

BEFORE THE
UNITED STATES NUCLEAR REGULATORY COMMISSION
DOCKET NOS. 50-416 AND 50-417

In the Matter of
MISSISSIPPI POWER AND LIGHT COMPANY
AND
MIDDLE SOUTH ENERGY, INC.

AMENDMENT TO
APPLICATION FOR LICENSES

INFORMATION FOR ANTITRUST REVIEW OF
OPERATING LICENSE APPLICATION

Mississippi Power & Light Company (MP&L) for itself and on behalf of Middle South Energy, Inc. (MSE) (hereinafter sometimes jointly referred to as "Applicants") hereby files this Amendment to their Application for Licenses, pursuant to the provisions of the Atomic Energy Act of 1954, as amended, and the Nuclear Regulatory Commission's Rules and Regulations.

This Amendment consists of the responses of Applicants to the specific items listed in the Nuclear Regulatory Commission's Regulatory Guide 9.3, "Information Needed by the AEC Regulatory Staff in Connection with its Antitrust Review of Operating License Applications for Nuclear Power

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GRAND GULF NUCLEAR STATION

Plants," and to the related questions about MP&L's dealings with the City of Clarksdale asked by the Nuclear Regulatory Commission in its letter of January 10, 1979, from Mr. Argil Toalston to MP&L.

Respectfully submitted,

MISSISSIPPI POWER & LIGHT COMPANY

By

N. L. Stampley

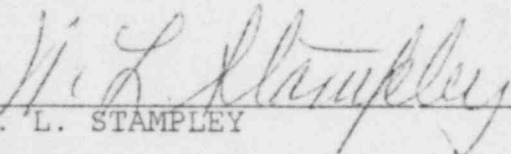
N. L. Stampley
Vice President

Date: February 2, 1979
Electric Building
P.O. Box 1640
Jackson, MS 39205

STATE OF MISSISSIPPI

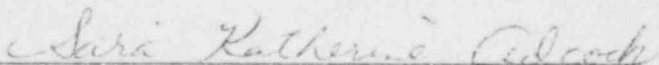
COUNTY OF HINDS

N. L. Stampley, being duly sworn, states that he is a Vice President of Mississippi Power & Light Company, and that he is authorized on the part of said Company and of Middle South Energy, Inc. to sign and file with the Nuclear Regulatory Commission this Amendment to Application for Licenses; that he signed the foregoing Amendment to Application for Licenses as Vice President of Mississippi Power & Light Company and as agent for Middle South Energy, Inc., and that the statements made and the matters set forth therein are true and correct to the best of his knowledge, information, and belief.


N. L. STAMPLEY

SUBSCRIBED AND SWORN TO before me, a Notary Public,
in and for the County and State above named, this 2nd day
of

February, 1979.


NOTARY PUBLIC

My Commission Expires:

4-7-80

RESPONSE TO ITEMS IN REGULATORY GUIDE
9.3 NEEDED BY THE NRC IN CONNECTION WITH ITS
ANTITRUST REVIEW OF APPLICANTS' OPERATING LICENSE
APPLICATION FOR THE GRAND GULF NUCLEAR STATION

- 1a. Anticipated excess or shortage in generating capacity resources not expected at the construction permit stage. Reasons for the excess or shortage along with data on how the excess will be allocated, distributed, or otherwise utilized or how the shortage will be obtained.

RESPONSE

In 1981 the Middle South Utilities System reserve is forecast to be 20.9%, assuming all generating units now under construction are completed on time. This amounts to 624 MW in excess of the required 16% reserve. As the System load increases, this excess will disappear within 2 years. The present forecast indicates that there will be no generation in excess of planned reserves in 1984 after Grand Gulf Unit #2 becomes operational.

When the application for construction permits was submitted in 1972, the forecast for peak demand in 1981 for the Middle South System was 17,050 MW. The present forecast for 1981 is 13,249 MW. The schedule for capacity additions was revised to reflect the present forecast. However, if the schedule for Grand Gulf Unit #1 is not maintained, the Middle South System will fall below the required reserves in 1981.

There are no firm plans to allocate the expected excess in capacity for 1981. This is primarily due to the uncertainty surrounding any construction schedule. A slippage in commercial operation of Grand Gulf #1 or of other large generating units presently under construction in the System of just a few months would result in the elimination of this excess capacity. Therefore, it would not be prudent for the Middle South System to enter into an agreement, at the present time, whereby it would be bound to supply the expected excess. However, as construction proceeds and schedules becomes more certain, consideration will be given to offering to sell the excess capacity for such times as it is not needed in the Middle South System.

- ib. New power pools or coordinating groups or changes in structure, activities, policies, practices, or membership of power pools or coordinating groups in which the licensee was, is, or will be a participant.

RESPONSE

A change has occurred in the administrative practices of the South Central Electric Companies (SCEC), an association of eleven investor owned utilities formed for the purpose of seasonal diversity capacity exchange between it and the Tennessee Valley Authority (TVA). The administrative office of the SCEC was closed, and the duties of this office were assigned to the Middle South Utilities System Operator acting as SCEC Coordinator.

There has been an increase in membership of the Southwest Power Pool of which MP&L is a member. An updated list of the members is attached hereto as Exhibit A.

- 1c. Changes in transmission with respect to (1) the nuclear plant, (2) interconnections, or (3) connections to wholesale customers.

RESPONSE

Interconnections have been established between MP&L and each of the electric utilities owned by the City of Clarksdale, Mississippi, and the City of Greenwood, Mississippi. Both of these interconnections were made at 115 KV. Construction is currently in progress on facilities to provide a 115 KV interconnection between MP&L and South Mississippi Electric Power Association (SMEPA). This interconnection is expected to be completed during 1979.

As of December 1972, MP&L maintained 73 points of delivery with wholesale customers. However, this total included 13 delivery points to Capital Electric Power Association which has subsequently been purchased by MP&L. Therefore, the points of delivery not counting Capital Electric Power Association as of December 1972 totaled 60. Presently MP&L has 66 points of delivery with wholesale customers.

The transmission planned for the Grand Gulf Nuclear Station at the construction permit stage included a 500 KV line to the Franklin EHV Substation, a 500 KV line to the Baxter Wilson EHV Substation, and a 500 KV line to the El Dorado EHV Substation. The plans are now to build the Franklin and Baxter Wilson lines for operation of Unit #1. However, rather than build the line to El Dorado, Arkansas, a 500 KV line will be constructed from Grand Gulf to a point on the present Baxter Wilson EHV Substation to Ray Braswell EHV Substation 500 KV line for operation of Unit #2. Thus, the third line will be from Grand Gulf to Ray Braswell EHV Substation. The transmission as presently planned is shown on the map which is attached hereto as Exhibit B.

- ld. Changes in the ownership or contractual allocation of the output of the nuclear facility. Reasons and basis for such changes should be included.

RESPONSE

Following the requests of SMEPA and West Mississippi Electric Power Association (WMEPA) of February 7, 1972 and August 15, 1972 respectively for participation in the ownership of Grand Gulf, representatives of MP&L, MSE, SMEPA, and WMEPA met to negotiate such an arrangement. From these negotiations, we anticipate that approximately 10% of the capability of Grand Gulf will be shared and owned by SMEPA and WMEPA. Negotiations are in the final stages and the closing is scheduled for July 1979. (See response to item 1(h) for further details.)

- 1e. Changes in design, provisions, or conditions of rate schedules and reasons for such changes. Rate increases or decreases are not necessary.

RESPONSE

MP&L's current rate schedules for wholesale service to electric power associations and municipally owned utilities, which are dependent on MP&L for their power requirements, are REA-15 and MW-15 respectively and are attached hereto as Exhibit C and Exhibit D. These rate schedules became effective as of December 1, 1976 pursuant to an order of the FERC, dated August 31, 1977, in Docket ER76-830.

Rate schedules REA-11 and MW-11 filed as attachments B and D to question 14 of the antitrust information supplied in Dockets 50-416 and 50-417 on September 20, 1972 were rate schedules based on energy charges only. The currently effective rate schedules consist of charges relating to both demand and energy, a design that more appropriately represents costs incurred by the supplying utility. These changes were the result of a settlement agreement reached between MP&L and the electric power associations and municipally-owned utilities purchasing power from MP&L and concurred in by the FERC, after receiving top sheets of its staff.

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- 1f. List of all (1) new wholesale customers, (2) transfers from one rate schedule to another, including copies of schedules not previously furnished, (3) changes in licensee's service area, and (4) licensee's acquisitions or mergers.

RESPONSE

(1) On January 23, 1976, MP&L began serving at wholesale the Town of Itta Bena, Mississippi (FERC Rate Schedule NO. 238). New points of delivery to the several electric power associations are:

<u>ELECTRIC POWER ASSOCIATION</u>	<u>POINT OF DELIVERY</u>	<u>MP&L RATE SCHEDULE FERC NO.</u>
Delta EPA	Acona	233
	Capline	231
	Stringtown	225
Magnolia EPA	Gillsburg	227
	East McComb	244
Southern Pine EPA	Monticello	226 Sup 5
Southwest Miss EPA	Peetsville	240
Twin County	Greenville Industrial	242
Yazoo Valley EPA	Midway	237

(2) There have been no transfers from one rate schedule to another.

(3) Licensee's certificated service area was changed in 1973 to include the Town of Shaw, Mississippi (MPSC Docket No. U-2629) and the service area previously awarded to Capital Electric Power Association in Mississippi Public Service Commission Docket No. U-84.

(4) Effective April 1, 1973, MP&L acquired by purchase Capital Electric Power Association and on August 20, 1973, pursuant to a lease agreement, began serving at retail the Town of Shaw, Mississippi formerly a municipally operated utility.

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1g. List of those generating capacity additions committed for operation after the nuclear facility, including ownership rights or power output allocations.

The following is a list of those generating capacity additions committed for operation within the Middle South Utilities System after Grand Gulf Unit #1.

UNIT	RATING	DATE OF SERVICE	OWNERSHIP
1. White Bluff SES Unit #2	700 MW	May 1981	Arkansas Power & Light (420 MW) City of Jonesboro, Ark. (35 MW) Arkansas Electric Cooperative Corp. (245 MW)
2. Waterford Unit #3	1110 MW	Nov. 1981	Louisiana Power & Light
3. Independence SES Unit #1	700 MW	Jan. 1983	Arkansas Power & Light (420 MW) City of Jonesboro, Ark. (35 MW) Arkansas Electric Cooperative Corp. (245 MW)
4. Grand Gulf Nuclear Station Unit, #2	1250 MW	Jan. 1984	Middle South Energy, Inc.
5. Independence SES Unit #2	700 MW	Jan. 1985	Arkansas Power & Light (420 MW) City of Jonesboro, Ark. (35 MW) Arkansas Electric Cooperative Corp. (245 MW)
6. MP Coal Unit #1	700 MW	Jan. 1985	Mississippi Power & Light Co.
7. Coal Unit #6	700 MW	Jan. 1986	Arkansas Power & Light (420 MW) City of Jonesboro, Ark. (35 MW) Arkansas Electric Cooperative Corp. (245 MW)
8. Coal Unit # 7	700 MW	Jan. 1986	Louisiana Power & Light Company
9. Coal Unit #8	700 MW	Jan. 1987	Middle South Energy, Inc.
10. Coal Unit #9	700 MW	Jan. 1988	Middle South Energy, Inc.
11. Coal Unit #10	700 MW	Jan. 1988	Middle South Energy, Inc.

- lh. Summary of requests or indications of interest by other electric power wholesale or retail distributors, and licensee's response, for any type of electric service or cooperative venture or study.

RESPONSE

Early in 1972, MP&L publicly announced its plans to build the Grand Gulf Nuclear Station. Approximately two weeks after this public announcement, on February 7, 1972, South Mississippi Electric Power Association (SMEPA) informed MP&L by letter that it had heard of MP&L's plans to construct the Grand Gulf Nuclear Station from press reports and requested ownership participation in the plant. Shortly thereafter on July 17, 1972, the Justice Department, in carrying out its antitrust review responsibilities under the Atomic Energy Act of 1954 and in anticipation of MP&L's application for construction permits wrote each utility in Western Mississippi, including electric cooperatives and municipalities, asking whether any of them were interested in, among other things, ownership participation in the Grand Gulf Nuclear Station.

As a result of the Justice Department's inquiry, West Mississippi Electric Power Association (WMEPA) on August 15, 1972, wrote MP&L requesting ownership participation in the Grand Gulf Nuclear Station. The City of Clarksdale answered the Justice Department's letter on August 25, 1972, but expressed no interest in participating in the ownership of the facility.

In March, 1973, Yazoo City made inquiries about participating in the ownership of the Grand Gulf Nuclear Station during talks with MP&L concerning an interconnection. While an interconnection agreement was entered into in September, 1975, with them, Yazoo City expressed no further interest in acquiring a participation share of the Grand Gulf Nuclear Station. In August, 1973, the City of Greenwood expressed brief interest in an ownership interest in the Grand Gulf Nuclear Station, but expressed no further interest after being furnished cost data by MP&L.

Early in 1976, MP&L and MSE began active discussions with SMEPA to sell them a 9% interest in the Grand Gulf Nuclear Station and with WMEPA to sell them a 4% interest in the Grand Gulf Nuclear Station. After further discussions, WMEPA and SMEPA agreed to work toward a mutually satisfactory division of a 10% share of the Grand Gulf Nuclear Station. The negotiations with WMEPA and SMEPA are now in the final stages with closing scheduled for mid-1979. WMEPA will not

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make its final decision to participate with SMEPA in the purchase of an interest in the Grand Gulf Nuclear Station until after it has completed its cost analysis of the purchase, which is estimated to be in February 1979. The agreements being negotiated with SMEPA and WMEPA are:

1. A Sale, Construction and Ownership Agreement with MSE, which provides for the sale of an undivided ownership interest in the completed portion of the generating plant and the financing of construction of the remainder of the plant.

2. An Operating Agreement with MSE, for the operation of the units after their completion.

3. A Substitute Power Agreement with MP&L providing that in certain cases where Capacity and Energy are not available to SMEPA and WMEPA from the Grand Gulf Nuclear Station, such Capacity and Energy will be made available to them by MP&L.

4. A Coordination Agreement with MP&L to implement and administer the Substitute Power Agreement, the Interconnection Agreement, and any other future agreements between SMEPA or WMEPA and MP&L.

5. An Interconnection Agreement with MP&L establishing interconnections between SMEPA and MP&L systems and providing each other with certain mutual support and transmission services, including the supplying of emergency service, maintenance service, economy energy, transmission delivery service, and bulk transmission service. In conjunction with the negotiations with WMEPA and SMEPA for an ownership interest in the Grand Gulf Nuclear Station, MP&L also has offered to SMEPA and WMEPA an ownership interest in two 700 MW coal fired steam generating plants proposed to be built by MP&L in Mississippi in the mid to late 1980's.

In late 1975 and early 1976, MP&L and the City of Clarksdale negotiated an interconnection agreement, which was entered into on February 13, 1976. Although Clarksdale indicated that it thought of this interconnection agreement as an outgrowth of MP&L's policy commitments in the Grand Gulf Nuclear Station's construction permits, the City of Clarksdale expressed no interest whatever in an ownership interest in the Grand Gulf Nuclear Station during these discussions.

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However, on December 8, 1976, three and one-half years after publication of the Grand Gulf policy commitments in the Federal Register, R. W. Beck and Associates (Beck) informed MP&L that it was conducting an investigation of power supply alternatives for the City of Clarksdale. Beck asked MP&L to provide financial information and certain documents concerning the Grand Gulf Nuclear Station and asked whether MP&L would be willing to sell ownership or unit power participation in Grand Gulf to the City of Clarksdale. By letter of January 17, 1977, MP&L assured Beck that it fully intended to comply with the policy commitments and provided Beck with the requested data and documents.

On July 19, 1977, the City of Clarksdale wrote MP&L stating that it had not been offered an ownership interest in the Grand Gulf Nuclear Station and asking how much capacity did MP&L anticipate it would offer to the City of Clarksdale. On October 18, 1977, the City of Clarksdale asked MP&L for an offer of participation, stating it could use at least 10 MW.

There have been subsequent meetings and communications between MP&L and the City of Clarksdale and MP&L and the City of Greenwood directed at developing a transmission service schedule and partial requirements wholesale rates. These negotiations have resulted in MP&L filing supplements to the existing Interconnection Agreements between the City of Clarksdale and MP&L and the City of Greenwood and MP&L. Under the supplements filed with the Federal Energy Regulatory Commission on August 28, 1978, MP&L will provide certain transmission services to the Cities of Clarksdale and Greenwood. The Cities of Clarksdale and Greenwood, SMEPA, and the Municipal Energy Agency of Mississippi have petitioned to intervene in this consolidated proceeding. SMEPA's interest in the filing is that the same principles of ratemaking for transmission service for the City of Clarksdale will also apply to SMEPA under its Interconnection Agreement being negotiated with MP&L.

With respect to an ownership interest in the Grand Gulf Nuclear Station by the City of Clarksdale, the parties have reached a stalemate. The City of Clarksdale considers the Grand Gulf policy commitments to be open-ended and demands that MP&L unilaterally draw up a binding offer of ownership participation in the Grand Gulf Nuclear Station. MP&L and MSE have taken the position that Clarksdale, SMEPA and WMEPA were each afforded the same opportunity to participate. While SMEPA and WMEPA made timely requests for participation Clarksdale did not and is, therefore, not now entitled to

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buy a portion of the Grand Gulf Nuclear Station. At the suggestion of the Antitrust Division of the Department of Justice, MP&L and MSE wrote the Department of Justice on September 25, 1978 asking for an interpretation of Paragraph 4(a) of the Grand Gulf license conditions which would exclude Clarksdale from ownership participation in the Grand Gulf Nuclear Station on the grounds that its request for participation was untimely.

The City of Clarksdale on September 22, 1978 wrote requesting the Department to review certain information to determine whether MP&L had acted toward the City of Clarksdale in a manner inconsistent with the antitrust laws and the Grand Gulf antitrust license conditions.

The City of Kosciusko, on May 9, 1978, and the City of Canton, on June 20, 1978, wrote MP&L requesting that the existing Municipal Wholesale Electric Service Agreement between each of them and MP&L be amended or terminated and renegotiated to convert each of the cities from a full requirements customer to a partial requirements customer and to permit each of them to sell, assign, or exchange electric energy with other entities in Mississippi with which they may cooperate under the provisions of the Mississippi Joint Municipal Electric Power and Energy Act. MP&L responded to Kosciusko on June 1, 1978, and to Canton on July 10, 1978, informing them that MP&L does not have a filed, partial requirements rate, but would give consideration to the development of new rates applicable to the changed characteristics of the service requirements of the two cities and to making necessary amendments to the existing Agreement, and would meet with each of them to develop a plan to insure an adequate and dependable source of power within the State of Mississippi in the future.

On November 21, 1978, the Municipal Energy Agency of Mississippi (MEAM), which was recently organized by the Mississippi Cities of Clarksdale, Greenwood, Yazoo City, Leland, Kosciusko, Canton, Durant and Itta Bena, wrote MP&L requesting an offer from MP&L to sell it an ownership interest in the Grand Gulf Nuclear Station of at least 2.48% (approximately 62 megawatts). A copy of this letter is attached hereto as Exhibit E. MP&L responded to MEAM's request for an offer of an ownership interest in Grand Gulf on December 14, 1978, stating that MEAM's request for an ownership interest in Grand Gulf, made after the facility was half completed, was untimely, but that MP&L would discuss with MEAM (1) the possibility of joint participation between MP&L and the members of MEAM in a 700 MW coal-fired power plant

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being constructed by MP&L, which is expected to begin operation in 1985; (2) the development of an interconnection agreement between MP&L and the members of MEAM; and (3) a plan to assure the customers of MP&L and of MEAM's members an adequate and dependable source of power at the lowest possible cost. A copy of this letter is attached hereto as Exhibit F.

See Exhibits K, L, M, N, O and P hereto for copies of other relevant correspondence.

2. Licensees whose construction permits include conditions pertaining to antitrust aspects should list and discuss those actions or policies which have been implemented in accordance with such conditions.

RESPONSE

Information with regard to this item has been discussed in the Response to Item 1(h) above and to the questions of the NRC in its letter of January 10, 1979, below.

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connection of the systems is a single 500,000 volt line segment. The City of Clarksdale has indicated to MP&L that it wants firm service over this path and is unwilling to take service on any other basis. MP&L has represented to the City of Clarksdale that MP&L will wheel power for the City of Clarksdale once the power is made available at MP&L's transmission system.

The City of Clarksdale presently has available the option of arranging to use the facilities of Louisiana Power & Light Company to get power to MP&L's transmission system, and MP&L is working on a special Interconnection Agreement with GSU, as discussed above, which should provide the City of Clarksdale with another option. Additionally, MP&L has several interconnections with TVA, Arkansas Power & Light Company and Mississippi Power Company, which could be used by the City of Clarksdale to get power to MP&L's transmission system. Transmission Service Schedule E would apply where delivery was made to MP&L's transmission system using any of the options discussed above.

RESPONSE TO QUESTIONS ASKED
BY THE NRC IN ITS LETTER TO MP&L
DATED JANUARY 10, 1979, IN CONNECTION
WITH THE NRC'S ANTITRUST REVIEW OF
APPLICANTS' OPERATING LICENSE APPLICATION
FOR THE GRAND GULF NUCLEAR STATION

1. What is the status of transmission Service Schedule E of Rate Schedule FERC No. 243? Has the transmission schedule been made effective? If not, why not? If so, has Clarksdale used the transmission schedule? If not, has this been because Clarksdale did not choose to use the service or because it was prevented from using the service due to some requirement? If the latter, please explain.

RESPONSE

Transmission Service Schedule E of the Inter-connection Agreement between Mississippi Power & Light Company (MP&L) and the City of Clarksdale (FERC Schedule No. 243) was tendered to the FERC for filing on August 28, 1978, with MP&L's request that the thirty days' notice provision of the Commission's regulations be waived in order that this service would be available immediately to the City of Clarksdale [see FERC Notice (September 6, 1978) in Docket NO. ER 78-583]. A copy of Transmission Service Schedule E is attached hereto as part of Exhibit J. The City of Clarksdale is an intervenor in this Docket, which is scheduled to be set for public hearing concerning the justness and reasonableness of the proposed rate. After a one-day suspension, the rate was accepted for filing and has been available for use by the City of Clarksdale since August 28, 1978. Clarksdale has chosen not to use this schedule. The City of Clarksdale has taken the position that the use of Louisiana Power & Light Company as an existing contract intermediary for the transfer of power between Gulf States Utilities (GSU) and MP&L (as is the case in all other transactions between the parties) is unnecessary. The question of whether Louisiana Power & Light Company should be compensated for such use of their facilities is also in issue.

MP&L is in the process of negotiating a special Interconnection Agreement with GSU to provide for permissive use of GSU's facilities between the City of Lafayette and the transmission line of MP&L which terminates at the Mississippi state line. Such an arrangement would be limited to interruptible service, since the only point of inter-

2. Does MP&L plan to enter into an interconnection agreement with Gulf States Utilities (GSU)? If so, what is the anticipated schedule for the filing of such an agreement? Please furnish us with a draft or final agreement if available. How are interchanges between MP&L and GSU arranged and accounted for in the absence of an interconnection agreement? How is TVA diversity interchange to and from GSU scheduled and accounted for? How is MP&L compensated for TVA diversity interchange to and from (a) GSU and (b) Louisiana Power and Light (LP&L). Is TVA diversity interchange scheduled between GSU and MP&L? If so, what scheduling change is required when the 500 KV interconnection between MP&L and GSU is out of service? Are interchanges scheduled hourly between each of the Middle South Utilities or are the interchanges merely accounted for on an after-the-fact basis?

RESPONSE

MP&L is negotiating a possible Interconnection Agreement with GSU and intends to enter into such an agreement if both parties can agree on mutually satisfactory provisions. The schedule for filing of such an agreement depends on the progress of the on-going negotiations. A draft of the agreement at the present stage of negotiations, showing changes most recently proposed by MP&L, is attached hereto as Exhibit G.

There are no interchanges scheduled between MP&L and GSU at present. As is the case in normal interconnected system operations, power transfers are scheduled and accounted for on a "net" basis between control areas. In this case, the control areas are the Middle South System (MSS) and GSU.

The TVA diversity interchange is handled as any normal transaction between control areas. It is scheduled and accounted for as a MSS-GSU transaction. The TVA diversity interchange does not involve any compensation. Facilities constructed for implementation of the interchange are equalized among the participants. Power and energy are strictly on a pay-back basis and no monetary payments are involved. TVA diversity interchange is not scheduled between GSU and MP&L.

There are no hourly schedules of interchanges between the Middle South Utilities system companies. The system is operated on a pool basis.

3. Mr. Farkas in his September 25, 1978 letter to Mr. Shenefield states that if more than 10 percent of Grand Gulf is sold to unaffiliated utilities, then the proceeds of such excess sales may have to be applied to a proportionate share of outstanding bonds. What is meant by a proportioned share? If the proceeds of the excess sales were one million dollars, what proportion of this would, at the lenders option, go to the retirement of outstanding bonds? What outstanding bonds would be retired--those issued with respect to financing Grand Gulf or others? Since the excess proceeds (funds) would be coming from others, how would MP&L be injured? Would the lenders be apt to exercise an option that would be injurious to MP&L and therefore themselves? Please provide by illustration the magnitude of the potential injury to MP&L using as an example an excess proceeds of one million dollars above the 10 percent limit.

RESPONSE

It is assumed the three references to "MP&L" in the above Part 3 were intended to be to "MSE." MSE is the issuer of the Bonds, not MP&L. As part of the financing of the Grand Gulf Nuclear Station, MSE sold \$400,000,000 of intermediate term First Mortgage Bonds. These are the only First Mortgage Bonds which MSE presently has outstanding. MSE has no substantial assets other than its interest in Grand Gulf. If MSE sells in excess of 10% of Grand Gulf, the proceeds would be subject to the following provision of MSE's First Supplemental Indenture:

Section 5.05. Redemption Upon Certain Sales of Undivided Interest.
In the event that proceeds shall be deposited with the Corporate Trustee pursuant to the provisions of Section 4.07(b) hereof,

(b) To the extent such proceeds arise from the disposition of undivided interests in the Grand Gulf Project which cumulatively exceed ten per centum (10%) of such electrical generation capacity, the Corporate Trustee shall promptly after receipt of such proceeds notify the holders of the bonds of the First Series then Outstanding that, if the holders of sixty-six and two-thirds per centum (66-2/3%) in aggregate principal amount of bonds of the First Series then Outstanding shall, within sixty (60) days after the date of such notice, make a request on the Corporate Trustee sixty

4. It is our understanding that MP&L has terminated the partial requirements rate schedule and service to Yazoo City. Please supply a copy of that rate schedule, if available. Did Yazoo City contest the termination? Are the Cities of Clarksdale, Greenwood and Yazoo in the "Western Mississippi Area" as defined in the Grand Gulf antitrust license conditions? Has MP&L filed with FERC or otherwise drafted or prepared a rate schedule suitable for full requirement and/or partial requirement service to entities in the "Western Mississippi Area?" If so, please supply a copy. If not, does MP&L propose to prepare one?

