEP Operating Companies

By: _____

Robert L. Pennybaker

Title: Manager, Transmission and Interconnection Services

Date: _____

Pro-forma Exhibit A

FACILITY REQUEST(S)

No. _____

Date _____

Customer hereby applies to AEP for delivery and switching facility(s) described below and shown in the attached drawing(s) in Attachment 2 of the ILDSA entered into by Customer and AEP. In exchange for Customer's promise to pay the actual cost of each facility listed below, Customer requests AEP to construct, install, operate, test, repair and/or maintain the facility(s) to be located in the following circuits of AEP's transmission system:

CIRCUIT	<u>Facility(s)</u>	DELIVERY POINT	LOCATION	<u>Agreement Date</u>

Customer understands and agrees that said facilities are to be constructed, installed, owned, operated, tested and/or maintained in the manner and under the conditions set forth in the attached Agreement, which was entered into by Customer and AEP on _____, 2009.

**AMERICAN ELECTRIC POWER
FORMULA RATE FOR FACILITY CONSTRUCTION,
OPERATION AND MAINTENANCE**

General

The formula rate contained in this document applies when construction, operation and/or maintenance activities are performed for non-AEP Parties, under circumstances precluding the charging of a profit margin. The American Electric Power Companies¹ (AEP) will recover costs for such operation and maintenance activities through bills which reflect the cost AEP has incurred in six categories, namely: 1) materials, 2) labor, 3) equipment, 4) outside services, 5) engineering and administration, and 6) taxes.

AEP charges its costs for construction, operation and maintenance activities on behalf of others to special work orders which accumulate the costs to be billed. As a result of these accounting procedures, the charges billed to non-AEP Parties are not reflected in AEP's transmission, operation, maintenance, or plant accounts.

However, the costs which AEP incurs and bills in such cases are the kinds of costs which would be assignable to the following FERC Uniform System of Accounts if they were incurred in connection with AEP's owned property:

Operation and Maintenance - Transmission Operation and Maintenance Expenses

- 560 - Operation Supervision and Engineering
- 562 - Station Expenses
- 563 - Overhead Line Expenses
- 566 - Miscellaneous Transmission Expenses
- 568 - Maintenance Supervision and Engineering
- 569 - Maintenance of Structures
- 570 - Maintenance of Station Equipment
- 571 - Maintenance of Overhead Lines

Construction - Transmission Plant Costs

- 352 - Structures and Improvements
- 353 - Station Equipment
- 397 - Communications Equipment
- 108 - Accumulated Provision for Depreciation

All Activities - Administrative, General and Other Expenses

¹ Public Service Company of Oklahoma and Southwestern Electric Power Company

920 - Administrative and General Salaries
408 - Taxes Other Than Income Taxes

The charges billed for maintenance in each of the previously identified six categories are discussed in order below.

1. Materials

Materials charges (M) are made in four sub-categories: 1) direct material costs (DM), which may be delivered direct from vendors to the job site (VDM) or issued from company stores (SDM), 2) purchasing expenses, 3) stores expenses, and 4) exempt minor materials (EM). The latter three costs are charged using material loading rates.

Direct material costs are vendor invoiced charges for items, other than exempt minor materials, which are used for Customer maintenance. Purchasing expenses are material overhead costs incurred in selecting and ordering materials. Stores expenses are the costs of performing the stores function. Exempt minor materials are low cost expendable materials, supplies, and hand tools used in Transmission and Distribution construction, maintenance, or operations.

Material items which are delivered direct from the vendor to the job site (VDM) are charged at cost, plus a purchasing loading rate (plr) of 1%, up to a maximum of \$150 per invoice. Materials issued from company storerooms for individual work orders (SDM) are charged at cost, plus a combined stores/purchasing loading rate (slr) and an exempt minor materials loading rate (mlr).

Projected annual stores and exempt minor materials costs are divided by projected annual costs of stores issued materials (SDM + EM) to determine projected stores and exempt minor materials loading rates (slr and mlr, respectively). The rates are reviewed monthly and adjusted as required in order to clear current year stores expense and exempt minor materials costs to the accounts charged with the materials issued.