RESPONSE

We assume that the rate schedules you refer to were the filed schedules, which were withdrawn five years ago, for the exchange of reserved capacity and off-peak energy under MP&L's Interconnection Agreement with Yazoo City, dated September 26, 1962. These schedules were fixed rate schedules (except for fuel) and were cancelled by MP&L because changing costs due to inflation resulted in these fixed rates imposing an unfair burden on other MP&L customers. The withdrawal of these rates and the substitution of others is a normal function and was subject to the filing and review requirements of the Federal Power Commission. The City of Yazoo City did not intervene in the proceeding (FPC Docket No. E-8841). Copies of these rate schedules are attached as Exhibit H and Exhibit I.

The Cities of Clarksdale, Greenwood and Yazoo City are "entities" in the "Western Mississippi Area" as such terms are defined in the Grand Gulf license conditions. MP&L has executed an Interconnection Agreement with each of the named entities in substantially the form of the Agreement with the City of Clarksdale, attached hereto as Exhibit J. These Interconnection Agreements contain rate schedules under which these entities may purchase either full requirement or partial requirement service. Under schedules to the Interconnection Agreements, the Cities may purchase Reserve Capacity from MP&L to provide capacity under emergency conditions and during periods of scheduled maintenance of generating units; (2) purchase Firm Capacity from MP&L to either supplement or supplant their generating capability; and (3) purchase Economy Energy from MP&L on a "split the savings" basis. Each of these schedules and the Interconnection Agreements were executed by officials of the City or of the municipal utility, as the case may have been.

(60) days following the mailing of such notice, the Corporate Trustee shall apply the pro-rata share of the holders of the First Series bonds then Outstanding (based upon the ratio of the principal amount of the bonds of the First Series then Outstanding to the principal amount of all bonds outstanding) in such proceeds (but only to the extent such proceeds arise from the disposition of in excess of per centum (10%) of such capacity), to the redemption of First Series bonds then Outstanding, and an appropriate principal amount of the bonds of the First Series then Outstanding shall be deemed to have been called for redemption as provided below. The Corporate Trustee shall promptly notify the Company and all the holders of bonds of the First Series then Outstanding in writing if such request has been received by it from the holders of at least sixty-six and two-thirds per centum ($66\frac{2}{3}\%$) in aggregate principal amount of bonds of the First Series then Outstanding, and all the appropriate principal amount of bonds of the First Series then Outstanding will be deemed called for redemption sixty (60) days following the date of such notice by the Corporate Trustee. If no such request from the holders of at least sixty-six and two-thirds per centum ($66\frac{2}{3}\%$) in aggregate principal amount of bonds of the First Series then Outstanding has been received by the Corporate Trustee, then such proceeds shall be applied as provided in Section 11.05 of the Indenture.

Each separate sale of an undivided interest in Grand Gulf by MSE in excess of 10% would trigger a potential redemption. Only the monies received for the portion of Grand Gulf representing more than 10% of its electrical generation capacity would have to be applied to the redemption of Bonds. The redemption would be at par and spread pro rata across all Bonds in accordance with procedures specified in the Mortgage. For example, if the money received from a sale for the portion of Grand Gulf respecting more than 10% of its generating capacity was one million dollars, the entire one million dollars would have to be used to retire outstanding First Mortgage Bonds.

The transmission rate filing presently in effect, but subject to a hearing by the FERC, gives the Cities the added option of using MP&L transmission lines (capacity permitting) if they can make more attractive arrangements with other systems to purchase power. We feel that these arrangements with the Cities of Clarksdale, Greenwood, and Yazoo City give them adequate alternatives for supplementing or supplanting their power supplies by either purchase from MP&L or from others.

MP&L has offered the Cities of Clarksdale, Greenwood, and Yazoo City an ownership share in a proposed coal-fired plant in DeSoto County, Mississippi, which is scheduled to be operational in 1985. Recently, MP&L received letters from the Municipal Energy Association of Mississippi and from the City of Greenwood wishing additional information about the coal-fired plant. A copy of the letter from Greenwood Utilities and MP&L's response thereto are attached hereto as Exhibit K and Exhibit L. [See Response to Reg. Guide 9.3, item 1(h) and the attached Exhibits E and F for additional information.]































Attached hereto as Exhibits M and N, respectively, are a copy of Mr. McDiarmid's letter to Ms. Urban, dated September 22, 1978; and a copy of Mr. Farkas' letter to Ms. Urban, dated October 16, 1978, which are relevant to this Amendment to Application for Licenses. You indicated in your letter of January 10, 1979, that you have been furnished a copy of Mr. Farkas' letter to Mr. Shenefield, dated September 25, 1978, and of Mr. Farkas' letter to Ms. Urban, dated November 17, 1978. Accordingly, copies of this correspondence has not been attached.

SOUTHWEST POWER POOL MEMBER SYSTEMSEXHIBIT A

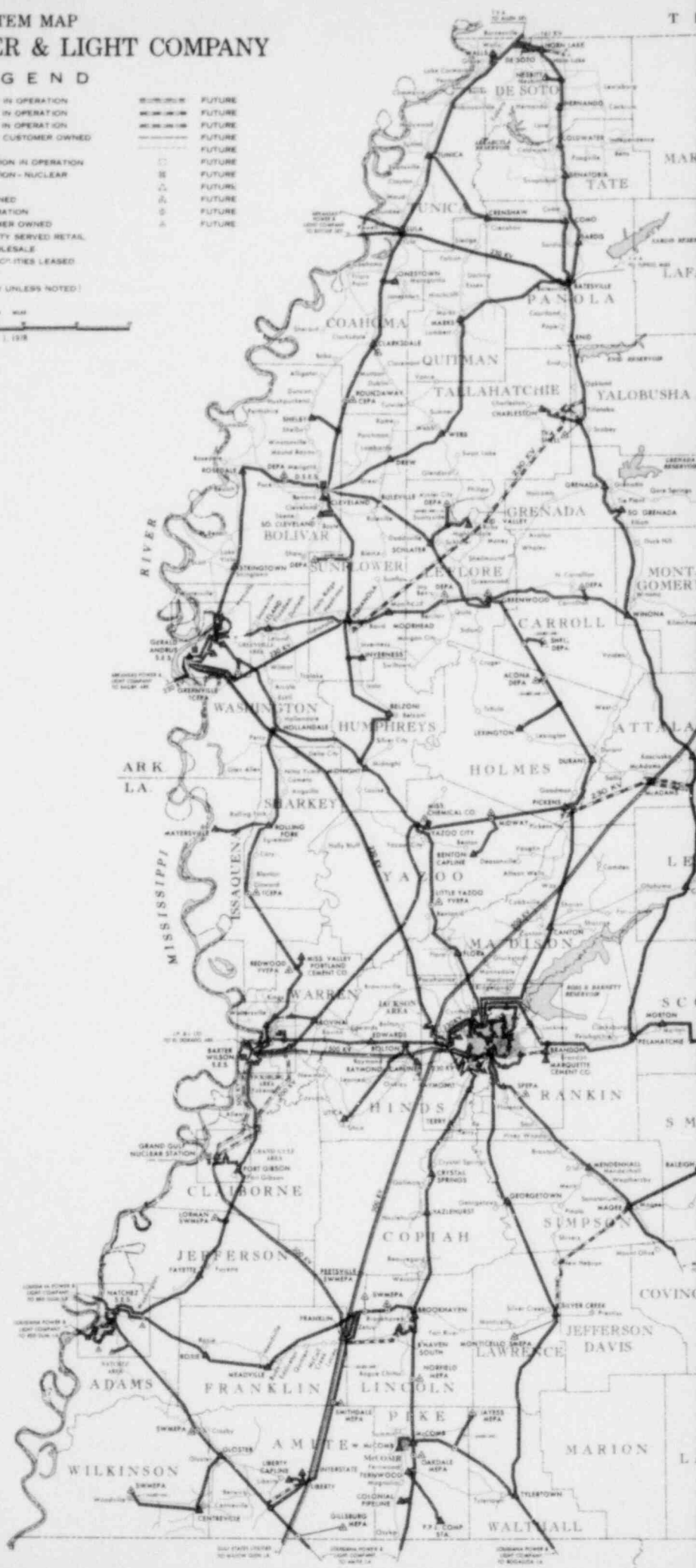
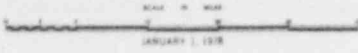
1. Associated Electric Cooperative, Inc.
2. Arkansas Electric Cooperative Corp.
3. Arkansas-Missouri Power Company
4. Arkansas Power & Light Company
5. Board of Public Utilities
6. Cajun Electric Power Cooperative, Inc.
7. Central Kansas Power Company
8. Central Louisiana Electric Company
9. City of Chanute
10. City of Coffeyville
11. City of Winfield
12. City Power & Light Department
13. City Utilities of Springfield
14. Empire District Electric Company
15. Grand River Dam Authority
16. Gulf States Utilities Company
17. Kansas City Power & Light Company
18. Kansas Gas and Electric Company
19. Kansas Power & Light Company
20. Lafayette Utilities Systems
21. Louisiana Power & Light Company
22. Mississippi Power & Light Company
23. Missouri Edison Company
24. Missouri Power & Light Company
25. Missouri Public Service Company
26. Missouri Utilities Company
27. New Orleans Public Service, Inc.
28. Oklahoma Gas & Electric Company
29. Public Service Company of Oklahoma
30. St. Joseph Light & Power Company
31. Southwestern Power Administration
32. Southwestern Electric Power Company
33. Southwestern Public Service Company
34. Sunflower Electric Cooperative, Inc.
35. Western Farmers Electric Cooperative
36. Western Power Division, Central Telephone & Utilities Corp.
37. West Texas Utilities Company
38. City of Alexandria, Louisiana

SYSTEM MAP MISSISSIPPI POWER & LIGHT COMPANY

LEGEND

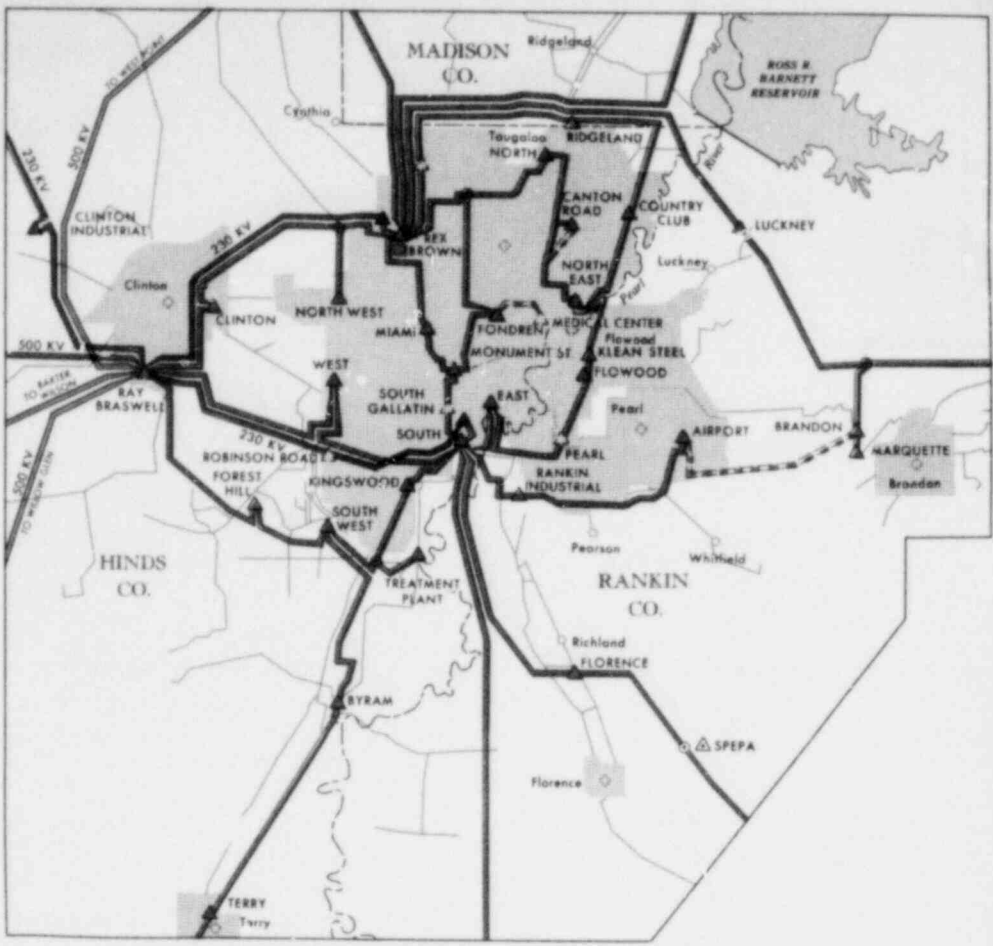
- | | | | |
|-----------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------|--------|
|  | 500 KV TRANSMISSION LINE IN OPERATION |  | FUTURE |
|  | 230 KV TRANSMISSION LINE IN OPERATION |  | FUTURE |
|  | 115 KV TRANSMISSION LINE IN OPERATION |  | FUTURE |
|  | 115 KV TRANSMISSION LINE CUSTOMER OWNED |  | FUTURE |
|  | DISTRIBUTION FEEDER LINES |  | FUTURE |
|  | ELECTRIC GENERATING STATION IN OPERATION |  | FUTURE |
|  | ELECTRIC GENERATING STATION - NUCLEAR |  | FUTURE |
|  | SUBSTATION IN OPERATION |  | FUTURE |
|  | SUBSTATION CUSTOMER OWNED |  | FUTURE |
|  | SWITCHING STATION IN OPERATION |  | FUTURE |
|  | SWITCHING STATION CUSTOMER OWNED |  | FUTURE |
|  | INCORPORATED TOWN OR CITY SERVED RETAIL |  | FUTURE |
|  | TOWN OR CITY SERVED WHOLESALE |  | FUTURE |
|  | TOWN OR CITY ELECTRIC FACILITIES LEASED |  | FUTURE |
|  | COMMUNITY SERVED RETAIL |  | FUTURE |

(* 115 KV UNLESS NOTED)



MISSISSIPPI POWER & LIGHT COMPANY
 MISSISSIPPI POWER & LIGHT COMPANY
 MISSISSIPPI POWER & LIGHT COMPANY

TENNESSEE
 BENTON
 TIPPAL
 SHALL
 UNION
 YETTE
 PONTOTOC
 CALHOUN
 CHICKA
 WEBSTER
 OKTH
 CHOCTAW
 WINSTON
 NESHOBIA
 NEWTON
 JASPER
 JONES
 MAR
 FORREST
 PERR



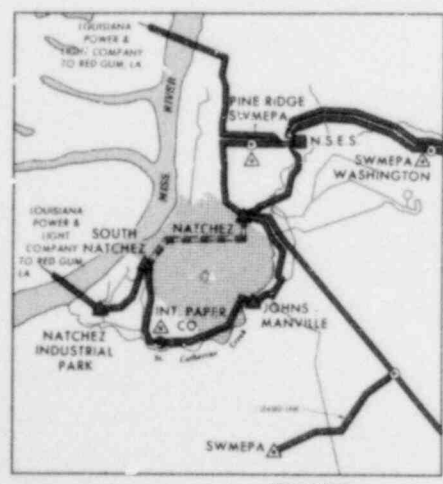
JACKSON AREA SCALE IN MILES



VICKSBURG AREA SCALE IN MILES



GREENVILLE AREA SCALE IN MILES



NATCHEZ AREA SCALE IN MILES



GRAND GULF AREA SCALE IN MILES

MISSISSIPPI POWER & LIGHT COMPANY

Availability: Normally at the 13,800 volt buses of Company's 115,000/13,800 volt substations; service may be delivered at other points on Company's system where in Company's judgment adequate capacity is available at suitable voltage for the delivery of the service desired.

Date Filed: August 29, 1977.

Date Effective: December 1, 1976.

FILED WITH:**FEDERAL POWER COMMISSION**

(Federal Energy Regulatory Commission)

Mississippi Power & Light Company Page No. 102.

Schedule Consists of: One Sheet.

KIND AND CLASS OF SERVICE: RESALE SERVICE TO ELECTRIC POWER ASSOCIATIONS**RATE SCHEDULE REA-15****APPLICATION**

To electric service supplied for resale directly to ultimate users by Electric Power Associations organized under Chapter 184, General Laws of Mississippi, 1936, and amendments thereto, which have executed a Loan Contract and Agreement with the Rural Electrification Administration, an Agency of the United States Government, when Association has executed Company's Agreement for Purchase of Power.

Service is for the entire electric requirements of that portion of the Association's system connected to the point of delivery designated in the Agreement for Purchase of Power. Service under this Rate Schedule is not applicable to standby or supplementary service to loads supplied by others or to parallel operation with any source of supply.

If Association takes service at more than one point of delivery, a separate agreement will be executed and separate bills will be computed for service at each such point.

TYPE OF SERVICE

Three phase, 60 cycles, at a standard nominal voltage of approximately 13,800 volts or higher as available at the point of delivery.

NET MONTHLY RATE

\$705.00 for the first 200 KW
 \$ 2.74 per KW of demand for all additional KW
 \$ 0.018 per KWH for all KWH
 \$ 0.20 per KVAR of excess KVAR

MINIMUM BILL

\$705.00 per month

ADJUSTMENTS

First--there shall be added to or subtracted from the net billing an amount equal to the KWH used multiplied by an adjustment computed in accordance with the following formula:

$$FA = \frac{F_m}{S_m} - \$0.0153706$$

WHERE

FA = Fuel adjustment per KWH to be applied to energy billed in the current month.

F_m = Cost to Company in the second preceding month of fossil and nuclear fuel used during the month, which shall include:

- the cost of fossil and nuclear fuel used for the production of electric energy in Company's generating stations, plus Company's share of fossil and nuclear fuel consumed in jointly owned generating stations, less the cost of fossil and nuclear fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis. The cost of fuel as used herein shall be in compliance with recommendations made by the Federal Power Commission's Office of Chief Accountant, Audits Division Report released May 17, 1977.
- the actual identifiable fossil and nuclear fuel associated with energy purchased for reasons other than identified in (c) below.
- electric energy purchased on an economic dispatch basis for distribution and sale in its operating area. Included in the energy hereunder may be economy energy purchases, energy purchased as a result of a scheduled outage, and energy purchased by Company to substitute for its own higher cost of energy. The costs of such energy shall be the net energy cost and shall exclude capacity or demand charges.

S_m = Net KWH input into Company's system for the supply of energy in its operating area for the second preceding month. Said input shall be determined as the sum of (1) generation, (2) purchases, (3) interchange-in, less (4) intersystem sales referred to in (a) above, less (5) total system losses associated with wholesale sales for resale delivery level.

The adjustment factor computed above shall be further modified to allow the recovery of gross receipts and other similar revenue based tax charges occasioned by the fuel adjustment revenues.

Second--plus the applicable proportionate part of any directly allocable tax, impost, or assessment imposed or levied by any governmental authority, which is assessed or levied against the Company or directly affects the Company's cost of operation and which the Company is legally obligated to pay on the basis of meters, customers, or rates of, or revenue from electric power and energy or service sold, or on the volume of the energy generated, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

TRANSMISSION VOLTAGE DELIVERY

Where Association provides all facilities at the point of delivery for the transformation of the energy delivered hereunder from Company's transmission voltage of 115,000 volts or higher to Association's distribution voltage, a discount of twenty five cents (25¢) per KW of demand will be allowed on the billing under the above Net Monthly Rate. Association shall provide suitable space for metering equipment on the low voltage side of its transformer. Billing shall be based on the quantity so measured at the secondary voltage.

DEMAND

The average KW supplied during the 15-minute period of Association's greatest use during the current month, but not less than the highest of the following:

- (1) 70% of the highest KW established during the previous eleven (11) months.
- (2) 50% of the Contract KW specified in the Agreement for Purchase of Power.
- (3) 200 KW.

EXCESS KVAR

The average KVAR supplied during the 15-minute period of greatest use during the current month in excess of 60% of Association's measured KW for the current month.

PAYMENT

Bills are due and payable each month upon presentation. If a bill is not paid within 15 days after presentation, Company may upon 15 days' written notice suspend service.

RESERVATION

Subject to orders of regulatory authorities having jurisdiction.

CONTRACT PERIOD

Not less than five (5) years, and for like periods thereafter, in accordance with Company's Agreement for Electric Service.

MISSISSIPPI POWER & LIGHT COMPANY

Availability: At points on existing facilities having adequate capacity and suitable voltage for delivery of service from the Company's interconnected transmission system.

Date Filed: August 29, 1977.

Date Effective: December 1, 1976.

FILED WITH:

EXHIBIT D

FEDERAL POWER COMMISSION

(Federal Energy Regulatory Commission)

Mississippi Power & Light Company Page No. 101.

Schedule Consists of: One Sheet.

KIND AND CLASS OF SERVICE: ELECTRIC PUBLIC UTILITY RESALE

RATE SCHEDULE MW-15

APPLICATION

To resale service to public utilities (including publicly owned electric systems) under new or renewal contract with Company when customer contracts with Company for its entire purchased power and energy requirements. All service is to be supplied at one point of delivery and measured by one kilowatt-hour meter.

Not applicable to standby and supplementary service or to parallel operation.

CHARACTER OF SERVICE

Three phase, 60 cycles at a standard nominal voltage of 13,800 volts or higher as available at the point of delivery.

NET MONTHLY RATE

- \$3575.00 For the first 1,000 KW of demand
- \$ 3.35 per KW of demand for all additional KW
- \$ 0.018 per KWH for all KWH
- \$ 0.20 per KVAR of excess KVAR

MINIMUM BILL

\$3575.00 per month

ADJUSTMENTS

First — there shall be added to or subtracted from the net billing an amount equal to the KWH used multiplied by an adjustment computed in accordance with the following formula:

$$FA = \frac{F_m}{S_m} - \$0.0153700$$

WHERE

FA = Fuel adjustment per KWH to be applied to energy billed in the current month.

F_m = Cost to Company in the second preceding month of fossil and nuclear fuel used during the month, which shall include:

- (a) the cost of fossil and nuclear fuel used for the production of electric energy in Company's generating stations, plus Company's share of fossil and nuclear fuel consumed in jointly owned generating stations, less the cost of fossil and nuclear fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis. The cost of fuel as used herein shall be in compliance with recommendations made by the Federal Power Commission's Office of Chief Accountant, Audits Division Report released May 17, 1977.
- (b) the actual identifiable fossil and nuclear fuel associated with energy purchased for reasons other than identified in (c) below.
- (c) electric energy purchased on an economic dispatch basis for distribution and sale in its operating area. Included in the energy hereunder may be economy energy purchases, energy purchased as a result of a scheduled outage, and energy purchased by Company to substitute for its own higher cost of energy. The costs of such energy shall be the net energy cost and shall exclude capacity or demand charges.

S_m = Net KWH input into Company's system for the supply of energy in its operating area for the second preceding month. Said input shall be determined as the sum of (1) generation, (2) purchases, (3) interchange-in, less (4) intersystem sales referred to in (a) above, less (5) total system losses associated with wholesale sales for resale delivery level.

The adjustment factor computed above shall be further modified to allow the recovery of gross receipts and other similar revenue based tax charges occasioned by the fuel adjustment revenues.

Second—plus the applicable proportionate part of any directly allocable tax, impost or assessment imposed or levied by any governmental authority, which is assessed or levied against the Company or directly affects the Company's cost of operation and which the Company is legally obligated to pay on the basis of meters, customers, or rates of, or revenue from electric power and energy or service sold, or on the volume of energy generated, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

TRANSMISSION VOLTAGE DELIVERY

Where Customer provides all facilities at the point of delivery for the transformation of the energy delivered hereunder from Company's transmission voltage of 115,000 volts or higher to Customer's distribution voltage, a discount of twenty five cents (25¢) per KW of demand will be allowed on the billing under the above Net Monthly Rate. Customer shall provide suitable space for metering equipment on the low voltage side of its transformer. Billing shall be based on the quantity so measured at the secondary voltage.

DEMAND

The average KW supplied during the 15-minute period of Customer's greatest use during the current month, but not less than the highest of the following:

- (1) 70% of the highest KW established during the previous eleven (11) months.
- (2) The minimum KW provided in the Agreement for Electric Service.
- (3) 1000 KW

EXCESS KVAR

The average KVAR supplied during the 15-minute period of Customer's greatest use during the current month in excess of 60% of the measured KW for the current month. A KVAR meter will be installed when tests indicate a power factor less than 85%.

PAYMENT

Bills are due and payable each month upon presentation. If a bill is not paid within 15 days from the date thereof, Company shall have the right to suspend service.

CONTRACT PERIOD

Not less than five years, and for like periods thereafter, in accordance with Company's Agreement for Electric Service.

RESERVATION

Subject to orders of regulatory authorities having jurisdiction.

EXHIBIT E

MUNICIPAL ENERGY AGENCY OF MISSISSIPPI

POST OFFICE BOX 666
GREENWOOD, MISSISSIPPI 38930

M.E.A.M.

November 21, 1978

RICHARD M. WEBSTER, CHAIRMAN
CHARLES M. MATHEWS, VICE CHAIRMAN
MARVIN CARRAWAY, SEC. TREAS.

COMMISSIONERS
BILLY J. BINGOAR, DURANT
CHARLES E. BURCHFIELD, KOSCIUSKO
ERNEST L. BUTTROSS, CANTON
PERRIN H. GRISSOM, LELAND
CHARLES M. MATHEWS, GREENWOOD
E. R. SEWARD, YAZOO CITY
JIMMY SHAW, ITTA BENA
RICHARD M. WEBSTER, JR., CLARKSDALE

Mr. Donald Lutken, President
Mississippi Power & Light Company
P. O. Box 1640
Jackson, Mississippi 39207

Dear Mr. Lutken:

As you may be aware, the Municipal Energy Agency of Mississippi has been organized by the Cities of Clarksdale, Greenwood, Yazoo City, Leland, Kosciusko, Canton, Durant, and Itta Bena pursuant to the Joint Municipal Electric Power and Energy Act passed by the Mississippi Legislature during its recent legislative session. The consultants employed by the eight Cities have advised them that it should be possible to develop through MEAM a program to reduce the cost of electric power and energy to their citizens, which program would include an ownership interest of at least 2.48% of your Grand Gulf nuclear unit. We would be prepared to consider a larger interest to be utilized on a basis of joint planning and operation, if you desire.

The Board of Commissioners of MEAM have been advised that when the City of Clarksdale requested an offer of an interest in the Grand Gulf unit in accordance with what is understood to be your obligation agreed to with the Department of Justice, your response was that Clarksdale should have asked earlier to be accorded an offer. The Commissioners representing the member Cities have advised us that they can find no records indicating that their respective Cities have received any offer from you for participation in the Grand Gulf unit.

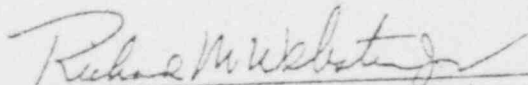
It has been suggested that it would be a more efficient use of resources if the ownership interests to which each of the member Cities of MEAM are entitled were held by MEAM, which in turn would deliver power and energy to the member Cities. Consequently we would seek to meet with

you or your designated representatives to discuss an offer from you to MEAM of an ownership interest in the Grand Gulf nuclear unit of at least 2.48% (equivalent to approximately 62 megawatts), or to respond to a written offer once it is received and an analysis can be made thereof. We note that the utilization of such an interest might well depend on the form of the participation agreement (including transmission) and the interconnection agreements between MP&L and MEAM or its members. We would hope that your offer would include your proposals on these essential matters, as well.

We look forward to discussing the possibility of joint construction, financing, and planning under the Joint Municipal Electric Power and Energy Act and would hope to be able in the reasonably near future to meet with your planning people in the hopes of being able to develop joint planning of generation and transmission for the benefit of the citizens served by your system and by the systems of our member Cities.

Yours very truly,

MUNICIPAL ENERGY AGENCY OF MISSISSIPPI

By: 
Richard M. Webster, Jr., Chairman
Board of Commissioners

cc: Robert C. McDiarmid
David R. Hunt
Nicholas Guarriello
All Commissioners



MISSISSIPPI POWER & LIGHT COMPANY

Helping Build Mississippi

P. O. BOX 1640, JACKSON, MISSISSIPPI 39205

December 14, 1978

DONALD C. LUTKEN
PRESIDENT

Mr Richard M Webster, Jr,
Chairman, Board of Commissioners
Municipal Energy Agency of Mississippi
Post Office Box 866
Greenwood, Mississippi 38930

Dear Mr Webster:

I am sorry it has taken so long to respond to your letter of November 21, 1978 regarding the request of the Municipal Energy Agency of Mississippi to investigate a program of possibly acquiring an ownership interest of approximately 62 megawatts in the Grand Gulf Nuclear Station, which is presently over half completed.

Our small staff has simply been over extended in an attempt to respond to the voluminous data requests being made by the Federal Energy Regulatory Commission Staff and by your Washington Counsel, Spiegel and McDiarmid, in connection with our Company's attempt to make available to some of your members a transmission rate to broaden your search for lower cost power sources.

We are well aware of the opportunities to work together afforded by the Joint Municipal Electric Power and Energy Act passed by the Mississippi Legislature during its recent legislative session. In fact, we supported it and now stand ready and willing to work with you in a joint effort to assure your customers and ours an adequate and dependable source of power at the lowest possible cost. We have affirmed and re-affirmed this position in correspondence with various members of the recently-formed Municipal Energy Agency of Mississippi and have encouraged them to come meet with us to jointly plan toward this objective. Our Company has just filed with the Mississippi Public Service Commission an application for a Certificate of Public Convenience and Necessity to construct a coal-fired unit in the vicinity of Walls, Mississippi. Over the past year we have mentioned the possibility of joint participation in this project to the self-generating members of your organization and we certainly repeat this invitation for all of your members acting as a group. As you are aware, it will be approximately eight years before this plant can be completed and your decision will be required early in the planning process, or our customers would be deprived of power sources constructed in anticipation of their needs. We will be glad to plan jointly with you but obviously cannot make plans based on your possible election to participate or not participate at a date too late to modify our plans to accommodate both of us.

Your letter states that you have no record of our having offered participation in the Grand Gulf Nuclear Station to your members. We assume the implication is that we should have gotten a signed release from all your members back in 1972, when this project was in the same state of development as our presently planned coal-fired plant. We feel that the access to participation in this plant by all

MISSISSIPPI POWER & LIGHT COMPANY

Mr Richard M Webster, Jr

-2-

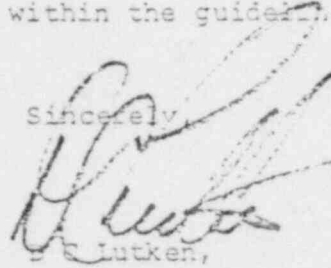
December 14, 1978

your members was well known at that time, that several systems in the state made inquiries, that in only two cases were these inquiries followed up, that we are negotiating in good faith with these and that demands for a portion of this irreplaceable capacity at this late hour by others and brought on by fuel dislocation is untimely. In order to ensure that our interpretation follows both the letter and intent of our agreement with the Department of Justice, we have asked for their affirmation of this position, which we believe is most reasonable under the uncontroverted circumstances.

We view the Municipal Energy Agency of Mississippi as primarily a planning agency at present. It would be very desirable for us to meet jointly to plan for fulfilling our respective service obligations to our customers. We would certainly be willing to work with you toward the development of an interconnection agreement. This would include schedules for firm power, economy interchange, etc, which we would normally expect between two electric utilities and also transmission service. The extent of such arrangements would only be bounded by the contractual arrangements presently in force between our Company and most of your members.

We reaffirm our willingness to meet with you and your members - associates and your consultants to plan together under the provisions of the Joint Municipal Electric Power and Energy Act for a reliable and economical source of energy for all our customers. Such planning may begin now within the guidelines covered by this letter.

Sincerely,



D. C. Lutken,
President

FSY:fc

cc: Mr. Robert C. McDiarmid
Mr. David Hunt

bcc: Mr. D. C. Lutken
Mr. Don Colmer
Mr. J. D. Holland
Mr. N. L. Stampley
Mr. D. E. Meiners
Mr. J. W. Schimpf
Mr. S. W. Wise
Mr. R. M. Merriman



MISSISSIPPI POWER & LIGHT COMPANY

Helping Build Mississippi

P. O. BOX 1640, JACKSON, MISSISSIPPI 39205

EXHIBIT G

December 22, 1978

MORRIS L. STAMPLEY
VICE PRESIDENT

Mr. Al Naylor
Executive Assistant to the President
Gulf States Utilities Company
P. O. Box 2951
Beaumont, Texas 77704

Dear Al:

We have completed a preliminary study of the proposed Interconnection Agreement. Rather than duplicate the entire document for all interested parties, we are attaching only the pages where changes are indicated for your consideration. These are Pages Nos. 1, 3, 17, 22, 23, 25, 27 and 28.

In addition to the above pages, we are attaching a copy of the 12/8/78 Draft of a proposed Transmission Service Schedule TS-2 between our Company and South Mississippi EPA. Please review this and give us your reaction to possible use of this format in lieu of the various schedules in your draft. This would not, of course, affect the ES, RE and SP schedules.

Sincerely,

Morris

NLS:eh

Attachments

bc (w/attach): Mr. S. W. Wise
Mr. Dick Merriman
Mr. F. S. York
Mr. Jack Davey, LP&L, New Orleans
Mr. M. L. Hurstell, NOPSI, New Orleans
Mr. J. D. Phillips, AP&L, Pine Bluff
Mr. J. F. Vogt, MSS, New Orleans
Mr. T. J. Wright, Ark-Mo, Blytheville

REV
12/21/78

POWER INTERCONNECTION AGREEMENT
BETWEEN
GULF STATES UTILITIES COMPANY
AND
MISSISSIPPI POWER & LIGHT COMPANY

~~MISSISSIPPI POWER & LIGHT COMPANY~~

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POWER INTERCONNECTION AGREEMENT

BETWEEN

GULF STATES UTILITIES COMPANY

AND

MISSISSIPPI POWER & LIGHT COMPANY

THIS AGREEMENT, MADE AS OF THE _____ DAY OF _____, 1978, BY AND BETWEEN GULF STATES UTILITIES COMPANY, A TEXAS CORPORATION, HEREINAFTER REFERRED TO AS GSU, AND MISSISSIPPI POWER & LIGHT COMPANY, A MISSISSIPPI CORPORATION, HEREINAFTER REFERRED TO AS MPL, AND EITHER OR BOTH OF WHICH MAY BE REFERRED TO AS PARTY/PARTIES.

RECITALS:

WHEREAS, GSU OWNS AND OPERATES AN ELECTRIC UTILITY SYSTEM, INCLUDING GENERATION, TRANSMISSION AND DISTRIBUTION FACILITIES, IN THE STATES OF TEXAS AND LOUISIANA, AND MPL OWNS AND OPERATES AN ELECTRIC UTILITY SYSTEM, INCLUDING GENERATION, TRANSMISSION AND DISTRIBUTION FACILITIES, IN THE STATE OF MISSISSIPPI, AND

WHEREAS, THE SYSTEMS OF THE TWO PARTIES ARE SO LOCATED AND CONSTITUTED THAT THEY ARE INTERCONNECTED BY MEANS OF A 500 KV TRANSMISSION LINE AND ~~THE~~ RELATED FACILITIES, AND

WHEREAS, ~~UNDER THIS AGREEMENT~~, CERTAIN FACILITIES FOR THE INTERCONNECTION OF THE SYSTEMS OF SAID PARTIES ARE INSTALLED AND IN PLACE IN OPERATION BY THE TWO SYSTEMS, AND

WHEREAS, IT IS INDICATED THAT THE PARTIES CAN REALIZE SUBSTANTIAL BENEFITS FOR THEIR CUSTOMERS BY THE MAINTENANCE OF SUCH AN INTERCONNECTION AND THE INTERCHANGE OF POWER THROUGH SUCH INTERCONNECTION, AND

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WHEREAS, IT IS EXPECTED THAT IT WILL BE OF MUTUAL ADVANTAGE TO THE PARTIES HERETO FROM TIME TO TIME TO PURCHASE AND SELL OR EXCHANGE ELECTRIC POWER AND ENERGY FROM ONE SYSTEM TO THE OTHER UNDER THE TERMS OF THIS AGREEMENT;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREINAFTER SET FORTH, THE PARTIES HERETO MUTUALLY CONTRACT AND AGREE AS FOLLOWS:

ARTICLE I

TERM AND PURPOSE OF AGREEMENT

AND CONTINUING UNTIL
CANCELLED IN ACCORDANCE
WITH THIS SECTION 1.1

SECTION 1.1 - TERM

FIVE (5)

THE TERM OF THIS AGREEMENT IS ~~THIRTY (30)~~ YEARS, COMMENCING AT 12:01 A.M., C.S.T. OF THE _____ DAY OF _____, 1978, AND ENDING ON THE ~~FIFTIETH~~ ^{FIFTH} ANNIVERSARY THEREOF, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE SERVICE SCHEDULE, EACH OF THE ATTACHED SERVICE SCHEDULES HERETO SHALL CONTINUE IN EFFECT FOR THE TERM OF THIS AGREEMENT PROVIDED THAT IN ALL EVENTS ALL SERVICE SCHEDULES IN EFFECT HEREUNDER AT THE TIME SHALL AUTOMATICALLY TERMINATE AND BE CANCELED AS OF THE DATE OF TERMINATION OF THIS AGREEMENT. INASMUCH AS THE VARIOUS SPECIFIC SERVICES TO BE RENDERED BY EACH PARTY TO THE OTHER IN FURTHERANCE OF THE PURPOSES OF THE PARTIES IN MAINTAINING THE INTERCONNECTION AND ESTABLISHING FUTURE INTERCONNECTIONS WILL VARY FROM TIME TO TIME DURING THE TERM HEREOF, AND THE TERMS, ARRANGEMENTS, AND RATES APPLICABLE TO SUCH SERVICES MUST NECESSARILY DEPEND UPON THE CONDITIONS FROM TIME TO TIME EXISTING, IT IS INTENDED THAT SUCH SPECIFIC SERVICES AND TERMS, ARRANGEMENTS AND RATES APPLICABLE THERETO WILL BE SET FORTH IN SERVICE SCHEDULES WHICH MAY BE FORMULATED BETWEEN THE PARTIES HERETO, WHICH SERVICE SCHEDULES WHEN EXECUTED BY THE PARTIES HERETO SHALL BECOME PARTS OF THIS AGREEMENT DURING THE PERIODS FIXED BY THEIR RESPECTIVE TERMS.

ALL SERVICE SCHEDULES SHALL BE SUBJECT IN ALL EVENTS TO THE PROVISIONS OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO ARTICLE III. THIS AGREEMENT MAY BE TERMINATED AT ANY TIME BY EITHER PARTY BY GIVING THE OTHER PARTY WRITTEN NOTICE OF CANCELLATION NOT LESS THAN FOUR (4) YEARS IN ADVANCE OF THE TERMINATION DATE.

SECTION 1.2 - PURPOSE

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THE PURPOSE OF THIS AGREEMENT IS TO PROVIDE THE CAPABILITY TO INTERCHANGE POWER AND ENERGY AND TO PROVIDE FOR THE USE OF EACH PARTY'S TRANSMISSION FACILITIES AS PROVIDED IN THE SERVICE SCHEDULES AS LISTED ON THE ATTACHED EXHIBIT "A" OF THIS AGREEMENT.

ARTICLE II

INTERCONNECTION POINTS AND FACILITIES

SECTION 2.1 - INTERCONNECTION POINTS

THE EXISTING POINT OF INTERCONNECTION IS LOCATED AT THE BOUNDARY LINE BETWEEN THE STATES OF LOUISIANA AND MISSISSIPPI WHERE THE 500 KV TRANSMISSION LINE CROSSES SAID BOUNDARY . NORTHEAST OF THE TOWN OF FELPS, LOUISIANA. IN THE FUTURE OTHER INTERCONNECTION POINTS MAY BE INSTALLED BY THE MUTUAL CONSENT OF THE PARTIES.

SECTION 2.2 - INTERCONNECTION FACILITIES

THE FACILITIES TO EFFECT THE INTERCONNECTION POINT ARE TO BE AS FOLLOWS:

(1) EACH PARTY SHALL PROVIDE, OPERATE, AND MAINTAIN ALL FACILITIES NECESSARY, ON ITS SIDE OF THE POINT OF INTERCONNECTION, TO PERMIT THE SUPPLY OF ELECTRIC ENERGY AT A NOMINAL RATE OF INTERCHANGE AS STATED IN SECTION 1.2 AND AT A NOMINAL VOLTAGE OF 500,000 VOLTS AT THE EXISTING INTERCONNECTION POINT.

(2) THE PARTIES WILL PROVIDE COMMUNICATION AND TELEMETERING EQUIPMENT ADEQUATE FOR LOAD DISPATCHING PURPOSES. BOTH PARTIES WILL PROVIDE NET TIE LINE CONTROL EQUIPMENT FOR CONTROL OF FLOW OF POWER THROUGH ITS INTERCONNECTION WITH EACH OTHER AND ITS INTERCONNECTIONS WITH OTHERS, THE EXTENT AND CHARACTER OF SUCH EQUIPMENT, INCLUDING ITS MAINTENANCE, TO BE IN ACCORDANCE WITH GOOD MODERN PRACTICE.

(3) IT IS FURTHER AGREED THAT THE PARTIES WILL COOPERATE WITH EACH OTHER IN MATCHING THE INTERFACE REQUIREMENTS FOR

COMMUNICATION AND TELEMETERING EQUIPMENT OF EACH PARTY TO THAT OF THE OTHER PARTY.

(4) PLANS FOR THE INSTALLATION BY EITHER PARTY OF PROTECTIVE EQUIPMENT AND DEVICES ON OR IN CONNECTION WITH FACILITIES PROVIDED UNDER THIS ARTICLE II SHALL BE SUBMITTED TO EACH OTHER FOR APPROVAL BEFORE SUCH EQUIPMENT IS INSTALLED FOR THE PURPOSE OF ATTAINING PROPER COORDINATION AND RELIABILITY OF THE INTERCONNECTION, BUT SUCH APPROVAL SHALL NOT BE CONSTRUED TO CONSTITUTE A GUARANTY OF THE ADEQUACY OF ANY SUCH EQUIPMENT OR DEVICES.

SECTION 2.3 - ACCESSORY FACILITIES

THE PARTIES HERETO WILL PROVIDE COMMUNICATION, TELEMETERING, LOAD-CONTROL AND FREQUENCY-CONTROL EQUIPMENT AND SUCH OTHER FACILITIES FOR LOAD DISPATCHING PURPOSES AND FOR CONTROL OF POWER FLOW AND FLOW OF REACTIVE KVA AS ARE NOW OR MAY HEREAFTER REASONABLY BE REQUIRED IN ACCORDANCE WITH GOOD, MODERN PRACTICE, AS DETERMINED BY THE OPERATING REPRESENTATIVES REFERRED TO IN SECTION 4.2.

SECTION 2.4 - STANDARDS FOR CONSTRUCTION AND OPERATION OF EQUIPMENT

EACH PARTY AGREES WITH THE OTHER PARTY THAT IT WILL FOLLOW GOOD UTILITY PRACTICE; AND WILL CONSTRUCT AND AT ALL TIMES MAINTAIN ITS LINES, EQUIPMENT AND OTHER FACILITIES PROVIDED FOR IN THIS ARTICLE II IN ACCORDANCE WITH STANDARDS AND SPECIFICATIONS AT LEAST EQUAL TO THOSE PROVIDED BY THE NATIONAL ELECTRICAL SAFETY CODE OF THE UNITED STATES BUREAU OF STANDARDS AND OTHER APPLICABLE RECOGNIZED UTILITY STANDARDS AND PRACTICES.

ARTICLE III

SERVICE SCHEDULES

SECTION 3.1 - ELECTRIC SERVICE

IT IS RECOGNIZED THAT SUPPLY OF VARIOUS SPECIFIC CLASSES OF SERVICE AND THE RATES, TERMS AND CONDITIONS APPLICABLE TO EACH CLASS OF ELECTRIC SERVICE MUST NECESSARILY DEPEND UPON THE CONDITIONS EXISTING FROM TIME TO TIME. THE SALE AND PURCHASE OF SPECIFIC CLASSES OF ELECTRIC SERVICE ARE PROVIDED FOR IN SEPARATE SERVICE SCHEDULES. EACH AND ALL OF SUCH SERVICE SCHEDULES, WHICH HAVE BEEN AND MAY HEREAFTER BE EXECUTED BY THE PARTIES HERETO, SHALL BE CONSIDERED FOR ALL PURPOSES AS A PART OF THIS AGREEMENT DURING THE PERIOD OF THEIR EFFECTIVENESS. SUCH SERVICE SCHEDULES ARE LISTED ON THE ATTACHED EXHIBIT "A" OF THIS AGREEMENT.

ADDITIONAL SERVICE SCHEDULES MAY BE INCLUDED BY MUTUAL AGREEMENT. ALL SERVICE SCHEDULES IN EFFECT HEREUNDER MAY, FROM TIME TO TIME, BE DELETED OR CHANGED BY MUTUAL AGREEMENT BETWEEN THE PARTIES. THE RATES, TERMS AND CONDITIONS FOR SUCH CLASSES OF SERVICE SHALL BE AS PROVIDED EITHER IN THE SERVICE SCHEDULE OR IN THE RATE SCHEDULE OR SCHEDULES ATTACHED THERETO, WHICH RATES, TERMS AND CONDITIONS MAY BE CHANGED AT ANY TIME BY MUTUAL AGREEMENT. ALSO, ANYTHING IN THIS AGREEMENT OR ANY SERVICE SCHEDULE TO THE CONTRARY NOTWITHSTANDING, EACH AND ALL RATES CHARGEABLE BY A PARTY UNDER THIS AGREEMENT OR ANY SERVICE SCHEDULE CONSTITUTING PART OF THIS AGREEMENT (WHETHER STATED IN THE SERVICE SCHEDULE AS A MUTUAL RATE OR AS A SEPARATE RATE SCHEDULE TO THE SERVICE SCHEDULE) SHALL FOR PURPOSES OF CHANGE BE DEEMED TO BE THE SEPARATE RATES OF SUCH PARTY, INDEPENDENT OF THE OTHER INTERCONNECTION AGREEMENTS, AND IT IS AGREED THAT SUCH RATES OF A PARTY TO BE CHARGED FOR SERVICE UNDER THIS AGREEMENT OR ANY SUCH SERVICE SCHEDULE AND THE TERMS AND CONDITIONS OF SUCH SERVICE SHALL BE AS PROVIDED IN THIS AGREEMENT OR THE SERVICE SCHEDULE OR RATE SCHEDULE TO A SERVICE SCHEDULE OR IN ANY

EFFECTIVE SUPERSEDING SERVICE OR RATE SCHEDULES OF SUCH PARTY FOR SUCH TYPE OF SERVICE PERTAINING TO THIS AGREEMENT WHICH ARE APPROVED OR ACCEPTED FOR FILING BY THE FEDERAL ENERGY REGULATORY COMMISSION AND OTHER REGULATORY AGENCIES, IF ANY, HAVING JURISDICTION THEREOF, IT BEING THE INTENTION OF THE PARTIES THAT DURING THE ENTIRE TERM OF THIS AGREEMENT AND EACH SERVICE SCHEDULE AND DURING ALL RENEWAL PERIODS, EACH PARTY SHALL HAVE AND HEREBY SPECIFICALLY RESERVES THE RIGHT TO CHANGE THE RATES IT CHARGES FOR SUCH SERVICES AND THE TERMS AND CONDITIONS OF SUCH SERVICE IN ACCORDANCE WITH APPLICABLE LAW AND PROCEDURES PRESCRIBED BY THE REGULATORY AGENCIES, IF ANY, HAVING JURISDICTION OVER SUCH RATES, TERMS AND CONDITIONS AND TO SEEK REGULATORY APPROVAL OF ITS CHANGES OF RATES, TERMS OR CONDITIONS WITHOUT THE CONCURRENCE OR JOINDER OF THE OTHER PARTY. ALL CHANGES IN RATES, TERMS AND CONDITIONS BY EITHER PARTY ABOVE PERMITTED SHALL APPLY TO SERVICE CONTRACTED PRIOR TO THE EFFECTIVE DATE OF THE CHANGE AS WELL AS SERVICE CONTRACTED HEREUNDER AFTER SUCH EFFECTIVE DATE, EXCEPT AND TO THE EXTENT OTHERWISE MUTUALLY AGREED IN ANY SPECIFIC CONTRACT BETWEEN THE PARTIES FOR SERVICE PURSUANT TO THE SERVICE SCHEDULE.

WITHOUT IN ANYWAY LIMITING ANY OF THE RIGHTS RESERVED TO EITHER PARTY IN THE PRECEDING PARAGRAPH AND TO CONFIRM THE EXISTENCE OF SUCH RIGHTS PURSUANT TO THE CURRENT REGULATIONS OF THE FEDERAL ENERGY REGULATORY COMMISSION, THE PARTIES AGREE THAT NOTHING CONTAINED HEREIN SHALL BE CONSTRUED AS AFFECTING IN ANY WAY THE RIGHT OF EITHER PARTY IN FURNISHING SERVICE UNDER ANY RATE SCHEDULE (SERVICE SCHEDULE) TO UNILATERALLY MAKE APPLICATION TO THE FEDERAL ENERGY REGULATORY COMMISSION (OR THE SUCCESSOR TO SUCH REGULATORY AUTHORITY) FOR A CHANGE IN RATES AND TERMS AND CONDITIONS OF SERVICE UNDER SECTION 205 OF THE FEDERAL POWER ACT AND PURSUANT TO THE COMMISSION'S RULES AND REGULATIONS PROMULGATED THEREUNDER. IN ADDITION, THE PARTIES AGREE THAT ANY SUCH CHANGES TO ANY SERVICE SCHEDULE MAY, BUT ARE NOT REQUIRED TO, TAKE THE FORM OF A CONVERSION OF THE SERVICE SCHEDULE TO A TARIFF GENERALLY APPLICABLE TO THE TYPE OF SERVICE INVOLVED.

IF EITHER PARTY WISHES TO CHANGE ITS RATES OR THE TERMS AND CONDITIONS OF SERVICE IN ACCORDANCE WITH THE PROCEDURE PROVIDED ABOVE, IT WILL SUBMIT TO THE OTHER PARTY, THIRTY (30) DAYS PRIOR TO THE DATE OF FILING WITH A REGULATORY AGENCY OR THIRTY (30) DAYS PRIOR TO THE PROPOSED EFFECTIVE DATE, WHICHEVER IS EARLIER, THE CHANGES PROPOSED TOGETHER WITH WHATEVER SUPPORTING EXHIBITS MAY BE INTENDED TO BE FILED WITH THE REGULATORY AGENCY OR TO BE USED TO SUPPORT THE CHANGES IN ORDER TO FACILITATE ANY DISCUSSION WHICH EITHER PARTY MAY DESIRE. THIS OBLIGATION TO SUPPLY INFORMATION SHALL IN NO WAY LIMIT OR CONDITION THE RIGHT OF EITHER PARTY TO APPLY FOR SUCH CHANGES AS PROVIDED ABOVE, AND ANY FAILURE IN WHOLE OR IN PART TO SUPPLY SUCH INFORMATION SHALL NOT BE A BASIS FOR PROTEST OF, INTERVENTION ON, OR OBJECTION TO ANY FILING FOR SUCH CHANGES BY EITHER PARTY WITH A REGULATORY AGENCY, PROVIDED THAT SHOULD EITHER PARTY WHOLLY FAIL TO SUPPLY SUCH INFORMATION, THE OTHER PARTY MAY USE SUCH TOTAL FAILURE AS A BASIS FOR REQUESTING SUSPENSION, BUT NOT REJECTION OF THE CHANGE.

IT IS DISTINCTLY UNDERSTOOD AND AGREED BY AND BETWEEN THE PARTIES THAT THIS AGREEMENT IN NO WAY OBLIGATES EITHER PARTY TO SUPPLY ANY SERVICE TO OR RECEIVE ANY SERVICE FROM THE OTHER PARTY EXCEPT AS MAY BE SPECIFICALLY AGREED TO AND PROVIDED UNDER SERVICE SCHEDULES IN EFFECT HEREUNDER.