In symbolic format, the charges for materials are calculated as follows:

$$M = DM + [VDM \times (\text{plr}), \text{ up to } \$150/\text{bill}] + SDM \times (1 + (\text{mlr})) \times (\text{slr})$$

2. Labor

Labor (L) is charged to Operating Company maintenance work orders in three parts - direct labor (DL), fringe labor costs (FL), and miscellaneous out-of-pocket employee expenses (ME). Direct labor charges reflect the actual work hours (whr) and basic hourly rates of pay (hrp) for the personnel that are directly involved; i.e., $DL = (\text{whr}) \times (\text{hrp})$. Fringe labor costs for vacation, holiday, sick leave, and other paid time away, plus payroll taxes, insurance, workers' compensation, pension, and savings plan expenses are recovered through labor loading rates (llr) which are developed by dividing fringe labor costs by earned payroll. The labor loading rates are reviewed monthly and adjusted, as needed, to clear fringe labor costs yearly.

In symbolic format, the charges for labor are calculated as follows:

$$L = DL + FL + ME = DL \times (1 + llr) + ME$$

3. Equipment

Equipment (E), primarily vehicles, used in the performance of maintenance are charged based on actual hours of usage (aeu) and hourly equipment cost rates (ecr). Cost of purchasing, leasing, and operating equipment, by equipment class, are collected in clearing accounts and divided by total hours of usage by class to develop the equipment cost rates (ecr). Equipment cost rates are reviewed quarterly and adjusted, as needed, to clear the cost of equipment.

In symbolic format, equipment charges are calculated as follows:

$$E = (aeu) \times (ecr)$$

4. Outside Services

The actual amount of invoices received from vendors for restorative and other maintenance services (S) performed by third parties for AEP on behalf of the Operating Company are charged in maintenance billings by AEP.

5. Engineering and Administration

Engineering and administrative overhead loading rates are used to allocate engineering, supervision, and administrative overhead costs not assigned to specific project work orders. AEP uses separate loading rates for AEP Service Corporation engineering ($SCE_{t\&d}$) and operating company construction overhead costs (CCO). A complete description of the costs recovered through the AEP Service Corporation loading rate ($sclr_{t\&d}$) and the operating company construction loading rate (cclr) is provided in Note 1 to page 218 of each AEP Company's FERC Form-1 Report. A copy of that note is included as the last page in this Attachment 4.

As the description of Construction Overhead Procedure shows, the CCO and $SCE_{t\&d}$ loading rates (cclr and $sclr_{t\&d}$, respectively) are derived in the normal course of business for the purpose of capturing the portions of AEP Service Corporation engineering and operating company construction overhead costs which are incurred in connection with transmission and distribution (T&D) plan construction. The cclr and $sclr_{t\&d}$ are reviewed monthly and updated, as needed, to clear the respective engineering and administrative overhead costs yearly.

In symbolic format the engineering and administration overhead costs (O) are calculated as follows:

$$\begin{aligned} O &= CCO + SCE_{t\&d} \\ \text{Where CCO} &= (M + L + E + S) \times cclr \\ \text{and } SCE_{t\&d} &= (M + L + E + S + CCO) \times sclr_{t\&d} \end{aligned}$$

6. Taxes

The total taxes charged to the Operating Company will be the sum of receipts (RT) and other taxes (OT) incurred.

$$\text{i.e.: } T = RT + OT$$

Summary of Charges

The total Construction or Operation and Maintenance (O&M) charges under this Agreement in symbolic form are:

$$\text{Construction or O\&M} = M + L + E + S + O + T$$

Where M, L, E, S, O, and T are calculated as explained in Sections 1 through 6 above, respectively.

General Description of Construction overhead Procedure:

1A. Engineering and Supervision (American Electric Power Service Corporation)

(a) Overheads "Engineering, Technical and Drafting Services" are engineering services performed by the Engineering Department of American Electric Power Service Corporation (AEPSC).