ARTICLE IV

OPERATION

SECTION 4.1 - OPERATING REPRESENTATIVES

EACH PARTY WILL APPOINT ONE REPRESENTATIVE TO ACT FOR IT IN MATTERS PERTAINING TO INTERCONNECTED OPERATION HEREUNDER AND SUCH ALTERNATE REPRESENTATIVES AS IT MAY CHOOSE TO APPOINT TO SERVE IN HIS ABSENCE OR WITH RESPECT TO VARIOUS DETAILED OPERATING ARRANGEMENTS HEREUNDER. EACH PARTY WILL INFORM THE OTHER OF SUCH APPOINTMENTS AS MADE OR CHANGED FROM TIME TO TIME. THE OPERATING REPRESENTATIVES SHALL HAVE NO AUTHORITY TO MODIFY ANY OF THE PROVISIONS OF THIS AGREEMENT OR OF ANY SERVICE SCHEDULE HEREUNDER. THE DUTIES OF THE OPERATING REPRESENTATIVES SHALL BE TO CARRY OUT THE DAY-TO-DAY OPERATIONS PERTAINING TO THIS AGREEMENT. ANY ACTION OR CONDUCT APPROVED OR PERMITTED BY THE OPERATING REPRESENTATIVES WHICH IS INCONSISTENT WITH OR IN VIOLATION OF ANY OF THE TERMS OR PROVISIONS OF THIS AGREEMENT OR ANY SERVICE SCHEDULE SHALL NOT BE DEEMED TO CONSTITUTE AND SHALL NOT OPERATE TO EFFECT ANY AMENDMENT OF THIS AGREEMENT OR SERVICE SCHEDULE, OR OTHERWISE BIND THE PARTIES WITH RESPECT TO FUTURE ACTION OR CONDUCT.

SECTION 4.2 - OPERATION

THE SYSTEMS OF THE PARTIES SHALL NORMALLY BE OPERATED IN PARALLEL WITH THE CIRCUITS CLOSED AT THE INTERCONNECTION POINT SET FORTH UNDER ARTICLE II HEREOF, EXCEPT AS MAY BE OTHERWISE MUTUALLY ARRANGED BY THE OPERATING REPRESENTATIVES. IT IS RECOGNIZED, HOWEVER, THAT NEITHER PARTY SHOULD BE BURDENED BY CIRCUMSTANCES CREATED BY THE OTHER PARTY. IT IS, THEREFORE, APPROPRIATE THAT EACH PARTY SHALL AND DOES HEREBY RESERVE THE RIGHT TO SEEK OPERATIONAL RELIEF IF AND TO THE EXTENT THAT SUCH BURDENS BECOME UNDUE, OR IN THE OPINION OF THE AFFECTED PARTY, CONTINUITY OF SERVICE ON ITS OWN SYSTEM BECOMES IMPAIRED. IF ANY

CIRCUMSTANCES CREATE AN UNDUE BURDEN UPON EITHER PARTY, EVERY ATTEMPT SHALL BE MADE BY THE PARTIES TO EFFECTIVELY RESOLVE THE PROBLEM THROUGH THE OPERATING REPRESENTATIVES DESCRIBED UNDER SECTION 4.2. IF THE PARTIES ARE UNABLE TO RESOLVE THE PROBLEM TO THE SATISFACTION OF THE PARTY WHICH, IN ITS JUDGMENT, SUFFERS UNDUE BURDEN, THEN THE BURDENED PARTY SHALL HAVE THE RIGHT TO OPEN THE INTERCONNECTION BETWEEN THE PARTIES HERETO TO RELIEVE ITS SYSTEM OF THE BURDEN IMPOSED UPON IT; PROVIDED, HOWEVER, PRIOR NOTICE SHALL BE GIVEN TO THE OTHER PARTY WHEN PRACTICABLE. IF THE INTERCONNECTION IS SO OPENED, THE PARTIES SHALL COOPERATE TO RESOLVE THE PROBLEM AS RAPIDLY AS POSSIBLE, AND THE INTERCONNECTION SHALL THEREAFTER BE RECLOSED.

SECTION 4.3 - REGULATION OF TRANSFER OF POWER AND ENERGY

BECAUSE OF THE CHARACTERISTICS OF INTERCONNECTED OPERATION, BOTH PARTIES SHALL PROVIDE AND OPERATE NET TIE LINE LOAD CONTROL EQUIPMENT ACCEPTABLE TO EACH OTHER AND IN ACCORDANCE WITH STANDARD PRACTICE, SO AS TO AVOID MAKING UNSCHEDULED DEMANDS UPON THE SYSTEM OF EITHER PARTY DURING NORMAL OPERATION. EACH PARTY AGREES TO CONDUCT ITS OPERATIONS RELATING TO OR AFFECTING ITS INTERCONNECTIONS IN ACCORDANCE WITH CURRENTLY ACCEPTED ENGINEERING AND SAFETY PRACTICES IN INTERCONNECTED ELECTRIC UTILITY OPERATIONS.

SECTION 4.4 - REACTIVE POWER

NEITHER PARTY SHALL BE OBLIGATED TO SUPPLY REACTIVE POWER TO THE OTHER PARTY AT THE POINT OF INTERCONNECTION, PROVIDED THAT BY ARRANGEMENTS BETWEEN THE SYSTEM OPERATORS, A PARTY RECEIVING POWER MAY SIMULTANEOUSLY SUPPLY REACTIVE POWER TO THE PARTY SUPPLYING POWER TO THE EXTENT NECESSARY TO MAINTAIN REASONABLE VOLTAGE LEVELS, AND THEREBY MAKE PRACTICABLE THE TRANSFER OF THE AMOUNT OF POWER DELIVERED. HOWEVER, BY MUTUAL AGREEMENT BETWEEN SYSTEM OPERATORS, THE PARTY SUPPLYING POWER MAY SIMULTANEOUSLY SUPPLY REACTIVE POWER TO THE PARTY RECEIVING POWER IF NO

IMPAIRMENT OF SERVICE IS THEREBY OCCASIONED IN THE SYSTEM OF THE SUPPLYING PARTY.

SECTION 4.5 - READY RESERVES - SPINNING AND NONSPINNING

EACH PARTY WILL, INSOFAR AS PRACTICABLE, PROVIDE SUCH AMOUNTS OF SPINNING AND READY RESERVE CAPACITY IN ITS SYSTEM THAT, IN CONJUNCTION WITH SPINNING AND READY RESERVE CAPACITY IN INTERCONNECTED SYSTEMS, IT WILL NOT IMPOSE DISPROPORTIONATE LOAD SWINGS UPON THE OTHER PARTY OR MAKE DISPROPORTIONATE DEMANDS UPON THE OTHER PARTY FOR ASSISTANCE IN MEETING THE NORMAL CONTINGENCIES OF POWER SYSTEM OPERATION.

SECTION 4.6 - FIRM POWER SUPPLY

IT IS THE INTENT OF THE PARTIES HERETO THAT EACH OF THEM SHALL PROVIDE GENERATING CAPABILITY WITH ADEQUATE RESERVES ON ITS SYSTEM, EITHER BY INSTALLATION OF GENERATING EQUIPMENT, FIRM PURCHASES OR INTERCHANGE AGREEMENTS, SUFFICIENT AT ALL TIMES TO CARRY ITS OWN FIRM LOAD. NEITHER PARTY HERETO ASSUMES ANY RESPONSIBILITY FOR THE SUPPLY OF ANY ELECTRIC POWER OR ENERGY TO THE OTHER PARTY EXCEPT AS SPECIFICALLY PROVIDED FOR IN AN APPLICABLE SERVICE SCHEDULE (ARTICLE III).

SECTION 4.7 - RELIABILITY

IN ORDER TO ASSURE SERVICE RELIABILITY AND THE INTEGRITY OF BOTH PARTIES 500,000 VOLT TRANSMISSION OPERATION AND TO ASSURE BETTER SERVICE RELIABILITY TO EACH OTHER IN THE OPERATION OF THE INTERCONNECTION, BOTH PARTIES WILL ADVISE EACH OTHER ON ANY SCHEDULED OPERATION OF THE BREAKERS ON THEIR RESPECTIVE SIDE OF THE INTERCONNECTION.

SECTION 4.8 - STANDARDS OF MAINTENANCE AND OPERATION OF EQUIPMENT

IF EITHER PARTY SHOULD FAIL TO MAINTAIN AND OPERATE ITS LINES, EQUIPMENT AND OTHER FACILITIES IN ACCORDANCE WITH THE STANDARDS REFERRED TO IN SECTION 2.4, THE OTHER PARTY SHALL HAVE THE RIGHT TO DISCONTINUE RECEIPT OF ELECTRIC POWER AND ENERGY FROM OR DELIVERY INTO THE FACILITIES IN QUESTION, AFTER GIVING NOTICE OF ITS INTENTION TO DO SO. IF EITHER PARTY SHOULD BE ADVISED OF, OR HAVE KNOWLEDGE OF, HAZARDOUS CONDITIONS EXISTING ON THE LINES, EQUIPMENT OR OTHER FACILITIES OF THE OTHER PARTY, SUCH PARTY SHALL HAVE THE RIGHT TO IMMEDIATELY DISCONTINUE RECEIPT FROM OR DELIVERY TO SUCH FACILITIES, UNTIL THE HAZARDOUS CONDITIONS HAVE BEEN REMOVED AND THE LINES AND OTHER FACILITIES SHALL HAVE BEEN PLACED IN A SAFE OPERATING CONDITION; SUCH PARTY SHALL, HOWEVER, NOTIFY THE OTHER AS SOON THEREAFTER AS REASONABLY POSSIBLE OF THE CAUSE FOR SUCH DISCONTINUANCE AND SHALL RESTORE SERVICE IMMEDIATELY WHEN SUCH CAUSE HAS BEEN REMOVED. IN EITHER OF THESE EVENTS EACH PARTY SHALL HOLD THE OTHER PARTY FREE AND UNHARMED AGAINST ANY AND ALL CLAIMS, LIABILITIES, LOSS OR EXPENSE RESULTING FROM SUCH DISCONTINUANCE, EXCEPT SUCH AS RESULTS FROM THE SOLE NEGLIGENCE OF THE OTHER PARTY, ITS AGENTS OR EMPLOYEES.

SECTION 4.9 - RIGHT OF ACCESS

EACH PARTY HERETO SHALL, BY MUTUAL AGREEMENT, PERMIT DULY AUTHORIZED REPRESENTATIVES AND EMPLOYEES OF THE OTHER TO ENTER UPON ITS PREMISES FOR THE PURPOSE OF READING OR CHECKING METERS, INSPECTING, TESTING, REPAIRING, RENEWING OR EXCHANGING ANY OR ALL OF THE EQUIPMENT OWNED BY THE OTHER PARTY LOCATED ON SUCH PREMISES AND USED IN THE PERFORMANCE OF THIS AGREEMENT OR FOR THE PURPOSE OF PERFORMING ANY OTHER WORK NECESSARY IN THE PERFORMANCE OF THIS AGREEMENT.

SECTION 4.10 - COORDINATION OF MAINTENANCE

EACH PARTY SHALL IN GOOD FAITH ATTEMPT TO COORDINATE WITH THE OTHER PARTY THE SCHEDULED MAINTENANCE OF ITS FACILITIES WHICH AFFECT THE INTERCHANGE OF POWER AND ENERGY UNDER THIS AGREEMENT.

SECTION 4.11 - DETERMINATION OF AMOUNTS OF POWER SUPPLIED

THE AMOUNTS OF POWER AND ENERGY TO BE SUPPLIED OR DEEMED TO HAVE BEEN SUPPLIED BY ONE PARTY TO THE OTHER PARTY UNDER EACH SERVICE SCHEDULE IN EFFECT HEREUNDER SHALL, EXCEPT AS OTHERWISE PROVIDED IN ANY SERVICE SCHEDULE, BE DETERMINED ON THE BASIS OF THE AMOUNTS CONTRACTED FOR UNDER THE SERVICE SCHEDULE AND SCHEDULED BETWEEN THE SYSTEM OPERATORS.

EACH OF THE PARTIES HERETO, INSOFAR AS CONSISTENT WITH ITS RESPONSIBILITY FOR CONTROLLING FREQUENCY, WILL OPERATE ITS SYSTEM IN A MANNER SO AS TO MAKE NET RECEIPTS AND DELIVERIES OF POWER AND ENERGY, AS NEARLY AS PRACTICABLE, EQUAL TO SCHEDULED RECEIPTS AND DELIVERIES.

SECTION 4.12 - INADVERTENT TRANSFER OF ELECTRIC ENERGY

INADVERTENT TRANSFER OF ELECTRIC ENERGY IS A TRANSFER OF ENERGY BETWEEN AND THROUGH THE SYSTEMS OF THE PARTIES HERETO DIFFERING FROM THE SCHEDULED QUANTITIES OR LOAD RESPONSIBILITIES AS A RESULT OF THE INHERENT PHYSICAL AND ELECTRICAL CHARACTERISTICS OF THE SYSTEMS, LIMITATIONS IN THE EQUIPMENT USED TO CONTROL THE FLOW OF POWER BETWEEN THE SYSTEMS OR LIMITATIONS IN THE OPERATION OF SUCH EQUIPMENT. AN INADVERTENT ENERGY ACCOUNT WILL BE MAINTAINED BY BOTH PARTIES AND CLEARED FROM TIME TO TIME AS PRESCRIBED IN THE NAPSIC GUIDES.

ARTICLE V

METERING, BILLING, AND SETTLEMENT

SECTION 5.1 - METERING FACILITIES

POWER AND ENERGY DELIVERED IN EITHER DIRECTION AT THE GSU-MPL POINT OF INTERCONNECTION DESIGNATED IN SECTION 2.1 SHALL BE MEASURED BY METERING FACILITIES PROVIDED BY GSU, EXCEPT AS OTHERWISE AGREED UNDER THE SERVICE SCHEDULE WITH RESPECT TO A PARTICULAR TRANSACTION. IN THE EVENT ADDITIONAL INTERCONNECTION POINTS ARE ESTABLISHED, THE METERING ARRANGEMENTS WILL BE MADE BY MUTUAL AGREEMENT.

SECTION 5.2 - INSPECTION, TESTING AND READING OF METERS

THE OWNERS OF METERS AND METERING EQUIPMENT SHALL INSPECT, TEST, AND CALIBRATE THEIR EQUIPMENT AT REGULAR INTERVALS OF NOT MORE THAN ONE (1) YEAR, AS AGREED BETWEEN THE PARTIES, AND ANY INACCURACY DISCLOSED BY SUCH TESTS SHALL BE PROMPTLY CORRECTED. EITHER PARTY TO THIS AGREEMENT SHALL HAVE THE RIGHT TO HAVE ANY INTERCHANGE METER TESTED AT ANY TIME AT ITS EXPENSE. REPRESENTATIVES OF THE OTHER PARTY SHALL BE AFFORDED OPPORTUNITY TO BE PRESENT AT ALL SUCH INSPECTIONS AND TESTS. IF AT ANY TEST A METER IS FOUND INACCURATE BY MORE THAN 2%, AN ADJUSTMENT SHALL BE MADE IN SETTLEMENTS BETWEEN THE PARTIES TO COMPENSATE FOR THE EFFECT OF SUCH INACCURACY OVER A PRECEDING PERIOD OF NINETY (90) DAYS OR OVER ANY SHORTER PERIOD DURING WHICH SUCH INACCURACY MAY BE DETERMINED TO HAVE EXISTED. IF AT ANY TIME A METER SHOULD FAIL TO REGISTER OR ITS REGISTRATION SHOULD BE SO ERRATIC AS TO BE MEANINGLESS, THE QUANTITIES SUCH METER WAS INTENDED TO RECORD SHALL BE DETERMINED FROM CHECK METERS IF AVAILABLE, OR OTHERWISE FROM THE BEST OBTAINABLE DATA. METERS SHALL BE READ AT THE END OF MONTH BY THEIR OWNER, AND REPRESENTATIVES OF THE OTHER PARTY SHALL BE AFFORDED OPPORTUNITY TO BE PRESENT AT SUCH READINGS.

THE SCHEDULE FOR READING METERS MAY BE CHANGED BY MUTUAL AGREEMENT OF THE PARTIES.

SECTION 5.3 - TAXES AND OTHER GOVERNMENTAL CHARGES

IN ADDITION TO THE RATES PROVIDED IN THIS AGREEMENT AND THE SERVICE SCHEDULES EFFECTIVE HEREUNDER, AND RATE SCHEDULES APPLICABLE THERETO, EACH PARTY SHALL PAY OR SHALL REIMBURSE THE OTHER FOR THE APPLICABLE PROPORTIONATE PART OF ANY NEW TAX, OR INCREASE IN EXISTING TAXES DUE TO AUDIT CHANGES IMPOSED BY TAX COLLECTOR, OR GOVERNMENTAL IMPOSITION OR CHARGE (EXCEPTING STATE, PARISH, CITY, AND SPECIAL DISTRICT AD VALOREM TAXES AND ANY TAXES ON NET INCOME) LEVIED OR ASSESSED AGAINST SUCH OTHER PARTY'S ELECTRIC BUSINESS AFTER THE EFFECTIVE DATE OF THIS AGREEMENT AND WHICH AFFECT THE SERVICE UNDER THIS CONTRACT, EXCEPT AS THE POWER AND ENERGY MAY BE EXEMPT UNDER LAW FROM THE EFFECTS OF ANY SUCH TAX OR TAXES.

SECTION 5.4 - BILLING

EXCEPT AS MAY BE OTHERWISE EXPRESSLY PROVIDED IN ANY SERVICE SCHEDULE, THE BILLING OF POWER, ENERGY, AND TRANSMISSION SERVICE DURING A SPECIFIC PERIOD OF TIME SHALL BE ON THE BASIS OF THE SCHEDULE FOR EACH INDIVIDUAL TRANSACTION IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT AND THE PARTICULAR SERVICE SCHEDULE UNDER WHICH THE TRANSACTION OCCURRED. EACH PARTY SHALL PROVIDE THE OTHER WITH ALL NECESSARY BILLING INFORMATION FOR THE PARTY TO PREPARE THE BILLING COVERED BY THIS AGREEMENT OR ITS SERVICE OR RATE SCHEDULES.

SECTION 5.5 - SETTLEMENT

BILLS FOR AMOUNTS DUE BY EACH PARTY TO THE OTHER HEREUNDER SHALL BE RENDERED MONTHLY AND SHALL BE DUE ON THE 20TH DAY OF THE SUCCEEDING MONTH OR ON THE 10TH DAY AFTER RECEIPT OF BILL,

WHICHEVER IS LATER. PAYMENT SHALL BE MADE AT SUCH OFFICE OF THE PARTY TO WHICH PAYMENT IS DUE AS THAT PARTY SHALL DESIGNATE.

~~THERE SHALL BE ADDED TO ANY OVERDUE AMOUNT INTEREST FROM THE DATE SUCH PAYMENT WAS DUE, COMPOUNDED DAILY UNTIL PAID, AT AN ANNUAL RATE OF 5% PLUS THE PRIME RATE FOR COMMERCIAL LOANS BY IRVING TRUST COMPANY, ONE WALL STREET, NEW YORK, NEW YORK, 10015, IN EFFECT ON THE DUE DATE. IF SUCH ANNUAL RATE AT ANY TIME EXCEEDS THE HIGHEST INTEREST RATE WHICH MAY BE LEGALLY CHARGED, THEN THE RATE CHARGED SHALL BE THE HIGHEST LAWFUL RATE.~~

DELETE

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ARTICLE VI

ELECTRIC GENERATING CAPACITY

SECTION 6.1 - PRINCIPLES

EACH PARTY SHALL PROVIDE AND MAINTAIN, AT ALL TIMES, ELECTRIC POWER RESOURCES, INCLUDING THE DEPENDABLE CAPABILITY OF ITS ELECTRIC GENERATING UNITS AND PURCHASES OF CAPACITY WHEN NECESSARY, WITH THE OBJECTIVE OF OPERATING SUCH RESOURCES AS REQUIRED TO CARRY ITS FIRM LOAD RELIABLY AND ECONOMICALLY BY PROVIDING REASONABLE PROTECTION AGAINST LOAD FORECASTING ERRORS AND EQUIPMENT FAILURES, AS WELL AS PROVIDING ADEQUATE REGULATION OF FREQUENCY.

SECTION 6.2 - RESERVE CAPACITY

THE ESTABLISHMENT OF AN ADEQUATE AND PROPER RESERVE CAPACITY REQUIREMENT FOR A SYSTEM IS THE RESPONSIBILITY OF THE INDIVIDUAL SYSTEM. THE PARTIES HERETO AGREE TO FOLLOW WITHIN REASONABLE LIMITS AS A GUIDE THE THEN CURRENT RESERVE CAPACITY GUIDE AS ADOPTED OR RECOMMENDED BY THE SOUTHWEST POWER POOL OF NAPSIC OR ANY SUCCESSOR BODY. SUCH RESERVE REQUIREMENTS SHALL BE BASED ON THE SYSTEM'S LOAD RESPONSIBILITY TAKING INTO ACCOUNT FIRM PURCHASES AND SALES.

NOTWITHSTANDING ANYTHING SAID ABOVE OR ELSEWHERE IN THIS AGREEMENT OR IN ANY SERVICE SCHEDULE, THE PARTIES HERETO AGREE THAT NEITHER PARTY (BUYER) WILL BE OBLIGATED TO PURCHASE ANY CAPACITY FROM THE OTHER PARTY (SELLER) EXCEPT BY EXPRESS WRITTEN AGREEMENT PURSUANT TO EFFECTIVE SERVICE SCHEDULES. FURTHER, IN NO EVENT SHALL EITHER PARTY (BUYER), UNDER THIS AGREEMENT OR UNDER ANY SERVICE SCHEDULE, PURCHASE CAPACITY FROM THE OTHER PARTY (SELLER) IN SUCH AN AMOUNT THAT, BY MAKING THE PURCHASE, IT REDUCES THE PER CENT RESERVE CAPACITY OF THE SELLER BELOW THE PER

CENT RESERVE CAPACITY ATTAINED BY THE BUYER TAKING INTO ACCOUNT THE PURCHASE.

SECTION 6.3 - DEPENDABLE CAPABILITY

THE DEPENDABLE CAPABILITY OF ELECTRIC GENERATING UNITS IS, FOR PURPOSES OF THIS AGREEMENT, DEFINED AS THE NET SUSTAINED FOUR (4) HOUR CAPABILITY, UNDER MAXIMUM SYSTEM LOAD CONDITIONS, OF ALL GENERATING UNITS WHICH CAN BE OPERATED CONCURRENTLY. DEPENDABLE CAPABILITY SHALL BE DETERMINED BY TEST. THE RATINGS SHOULD TAKE INTO ACCOUNT FUEL CURTAILMENTS AND FUEL SUBSTITUTIONS AND SUCH RATINGS MUST NOT REQUIRE A PERIOD OF OPERATION AT A REDUCED LEVEL DURING THE REMAINDER OF SUCH SYSTEM'S DAILY PEAK PERIOD.

ARTICLE VII

GENERAL PROVISIONS

SECTION 7.1 - LONG-RANGE PLANNING

THE PARTIES HERETO RECOGNIZE THAT LONG-RANGE PLANNING FROM TIME TO TIME MAY BE MUTUALLY BENEFICIAL TO THE PARTIES IN THE EXECUTION OF THIS AGREEMENT. EACH PARTY MAY CONSULT WITH THE OTHER AND IF MUTUALLY AGREED, JOINT STUDIES MAY BE CONDUCTED BY THE PARTIES.

SECTION 7.2 - UNCONTROLLABLE FORCES

THE TERM "UNCONTROLLABLE FORCES" SHALL INCLUDE, BUT IS NOT LIMITED TO, ACTS OF GOD, ACTS OF THE PUBLIC ENEMY, FAILURE OF FACILITIES, EXPLOSION, BREAKDOWN, FLOOD, ACCIDENT, EARTHQUAKE, STORM, HURRICANE, WIND, LIGHTNING, FIRE, EPIDEMIC, WAR, RIOT, CIVIL DISTURBANCE, LABOR DISTURBANCE, STRIKE, SABOTAGE, OR RESTRAINT BY COURT OR PUBLIC AUTHORITY HAVING JURISDICTION, FUEL CURTAILMENT, RATIONING, OR SHORTAGE, MATERIAL SHORTAGE, DELAY IN DELIVERY, NATIONAL EMERGENCY, DELAY OR FAILURE OF PERFORMANCE BY A THIRD PARTY, GOVERNMENTAL DELAY, ACTION OR INACTION (INCLUDING BUT NOT LIMITED TO ACTION SOUGHT OR SUPPORTED BY THE PARTY), VOLUNTARY COOPERATION IN ANY METHOD OF OPERATION WITH, OR IN ANY PROGRAM RECOMMENDED OR REQUESTED BY, CIVIL OR MILITARY AUTHORITIES, OR OTHER ACTS OR CONDITIONS, WHETHER OF THE SAME OR DIFFERENT CHARACTER THAN THOSE ABOVE REFERRED TO, AND EXCLUSIVE IN ALL EVENTS OF THOSE ACTS AND CONDITIONS DESCRIBED IN SECTION 7.9 WHICH OPERATE INDEPENDENTLY, BEYOND THE REASONABLE CONTROL OF THE PARTY AFFECTED.

NEITHER PARTY SHALL BE RESPONSIBLE TO THE OTHER FOR DELAY IN OR FAILURE OF PERFORMANCE OF ITS OBLIGATIONS HEREUNDER OR ANY SERVICE SCHEDULE (EXCEPT THAT OBLIGATIONS TO PAY MONIES WHICH ARE THEN DUE UNDER THE PROVISIONS OF THIS AGREEMENT SHALL NOT BE

EXCUSED) WHEN SUCH DELAY OR FAILURE IS CAUSED BY UNCONTROLLABLE FORCE. THE PARTY SUBJECT TO UNCONTROLLABLE FORCE SHALL USE ALL REASONABLE DILIGENCE TO REMOVE OR CURE THE INABILITY, PROVIDED THAT NEITHER PARTY SHALL BE REQUIRED TO SETTLE OR RESOLVE LABOR DISTURBANCES OR STRIKES OR ACCEPT OR AGREE TO GOVERNMENTAL OR REGULATORY ORDERS OR CONDITIONS WITHOUT OBJECTION OR CONTEST ON ANY BASIS NOT ACCEPTABLE TO SUCH PARTY IN ITS SOLE DISCRETION. NOTICE OF UNCONTROLLABLE FORCE SHALL BE GIVEN BY THE PARTY AFFECTED AS SOON AS REASONABLY POSSIBLE.

SECTION 7.3 - LIABILITY

EACH PARTY (INDEMNITOR) HERETO ASSUMES ALL RESPONSIBILITY ON ITS SIDE OF THE POINT OF INTERCONNECTION FOR THE POWER AND ENERGY DELIVERED AND RECEIVED HEREUNDER, AS WELL AS FOR THE WIRES, APPARATUS AND APPURTENANCES OF ITS RESPECTIVE SYSTEM USED IN CONNECTION THEREWITH, AND SHALL PROTECT AND SAVE THE OTHER PARTY (INDEMNITEE) HARMLESS FROM AND AGAINST ALL CLAIMS, LOSS, DAMAGE, AND EXPENSE OF EVERY KIND AND CHARACTER FOR INJURY OR DAMAGE TO THE PROPERTY OF THE INDEMNITOR OR OF THIRD PARTIES OR FOR INJURIES TO OR DEATH OF ANY PERSONS OCCASIONED BY SUCH POWER AND ENERGY OR BY SUCH WIRES, APPARATUS AND APPURTENANCES ON ITS SIDE OF THE POINT OF INTERCONNECTION, UNLESS SAID INJURY, DEATH, OR DAMAGE SHALL HAVE BEEN CAUSED SOLELY BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNITEE, ITS AGENTS, SERVANTS OR EMPLOYEES, OR BY THE FAILURE OF THE INDEMNITEE TO DO AND PERFORM SOME SERVICE, DUTY OR COVENANT IMPOSED BY THIS AGREEMENT, IN WHICH EVENT THE INDEMNITEE SHALL SAVE THE INDEMNITOR ON WHOSE SIDE OF THE POINT OF INTERCONNECTION SAID INJURY, DEATH, OR DAMAGE MAY HAVE OCCURRED HARMLESS FROM AND AGAINST ALL CLAIMS, LOSS, DAMAGE, AND EXPENSE FOR SAID INJURY, DEATH, OR DAMAGE.

IN CASE ANY CLAIM, LOSS, OR DAMAGE OCCASIONED BY SUCH POWER AND ENERGY OR BY SUCH WIRES, APPARATUS AND APPURTENANCES SHALL BE CAUSED BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OR OR FAILURE OF PERFORMANCE BY BOTH PARTIES, THEIR AGENTS, SERVANTS OR EMPLOYEES,

AND IS NOT SHOWN TO HAVE BEEN CAUSED SOLELY BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OR FAILURE OF PERFORMANCE BY ONE PARTY, ITS AGENTS, SERVANTS OR EMPLOYEES, SUCH LOSS OR DAMAGE, IF ANY, SHALL BE BORNE BY BOTH PARTIES IN EQUAL PORTIONS.

SECTION 7.4 - NONDISCRIMINATION

EACH PARTY AGREES THAT IT WILL OPERATE ITS RESPECTIVE FACILITIES IN ACCORDANCE WITH GOOD UTILITY PRACTICE AND WILL NOT, EXCEPT AS OTHERWISE PROVIDED BY THE TERMS OF THE APPLICABLE SERVICE SCHEDULE, DISCRIMINATE BETWEEN SERVICE TO ITS CUSTOMERS AND TRANSMISSION SERVICE ^{OF THE SAME NATURE AND CHARACTER} TO THE OTHER PARTY.

SECTION 7.5 - RIGHT TO MAINTAIN SUIT

EITHER PARTY SHALL HAVE THE RIGHT TO MAINTAIN SUIT AT ANY TIME FOR ANY LOSS OR CLAIM THAT MAY PREVIOUSLY HAVE OCCURRED OR ARISEN HEREUNDER WITHOUT WAITING UNTIL EXPIRATION OF THE TERM OF THIS AGREEMENT OR OF ANY SERVICE SCHEDULE HEREUNDER AND WITHOUT LOSING OR WAIVING ANY RIGHT TO MAINTAIN SUIT FOR SUBSEQUENT LOSSES OR CLAIMS OCCURRING OR ARISING DURING THE TERM OF THIS AGREEMENT, AND RECOVERY IN ANY SUCH SUIT SHALL NOT BE DEEMED AS SPLITTING THE CAUSE OF ACTION.

SECTION 7.6 - WAIVERS

ANY WAIVER BY EITHER PARTY OF ITS RIGHTS WITH RESPECT TO A DEFAULT UNDER THIS AGREEMENT, OR WITH RESPECT TO ANY OTHER MATTER ARISING IN CONNECTION WITH THIS AGREEMENT, SHALL NOT BE DEEMED A WAIVER WITH RESPECT TO ANY OTHER MATTER ARISING IN CONNECTION WITH THIS AGREEMENT AND SHALL NOT BE DEEMED A WAIVER WITH RESPECT TO ANY SUBSEQUENT DEFAULT OR MATTER.

SECTION 7.7 - REGULATORY AUTHORITIES

AND PURSUANT TO THE COMMISSION'S
RULES AND REGULATIONS PROMULGATED
THERE UNDER.

THIS AGREEMENT IS SUBJECT TO PRESENT AND FUTURE VALID LAWS AND VALID ORDERS, RULES, AND REGULATIONS OF DULY CONSTITUTED REGULATORY AUTHORITIES HAVING JURISDICTION. THIS AGREEMENT SHALL NOT BE BINDING UPON THE PARTIES HERETO UNTIL INITIALLY APPROVED OR ACCEPTED FOR FILING BY THE FEDERAL ENERGY REGULATORY COMMISSION OR OTHER REGULATORY BODIES, IF ANY, HAVING JURISDICTION, WITHOUT CONDITIONS, EXCLUDING RATES, UNACCEPTABLE TO EITHER PARTY. EACH PARTY EXPRESSLY RESERVES, HOWEVER, THE RIGHT TO APPEAL AND OTHERWISE CONTEST ANY DETERMINATION OF RATES UNACCEPTABLE TO IT.

NOTHING CONTAINED HEREIN SHALL BE CONSTRUED AS AFFECTING THIS AGREEMENT TO UNILATERALLY MAKE APPLICATION TO THE F.E.R.C. FOR A CHANGE IN RATES, CHARGES, CLASSIFICATION, OR SERVICE, OR ANY RULE, REGULATION, OR CONTRACT RELATING THERETO, UNDER SECTION 203 OF THE FEDERAL POWER ACT

SECTION 7.8 - NOTICES

ANY NOTICE, DEMAND, OR REQUEST PROVIDED FOR IN THIS AGREEMENT OR GIVEN IN CONNECTION WITH THIS AGREEMENT SHALL BE DEEMED TO BE PROPERLY GIVEN IF SENT BY REGISTERED MAIL, POSTAGE PREPAID, TO:

(MOVE THIS SECTION TO THE END OF THIS DOCUMENT)

GULF STATES UTILITIES COMPANY
PRESIDENT
P. O. BOX 2951
BEAUMONT, TEXAS 77704

AND

MISSISSIPPI POWER & LIGHT COMPANY
PRESIDENT
P. O. BOX 1640
JACKSON, MISSISSIPPI 39205

THE DESIGNATION OF THE PERSON TO BE NOTIFIED OR THE ADDRESS OF SUCH PERSON MAY BE CHANGED FROM TIME TO TIME BY WRITTEN NOTICE. TO THE EXTENT AND UNDER THE CONDITIONS ARRANGED BY THE OPERATING REPRESENTATIVES, NOTICES AND REQUESTS IN CONNECTION WITH DELIVERY OR RECEIPT OF POWER OR IN CONNECTION WITH OPERATION OF FACILITIES WILL BE VALID IF GIVEN BY TELEPHONE AND RECORDED IN SYSTEM OPERATOR'S LOG BOOKS.

SECTION 7.9 - CONTINUITY OF SUPPLY

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EACH PARTY HERETO SHALL SUPPLY CONTINUOUS SERVICE AND AVOID INTERRUPTIONS OR CURTAILMENT OF THE SERVICE WHICH IT MAY BE UNDER OBLIGATION TO SUPPLY HEREUNDER, BUT NEITHER OF THE PARTIES SHALL BE CONSIDERED TO HAVE COMMITTED A BREACH OF THIS AGREEMENT OR ANY SERVICE SCHEDULE OR TO HAVE FAILED IN ANY OF ITS OBLIGATIONS HEREUNDER OR UNDER ANY SERVICE SCHEDULE BY REASON OF ANY INTERRUPTION OR CURTAILMENT CAUSED OR OCCASIONED (I) BY INSTALLATION, MAINTENANCE, REPAIR, TEST, INSPECTION, OR REPLACEMENT OF EQUIPMENT IN ACCORDANCE WITH ACCEPTED UTILITY PRACTICE; (II) BY FUNCTION OF UNDERFREQUENCY RELAYS OR OTHER AUTOMATIC LOAD SHEDDING EQUIPMENT TO PRESERVE THE INTEGRITY OF THE SUPPLYING PARTY'S SYSTEM OR INTERCONNECTED SYSTEMS, OR BY MANUAL LOAD SHEDDING IN AN EMERGENCY WHEN IN THE SUPPLYING PARTY'S JUDGMENT, SUCH ACTION WILL TEND TO PREVENT OR ALLEVIATE A THREAT TO THE INTEGRITY OF THE SUPPLYING PARTY'S POWER SUPPLY OR TRANSMISSION SYSTEM; (III) BY THE NEGLIGENCE OF THE SUPPLYING PARTY, ITS EMPLOYEES OR CONTRACTORS, AND DOES NOT CONSTITUTE GROSS NEGLIGENCE OR A WILLFUL DEFAULT BY SUCH PARTY; OR (IV) BY AN UNCONTROLLABLE FORCE, AS DEFINED ABOVE OR EFFECTED PURSUANT TO THE TERMS OF ANY SERVICE SCHEDULE. REASONABLE DILIGENCE SHALL, HOWEVER, BE EXERCISED TO RESTORE SERVICE AS PROMPTLY AS POSSIBLE AFTER THE OCCURRENCE OF ANY SUCH INTERRUPTION OR CURTAILMENT.

EACH PARTY SHALL HAVE THE RIGHT TO INTERRUPT OR CURTAIL SERVICE AS EXPRESSLY PROVIDED IN THE APPLICABLE SERVICE SCHEDULE. INTERRUPTIONS AND CURTAILMENTS MADE FOR THE PURPOSE OF INSTALLING, MAINTAINING, REPAIRING, TESTING, INSPECTING, OR REPLACING EQUIPMENT SHALL BE MADE INSOFAR AS PRACTICABLE AT SUCH TIME AND IN SUCH MANNER AS SHALL OCCASION LEAST INCONVENIENCE TO THE OTHER PARTY AND ON ALL SUCH OCCASIONS REASONABLE ADVANCE NOTICE SHALL BE GIVEN TO THE OTHER PARTY IF THE NATURE OF THE SITUATION PERMITS UNLESS OTHERWISE PROVIDED IN THE SERVICE SCHEDULE.

FURTHER, THE SUPPLYING PARTY'S OBLIGATION TO SUPPLY SERVICE HEREUNDER OR UNDER ANY SERVICE SCHEDULE IS ALSO AT ALL TIMES SUBJECT TO AND THE SUPPLYING PARTY SHALL NOT BE LIABLE, WHETHER BY CONTRACT OR OTHERWISE, FOR ANY DAMAGES OR LOSS, DIRECT OR CONSEQUENTIAL, BY REASON OF (I) CURTAILMENT BY THE SUPPLYING PARTY OF ANY SERVICE OR REFUSAL BY THE SUPPLYING PARTY TO SUPPLY ADDITIONAL CAPACITY OR SERVICE DUE TO THE SUPPLYING PARTY'S IMPLEMENTATIONS OF ITS CURTAILMENT PROGRAMS (WHICH PROGRAMS MAY PROVIDE FOR PRIORITIES AS BETWEEN VARIOUS CLASSES AND CATEGORIES OF CUSTOMERS AND VARIOUS USE OF SERVICE, MAY BE IMPLEMENTED SYSTEM-WIDE, REGIONALLY, OR LOCALLY IN THE DISCRETION OF THE SUPPLYING PARTY, AND MAY BE AMENDED OR SUPPLEMENTED BY THE SUPPLYING PARTY FROM TIME TO TIME) WHENEVER THE SUPPLYING PARTY IN ITS DISCRETION, WHICH SHALL NOT BE EXERCISED UNREASONABLY, DEEMS SUCH IMPLEMENTATION TO BE NECESSARY BECAUSE IT IS EXPERIENCING OR IS ABOUT TO EXPERIENCE A SHORTAGE OF CAPACITY (GENERATING OR TRANSMISSION) OR ENERGY RESULTING FROM ANY CAUSE, SUBJECT TO ANY ORDER OF ANY REGULATORY AUTHORITY HAVING JURISDICTION; (II) CURTAILMENT OF ANY SERVICE MADE BY THE SUPPLYING PARTY IN COMPLIANCE WITH ORDERS OR REQUESTS OF ANY GOVERNMENTAL AGENCY CURTAILING, CONSERVING, REALLOCATING, OR DIVERTING AVAILABLE POWER RESOURCES, FACILITIES, OR FUEL (INCLUDING BUT NOT LIMITED TO ORDERS SOUGHT OR SUPPORTED BY THE SUPPLYING PARTY); OR (III) ACCEPTANCE BY THE SUPPLYING PARTY (EITHER WITH CONTRACT OR WITHOUT) OF NEW CUSTOMERS AND ADDITIONAL LOADS OF CUSTOMERS BEING SERVED OR NEW INTERCONNECTIONS OR NEW OR ADDITIONAL SERVICE TO INTERCONNECTED PARTIES EVEN THOUGH DOING SO MAY AFFECT THE OTHER PARTY HERETO BY INCREASING THE AMOUNT, FREQUENCY, OR DURATION OF CURTAILMENT OF SERVICE TO SUCH OTHER PARTY PURSUANT TO SUCH PROGRAMS UNLESS THE SUPPLYING PARTY ACTS IN BAD FAITH IN ACCEPTING THE NEW OR ADDITIONAL LOAD, INTERCONNECTION, OR SERVICE. UPON WRITTEN REQUEST, THE SUPPLYING PARTY WILL PROVIDE TO THE OTHER PARTY A COPY OF SUCH PROGRAMS AS SUPPLEMENTED, MODIFIED, AND IN EFFECT FROM TIME TO TIME. EACH PARTY SHALL BE FULLY RESPONSIBLE FOR INSTALLING ON ITS SIDE OF THE POINT OF DELIVERY ALL EQUIPMENT NECESSARY TO ENABLE IT TO

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EFFECT SUCH CURTAILMENT AS MAY BE PROVIDED FOR OR REQUESTED UNDER SUCH PROGRAMS.

IN THE EVENT THE SUPPLYING PARTY DOES CURTAIL ANY SUCH SERVICE TO THE OTHER PARTY PURSUANT TO SUCH PROGRAM, SUCH OTHER PARTY AGREES THAT UPON REQUEST IT SHALL IMMEDIATELY TAKE ALL ACTION NECESSARY FOR IT TO TAKE, IF ANY, TO ACHIEVE THE REQUESTED CURTAILMENT. IN THE EVENT SUCH OTHER PARTY DOES NOT UPON REQUEST BY THE SUPPLYING PARTY IMMEDIATELY OBTAIN THE REQUESTED AMOUNT OF CURTAILMENT, THEN SUCH FAILURE SHALL CONSTITUTE A DEFAULT BY THE OTHER PARTY HEREUNDER AND, IN ADDITION TO SUCH OTHER RECOURSE AS MAY BE AVAILABLE TO THE SUPPLYING PARTY BASED UPON SUCH DEFAULT, THE SUPPLYING PARTY SHALL HAVE THE RIGHT TO TOTALLY INTERRUPT AND SUSPEND SERVICE TO THE OTHER PARTY WITHOUT FURTHER NOTICE DURING THE PERIOD SUCH CURTAILMENT IS IN EFFECT.

WHETHER THE RECEIVING PARTY HAS THERETOFORE ACHIEVED REQUESTED CURTAILMENT OR NOT, NOTHING HEREIN SHALL LIMIT THE SUPPLYING PARTY'S RIGHTS TO REQUIRE FURTHER CURTAILMENT BY, OR TO INTERRUPT SERVICE TO SUCH RECEIVING PARTY NOR OTHERWISE LIMIT THE RECEIVING PARTY'S RESPONSIBILITIES HEREUNDER.

IF IT IS PRACTICABLE TO DO SO UNDER THEN EXISTING CONDITIONS, THE SUPPLYING PARTY SHALL ATTEMPT TO GIVE THE RECEIVING PARTY ADVANCE NOTICE OF ANY INTERRUPTION OR CURTAILMENT, WHICH NOTICE MAY BE BY TELEPHONE, TELEGRAPH, OR OTHER MEANS, AS APPROPRIATE; PROVIDED, HOWEVER, THAT THE SUPPLYING PARTY SHALL HAVE THE RIGHT TO INTERRUPT OR CURTAIL SERVICE EVEN WITHOUT NOTICE (EITHER BY AUTOMATIC EQUIPMENT OR OTHERWISE) WHEN THERE IS NOT REASONABLE TIME UNDER THE CIRCUMSTANCES TO GIVE NOTICE. AS USED IN THIS SECTION, THE TERMS "CURTAILMENT" AND "CURTAIL" SHALL FOR ALL PURPOSES INCLUDE VOLTAGE REDUCTIONS OR ABNORMALITIES, REVERSAL OF SUPPLY, SUSPENSIONS OF SERVICE, AND ANY OTHER FORMS OF MODIFICATION, REDUCTION, OR INTERRUPTION, IN WHOLE OR IN PART, OF SERVICE.

SECTION 7.10 - LAWS GOVERNING THE AGREEMENT

IT IS UNDERSTOOD AND AGREED THAT THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ~~LOUISIANA~~^{MISSISSIPPI} AND THAT ALL THE TERMS AND PROVISIONS HEREOF AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF SAID STATE, AND IN ACCORDANCE WITH ANY APPLICABLE FEDERAL LAW.

SECTION 7.11 - REMEDIES OF PARTIES

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED, NOTHING CONTAINED IN THIS AGREEMENT SHALL BE CONSTRUED TO ABRIDGE, LIMIT, OR DEPRIVE ANY OF THE PARTIES HERETO OF ANY MEANS OF ENFORCING ANY REMEDY WHICH IT MIGHT OTHERWISE HAVE, EITHER AT LAW OR IN EQUITY, BEFORE AN ADMINISTRATIVE AGENCY OR OTHERWISE, INCLUDING THE RIGHT, IF ANY, OF INJUNCTION AND SPECIFIC PERFORMANCE, FOR THE BREACH OF ANY OF THE PROVISIONS HEREOF.

SECTION 7.12 - SUCCESSORS AND ASSIGNS

THIS AGREEMENT SHALL INURE TO THE BENEFIT OF AND BE BINDING UPON THE SUCCESSORS AND ASSIGNS OF THE RESPECTIVE PARTIES HERETO, BUT IT SHALL NOT BE ASSIGNABLE BY A PARTY WITHOUT THE WRITTEN CONSENT OF THE OTHER PARTY EXCEPT TO A SUCCESSOR IN THE OPERATION OF ITS PROPERTIES IN THE STATE/STATES IN WHICH THE ASSIGNING PARTY OPERATES.

SECTION 7.13 - SEVERABILITY

IF ANY CLAUSE, SENTENCE, PARAGRAPH, OR PART OF THIS AGREEMENT OR ANY SERVICE SCHEDULE SHOULD FOR ANY REASON BE FINALLY ADJUDGED BY ANY COURT OF COMPETENT JURISDICTION TO BE UNCONSTITUTIONAL OR INVALID, SUCH JUDGMENT SHALL NOT AFFECT, IMPAIR OR INVALIDATE THE REMAINDER OF THIS AGREEMENT AND THE SERVICE SCHEDULES, BUT SHALL BE CONFINED IN ITS OPERATION TO THE CLAUSE, SENTENCE, PARAGRAPH,

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OR ANY PART THEREOF, DIRECTLY INVOLVED IN THE CONTROVERSY, IN WHICH SUCH JUDGMENT HAS BEEN RENDERED. THE UNCONSTITUTIONALITY, INVALIDITY OR INEFFECTIVENESS OF ANY ONE OR MORE PROVISIONS OR COVENANTS CONTAINED IN THIS AGREEMENT OR ANY OF THE SERVICE SCHEDULES SHALL NOT RELIEVE THE CO-OWNERS FROM LIABILITY TO MAKE THE PAYMENTS HEREIN REQUIRED TO BE MADE.

SECTION 7.14 - NO THIRD PARTY RIGHTS HEREUNDER

NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS A STIPULATION POUR AUTRUI, AND NO THIRD PARTY NOT A PARTY TO THIS AGREEMENT SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT AGAINST EITHER PARTY HERETO.

PLEASE DEFINE THIS TERM OR USE ONE MORE GENERALLY ACCEPTED

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ARTICLE VIII

APPROVALS AND WITNESSES

SECTION 8.1 - APPROVALS AND WITNESSES

IN WITNESS WHEREOF, THE UNDERSIGNED PARTIES HAVE DULY
EXECUTED THE AGREEMENT IN _____ , _____ , ON
_____ , 1978.

GULF STATES UTILITIES COMPANY

BY _____
TITLE _____

ATTEST:
BY _____
TITLE _____

MISSISSIPPI POWER &
LIGHT COMPANY

BY _____
TITLE _____

ATTEST:
BY _____
TITLE _____

SERVICE SCHEDULE TS-2
BULK POWER TRANSMISSION SERVICE FOR SMEPA
MISSISSIPPI POWER & LIGHT COMPANY
and
SOUTH MISSISSIPPI ELECTRIC POWER ASSOCIATION

SECTION I - PURPOSE

16.01 It is the purpose of this schedule to facilitate the exchange of bulk power by transmission over the transmission facilities of Mississippi Power & Light Company (Company) between South Mississippi Electric Power Association (SMEPA) and any entity with which Company has an Interconnection Agreement; and between SMEPA and any entity(ies) engaging in bulk power supply with which Company is not interconnected by and between whose facilities Company's transmission lines and other transmission lines would form a continuous electrical path, provided that permission to utilize such other transmission lines has been obtained by SMEPA and the arrangements reasonably can be accommodated from a functional and technical standpoint.

16.02 "Bulk Power" (power) means the electric power (kilowatts) and any attendant energy (kilowatt hours) supplied or made available at transmission voltage by one entity to another.

16.03 "Entity" means a person, a private or public corporation, a municipality, a co-operative, an association, a joint stock association or business trust owning, operating or proposing to own or operate equipment or facilities for the generation, transmission or distribution of electricity, provided that, except for municipalities or rural electric co-operatives, "entity" is restricted to those which are or will be public utilities under the laws of the State in which the entity transacts or will transact business under the Federal Power Act, and are or will be providing electric service under a contract or rate schedule on file with and subject to the regulation of a State regulatory commission or the Federal Energy Regulatory Commission.

SECTION II - CHARACTER OF SERVICE AND AVAILABILITY

16.04 Service shall be delivered at nominal 115,000 volts or such higher voltage as may be available at the point(s) of interconnection.

16.05 Long-Term Firm Service: Company will furnish such transmission service on a firm basis in accordance with this Schedule to the extent Company has existing transmission capacity available to provide such service under sound engineering and operating practice and subject to the following standards:

- a) Such service will neither impair the ability of the Company to render adequate service to its customers or reduce the reliability of electric service by Company to its own customers during the term of the scheduled service;
- b) such service will not endanger or impair the operation of the Company's system, or create unsafe conditions on the system or any of the facilities of the Company or its customers or parties with which it is interconnected;
- c) such service shall not require the Company to construct or install any new facilities; however, if all of the following conditions and the other standards described in this schedule are met, Company will include in its planning and construction program sufficient transmission capacity to accommodate proposed transmission service under this Schedule:

- (1) the participating entity(ies) gives/give the Company sufficient advance written notice of the details of the requested service as may be necessary for Company to plan and complete from a functional and technical standpoint the facilities deemed necessary by Company

to provide such service in accordance with
Company's construction and operating standards;

(ii) the participating entity(ies) fully compensates
Company for the cost of such facilities beyond the
cost Company would otherwise incur for its own use.

- d) In the event the supplying entity is unable for any reason to supply power for transmission, the Company shall have no responsibility to deliver such power from its own or other source(s);
- e) the determination of the availability of existing transmission capacity of the Company during the proposed scheduled period shall be made on the basis of existing load, future contracted or projected new load beyond normal load growth, previously scheduled load, and normal load growth of the Company, all determined by the Company.
- f) If the requested transmission service involves transmission directly or indirectly over the facilities of a third utility system, SMEPA will make arrangements for use of those facilities directly with that third system, and Company shall not be obligated to commence transmission service until such arrangements have been made.
- g) Service shall be for a period not less than twelve (12) months and scheduled in writing at least thirty (30) days before initial service is rendered. Such service is available only by specific agreement, executed by an authorized officer of the Company, and each participating entity.

16.06 Short-Term Firm Service: Company will furnish transmission service in accordance with the conditions set forth in Section 16.05, Long-Term Firm Service, except that scheduling of such service may be for a period of not less than one week, to be scheduled in writing on an hourly basis at least 48 hours before initial service is rendered. Such service is available only by specific agreement, executed by an authorized officer of the Company, and each participating entity.

16.07 Non-Firm Service: Company will furnish transmission service on a non-firm basis in accordance with this service schedule to the extent Company has existing transmission capacity available to provide such service under sound engineering and operating practice and subject to the following standards:

- a) Such service may be interrupted without liability to the Company;
- b) Company will, when circumstances permit, give entity(ies) advance notice of such interruptions;
- c) such service will neither impair the ability of the Company to render adequate service to its customers or reduce the reliability of electric service by Company to its own customers during the term of the scheduled service;
- d) such service will not endanger or impair the operation of the Company's system, or create unsafe conditions on the system or any of the facilities of the Company or its customers or parties with which it is interconnected;
- e) such service shall not require the Company to construct or install any new facilities;

- f) in the event the supplying entity is unable for any reason to supply power for transmission, the Company shall have no responsibility to deliver such power from its own or other source(s);
- g) the determination of the availability of existing transmission capacity of the Company during the proposed scheduled period shall be made on the basis of existing load, future contracted or projected new load beyond normal load growth, previously scheduled load, and normal load growth of the Company, all determined by the Company.
- h) If the requested transmission service involves transmission directly or indirectly over the facilities of a third utility system, SMEPA will make arrangements for use of those facilities directly with that third system, and Company shall not be obligated to commence transmission service until such arrangements have been made.
- i) Service may be scheduled in writing on an hourly basis at least 48 hours before initial service is rendered. Such service is available only by specific agreement executed by an authorized officer of the Company and each participating entity.