(b) In accordance with provisions of a service agreement between American Electric Power Service Corporation (AEPSC) and the respondent, approved by the Securities and Exchange Commission February 19, 1981, salaries, expenses and overheads of AEPSC personnel directly relating to construction activities are collected by means of a work order system and billed to the respondent as:

(1) Identifiable costs, generally relating to major construction projects, for which timekeeping and other specific cost identification is economically feasible, and

(2) Non-identifiable costs, generally relating to numerous small construction projects, for which timekeeping and other specific cost identification are not economically feasible.

(c) Charges billed by AEPSC as (b)(1) above are charged directly by respondent to the applicable specific construction projects. Charges billed by AEPSC as (b)(2) above are allocated to all applicable construction projects proportionate to the direct costs charged to such projects.

(d) A uniform rate is applied to all subject construction expenditures.

(e) See (d) above.

(f) See (c) above.

1B. Company Construction Overheads in its own Operating Division, Engineering Department and System Office Departments

(a) Charges representing cost of Company's Engineering Supervision and related drafting and technical work.

(b) On basis of time and work studies.

(c) Spread to accounts in proportion to dollar value on construction for those classes of construction accounts to which these overheads are considered to be applicable.

(d) For each class of overheads the same percentage is used for all types of construction.

(e) Not applicable. See (d) above.

(f) Shown on page 217.

1C. Company Construction Overheads in Administrative and General Departments

(a) Proportion of Administrative and General Expenses representing salaries and expenses of General Office and Managerial employees applicable to construction.

(b) Partly on basis of time and work studies.

(c) Spread to accounts in proportion to dollar value of construction for those classes of construction accounts to which these overheads are considered to be applicable.

(d) For each class of overheads the same percentage is used for all types of construction.

(e) Not applicable. See (d) above.

(f) See note (c) above

Attachment 5
Operating Procedures

Special operating procedures are identified below:

None.

**NETWORK OPERATING AGREEMENT AMONG SOUTHWEST POWER POOL,
INC., EAST TEXAS ELECTRIC COOPERATIVE, INC., AND AMERICAN ELECTRIC
POWER SERVICE CORPORATION**

This Network Operating Agreement ("Operating Agreement") is entered into this 1st day of January, 2015, by and between East Texas Electric Cooperative, Inc. ("Network Customer"), Southwest Power Pool, Inc. ("Transmission Provider") and American Electric Power Service Corporation ("Host Transmission Owner"). The Network Customer, Transmission Provider and Host Transmission Owner shall be referred to individually as a "Party" and collectively as "Parties."

WHEREAS, the Transmission Provider has determined that the Network Customer has made a valid request for Network Integration Transmission Service in accordance with the Transmission Provider's Open Access Transmission Tariff ("Tariff") filed with the Federal Energy Regulatory Commission ("Commission");

WHEREAS, the Transmission Provider administers Network Integration Transmission Service for Transmission Owners within the SPP Region and acts as an agent for these Transmission Owners in providing service under the Tariff;

WHEREAS, the Host Transmission Owner(s) owns the transmission facilities to which the Network Customer's Network Load is physically connected;

WHEREAS, the Network Customer has represented that it is an Eligible Customer under the Tariff;

WHEREAS, the Network Customer and Transmission Provider have entered into a Network Integration Transmission Service Agreement ("Service Agreement") under the Tariff; and

WHEREAS, the Parties intend that capitalized terms used herein shall have the same meaning as in the Tariff, unless otherwise specified herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

1.0 NETWORK SERVICE

This Operating Agreement sets out the terms and conditions under which the Transmission Provider, Host Transmission Owner, and Network Customer will cooperate and the Host Transmission Owner and Network Customer will operate their respective systems and specifies the equipment that will be installed and operated. The Parties shall operate and maintain their respective systems in a manner that will allow the Host Transmission Owner and the Network Customer to operate their systems and the Transmission Provider to perform its obligations consistent with Good Utility Practice. The Transmission Provider may, on a non-discriminatory basis, waive the requirements of Section 4.1 and Section 8.3 to the extent that such information is unknown at the time of application or where such requirement is not applicable.