16.08 Since emergency conditions or required maintenance can cause the system capability to be modified as conditions of the moment dictate, the capacity specified by the Company as being available, is available only when the transmission and generation system is in its normal operating mode.

SECTION III - BILLING

16.09 Long-Term Firm Service: The net monthly rate for such transmission service shall be \$0.75 per kilowatt of contract demand.

16.10 Short-Term Firm Service: The net monthly rate for such transmission service shall be at the rate of \$0.173 per kilowatt of contract demand per week.

16.11 Non-Firm Service: The net monthly rate for such transmission service shall be 1.21 mills per kilowatt hour. The minimum monthly bill for service shall be \$1,000.

16.12 Contract Demand: The contract demand shall be defined as the maximum capacity scheduled to be delivered during the contract period.

16.13 Losses: Capacity and energy deliveries to SMEPA's interconnection points shall be 97% of such capacity and energy input into the Company's transmission system for deliveries to SMEPA. Where metering equipment measures deliveries at 13,800 volts, an additional 1% adjustment for transformer losses shall be made.

16.14 Bills for service under this schedule shall be rendered monthly to SMEPA and shall be payable in accordance with the Interconnection Agreement, Article VII, Billings and Payments.

SECTION IV - REGULATORY APPROVAL

16.15 The effectiveness of this schedule is contingent upon any requisite regulatory approval and the administrator of the REA. However, nothing contained herein shall be construed as affecting in any way the right of the party furnishing service under this rate schedule to unilaterally make application to the Federal Energy Regulatory Commission for change in rates, charges, classification, or service, or any sale, regulation, or contract relating thereto, under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated hereunder.

SECTION V - TERM

16.16 This schedule shall become effective concurrently with the Interconnection agreement dated _____ and shall continue in force concurrently with said agreement provided that

either party may terminate this schedule by written notice given to the other party not less than five (5) years in advance of the designated date of termination.

EXECUTED as of _____.

MISSISSIPPI POWER & LIGHT COMPANY

By _____
President

ATTEST:

Vice President and Secretary

SOUTH MISSISSIPPI ELECTRIC POWER ASSOCIATION

By _____
Manager

ATTEST:

Secretary

EXHIBIT A
TO
POWER INTERCONNECTION AGREEMENT
BETWEEN
GULF STATES UTILITIES COMPANY
AND
MISSISSIPPI POWER & LIGHT COMPANY

SERVICE SCHEDULES

<u>SERVICE SCHEDULES</u>	<u>DATE</u>
SERVICE SCHEDULE ES - EMERGENCY SERVICE	-----
SERVICE SCHEDULE ITS - INTERCONNECTED TRANSMISSION SERVICE	-----
RATE SCHEDULE GITS	
RATE SCHEDULE MITS	
SERVICE SCHEDULE SP - SURPLUS POWER SERVICE	-----
RATE SCHEDULE GSP	
RATE SCHEDULE MSP	
SERVICE SCHEDULE RE - REPLACEMENT ENERGY	-----

SERVICE SCHEDULE ES
EMERGENCY SERVICE

0.1 THIS SCHEDULE ES IS AGREED TO ON _____, 1978, TO BE EFFECTIVE UNDER, AND AS A PART OF, THAT INTERCONNECTION AGREEMENT BETWEEN GSU AND MPL, (HEREINAFTER REFERRED TO AS "PARTY" OR "PARTIES"), DATED _____, 1978, (HEREINAFTER REFERRED TO AS "INTERCONNECTION AGREEMENT"). THE TERM OF THIS SERVICE SCHEDULE SHALL RUN CONCURRENTLY WITH THE INTERCONNECTION AGREEMENT, PROVIDED THAT EITHER PARTY CAN TERMINATE THIS SCHEDULE BY WRITTEN NOTICE GIVEN TO THE OTHER PARTY NOT LESS THAN FOUR (4) YEARS IN ADVANCE OF THE TERMINATION DATE.

SECTION 1 - EXISTING ARRANGEMENTS

1.1 IT IS RECOGNIZED BY THE PARTIES THAT THE ELEVEN COMPANIES LISTED IN THIS SECTION HAVE VARIOUS AGREEMENTS AND CONTRACTUAL ARRANGEMENTS OF VARIOUS DATES AMONG AND BETWEEN VARIOUS ONES OF THE ELEVEN COMPANIES, INCLUDING THE INTERCONNECTION AGREEMENT, PROVIDING AMONG OTHER THINGS FOR PURCHASE, SALE, AND EXCHANGE OF ELECTRIC POWER AND ENERGY AS WELL AS FOR PARTICIPATION IN THE PLANNING, CONSTRUCTION, FINANCING, OPERATION AND MAINTENANCE OF AN EXTRA-HIGH VOLTAGE ELECTRIC TRANSMISSION SYSTEM.

1.2 THE ELEVEN COMPANIES REFERRED TO IN 1.1 ARE:

ARKANSAS POWER & LIGHT COMPANY
CENTRAL LOUISIANA ELECTRIC COMPANY, INC.
THE EMPIRE DISTRICT ELECTRIC COMPANY
GULF STATES UTILITIES COMPANY
KANSAS GAS & ELECTRIC COMPANY
LOUISIANA POWER & LIGHT COMPANY
MISSISSIPPI POWER & LIGHT COMPANY
NEW ORLEANS PUBLIC SERVICE INC.

OKLAHOMA GAS AND ELECTRIC COMPANY
PUBLIC SERVICE COMPANY OF OKLAHOMA
SOUTHWESTERN ELECTRIC POWER COMPANY

1.3 IT IS FURTHER RECOGNIZED THAT THE ELEVEN COMPANIES LISTED ABOVE ARE PARTIES TO A COORDINATION AGREEMENT DATED FEBRUARY 10, 1964.

SECTION 2 - EMERGENCY SERVICE

2.1 THE INTENT OF THIS SCHEDULE IS TO PROVIDE FOR EMERGENCY ASSISTANCE BETWEEN THE SYSTEMS OF THE PARTIES HERETO UNDER THE TERMS AND CONDITIONS SET FORTH HEREIN AND IN THE INTERCONNECTION AGREEMENT.

2.2 EMERGENCY SERVICE FOR THE PURPOSE OF THIS SCHEDULE SHALL MEAN:

- (A) ENERGY SUPPLIED BY ONE PARTY (SELLER) TO THE OTHER PARTY (BUYER) DURING ANY PERIOD OR PERIODS WHEN EMERGENCY CONDITIONS BEYOND THE CONTROL OF A PARTY EXIST TEMPORARILY ON THE SYSTEM OF SUCH PARTY SO THAT GENERATION AND TRANSMISSION FACILITIES OF SUCH SYSTEM, INCLUDING PURCHASES (NOT INCLUDING SUCH EMERGENCY SERVICE), ARE INADEQUATE TO CARRY THE PARTY'S SYSTEM LOAD RESPONSIBILITY AND PROVIDE NECESSARY OPERATING RESERVES, AND
- (B) ENERGY SUPPLIED BY ONE PARTY TO THE OTHER PARTY IN ORDER FOR SUCH OTHER PARTY TO FURNISH ENERGY TO A SYSTEM OR SYSTEMS NOT A PARTY TO THE INTERCONNECTION AGREEMENT UNDER CONDITIONS OF EMERGENCY AS SET FORTH IN (A) ABOVE ON SUCH SYSTEM OR SYSTEMS NOT A PARTY TO THE INTERCONNECTION AGREEMENT.

2.3 WHEN ONE PARTY DESIRING EMERGENCY SERVICE, AS DEFINED IN PARAGRAPH 2.2 ABOVE, WHICH THE OTHER PARTY IS IN A POSITION TO FURNISH, REQUESTS EMERGENCY SERVICE FROM SUCH OTHER PARTY AND AN AGREEMENT IS REACHED AS TO THE AMOUNT OF EMERGENCY SERVICE WHICH CAN BE DELIVERED BY THE SELLER AND THE PROBABLE DURATION OF SUCH DELIVERY; THEN THE SELLER SHALL FURNISH THE REQUESTED EMERGENCY SERVICE FROM ANY AVAILABLE SOURCE (INCLUDING PURCHASES FROM A SYSTEM OR SYSTEMS NOT A PARTY TO THIS INTERCONNECTION AGREEMENT FOR RESALE TO THE BUYER, IF REQUESTED BY THE BUYER) TO THE EXTENT THAT, IN THE JUDGMENT OF THE SELLER, THE GENERATION OR PURCHASE AND THE DELIVERY OF SUCH EMERGENCY SERVICE WILL NOT IMPAIR OR JEOPARDIZE SERVICE IN THE SELLER'S SYSTEM OF ITS COMMITMENTS TO OTHERS.

SECTION 3 - CONDITIONS FOR SERVICE

3.1 IT IS THE INTENT OF BOTH PARTIES HERETO THAT EITHER PARTY IS ENTITLED TO CALL FOR EMERGENCY SERVICE AND THE OTHER PARTY SHALL BE OBLIGATED TO SUPPLY SUCH EMERGENCY SERVICE TO THE MAXIMUM EXTENT PRACTICABLE AS SET FORTH IN THIS SCHEDULE.

3.2 AT THE TIME OF ANY REQUEST FOR EMERGENCY SERVICE THE BUYER SHALL GIVE THE SELLER INFORMATION CONCERNING THE NATURE AND EXTENT OF THE CONDITIONS CAUSING THE EMERGENCY.

SECTION 4 - RATE AND BILLING

4.1 EMERGENCY SERVICE SUPPLIED HEREUNDER SHALL BE BILLED AND PAID FOR UNDER THE HIGHER AMOUNT CALCULATED UNDER (A) OR (B) BELOW, OR UNDER (C) IF APPLICABLE:

(A) 17.5 MILLS PER KILOWATT-HOUR; OR

- (B) SELLER'S COST OF FUEL FOR GENERATING SUCH ENERGY, INCLUDING START-UP COSTS, IF ANY, PLUS 5 MILLS PER KILOWATT-HOUR; OR
- (C) 110% OF SELLER'S COSTS TO PURCHASE SUCH ENERGY FROM ANOTHER SUPPLIER, AND PROVIDED THE 10% AMOUNT SHALL NOT EXCEED 2 MILLS PER KILOWATT-HOUR.

IN LIEU OF PAYMENT UNDER (A), (B), OR (C) ABOVE, THE SELLER MAY, AT ITS SOLE OPTION, REQUIRE THE BUYER TO RETURN WITHIN THIRTY DAYS AN AMOUNT OF ENERGY EQUIVALENT TO THAT WHICH WAS SUPPLIED BY THE SELLER FOR EMERGENCY SERVICE. IN THIS EVENT, THE BUYER SHALL PAY THE SELLER 5 MILLS PER KILOWATT-HOUR IN ADDITION TO RETURNING THE ENERGY. THE SELLER SHALL PROVIDE A SCHEDULE FOR THE ENERGY TO BE RETURNED, AT A TIME AND RATE OF DELIVERY AND UNDER LOAD CONDITIONS SIMILAR TO THOSE UNDER WHICH THE ENERGY WAS ORIGINALLY SUPPLIED BY THE SELLER TO THE BUYER. IN THE EVENT SUCH ENERGY IS BEING SUPPLIED TO OR FROM A THIRD PARTY, THE BUYER SHALL PAY THE INTERVENING PARTY TWO MILLS FOR EACH KILOWATT-HOUR SO SUPPLIED THROUGH ITS SYSTEM FROM THE ORIGINAL SELLER TO THE BUYER.

4.2 "SELLER'S COST OF FUEL" AS STATED IN SECTION 4.1(B) ABOVE SHALL BE THE SELLER'S ESTIMATED CURRENT COST OF REPLACING SUCH FUEL CONSUMED TO SUPPLY THE EMERGENCY SERVICE; PROVIDED, THAT IF SUCH FUEL CONSUMED TO SUPPLY EMERGENCY SERVICE IS REPLACED WITHIN SIXTY DAYS FROM THE DATE OF SUCH EMERGENCY SERVICE TRANSACTION, AND IF SUCH COST IS MORE THAN \$0.02 PER MILLION BTU GREATER OR LESS THAN SUCH ESTIMATED COST, THEN A CORRECTION SHALL BE MADE IN THE SELLING PRICE TO REFLECT SUCH DIFFERENCE. IF FUEL CONSUMED TO SUPPLY EMERGENCY SERVICE IS NOT REPLACED WITHIN SIXTY DAYS, THE ESTIMATED COST SHALL BE USED FOR BILLING PURPOSES.

4.3 BILLING AND PAYMENT SHALL BE AS PROVIDED FOR IN ARTICLE V OF THE INTERCONNECTION AGREEMENT.

SECTION 5 -- METERING

5.1 THE AMOUNTS OF ENERGY SUPPLIED AND RECEIVED HEREUNDER SHALL BE DETERMINED FROM MEASUREMENTS TAKEN AT OR ADJUSTED TO THE POINT OF INTERCONNECTION AS AGREED TO BY THE PARTIES HERETO. THE TYPES OF METERING EQUIPMENT, THE DETAILS OF METERING ARRANGEMENTS AND THE RECORDS TO BE KEPT SHALL BE DETERMINED BY THE REPRESENTATIVES OF THE PARTIES HERETO.

EXECUTED AS OF THE DATE FIRST HEREINABOVE MENTIONED.

GULF STATES UTILITIES COMPANY

BY _____

TITLE _____

ATTEST:

BY _____

TITLE _____

MISSISSIPPI POWER &
LIGHT COMPANY

BY _____

TITLE _____

ATTEST:

BY _____

TITLE _____

SERVICE SCHEDULE SP

SURPLUS POWER SERVICE

GULF STATES UTILITIES COMPANY
MISSISSIPPI POWER & LIGHT COMPANY

0.1 THIS SERVICE SCHEDULE SP IS AGREED TO ON _____ , 1978, TO BECOME EFFECTIVE UNDER, AND AS A PART OF, THE POWER INTERCONNECTION AGREEMENT DATED _____ , 1978, BETWEEN GULF STATES UTILITIES AND MISSISSIPPI POWER & LIGHT COMPANY. THE TERM OF THIS SERVICE SCHEDULE SHALL RUN CONCURRENTLY WITH THE INTERCONNECTION AGREEMENT, PROVIDED THAT EITHER PARTY CAN TERMINATE THIS SCHEDULE BY WRITTEN NOTICE GIVEN TO THE OTHER PARTY NOT LESS THAN FOUR (4) YEARS IN ADVANCE OF THE TERMINATION DATE.

SECTION 1 - PURPOSE

1.1 THE PURPOSE OF THIS SERVICE SCHEDULE SP IS TO PROVIDE FOR THE SUPPLY OF SURPLUS POWER SERVICE BETWEEN THE PARTIES HERETO AND TO ESTABLISH THE TERMS AND CONDITIONS APPLICABLE THERETO. SURPLUS POWER SHALL MEAN THAT CAPACITY AVAILABLE OVER AND ABOVE THE SELLER'S SYSTEM REQUIREMENTS, INCLUDING RESERVES, AND IN NO SENSE IMPLIES THE INSTALLATION OF CAPACITY FOR THE ACCOUNT OF THE BUYER.

SECTION 2 - SUPPLY OF SURPLUS POWER SERVICE

2.1 WHENEVER EITHER PARTY TO THIS POWER INTERCONNECTION AGREEMENT (HEREINAFTER REFERRED TO AS BUYER) DESIRES TO PURCHASE SURPLUS POWER SERVICE, HE MAY DO SO BY NOTIFYING THE OTHER PARTY (HEREINAFTER REFERRED TO AS SELLER) IN WRITING STATING THE AMOUNT OF SURPLUS POWER SERVICE REQUIRED, THE INTERVAL OF TIME DURING WHICH SUCH WILL BE REQUIRED, AND AN ESTIMATE OF THE ENERGY

REQUIREMENT TO ACCOMPANY THE POWER SALE. THE SUPPLY OF SUCH SURPLUS POWER SERVICE SHALL BE LIMITED TO THE AVAILABILITY OF THIS CAPACITY ON THE SELLER'S SYSTEM OVER THE SELLER'S FIRM LOAD REQUIREMENT.

2.2 THE SELLER SHALL THEN DECIDE WHETHER ALL OR ANY PART OF SUCH SURPLUS POWER SERVICE CAN BE SUPPLIED AND SHALL DECIDE AND NOTIFY THE BUYER OF THE AMOUNT OF SUCH SURPLUS POWER SERVICE AND THE AMOUNT OF ACCOMPANYING ENERGY WHICH SHALL BE SUPPLIED OR DEEMED TO HAVE BEEN SUPPLIED BY THE SELLER. THE SELLER SHALL RENDER BILLS EACH MONTH FOR THE SURPLUS POWER SERVICE AND THE ACCOMPANYING ENERGY SUPPLIED OR DEEMED TO HAVE BEEN SUPPLIED DURING THE PRECEDING MONTH.

2.3 NEITHER PARTY SHALL BE OBLIGATED TO SUPPLY SURPLUS POWER SERVICE UNLESS AND UNTIL SUCH PARTY SHALL HAVE AGREED TO DO SO IN ACCORDANCE WITH THIS SCHEDULE IN A WRITTEN AGREEMENT EXECUTED BY A DULY AUTHORIZED OFFICER OF SUCH PARTY.

2.4 SURPLUS POWER SERVICE SO CONTRACTED SHALL BE PURCHASED FOR A MINIMUM PERIOD OF NOT LESS THAN FIVE (5) MONTHS, AND MAY BE FOR SUCH LONGER PERIOD AS IS MUTUALLY AGREEABLE. THE BEGINNING DATE AND THE LENGTH OF THE PERIOD SHALL BE AGREED UPON IN WRITING AT LEAST SIX (6) MONTHS PRIOR TO THE COMMENCEMENT OF THE PERIOD. THE PARTIES INVOLVED IN THIS SALE SHALL HAVE THE OPTION TO WAIVE THIS SIX (6) MONTH REQUIREMENT BY MUTUAL AGREEMENT.

2.5 THE USE OF POWER AND ENERGY, UNDER THIS SERVICE SCHEDULE, WILL BE SCHEDULED BY THE BUYER 16 HOURS IN ADVANCE OF THE INITIAL DELIVERY EACH DAY. WEEKLY SCHEDULES MAY NOT BE ALTERED BY LESS THAN 16 HOURS' NOTICE, UNLESS AGREED TO BY THE SELLER.

2.6 THE FINAL SCHEDULE FOR ANY CALENDAR DAY SHALL PROVIDE FOR THE FULL USE OF A CONSTANT AMOUNT OF CAPACITY FOR A SINGLE

CONTINUOUS PERIOD OF AT LEAST ^{eight} (8) HOURS AND NOT MORE THAN FOURTEEN (14) CONSECUTIVE HOURS WITHIN SUCH DAY. SCHEDULES IN EXCESS OF FOURTEEN (14) CONSECUTIVE HOURS USE MAY BE MADE AT THE SOLE OPTION OF THE SELLER.

SECTION 3 - BASIS OF SETTLEMENT

3.1 FOR SURPLUS POWER SERVICE MADE AVAILABLE FROM ONE PARTY TO THE OTHER, THE BUYER SHALL PAY TO THE SELLER EACH MONTH AN AMOUNT FOR CAPACITY AND ENERGY COMPUTED ON THE BASIS OF THE APPLICABLE RATE SCHEDULE ATTACHED HERETO.

3.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE AGREEMENT, IN THIS SERVICE SCHEDULE, OR IN THE RATE SCHEDULES TO THIS SERVICE SCHEDULE, IT IS AGREED THAT NEITHER PARTY IS OBLIGATED TO INTERRUPT ITS FIRM CUSTOMERS IN ORDER TO MAINTAIN A SCHEDULED SALE OF SURPLUS POWER SERVICE.

IN THE EVENT OF UNAVAILABILITY, INTERRUPTION OR CURTAILMENT OF SERVICE FOR A PERIOD OF MORE THAN THIRTY (30) CONSECUTIVE MINUTES IN ANY SCHEDULED HOUR, BECAUSE OF A FUEL SHORTAGE OR CURTAILMENT OR ANY OTHER REASON (SUCH UNAVAILABILITY, INTERRUPTION, OR CURTAILMENT FOR WHATEVER REASON BEING HEREINAFTER REFERRED TO AS "INTERRUPTION"), ANY CAPACITY CHARGE FOR THE CURRENT BILLING MONTH PROVIDED TO BE PAID UNDER THIS SERVICE SCHEDULE SHALL BE REDUCED TO REFLECT SUCH INTERRUPTION. THE AMOUNT OF THE REDUCTION FOR A TOTAL INTERRUPTION SHALL BE ON THE BASIS OF A RATIO, THE NUMERATOR OF WHICH SHALL BE THE DURATION OF SUCH TOTAL INTERRUPTION AND THE DENOMINATOR OF WHICH SHALL BE THE ACTUAL NUMBER OF SCHEDULED HOURS DURING THE BILLING MONTH IN QUESTION, BUT NOT LESS THAN 360 HOURS. WHERE A PORTION OF THE CAPACITY IS INTERRUPTED, APPROPRIATE PRORATION SHALL BE MADE GIVING DUE WEIGHT TO THE CAPACITY ACTUALLY DELIVERED.

3.3 THE FIRST MONTHLY BILL SHALL BE RENDERED IN THE MONTH FOLLOWING THE FIRST MONTH THAT LIMITED SURPLUS POWER SERVICE SHALL HAVE BEEN CONTRACTED FOR.

EXECUTED AS OF THE DATE FIRST HEREINABOVE MENTIONED.

GULF STATES UTILITIES COMPANY

BY _____

TITLE _____

ATTEST:

BY _____

TITLE _____

MISSISSIPPI POWER &
LIGHT COMPANY

BY _____

TITLE _____

ATTEST:

BY _____

TITLE _____

RATE SCHEDULE GSP

TO

SERVICE SCHEDULE SP

-----, 1978

1. THIS RATE SCHEDULE SHALL APPLY TO SUPPLY BY GULF STATES UTILITIES COMPANY OF SURPLUS POWER SERVICE TO MISSISSIPPI POWER & LIGHT COMPANY, UNDER AND PURSUANT TO THE POWER INTERCONNECTION AGREEMENT BETWEEN SUCH PARTIES AND SERVICE SCHEDULE SP THERETO.

2. CAPACITY CHARGE:

\$1.25 PER KW PER MONTH FOR EACH KW OF CAPACITY PURCHASED PURSUANT TO SERVICE SCHEDULE SP.

3. ENERGY CHARGE:

ENERGY CHARGE PER MONTH SHALL BE THE INCREMENTAL FOSSIL FUEL COST PER KWH PLUS 3.0 MILLS PER KWH.

RATE SCHEDULE MSP

TO

SERVICE SCHEDULE SP

-----, 1978

1. THIS RATE SCHEDULE SHALL APPLY TO SUPPLY BY MISSISSIPPI POWER & LIGHT COMPANY OF SURPLUS POWER SERVICE TO GULF STATES UTILITIES COMPANY, UNDER AND PURSUANT TO THE POWER INTERCONNECTION AGREEMENT BETWEEN SUCH PARTIES AND SERVICE SCHEDULE SP THERETO.

2. CAPACITY CHARGE:

\$_____ PER KW PER MONTH FOR EACH KW OF CAPACITY PURCHASED PURSUANT TO SERVICE SCHEDULE SP.

3. ENERGY CHARGE:

ENERGY CHARGE PER MONTH SHALL BE THE INCREMENTAL FOSSIL FUEL COST PER KWH PLUS _____ MILLS PER KWH.

SERVICE SCHEDULE RE
REPLACEMENT SERVICE

0.1 THIS SCHEDULE RE IS AGREED TO ON _____, 1978, TO BE EFFECTIVE UNDER, AND AS A PART OF, THAT INTERCONNECTION AGREEMENT BETWEEN GSU AND MPL, (HEREINAFTER REFERRED TO AS "PARTY" OR "PARTIES"), DATED _____, 1978, (HEREINAFTER REFERRED TO AS "INTERCONNECTION AGREEMENT"). THE TERM OF THIS SERVICE SCHEDULE SHALL RUN CONCURRENTLY WITH THE INTERCONNECTION AGREEMENT, PROVIDED THAT EITHER PARTY CAN TERMINATE THIS SCHEDULE BY WRITTEN NOTICE GIVEN TO THE OTHER PARTY NOT LESS THAN FOUR (4) YEARS IN ADVANCE OF THE TERMINATION DATE.

SECTION 1 - EXISTING ARRANGEMENTS

1.1 IT IS RECOGNIZED BY THE PARTIES THAT THE ELEVEN COMPANIES LISTED IN THIS SECTION HAVE VARIOUS AGREEMENTS AND CONTRACTUAL ARRANGEMENTS OF VARIOUS DATES AMONG AND BETWEEN VARIOUS ONES OF THE ELEVEN COMPANIES, INCLUDING THE INTERCONNECTION AGREEMENT, PROVIDING AMONG OTHER THINGS FOR PURCHASE, SALE, AND EXCHANGE OF ELECTRIC POWER AND ENERGY AS WELL AS FOR PARTICIPATION IN THE PLANNING, CONSTRUCTION, FINANCING, OPERATION AND MAINTENANCE OF AN EXTRA-HIGH VOLTAGE ELECTRIC TRANSMISSION SYSTEM.

1.2 THE ELEVEN COMPANIES REFERRED TO IN 1.1 ARE:

ARKANSAS POWER & LIGHT COMPANY
CENTRAL LOUISIANA ELECTRIC COMPANY, INC.
THE EMPIRE DISTRICT ELECTRIC COMPANY
GULF STATES UTILITIES COMPANY
KANSAS GAS & ELECTRIC COMPANY
LOUISIANA POWER & LIGHT COMPANY
MISSISSIPPI POWER & LIGHT COMPANY
NEW ORLEANS PUBLIC SERVICE INC.

OKLAHOMA GAS AND ELECTRIC COMPANY
PUBLIC SERVICE COMPANY OF OKLAHOMA
SOUTHWESTERN ELECTRIC POWER COMPANY

1.3 IT IS FURTHER RECOGNIZED THAT THE ELEVEN COMPANIES LISTED ABOVE ARE PARTIES TO A COORDINATION AGREEMENT DATED FEBRUARY 10, 1964.