2.0 DESIGNATED REPRESENTATIVES OF THE PARTIES

- 2.1 Each Party shall designate a representative and alternate ("Designated Representative(s)") from their respective company to coordinate and implement, on an ongoing basis, the terms and conditions of this Operating Agreement, including planning, operating, scheduling, redispatching, curtailments, control requirements, technical and operating provisions, integration of equipment, hardware and software, and other operating considerations.
- 2.2 The Designated Representatives shall represent the Transmission Provider, Host Transmission Owner, and Network Customer in all matters arising under this Operating Agreement and which may be delegated to them by mutual agreement of the Parties hereto.
- 2.3 The Designated Representatives shall meet or otherwise confer at the request of any Party upon reasonable notice, and each Party may place items on the meeting agenda. All deliberations of the Designated Representatives shall be conducted by taking into account the exercise of Good Utility Practice. If the Designated Representatives are unable to agree on any matter subject to their deliberation, that matter shall be resolved pursuant to Section 12.0 of the Tariff, or otherwise, as mutually agreed by the Parties.

3.0 SYSTEM OPERATING PRINCIPLES

- 3.1 The Network Customer must design, construct, and operate its facilities safely and efficiently in accordance with Good Utility Practice, NERC, SPP, or any successor requirements, industry standards, criteria, and applicable manufacturer's equipment specifications, and within operating physical parameter ranges (voltage schedule, load power factor, and other parameters) required by the Host Transmission Owner and Transmission Provider.
- 3.2 The Host Transmission Owner and Transmission Provider reserve the right to inspect the facilities and operating records of the Network Customer upon mutually agreeable terms and conditions.
- 3.3 Electric service, in the form of three phase, approximately sixty hertz alternating current, shall be delivered at designated delivery points and nominal voltage(s) listed in the Service Agreement. When multiple delivery points are provided to a specific Network Load identified in Appendix 3 of the Service Agreement, they shall not be operated in parallel by the Network Customer without the approval of the Host Transmission Owner and Transmission Provider. The Designated Representatives shall establish the procedure for obtaining such approval. The Designated Representatives shall also establish and monitor standards and operating rules and procedures to assure that transmission system integrity and the safety of customers, the public and employees are maintained or enhanced when such parallel operations is permitted either on a continuing basis or for intermittent switching or other service needs. Each Party shall exercise due diligence and reasonable care in maintaining and operating its facilities so as to maintain continuity of service.
- 3.4 The Host Transmission Owner and Network Customer shall operate their systems and delivery points in continuous synchronism and in accord with applicable NERC Standards, SPP Criteria, and Good Utility Practice.
- 3.5 If the function of any Party's facilities is impaired or the capacity of any delivery point is reduced, or synchronous operation at any delivery point(s) becomes interrupted, either manually or automatically, as a result of force majeure or maintenance coordinated by the Parties, the Parties will cooperate to remove the

cause of such impairment, interruption or reduction, so as to restore normal operating conditions expeditiously.

- 3.6 The Transmission Provider and Host Transmission Owner, if applicable, reserve the sole right to take any action necessary during an actual or imminent emergency to preserve the reliability and integrity of the Transmission System, limit or prevent damage, expedite restoration of service, ensure safe and reliable operation, avoid adverse effects on the quality of service, or preserve public safety.
- 3.7 In an emergency, the reasonable judgment of the Transmission Provider and Host Transmission Owner, if applicable, in accordance with Good Utility Practice, shall be the sole determinant of whether the operation of the Network Customer loads or equipment adversely affects the quality of service or interferes with the safe and reliable operation of the transmission system. The Transmission Provider or Host Transmission Owner, if applicable, may discontinue transmission service to such Network Customer until the power quality or interfering condition has been corrected. Such curtailment of load, redispatching, or load shedding shall be done on a non-discriminatory basis by Load Ratio Share, to the extent practicable. The Transmission Provider or Host Transmission Owner, if applicable, will provide reasonable notice and an opportunity to alleviate the condition by the Network Customer to the extent practicable.

4.0 SYSTEM PLANNING & PROTECTION

- 4.1 No later than October 1 of each year, the Network Customer shall provide the Transmission Provider and Host Transmission Owner the following information:
- a) A ten (10) year projection of summer and winter peak demands with the corresponding power factors and annual energy requirements on an aggregate basis for each delivery point. If there is more than one delivery point, the Network Customer shall provide the summer and winter peak demands and energy requirements at each delivery point for the normal operating configuration;
 - b) A ten (10) year projection by summer and winter peak of planned generating capabilities and committed transactions with third parties

which resources are expected to be used by the Network Customer to supply the peak demand and energy requirements provided in (a);

- c) A ten (10) year projection by summer and winter peak of the estimated maximum demand in kilowatts that the Network Customer plans to acquire from the generation resources owned by the Network Customer, and generation resources purchased from others; and
- d) A projection for each of the next ten (10) years of transmission facility additions to be owned and/or constructed by the Network Customer which facilities are expected to affect the planning and operation of the transmission system within the Host Transmission Owner's Zone.

This information is to be delivered to the Transmission Provider's and Host Transmission Owner's Designated Representatives pursuant to Section 2.0.

4.2 Information exchanged by the Parties under this article will be used for system planning and protection only, and will not be disclosed to third parties absent mutual consent or order of a court or regulatory agency.

4.3 The Host Transmission Owner, and Transmission Provider, if applicable, will incorporate this information in its system load flow analyses performed during the first half of each year. Following completion of these analyses, the Transmission Provider or Host Transmission Owner will provide the following to the Network Customer:

- a) A statement regarding the ability of the Host Transmission Owner's transmission system to meet the forecasted deliveries at each of the delivery points;
- b) A detailed description of any constraints on the Host Transmission Owner's system within the five (5) year horizon that will restrict forecasted deliveries; and
- c) In the event that studies reveal a potential limitation of the Transmission Provider's ability to deliver power and energy to any of the delivery points, a Designated Representative of the Transmission Provider will coordinate with the Designated Representatives of the Host Transmission Owner and the Network Customer to identify appropriate remedies for

such constraints including but not limited to: construction of new transmission facilities, upgrade or other improvements to existing transmission facilities or temporary modification to operating procedures designed to relieve identified constraints. Any constraints within the Transmission System will be remedied pursuant to the procedures of Attachment O of the Tariff.

For all other constraints the Host Transmission Owner, upon agreement with the Network Customer and consistent with Good Utility Practice, will endeavor to construct and place into service sufficient capacity to maintain reliable service to the Network Customer.

An appropriate sharing of the costs to relieve such constraints will be determined by the Parties, consistent with the Tariff and with the Commission's rules, regulations, policies, and precedents then in effect. If the Parties are unable to agree upon an appropriate remedy or sharing of the costs, the Transmission Provider shall submit its proposal for the remedy or sharing of such costs to the Commission for approval consistent with the Tariff.

- 4.4 The Host Transmission Owner and the Network Customer shall coordinate with the Transmission Provider: (1) all scheduled outages of generating resources and transmission facilities consistent with the reliability of service to the customers of each Party, and (2) additions or changes in facilities which could affect another Party's system. Where coordination cannot be achieved, the Designated Representatives shall intervene for resolution.
- 4.5 The Network Customer shall coordinate with the Host Transmission Owner regarding the technical and engineering arrangements for the delivery points, including one line diagrams depicting the electrical facilities configuration and parallel generation, and shall design and build the facilities to avoid interruptions on the Host Transmission Owner's transmission system.
- 4.6 The Network Customer shall provide for automatic and underfrequency load shedding of the Network Customer Network Load in accordance with the SPP Criteria related to emergency operations.