SECTION 2 - DEFINITION OF REPLACEMENT ENERGY

2.1 REPLACEMENT ENERGY AS USED HEREIN SHALL MEAN ELECTRIC ENERGY WHICH ONE PARTY (BUYER) DESIRES TO PURCHASE FROM THE OTHER PARTY (SELLER) FOR REASONS INCLUDING, BUT NOT LIMITED TO, DEFERRING USE OF FUEL OR WATER, TRANSMISSION SYSTEM OPERATIONS, SCHEDULED SHORT OUTAGES OF GENERATING UNITS, ENVIRONMENTAL CONDITIONS, SELLING REPLACEMENT ENERGY TO ANOTHER PARTY, OR OTHER REASONS OF SIMILAR NATURE.

SECTION 3 - CONDITIONS OF PURCHASE AND SALE

3.1 IT IS UNDERSTOOD AND AGREED THAT THE BUYER IS ENTITLED TO PURCHASE REPLACEMENT ENERGY ONLY TO THE EXTENT THAT SUCH BUYER HAS ALTERNATE DEPENDABLE CAPACITY, INCLUDING PURCHASED CAPACITY, THAT COULD OTHERWISE BE USED, PROVIDED, HOWEVER, THAT IF BUYER DESIRES TO PURCHASE REPLACEMENT ENERGY TO ENABLE SAID BUYER TO REMOVE A UNIT FROM SERVICE FOR PURPOSE OF MAINTENANCE OR INSPECTION, ON OTHER THAN A FORCED OUTAGE BASIS, SUCH UNIT MAY BE INCLUDED IN SAID ALTERNATE DEPENDABLE GENERATING CAPACITY.

3.2 IT IS FURTHER UNDERSTOOD AND AGREED THAT IF THE BUYER IS BUYING REPLACEMENT ENERGY FOR THE PURPOSE OF SELLING SUCH REPLACEMENT ENERGY TO A SYSTEM OR SYSTEMS NOT A PARTY TO THE INTERCONNECTION AGREEMENT, THAT SUCH ULTIMATE BUYER SHALL BE THE PARTY REQUIRED TO HAVE THE ALTERNATE DEPENDABLE CAPACITY AS SET FORTH IN 3.1 ABOVE.

3.3 WHEN THE BUYER DESIRES TO PURCHASE REPLACEMENT ENERGY WHICH THE SELLER IS IN A POSITION TO SELL AND DELIVER, THE BUYER SHALL CONTACT THE SELLER. WHEN AN AGREEMENT IS REACHED AS TO THE AMOUNT OF SUCH REPLACEMENT ENERGY WHICH THE BUYER DESIRES TO PURCHASE AND WHICH CAN BE DELIVERED BY THE SELLER, THE SELLING PRICE OF SUCH REPLACEMENT ENERGY AS SET FORTH IN SECTION 4.1, THE SCHEDULE FOR DELIVERY OF SUCH ENERGY, ANY NECESSARY NOTICE REQUIREMENT FOR DISCONTINUANCE OF SUCH DELIVERY, AND ANY OTHER PERTINENT FACTORS, THEN THE SELLER SHALL FURNISH AT THE AGREED SELLING PRICE THE REQUESTED REPLACEMENT ENERGY FROM ANY AVAILABLE SOURCE IT CHOOSES, INCLUDING PURCHASES FROM A SYSTEM OR SYSTEMS NOT A PARTY TO THIS INTERCONNECTION AGREEMENT FOR RESALE TO THE BUYER.

SECTION 4 - RATE AND BILLING

4.1 REPLACEMENT ENERGY SUPPLIED HEREUNDER SHALL BE BILLED AND PAID FOR AT THE FOLLOWING RATE:

ENERGY GENERATED BY SELLER;

DURING ON PEAK HOURS

THE ANTICIPATED INCREMENTAL PRODUCTION COST
PER KWH OF SELLER DURING THE TRANSACTION PLUS
3.0 MILLS PER KWH.

DURING OFF PEAK HOURS

THE ANTICIPATED INCREMENTAL PRODUCTION COST
PER KWH OF SELLER DURING THE TRANSACTION PLUS
2.0 MILLS PER KWH;

ENERGY PURCHASED BY SELLER FOR SALE HEREUNDER;

ANTICIPATED PURCHASE PRICE PER KWH PLUS 10%,
PROVIDED THAT THE 10% AMOUNT TO BE ADDED MAY EQUAL
BUT SHALL NOT EXCEED 2.0 MILLS PER KWH.

4.2 FOR THE PURPOSE OF THIS SCHEDULE RE, THE FOLLOWING
DEFINITIONS SHALL BE APPLICABLE:

(A) "OFF PEAK" SHALL BE THAT PERIOD OF TIME BETWEEN
2201 HOURS OF ONE DAY AND 0600 HOURS OF THE
FOLLOWING DAY, AND ALL DAY SUNDAYS AND HOLIDAYS AS
LISTED IN SECTION 4.5 BELOW.

(B) "ON PEAK" SHALL BE THAT PERIOD OF TIME BETWEEN 0601
HOURS AND 2200 HOURS OF THE SAME DAY, EXCEPT
SUNDAYS AND HOLIDAYS AS LISTED IN SECTION 4.5
BELOW.

4.3 BILLING FOR ENERGY SHALL BE BASED ON THE MUTUALLY AGREED
DELIVERY SCHEDULE.

4.4 BILLING AND PAYMENT SHALL BE AS PROVIDED IN ARTICLE V OF
THE INTERCONNECTION AGREEMENT.

4.5 FOR THE PURPOSE OF THIS SCHEDULE, "HOLIDAYS" SHALL BE:

NEW YEAR'S DAY
MEMORIAL DAY
INDEPENDENCE DAY
LABOR DAY
THANKSGIVING DAY
CHRISTMAS DAY

SECTION 5 - METERING

5.1 THE AMOUNTS OF ENERGY SUPPLIED AND RECEIVED HEREUNDER SHALL BE DETERMINED FROM MEASUREMENTS TAKEN AT OR ADJUSTED TO THE POINT OF INTERCONNECTION AS AGREED TO BY THE PARTIES HERETO. THE TYPES OF METERING EQUIPMENT, THE DETAILS OF METERING ARRANGEMENTS AND THE RECORDS TO BE KEPT SHALL BE DETERMINED BY THE REPRESENTATIVES OF THE PARTIES HERETO.

EXECUTED AS OF THE DATE FIRST HEREINABOVE MENTIONED.

GULF STATES UTILITIES COMPANY

BY_____

TITLE_____

ATTEST:

BY_____

TITLE_____

MISSISSIPPI POWER &
LIGHT COMPANY

BY_____

TITLE_____

ATTEST:

BY_____

TITLE_____

SCHEDULE A
RESERVE CAPACITY
YAZOO CITY, MISSISSIPPI
AND
MISSISSIPPI POWER & LIGHT COMPANY

Section I - Purpose

It is the purpose of this schedule to provide a basis for utilizing the capacity in the systems of each party for supplying Reserve Capacity to the other.

Section II - Character of Service and Metering

Service shall be three phase, sixty cycles, and shall be delivered at nominal 115,000 volts. Company will meter on the secondary side of City's substation transformer, and the energy billed shall be the kwh registered at such secondary voltage.

Section III - Reserve Capacity

Either party shall be entitled to call upon the other for such power and energy, up to 5,000 KW, it may deem necessary to meet its requirements to supply its own customers. The party receiving such request shall supply the power and energy so requested up to its ability to do so. Upon 120 days' notice City may increase the Reserve Capacity to 10,000 KW and thereafter either party may be entitled to call upon the other for 10,000 KW.

Section IV - Net Monthly Rate

Base Price

12 mills per kwh

Adjustments

Fuel: Plus or minus 0.0014¢ per kwh for each whole tenth of one cent (0.1¢) by which the weighted average cost of providing

Section IV - Net Monthly Rate

Base Price

5 mills per kwh

Adjustments

Fuel: Plus or minus 0.0014¢ per kwh for each whole tenth of one cent (0.1¢) by which the weighted average cost of providing the fuel at fuel burning stations for the production of the energy that is delivered exceeds or is less than twenty-five cents (25.0¢) per million btu. The adjustment to be billed in any month will be based on such costs of providing fuel and on the energy productions for the twelve months ended with the second preceding month.

Taxes: To charges due under this schedule there shall be added any directly allocable tax, impost, or assessment imposed or levied by any governmental authority, which is assessed or levied against the selling party or directly affects such party's cost of operation and which it is legally obligated to pay on the basis of meters, customers, or rates of, or revenue from electric power and energy or service sold, or on the volume of the energy generated, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

Section V - Term

The term of this Schedule shall begin on the effective date of the Interconnection Agreement and shall run with the term of the Agreement unless cancelled by mutual consent.

SCHEDULE B
OFF-PEAK ENERGY
MISSISSIPPI POWER & LIGHT COMPANY
AND
YAZOO CITY, MISSISSIPPI

Section I - Purpose

It is the purpose of this schedule to provide a basis for the supplying of energy to Yazoo City during off-peak periods.

Section II - Character of Service and Metering

Service shall be three phase, sixty cycles, and shall be delivered at nominal 115,000 volts. Company will meter on the secondary side of City's substation transformer, and the energy billed shall be the kwh registered at such secondary voltage.

Section III - Availability

Between October 1 of each year and the following May 1 during the term hereof, Company will from time to time at its discretion advise City that off-peak energy will be available. Such proffers of off-peak energy will be made at least 24 hours in advance and City will promptly advise Company of the extent to which it wishes to schedule taking such energy.

Off-peak energy may be taken at a rate up to the currently effective reserve capacity (more may be supplied if in Company's judgment the capacity is available at the time).

The periods of 48 consecutive hours or more during which Company will offer off-peak energy in amounts equal to the Reserve Capacity shall equal or exceed 1,000 hours between October 1 and the following May 1 during the term of this schedule.

the fuel at fuel burning stations for the production of the energy that is delivered exceeds or is less than twenty-five cents (25.0¢) per million btu. The adjustment to be billed in any month will be based on such costs of providing fuel and on the energy productions for the twelve months ended with the second preceding month.

Start Up: Should any request by Company cause City to start up a generating unit not otherwise required, City may add to its billing an amount equal to its added expense occasioned by such start up.

Taxes: To charges due under this schedule there shall be added any directly allocable tax, impost, or assessment imposed or levied by any governmental authority, which is assessed or levied against the selling party or directly affects such party's cost of operation and which it is legally obligated to pay on the basis of meters, customers, or rates of, or revenue from electric power and energy or service sold, or on the volume of the energy generated, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

Section V - Term

The term of this Schedule shall begin on the effective date of the Interconnection Agreement and shall run with the term of the Agreement unless cancelled by mutual consent.

INTERCONNECTION AGREEMENT

BY AND BETWEEN

CITY OF CLARKSDALE

AND

MISSISSIPPI POWER & LIGHT COMPANY

0.1 This Agreement made this 13th day of February, 1976
by and between the CITY OF CLARKSDALE, MISSISSIPPI (hereinafter called
"City") and MISSISSIPPI POWER & LIGHT COMPANY (hereinafter called "Company"),

WITNESSETH:

0.2 WHEREAS, the Company and City each own and operate an electric
system supplying electric service to the public; and

0.3 WHEREAS, Company is interconnected directly and/or indirectly
and coordinates its power and energy supplies with its corporate affiliates -
Arkansas Power & Light Company, Arkansas-Missouri Power Company, Louisiana
Power & Light Company, and New Orleans Public Service, Inc., the electrical
facilities of said companies together with those of Company being herein-
after referred to compositely as the "Middle South System"; and

0.4 WHEREAS, the Middle South System is interconnected and operates
in parallel with many other utilities within and without the states of
Mississippi, Arkansas, Louisiana and Missouri; and

0.5 WHEREAS, the public interest requires that each party shall make
all provisions necessary to reasonably assure the continuous availability
of electricity in sufficient amount to supply all normal requirements of
customers; and

0.6 WHEREAS, City and the Company desire to enter into a comprehensive interconnection agreement for the establishment of an interconnection and securing of coordination between the City and Company systems, as aforesaid in paragraph 0.4;

0.7 NOW, THEREFORE, in consideration of the above premises and of the mutual benefits from the covenants herein set forth, the parties hereto do hereby agree as follows:

I - TERM

1.1 This Agreement shall become effective on the date of interconnection of the systems as provided in Article II hereof and shall continue until termination by either party by written notice given not less than 5 years in advance of the designated date of termination, provided that no such termination may be effective prior to December 1, 1986.

It is contemplated that the systems of the parties will be interconnected as provided in Article II hereof on or about December 1, 1976 and both parties shall exercise due diligence to complete the required facilities by said date.

ARTICLE II
INTERCONNECTION

2.1 Point of Interconnection

The point of interconnection hereunder shall be at the terminals of City's 115,000 volt transmission line on Company's terminal structure at Company's Clarksdale substation as shown on the sketch marked Exhibit A attached hereto and made a part hereof.

2.2 Facilities Furnished by Company

Company shall provide, own and maintain two "C" towers and two "AX" towers, one of which shall serve as the terminal structure at the point of interconnection in Company's Clarksdale Substation as shown on the sketch marked Exhibit A attached hereto and made a part hereof. Company shall own and maintain a 115 KV Oil Circuit Breaker and three air break disconnect switches, together with other related appurtenant equipment. Company will provide auxiliary DC and AC power supply for the operation of said oil circuit breaker.

Company will install, or cause to be installed, necessary telemetering facilities between the Clarksdale interconnection and Company's dispatchers. Clarksdale shall thereafter pay Company monthly all expenses including fixed charges incidental to such telemetering and supervisory control.

2.3 Facilities Furnished by City

City shall provide, own, operate and maintain a voltage regulating transformer of not less than 20,000 KVA capacity in the City's substation for the purpose of reducing the voltage delivered from the Company's 115 KV transmission system. City shall also provide, own, operate and maintain a 115 KV tieline between City's Substation and the point of interconnection in Company's Clarksdale substation as heretofore described.

City shall provide, own, operate and maintain all synchronizing equipment and instrumentation required for synchronizing and parallel operation of electric systems of the parties. The equipment shall be selected so as to meet, as nearly as practicable, the Performance Criteria of the North American Power Systems Interconnection Committee Operating Manual.

City shall provide, own, operate and maintain all fuses, circuit breakers, isolation switches and other electrical apparatus necessary for adequate protection of City's electric system. City's electrical facilities so installed shall be compatible with Company's protective equipment.

2.4 Meters and Location

All energy delivered by either party to the other hereunder shall be measured by meters located in Company's Clarksdale Substation. The meter equipment shall be capable of measuring demand on a 60-minute interval and connected to record kilowatts, reactive kilovolt amperes and kilowatt hours. The meters and associated metering facilities shall be owned by the Company and it shall be the Company's responsibility to maintain them in good operating condition.

Metering will be at 115,000 volts. The metering equipment installed will compensate for transformer losses or in lieu thereof an allowance of 1% will be made in the measured quantities used for billing.

2.5 Interconnection with Other Systems

Nothing contained in this contract shall restrict or limit either party in making other interconnections or agreements therefor with other systems or in its own use of its own lines.

Clarksdale takes note that its interconnection and parallel operation with a third party having a power source while maintaining its interconnection with the Company will result in power flows between the Company and the third party through Clarksdale's system and possibly affect the flow of power between Company and other parties through other paths.

III - SERVICE SCHEDULES

3.1 Service Schedules

The power to be supplied by each party to the other hereunder, the terms and conditions of such supply and the charges to be paid therefor

shall be in accordance with arrangements from time to time agreed upon between the parties. Such arrangements shall be set up in the form of Service Schedules, each of which, when signed by authorized officials of the parties hereto, shall become a part of this Agreement for the term hereof or for such shorter terms as may be provided in the Service Schedule.

The following Service Schedules are agreed to initially and are made a part hereof:

Service Schedule A -	Reserve Capacity
Service Schedule B -	Unintentional Energy
Service Schedule C -	Firm Capacity
Service Schedule D -	Economy Energy

Service shall be supplied and taken in accordance with the foregoing Service Schedules or such other effective superseding Schedules as may be agreed upon by the parties and authorized by duly constituted regulatory authority.

3.2 Service Schedules to Have Precedence

In event that any provisions of this Agreement are in conflict with those of existing or subsequent service schedules, the provisions of the service schedule shall be controlling.

IV - OPERATING COMMITTEE

4.1 Appointment of Operating Representatives

Each party will appoint one representative to act for it in matters pertaining to interconnected operation hereunder and such additional representatives as it may choose to appoint to serve in his absence or with respect to various detailed operating arrangements hereunder. Each party will inform the other of such appointments as made or changed from time to

time. The operating representative shall have no authority to modify any of the provisions of this Agreement or of any Service Schedule hereunder, except as to those designated herein or in the respective service schedules as within the scope of their responsibility.

4.2 Temporary Interchange Arrangements

In cases where, from time to time, it may be to the advantage of the parties that power be interchanged or sold upon a basis not provided for in any Service Schedule then in effect and in circumstances such that arrangements must be made promptly in order to realize such advantage, or in cases of emergency or temporary and unusual operating conditions, temporary arrangements for individual transactions may be made by the operating representatives within the limits of the authority delegated to them; provided, however, that such arrangements shall be confirmed in writing and that no commitment involved in any arrangement so made at any time by the operating representatives shall extend for a longer period than 30 days unless approved by authorized officers of both parties.

V - CONDITIONS OF OPERATION

5.1 Parallel Operation

It is intended that the electrical systems of the parties shall normally be operated in parallel; however, either party may from time to time interrupt the parallel operation if, in its opinion, it is required for the satisfactory operation of its system.

5.2 Reserve Requirements

This interconnection agreement is predicated on the assumption that each party will continue to provide reliable capability equal to its load plus adequate reserves. Company plans and provides its reserves on

a pooled basis with other Middle South System Companies and must install or pay for capacity adequate to provide for its own load plus a pro rata part of the pooled reserves. Under this Agreement City will provide dependable capacity to serve its own load plus reserves at least equal to the percentage of reserves maintained by the Middle South System; provided, however, that Clarksdale shall not be required to provide more capacity than 125 percent of its maximum clock hourly load in the twelve (12) months ended with the current month. In event City elects not to construct or elects to defer construction of additional capacity it shall purchase from the Company or a third party sufficient capacity on an annual basis to bring its capacity at the time of its annual peak load up to the percentage maintained by the Company in conjunction with the other Middle South System companies. Firm power purchased shall be deducted from the load in determining the reserve requirement.

In November of each year the Operating Committee shall discuss load projections and reserve requirements for future years so that the necessary facilities to meet the requirements of both parties can be planned and provided in a timely manner.

5.3 City Controls Power Flow

The parties recognize that under the arrangements herein contemplated City will have sole control and determination of the amounts of kilowatts and reactive kilovolt amperes flowing over the interconnection at any given time. City will furnish tie line bias control equipment which will monitor the power and reactive flow at the point of interconnection and will automatically adjust the governors of one or more of its generators in order to maintain the power flow as near as possible to agreed upon schedules between the Company and City. City will also be

responsible for controlling the reactive flow by adjustment of its interconnecting voltage regulator. The equipment furnished by City for this purpose will consist of conventional tie line control equipment normally used for this purpose with the manufacturer as selected by City.

Such equipment shall be selected, installed and maintained to meet, so far as is practicable, the Performance Criteria as set forth in the North American Power Systems Interconnection Committee Operating Manual. The equipment selected shall also be compatible with telemetering equipment used by Company.

5.4 Disturbances

Insofar as practicable, Company and City shall protect, operate, and maintain their respective systems so as to avoid or minimize the likelihood of disturbances which might cause impairment of service in the system of the other party. The parties recognize their responsibility to their customers with respect to continuity of service and their responsibility to each other with respect to reliability of bulk power supply facilities. It is expressly understood that, for the purpose of maintaining system reliability and integrity, Company may install underfrequency relays on the interconnection contemplated herein.

5.5 Reactive Current

Neither party shall be required to supply reactive current to the other, except in accordance with arrangements between the respective load dispatchers. Normally a party receiving power shall simultaneously supply reactive current to the party supplying power to the extent necessary to make practicable the transfer of the amount of power scheduled. However, the arrangements may provide for a party supplying power to simultaneously supply reactive current to the party receiving power if no impairment of service is thereby occasioned in the supplying party's system.

5.6 Spinning Reserves

Insofar as practicable each system will provide such amounts of spinning reserve capacity that neither the Company nor City systems will impose disproportionate load swings upon the other or make disproportionate demands upon the other for assistance in meeting the normal contingencies of power system operation.

The loss of City's largest unit when fully loaded and the load swings caused on the Company's system by this loss shall not be deemed as imposing a disproportionate load swing upon the Company's system. In such a circumstance City will make every effort to start up and operate other of its capacity to make up for the loss of its largest unit as soon

as possible. City shall not, except under emergency conditions, operate any generator at more than 95% of its capacity and the total spinning reserve maintained by it shall be not less than 10% of the capacity of the largest Clarksdale unit in service at the time.

5.7 No switching of 115 KV facilities shall be done or performed without the full knowledge and direction of Company's system dispatcher in Jackson. Said switching shall be done in accordance with Company's standard safety and tagging procedures.

VI - METER READING AND SETTLEMENTS

6.1 Reading

Meter readings for billing purposes shall be made by Company on the last day of each month unless such day shall fall on Saturday, Sunday or a legal holiday. In such case the reading shall be made on the proximate working day.

6.2 Settlement

Bills for amounts due by either party to the other shall be paid at the office of the party to whom payment is due within ten days after the date received.

In case any portion of any bill be in bona fide dispute, the undisputed amount shall be payable when due, and the remainder, if any, upon determination shall be paid promptly after such determination.

6.3 Meter Testing

Metering equipment shall be tested on request by either party and in event at intervals not exceeding one year, with representatives of both parties notified and privileged to be present. Any meter found to be inaccurate shall be restored to a condition of accuracy, and if inaccuracy is one per cent (1%) or more, a correction shall be made in the billing

from the date the meter became inaccurate, if determinable. If the date the meter became inaccurate is not determinable, and if City has suitable interconnection metering, the parties hereto agree to use the readings of City's meters; provided, such meters are within the accuracy limits prescribed above.

VII - MISCELLANEOUS PROVISIONS

7.1 Uncontrollable Forces

Neither party shall be deemed to be in default or liable for failure of performance of any obligations hereunder if such failure or performance be due to uncontrollable forces, the term "uncontrollable forces" for the purposes hereof meaning causes beyond the control of the party affected which it could not reasonably have been expected to forestall by exercise of due and, in its judgment, practicable foresight and which by exercise of due and, in its judgment, practicable diligence it shall be unable to overcome, including among others such causes as storm, flood, lightning, fire, accident damaging facilities or necessary outage of facilities upon which performance is dependent, failure of manufacturers to make schedule deliveries of equipment, impact of war, mobilization, act of the public enemy, sabotage, civil disturbance, labor disturbance, strike, and restraint or order of public authority; provided that nothing herein shall be construed to relieve a party from responsibility for failure of performance if such failure be due to causes arising out of its own negligence or to removable or remediable causes which it fails to remove or remedy with reasonable dispatch.

7.2 Responsibility for Loss or Damage

Company shall save City unharmed from any loss or damage to the public arising out of the operation of the Company's transmission lines or equipment and the transmission of electric power on its system for delivery hereunder unless such loss or damage was caused by the sole

negligence of City, its agents, servants, or employees; provided however, that City shall in all cases be responsible for any liability under the provisions of any applicable workmen's compensation law for damage or injury to its own employees and will not seek any reimbursement therefor from Company. Conversely, City shall save Company unharmed from any loss or damage to the public arising out of the operation of its lines or equipment and the transmission of electric power on its system for delivery hereunder, or the presence of employees of City upon the Company's substation premises as hereinbefore provided for, unless such loss or damage was caused by the sole negligence of Company, its agents, servants, or employees; provided however, that Company shall in all cases be responsible for any liability under the provisions of any applicable workmen's compensation law for damage or injury to its own employees and will not seek any reimbursement therefor from City. Company shall be liable for all loss or damage to its own property, unless such loss or damage is caused by the sole negligence of City, and in that event City shall bear such loss or damage. Conversely, City shall be liable for all loss or damage to its own property, unless such loss or damage is caused by the sole negligence of Company, and in that event Company shall bear such loss or damage.

7.3 Waivers

Any waiver by a party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter.

7.4 Regulatory Approval

This Agreement is contingent upon the securing of any requisite regulatory approvals and is subject to present and future valid laws, regulations and orders of duly constituted regulatory authorities having jurisdiction. Either party may seek authorization through regulatory procedure for such changes in this Agreement as may be required to make any provision thereof just and reasonable.

7.5 If at any time during the operation of this Agreement, any provision of this Agreement results in a condition that is deemed to be unjust or unfair by either party, the parties agree to attempt to negotiate such provision before seeking, unilaterally, the authorization through regulatory procedure as provided in paragraph 7.4.

7.6 Notices

Any notice, demand or request given in connection with this Agreement shall be deemed properly given if sent by registered mail to the Mayor, City of Clarksdale, P. O. Box 940, Clarksdale, Mississippi 38614 in case of notice to City, or to the President, Mississippi Power & Light Company, P. O. Box 1640, Jackson, Mississippi 39205 in case of notice to Company. The designation of the person to be notified or the address of such person may be changed from time to time by written notice.

7.7 Successors and Assigns

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto, but it shall not be assignable by either party to a successor in the operation of its properties without the written consent of the other party except upon foreclosure of a mortgage or deed of trust.

7.8 ISSUANCE OF BONDS BY CITY

Any performance by or fixing of any obligation upon the parties hereto under this agreement is contingent upon the issuance by the City of revenue bonds in the minimum amount of \$750,000.00 to finance the cost of the facilities to be furnished by the City under this agreement. It is expressly understood and agreed that the City contemplates the adoption and publication of a resolution declaring its intention to issue its revenue bonds payable from the revenues of the Water and Light Department of the City; and in the event twenty per cent (20%) or more of the qualified electors of the City file written protests against the issuance of the bonds, the City will, within the time required by law after receipt of the written protest, call and hold an election as provided by law. In the event the vote at said election shall be unfavorable to the proposal therein submitted, or in the event said bonds are not validated as provided by law, or in the event said bonds are not issued for some other reason beyond the control of the City, then the City may cancel this contract and upon cancellation all parties hereto will be relieved of all obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement through their duly authorized officers as of the date

first above written.