5.0 Maintenance of Facilities

- 5.1 The Network Customer shall maintain its facilities necessary to reliably receive capacity and energy from the Host Transmission Owner's transmission system consistent with Good Utility Practice. The Transmission Provider or Host Transmission Owner, as appropriate, may curtail service under this Operating Agreement to limit or prevent damage to generating or transmission facilities caused by the Network Customer's failure to maintain its facilities in accordance with Good Utility Practice, and the Transmission Provider or Host Transmission Owner may seek as a result any appropriate relief from the Commission.
- 5.2 The Designated Representatives shall establish procedures to coordinate the maintenance schedules, and return to service, of the generating resources and transmission and substation facilities, to the greatest extent practical, to ensure sufficient transmission resources are available to maintain system reliability and reliability of service.
- 5.3 The Network Customer shall obtain: (1) concurrence from the Transmission Provider before beginning any scheduled maintenance of facilities which could impact the operation of the Transmission System over which transmission service is administered by Transmission Provider; and (2) clearance from the Transmission Provider when the Network Customer is ready to begin maintenance on a transmission line or substation. The Transmission Provider shall coordinate clearances with the Host Transmission Owner. The Network Customer shall notify the Transmission Provider and the Host Transmission Owner as soon as practical at the time when any unscheduled or forced outages occur and again when such unscheduled or forced outages end.

6.0 Scheduling Procedures

- 6.1 The Network Customer is responsible for providing its Resource and load information to the Transmission Provider in accordance with Attachment AE.
- 6.2 For Interchange Transactions the Network Customer shall submit, or arrange to have submitted, the schedule of Energy to or from the Transmission Provider and a transaction identification E-Tag for each such schedule where required by NERC Standard INT-001.

7.0 Ancillary Services

- 7.1 The Network Customer must make arrangements in appropriate amounts for all of the required Ancillary Services described in the Tariff. The Network Customer must obtain these services from the Transmission Provider or, where applicable, self-supply or obtain these services from a third party.
- 7.2 Where the Network Customer elects to self-supply or have a third party provide Ancillary Services, the Network Customer must demonstrate to the Transmission Provider that it has either acquired the Ancillary Services from another source or is capable of self-supplying the services.
- 7.3 The Network Customer must designate the supplier of Ancillary Services.

8.0 Metering

- 8.1 The Network Customer shall provide for the installation of meters, associated metering equipment and telemetering equipment. The Network Customer shall permit (or provide for, if the Network Customer is not the meter owner) the Transmission Provider's and Host Transmission Owner's representative to have access to the equipment at all reasonable hours and for any reasonable purpose, and shall not permit unauthorized persons to have access to the space housing the equipment. Network Customer shall provide to (or provide for, if the Network Customer is not the meter owner) the Host Transmission Owner access to load data and other data available from any delivery point meter. If the Network Customer does not own the meter, the Host Transmission Owner shall make available, upon request, all load data and other data obtained by the Host Transmission Owner from the relevant delivery point meter, if available utilizing existing equipment. The Network Customer will cooperate on the installation of advanced technology metering in place of the standard metering equipment at a delivery point at the expense of the requestor; provided, however, that meter owner shall not be obligated to install, operate or maintain any meter or related equipment that is not approved for use by the meter owner and/or Host Transmission Owner, and provided that such equipment addition can be accomplished in a manner that does not interfere with the operation of the meter

owner's equipment or any Party's fulfillment of any statutory or contractual obligation.

- 8.2 The Network Customer shall provide for the testing of the metering equipment at suitable intervals and its accuracy of registration shall be maintained in accordance with standards acceptable to the Transmission Provider and consistent with Good Utility Practice. At the request of the Transmission Provider or Host Transmission Owner, a special test shall be made, but if less than two percent inaccuracy is found, the requesting Party shall pay for the test. Representatives of the Parties may be present at all routine or special tests and whenever any readings for purposes of settlement are taken from meters not having an automated record. If any test of metering equipment discloses an inaccuracy exceeding two percent, the accounts of the Parties shall be adjusted. Such adjustment shall apply to the period over which the meter error is shown to have been in effect or, where such period is indeterminable, for one-half the period since the prior meter test. Should any metering equipment fail to register, the amounts of energy delivered shall be estimated from the best available data.
- 8.3 If the Network Customer is supplying energy to retail load that has a choice in its supplier, the Network Customer shall be responsible for providing all information required by the Transmission Provider for billing purposes. Metering information shall be available to the Transmission Provider either by individual retail customer or aggregated retail energy information for that load the Network Customer has under contract during the billing month. For the retail load that has interval demand metering, the actual energy used by interval must be supplied. For the retail load using standard kWh metering, the total energy consumed by meter cycle, along with the estimated demand profile must be supplied. All rights and limitations between Parties granted in Sections 8.1, and 8.2 are applicable in regards to retail metering used as the basis for billing the Network Customer.

9.0 Connected Generation Resources

- 9.1 The Network Customer's connected generation resources that have automatic generation control and automatic voltage regulation shall be operated and maintained consistent with regional operating standards, and the Network Customer or the operator shall operate, or cause to be operated, such resources to avoid adverse disturbances or interference with the safe and reliable operation of the transmission system as instructed by the Transmission Provider.
- 9.2 For all Network Resources of the Network Customer, the following generation telemetry readings shall be submitted to the Transmission Provider and Host Transmission Owner:
- 1) Analog MW;
 - 2) Integrated MWHRS/HR;
 - 3) Analog MVARs; and
 - 4) Integrated MVARHRS/HR.

10.0 Redispatching, Curtailment and Load Shedding

- 10.1 In accordance with Section 33 of the Tariff, the Transmission Provider may require redispatching of Resources to relieve existing or potential transmission system constraints. The Transmission Provider shall redispatch Resources in accordance with the Energy and Operating Reserve Markets operations specified in Attachment AE. The Network Customer shall respond immediately to requests for redispatch from the Transmission Provider. The Transmission Provider will bill or credit the Network Customer as appropriate using the settlement procedures specified in Attachment AE.
- 10.2 The Parties shall implement load-shedding procedures to maintain the reliability and integrity for the Transmission System as provided in Section 33.1 of the Tariff and in accordance with applicable NERC and SPP requirements and Good Utility Practice. Load shedding may include (1) automatic load shedding, (2) manual load shedding, and (3) rotating interruption of customer load. When manual load shedding or rotating interruptions are necessary, the Host Transmission Owner shall notify the Network Customer's dispatcher or

schedulers of the required action and the Network Customer shall comply immediately.

- 10.3 The Network Customer will coordinate with the Host Transmission Owner to ensure sufficient load shedding equipment is in place on their respective systems to meet SPP requirements. The Network Customer and the Host Transmission Owner shall develop a plan for load shedding which may include manual load shedding by the Network Customer.

11.0 Communications

- 11.1 The Network Customer shall, at its own expense, install and maintain communication link(s) for scheduling. The communication link(s) shall be used for data transfer and for voice communication.
- 11.2 A Network Customer self-supplying Ancillary Services or securing Ancillary Services from a third-party shall, at its own expense, install and maintain telemetry equipment communicating between the generating resource(s) providing such Ancillary Services and the Host Transmission Owner's Zone.

12.0 Cost Responsibility

- 12.1 The Network Customer shall be responsible for all costs incurred by the Network Customer, Host Transmission Owner, and Transmission Provider to implement the provisions of this Operating Agreement including, but not limited to, engineering, administrative and general expenses, material and labor expenses associated with the specification, design, review, approval, purchase, installation, maintenance, modification, repair, operation, replacement, checkouts, testing, upgrading, calibration, removal, and relocation of equipment or software, so long as the direct assignment of such costs is consistent with Commission policy.
- 12.2 The Network Customer shall be responsible for all costs incurred by Network Customer, Host Transmission Owner, and Transmission Provider for on-going operation and maintenance of the facilities required to implement the provisions of this Operating Agreement so long as the direct assignment of such costs is consistent with Commission policy. Such work shall include, but is not limited to, normal and extraordinary engineering, administrative and general expenses, material and labor expenses associated with the specifications, design, review,

approval, purchase, installation, maintenance, modification, repair, operation, replacement, checkouts, testing, calibration, removal, or relocation of equipment required to accommodate service provided under this Operating Agreement.

13.0 Billing and Payments

Billing and Payments shall be in accordance with Attachment AE and Section 7 of the Tariff.

14.0 Dispute Resolution

Any dispute among the Parties regarding this Operating Agreement shall be resolved pursuant to Section 12 of the Tariff, or otherwise, as mutually agreed by the Parties.

15.0 Assignment

This Operating Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns, but shall not be assigned by any Party, except to successors to all or substantially all of the electric properties and assets of such Party, without the written consent of the other Parties. Such written consent shall not be unreasonably withheld.

16.0 Choice of Law

The interpretation, enforcement, and performance of this Operating Agreement shall be governed by the laws of the State of Arkansas, except laws and precedent of such jurisdiction concerning choice of law shall not be applied, except to the extent governed by the laws of the United States of America.

17.0 Entire Agreement

The Tariff and Service Agreement, as they are amended from time to time, are incorporated herein and made a part hereof. To the extent that a conflict exists between the terms of this Operating Agreement and the terms of the Tariff, the Tariff shall control.

18.0 Unilateral Changes and Modifications

Nothing contained in this Operating Agreement or any associated Service Agreement shall be construed as affecting in any way the right of the Transmission Provider or a Transmission Owner unilaterally to file with the Commission, or make application to the Commission for, changes in rates, charges, classification of service, or any rule, regulation, or agreement related thereto, under section 205 of the Federal Power Act and

pursuant to the Commission's rules and regulations promulgated thereunder, or under other applicable statutes or regulations.

Nothing contained in this Operating Agreement or any associated Service Agreement shall be construed as affecting in any way the ability of any Network Customer receiving Network Integration Transmission Service under the Tariff to exercise any right under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder; provided, however, that it is expressly recognized that this Operating Agreement is necessary for the implementation of the Tariff and Service Agreement. Therefore, no Party shall propose a change to this Operating Agreement that is inconsistent with the rates, terms and conditions of the Tariff and/or Service Agreement.

19.0 Term

This Operating Agreement shall become effective on the date assigned by the Commission ("Effective Date"), and shall continue in effect until the Tariff or the Network Customer's Service Agreement is terminated, whichever shall occur first.

20.0 Notice

20.1 Any notice that may be given to or made upon any Party by any other Party under any of the provisions of this Operating Agreement shall be in writing, unless otherwise specifically provided herein, and shall be considered delivered when the notice is personally delivered or deposited in the United States mail, certified or registered postage prepaid, to the following:

Transmission Provider
Southwest Power Pool, Inc.
Tessie Kentner
Attorney
201 Worthen Drive
Little Rock, AR 72223-4936
Phone: (501) 688-1782
Email: tkentner@spp.org

Host Transmission Owner
American Electric Power Service Corporation
Robert Pennybaker

Director, Transmission and Interconnection Services
P.O. Box 201, Tulsa, OK 74102
212 E. Sixth St., Tulsa, OK 74119
Phone: (918) 599-2723
Fax: (918) 599-3071
Email: rlpennybaker@aep.com

Network Customer
East Texas Electric Cooperative, Inc.
Edd Hargett
General Manager
2905 Westward Drive
Nacogdoches, TX 75963-1623
Phone: (936) 560-9532
Fax: (936) 560-9215
Email: eddh@gtpower.com

Any Party may change its notice address by written notice to the other Parties in accordance with this Article 20.

- 20.2 Any notice, request, or demand pertaining to operating matters may be delivered in writing, in person or by first class mail, e-mail, messenger, or facsimile transmission as may be appropriate and shall be confirmed in writing as soon as reasonably practical thereafter, if any Party so requests in any particular instance.

21.0 Execution in Counterparts

This Operating Agreement may be executed in any number of counterparts with the same effect as if all Parties executed the same document. All such counterparts shall be construed together and shall constitute one instrument.

IN WITNESS WHEREOF, the Parties have caused this Operating Agreement to be executed by their respective authorized officials, and copies delivered to each Party, to become effective as of the Effective Date.

TRANSMISSION PROVIDER

/s/ Lanny Nickell
Signature

Lanny Nickell
Printed Name

Vice President, Engineering
Title

Jan. 29, 2015
Date

HOST TRANSMISSION OWNER

/s/ Robert Pennybaker
Signature

Robert Pennybaker
Printed Name

Director, Transmission and
Interconnection Services
Title

Jan. 19, 2015
Date

NETWORK CUSTOMER

/s/ Edd Hargett
Signature

Edd Hargett
Printed Name

Manager
Title

1-15-15
Date