CITY OF CLARKSDALE

Richard M. Webster Jr
MAYOR

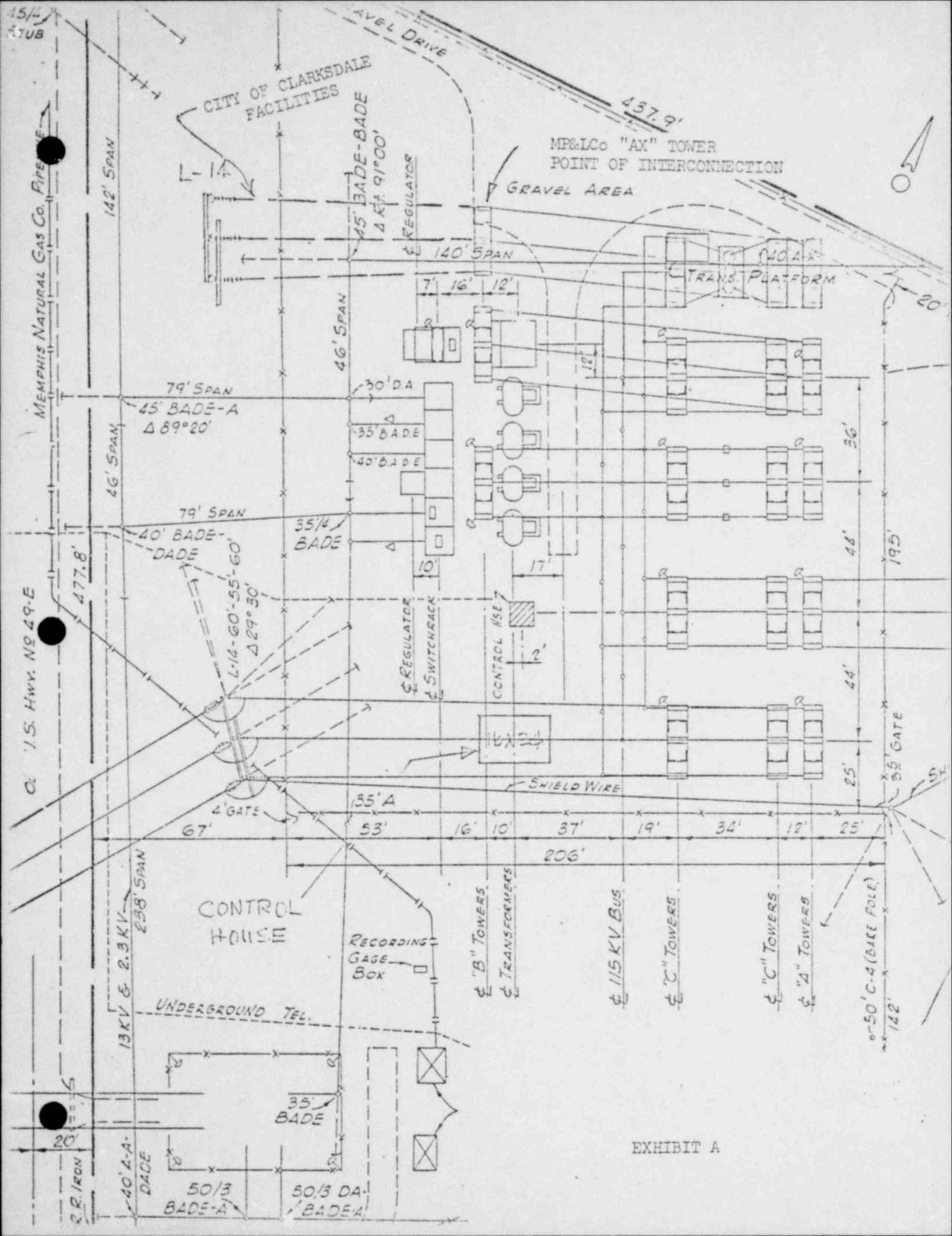
ATTEST:

Anthony H
CITY CLERK

[Signature]
MISSISSIPPI POWER & LIGHT COMPANY
PRESIDENT

ATTEST:

[Signature]
SECRETARY



15/4
RYUB

MEMPHIS NATURAL GAS CO. PIPELINE

U.S. HWY. NO 49-E

R.R. IRON

CITY OF CLARKSDALE FACILITIES

MP&LCo "AX" TOWER
POINT OF INTERCONNECTION

CONTROL HOUSE

RECORDING GAGE BOX

UNDERGROUND TEL.

GRAVEL AREA

TRANS. PLATFORM

SHIELD WIRE

"B" TOWERS
& TRANSFORMERS

115 KV BUS

"C" TOWERS

"C" TOWERS

"A" TOWERS

50' C-4 (BARE POLE)

142' SPAN

46' SPAN

79' SPAN

238' SPAN

40' A-A
DADE

45' BADE-A
Δ 89° 20'

40' BADE-DADE
L-14-60'-55'-60'
Δ 29° 30'

50/3 BADE-A

35' BADE

50/3 DA-BADEA

46' SPAN

35 1/4 BADE

135' A

50/3 DA-BADEA

45' BADE-BADE
Δ K 91° 00'

30' DA

40' BADE

53'

50/3 DA-BADEA

REGULATOR

REGULATOR & SWITCHRACK

2' GATE

50/3 DA-BADEA

140' SPAN

7' 16' 12'

10'

16'

50/3 DA-BADEA

CONTROL HSE

10'

50/3 DA-BADEA

17'

37'

50/3 DA-BADEA

206'

50/3 DA-BADEA

12'

19'

50/3 DA-BADEA

34'

50/3 DA-BADEA

12'

50/3 DA-BADEA

25'

50/3 DA-BADEA

25'

50/3 DA-BADEA

25'

50/3 DA-BADEA

44'

50/3 DA-BADEA

44'

50/3 DA-BADEA

36'

50/3 DA-BADEA

195'

50/3 DA-BADEA

55' GATE

50/3 DA-BADEA

5'

50/3 DA-BADEA

437.9'

EXHIBIT A

SERVICE SCHEDULE A
RESERVE CAPACITY

CITY OF CLARKSDALE
AND
MISSISSIPPI POWER & LIGHT COMPANY

Section I - Purpose

10.10 It is the purpose of this Schedule to provide a basis for utilizing the capacity in the system of each party for supplying Reserve Capacity to the other.

Section II - Character of Service and Metering

10.20 Service shall be delivered and metered at nominal 115,000 volts. The metering equipment installed will compensate for transformer losses or in lieu thereof an allowance of 1% will be made in the measured quantities used for billing.

Section III - Reserve Capacity

10.30 Emergency Assistance: It is the intent of the parties that under emergency conditions either party is entitled to call upon the other for emergency assistance. The party called upon shall furnish such service desired by the party in need to the fullest extent available. Service shall be provided if and when available from the party's own generation and from the generation of others to the extent it can do so without impairing service to its own customers, including other electric systems to whom it has firm commitments.

10.31 Scheduled Maintenance: Either party shall be entitled to call upon the other to provide power and energy during periods of scheduled maintenance. Such service shall be supplied by either party as required

by the other up to the rating of City's largest generating unit subject, however, to the limitations of the interconnections between parties. Such service shall be scheduled in advance to fit maintenance schedules of the parties. The parties agree to cooperate in arranging their respective maintenance schedules for their mutual convenience.

10.32 Reserve Requirements: The supplying of reserve capacity is conditional upon the maintenance of dependable capacity by the parties as set forth in Section 5.2 "Reserve Requirements" of the Interconnection Agreement between the parties. Should either party fail to provide capacity in accordance with the provisions of said section, it shall forfeit the right to call upon the other for reserve capacity under this Schedule.

Section IV - Monthly Billing

10.40 The capacity and energy supplied hereunder shall be billed and paid for at the greater of:

- a. 12.5 mills per kwh, or
- b. 115% of the cost incurred by seller directly attributable to the supplying of such service. Bills shall be submitted monthly and shall include reasonable itemization of cost factors readily available to seller.

Section V - Regulatory Approval

10.50 The effectiveness of this Schedule is contingent upon any requisite regulatory approval. This Schedule is subject to orders of regulatory authority of competent jurisdiction. Either party may seek authorization through regulatory procedures for such change in this Schedule as may be required to make any provisions thereof just and reasonable.

Section VI - Term

10.60 This Schedule shall become effective concurrently with the interconnection Agreement dated February 13, 1976 as a part thereof and shall continue in force concurrently with said Agreement provided that either party may terminate this Schedule by written notice given to the other party not less than five (5) years in advance of the designated date of termination.

EXECUTED as of February 13, 1976

CITY OF CLARKSDALE

ATTEST:

Robert H. [Signature]
City Clerk

By Richard M. [Signature]
Mayor

MISSISSIPPI POWER & LIGHT COMPANY

ATTEST:

[Signature]
Secretary

[Signature]
President

SERVICE SCHEDULE B
UNINTENTIONAL ENERGY

CITY OF CLARKSDALE
AND
MISSISSIPPI POWER & LIGHT COMPANY

Section I - Purpose

20.10 It is the purpose of this Schedule to provide a basis for the payment for energy unintentionally delivered by one party to the other under parallel operation which it was not practical for the receiving party to repay in kind.

Section II - Character of Service and Metering

20.20 Service shall be delivered and metered at nominal 115,000 volts. The metering equipment installed will compensate for transformer losses or in lieu thereof an allowance of 1% will be made in the measured quantities used for billing.

Section III - Unintentional Energy Delivery and Settlement

20.30 Deliveries: It is recognized by both parties that there will be unintentional interchange of energy between the systems of the parties while said systems are interconnected even though no purchases or sales of energy are scheduled or intended to be made by either party. This unintentional interchange of energy shall be accounted for by periods and shall be returned in kind; i.e., unintentional deliveries by one party to the other during On Peak hours shall be returned by the receiving party during similar On Peak hours, and unintentional deliveries during Off Peak hours shall be returned by the receiving party during similar Off Peak hours. Similar hours shall include like fuel supply conditions. As far as practicable,

account balances of unintentional interchange of energy shall be maintained as near zero as possible on a daily basis. Energy balances, however, may be carried forward from one day to the next and, to the extent hereinafter provided, from one month to the next.

20.31 Settlements: At the end of each calendar month, the account balance of unintentional energy received by City from Company in excess of 10,000 kilowatt-hours shall be classified as intentional and paid for by City at the rate provided for Reserve Capacity. At the end of each calendar month, any account balance of unintentional energy delivered by City to Company in excess of 10,000 kilowatt-hours shall be classified as intentional deliveries by City to Company and shall be paid for by Company to City at five mills (\$0.005) per kilowatt-hour. If the balance of unintentional energy owed by either party to the other is less than 10,000 kilowatt-hours at the end of any month, such balance shall be carried into the following month as an obligation to repay in kind.

20.32 Definitions:

Off Peak Hours: 9:01 PM to 7:00 AM CST five week days
and all day on Saturdays, Sundays, New
Years, Independence Day, Labor Day,
Thanksgiving and Christmas

On Peak Hours: Other than Off Peak Hours.

Section IV - Regulatory Approval

20.40 The effectiveness of this Schedule is contingent upon any requisite regulatory approval. This Schedule is subject to orders of regulatory authority of competent jurisdiction. Either party may seek authorization through regulatory procedures for such change in this Schedule as may be required to make any provision thereof just and reasonable.

Section V - Term

20.50 This Schedule shall become effective concurrently with the interconnection Agreement dated February 13, 1976 as a part thereof and shall continue in force concurrently with said Agreement provided that either party may terminate this Schedule by written notice given to the other party not less than five (5) years in advance of the designated date of termination.

EXECUTED as of February 13, 1976.

CITY OF CLARKSDALE

ATTEST:

[Signature]
City Clerk

BY [Signature]
Mayor

MISSISSIPPI POWER & LIGHT COMPANY

ATTEST:

[Signature]
Secretary

[Signature]
By [Signature]
President

SERVICE SCHEDULE C
FIRM CAPACITY

CITY OF CLARKSDALE
AND
MISSISSIPPI POWER & LIGHT COMPANY

Section I - Purpose

30.10 It is the purpose of this Schedule to provide a basis for the sale of firm capacity by Company to City on a supplemental basis in event such service is required by City to augment its capacity to meet the capacity requirements set forth in Section 5.2 of the Interconnection Agreement between the parties or for other sales of firm power as the parties may agree.

Section II - Character of Service and Metering

30.20 Service shall be delivered and metered at nominal 115,000 volts. The metering equipment installed will compensate for transformer losses or in lieu thereof an allowance of 1% will be made in the measured quantities used for billing.

Section III - Contract Quantity and Billing

30.30 The quantity of power City shall purchase ("Contract KW") in any month shall be determined as "P" in the following equation whenever "P" is a positive quantity:

$$P = L - \frac{C}{R}$$

Where P = KW to be purchased.

L = City's highest hourly system load experienced in the
12 months ending with current month expressed in KW

C = City's dependable generating capability in KW

$$R = \frac{\text{Middle South System Capacity at Time of Maximum Hourly Load*}}{\text{Maximum Hourly Load* on Middle South System}}$$

The value of R shall not exceed 1.25.

*Maximum clock hourly load in 12 months ended with the current month.

"Capacity" shall mean the total capacity of all operable units owned or leased by Clarksdale or the Middle South System, as the case may be.

The parties will promptly inform each other of changes in load and capacity that may affect the Contract KW hereunder.

NOTE: Firm purchases from a third party will be deducted from Load and not considered an addition to Capacity.

30.31 Energy: The Purchasing Party shall be entitled to take energy under this schedule up to the Contract KW at any and all hours.

30.32 Monthly Billing:

\$2.75 per KW of Contract KW, plus

Electric energy delivered in any month shall be billed at 115% of the monthly cost of power incremental to Company's own load requirements and intrastate commitments, adjusted for transmission losses on the basis of the delivered efficiency of Company's transmission system for the prior calendar year.

"Cost" as used herein, shall include but not be limited to fuel costs and/or purchased power costs. In the case of emergency energy, such costs shall be allocated to the parties on a pro rata basis.

Billing under this Schedule shall be for a period of no less than 12 months.

The Contract KW to be billed in any month hereunder shall be the greater of (a) the Contract KW so determined for the current month or (b) the highest Contract KW so established during the preceding eleven months.

Section IV - Regulatory Approval

30.40 The effectiveness of this Schedule is contingent upon any requisite regulatory approval. This Schedule is subject to orders of regulatory authority of competent jurisdiction. Either party may seek authorization

through regulatory procedures for such change in this Schedule as may be required to make any provision thereof just and reasonable.

Section V - Term

30.50 This Schedule shall become effective concurrently with the Inter-connection Agreement dated February 13, 1976 as a part thereof and shall continue in force concurrently with said Agreement provided that either party may terminate this Schedule by written notice given to the other party not less than five (5) years in advance of the designated date of termination.

EXECUTED AS of February 13, 1976.

CITY OF CLARKSDALE

ATTEST:

By Richard M. Webster Jr
Mayor

Deborah H
City Clerk

MISSISSIPPI POWER & LIGHT COMPANY

ATTEST:

[Signature]
By [Signature]
President

[Signature]
Secretary

SERVICE SCHEDULE D
ECONOMY ENERGY

CITY OF CLARKSDALE
AND
MISSISSIPPI POWER & LIGHT COMPANY

Section I - Purpose

40.10 It is the purpose of this Schedule to provide a basis for the sale and purchase of economy energy between the parties as they may mutually agree from time to time.

Section II - Character of Service and Metering

40.20 Service shall be delivered and metered at nominal 115,000 volts. The metering equipment installed will compensate for transformer losses or in lieu thereof an allowance of 1% will be made in the measured quantities used for billing.

Section III - Economy Energy

40.30 Economy energy shall mean energy which the supplying party can produce and deliver to the receiving party at an incremental cost which is lower than the incremental cost the receiving party would otherwise incur by generating or obtaining equivalent energy from other available sources. Each party shall determine when economy energy is available, and it may, but shall not be obligated to offer energy to the other party. When economy energy is available each party will, upon request of the other, furnish information with respect to:

- a. The cost of energy it can make available, and
- b. The value of economy energy it can utilize.

40.31 A party is entitled to receive economy energy hereunder only to the extent that such party has alternative dependable capacity, including adequate reserves, and currently available that would otherwise be used.

40.32 Upon request of one party the other party may supply economy energy to the requesting party up to the capacity of the power source or fuel available for such supply subject to the judgment of the supplying party that the supply of such energy will not impair or jeopardize service to its own customers, including other electric systems, to whom it has equal commitments.

Section IV - Billing and Settlement

40.40 Economy energy shall be billed at a rate equal to one-half of the sum of

- a. the costs incurred by the supplying party for the economy energy delivered, and
- b. the value of the energy to the receiving party.

The cost of economy energy shall mean the incremental expense as determined by the supplying party to be the expense incurred by it in supplying economy energy. The incremental expense shall also reflect costs, if any, of placing units in operation and the incremental increase in transmission expense attributable to the transaction. The cost to the supplying party shall be that stated by its load dispatcher prior to commencement of delivery of economy energy and shall be subject to change on an hourly basis by the dispatcher prior to any hour. Interchange settlements shall be computed on the basis of clock hour intervals.

The value of economy energy shall mean the incremental expense as determined by the receiving party at date incurred if the economy energy

were not to be received. The incremental expense so determined shall reflect both the incremental expense of generating or obtaining energy from any other source, including the cost, if any, of placing units in operation and the incremental increase or decrease in system transmission expense attributable to the transaction.

From time to time the operating representatives of the parties shall review the methods and bases used by each party to determine such costs and values.

Each party shall be the sole judge of the capacity and fuel available for Economy Energy supplied from its system and all commitments to other system which may have priority of economy energy supplied hereunder.

40.41 Insofar as practicable economy energy transactions shall be scheduled between load dispatchers not less than one day in advance.

Section V - Regulatory Approval

40.50 The effectiveness of this Schedule is contingent upon any requisite regulatory approval. This Schedule is subject to orders of regulatory authority of competent jurisdiction. Either party may seek authorization through regulatory procedures for such change in this Schedule as may be required to make any provision thereof just and reasonable.

Section VI - Term

40.60 This Schedule shall become effective concurrently with the inter-connection agreement dated February 13, 1976 as a part thereof and shall continue in force concurrently with said Agreement provided that either party may terminate this Schedule by written

notice given to the other party not less than five (5) years in advance of the designated date of termination.

EXECUTED as of February 13, 1976.

CITY OF CLARKSDALE

ATTEST:

By Richard M. Webster
Mayor

[Signature]
City Clerk

MISSISSIPPI POWER & LIGHT COMPANY

ATTEST:

[Signature]
By [Signature]
President

[Signature]
Secretary

SERVICE SCHEDULE E
BULK POWER TRANSMISSION SERVICE
CITY OF CLARKSDALE
and
MISSISSIPPI POWER & LIGHT COMPANY

SECTION I - PURPOSE

50.10 It is the purpose of this schedule to facilitate the exchange of bulk power by transmission over the transmission facilities of Mississippi Power & Light Company (Company) between the City of Clarksdale (City) and any entity with which Company is interconnected; and between the City and any entity(ies) engaging in bulk power supply with which Company is not interconnected but between whose facilities Company's transmission lines and other transmission lines would form a continuous electrical path, provided that 1), permission to utilize such other transmission line has been obtained by City, and 2), the arrangements reasonably can be accommodated from a functional and technical standpoint; and to provide a basis for billing and settlement for the service so provided under this schedule.

50.11 "Bulk Power" (power) means the electric power (kilowatts) and any attendant energy (kilowatt hours) supplied or made available at transmission voltage by one entity to another.

50.12 "Entity" means a person, a private or public corporation, a municipality, a co-operative, an association, a joint stock association or business trust owning, operating or proposing to own or operate equipment or facilities for the generation, transmission or distribution of electricity, provided that, except for municipalities or rural electric co-operatives, "entity" is restricted

to those which are or will be public utilities under the laws of the State in which the entity transacts or will transact business or under the Federal Power Act, and are or will be providing electric service under a contract or rate schedule on file with and subject to the regulation of a State regulatory commission or the Federal Energy Regulatory Commission.

SECTION II - CHARACTER OF SERVICE AND AVAILABILITY

50.20 Service shall be delivered at nominal 115,000 volts or such higher voltage as may be available at the point(s) of interconnection.

50.21 Firm Service: Company will furnish transmission service on a firm basis in accordance with this Service Schedule to the extent Company has existing transmission capacity available to provide such service under sound engineering and operating practice and subject to the following standards:

- a) Such service will neither impair the ability of the Company to render adequate service to its customers or reduce the reliability of electric service by Company to its own customers during the term of the scheduled service;
- b) such service will not endanger or impair the operation of the Company's system, or create unsafe conditions on the system or any of the facilities of the Company or its customers or parties with which it is interconnected;
- c) such service shall not require the Company to construct or install any new facilities; however, if all of the following conditions and the other standards described in this schedule are met, Company will include in its planning and construction program sufficient transmission capacity to accommodate proposed transmission service under this Schedule:

- (i) the participating entity(ies) gives/give the Company sufficient advance written notice of the details of the requested service as may be necessary for Company to plan and complete from a functional and technical standpoint the facilities deemed necessary by Company to provide such service in accordance with Company's construction and operating standards;
 - (ii) the participating entity(ies) fully compensates Company for the cost of such facilities beyond the cost Company would otherwise incur for its own use.
- d) In the event the supplying entity is unable for any reason to supply power for transmission, the Company shall have no responsibility to deliver such power from its own or other source(s);
- e) the determination of the availability of existing transmission capacity of the Company during the proposed scheduled period shall be made on the basis of existing load, future contracted or projected new load beyond normal load growth, previously scheduled load, and normal load growth of the Company, all determined by the Company.
- f) If the requested transmission service involves transmission directly or indirectly over the facilities of a third utility system, City will make arrangements for use of those facilities directly with that third system, and Company shall not be obligated to commence transmission service until such arrangements have been made.

- g) Service shall be for a period not less than twelve (12) months and scheduled in writing at least thirty (30) days before initial service is rendered. Such service is available only by specific agreement, executed by an authorized officer of the Company, and each participating entity.

50.22 Interruptible Service: Company will furnish transmission service on an interruptible basis in accordance with this service schedule to the extent Company has existing transmission capacity available to provide such service under sound engineering and operating practice and subject to the following standards:

- a) Such service may be interrupted without liability to the Company;
- b) Company will, when circumstances permit, give entity(ies) advance notice of such interruptions;
- c) such service will neither impair the ability of the Company to render adequate service to its customers or reduce the reliability of electric service by Company to its own customers during the term of the scheduled service;
- d) such service will not endanger or impair the operation of the Company's system, or create unsafe conditions on the system or any of the facilities of the Company or its customers or parties with which it is interconnected;
- e) such service shall not require the Company to construct or install any new facilities;
- f) in the event the supplying entity is unable for any reason to supply power for transmission, the Company shall have

no responsibility to deliver such power from its own or other source(s);

- g) the determination of the availability of existing transmission capacity of the Company during the proposed scheduled period shall be made on the basis of existing load, future contracted or projected new load beyond normal load growth, previously scheduled load, and normal load growth of the Company, all determined by the Company.
- h) If the requested transmission service involves transmission directly or indirectly over the facilities of a third utility system, City will make arrangements for use of those facilities directly with that third system, and Company shall not be obligated to commence transmission service until such arrangements have been made.
- i) Service shall be for a period of not less than one (1) month, and scheduled in writing at least ten (10) days before initial service is rendered. Such service is available only upon specific request by the City and after approval by an authorized officer of the Company.

50.23 It is recognized that the interchange of power is under the control of the participating entity(ies), and they agree it shall be the responsibility of the supplying entity(ies) to supply, under this schedule, the amount of power, plus losses, the receiving entity(ies) is/are taking from the Company's transmission system at all times under this schedule. The supplying entity(ies) shall supply at all times three percent (3%) more than all power being taken by

the receiving entity(ies) to compensate for transmission losses.

50.24 Since emergency conditions or required maintenance can cause the system capability to be modified as conditions of the moment dictate, the capacity specified by the Company as being available, is available only when the transmission and generation system is in its normal operating mode.

SECTION III - METERING AND BILLING

50.30 Company will meter service at 115,000 volts. All power (kilowatts and kilowatt hours) billed under this schedule shall be measured by meters located in Company's Clarksdale Substation. The measurement of all power under this schedule shall be by suitable kilowatt, kilovar, and kilowatt hour meters capable of measuring on a 60-minute interval.

50.31 Monthly Rate for firm and interruptible service:

\$0.97 per KW of demand

The KW of demand to be billed during the month shall be the greater of:

- a) When the City is supplying entity, the maximum KW of demand so measured during the month such service is supplied.
- b) When the City is the receiving entity, the maximum KW of demand so measured during the month such service is received, multiplied by the loss factor of 1.03.
- c) For firm service, the maximum KW of demand under a) or b) above for the prior eleven (11) months.
- d) The maximum KW of demand scheduled to be delivered or received during the month.
- e) 1,000 KW

50.32 Energy (kilowatt-hours) taken by the receiving entity(ies) in excess of the energy furnished by the supplying entity(ies) shall be computed

in accordance with the following formula and considered as unintentional energy delivered by the Company to the City and billed in accordance with Service Schedule B, Unintentional Energy.

Formula:

$$E = 1.03(R) - D \text{ where}$$

E = excess kilowatt hours delivered by the Company

R = kilowatt hours received by the receiving entity(ies)

D = kilowatt hours delivered by the supplying entity(ies)

50.33 Energy (kilowatt hours) furnished by the supplying entity(ies) in excess of the energy taken by the receiving entity(ies) shall be computed in accordance with the following formula and considered as unintentional energy delivered by the City to the Company and billed in accordance with Service Schedule B, Unintentional Energy.

Formula:

$$E = D - 1.03(R) \text{ where}$$

E = excess kilowatt hours delivered by City

R = kilowatt hours received by the receiving entity(ies)

D = kilowatt hours delivered by the supplying entity(ies)

50.34 Bills for transmission service shall be rendered monthly to the City of Clarksdale and shall be payable in accordance with Article 6.2 of the Interconnection Agreement By and Between City and Company.

50.35 Interruptible Service that may be taken by the City under this schedule for less than one month (30 days) shall be computed in accordance with the monthly rate without proration.

50.36 In instances where the Company provides service under this schedule to the City and another entity with which the Company has executed an agreement for transmission service, the parties shall mutually agree and notify the Company in writing, which entity shall be responsible for the payment for such service.

SECTION IV - REGULATORY APPROVAL

50.40 The effectiveness of this schedule is contingent upon any requisite regulatory approval. This schedule is subject to the orders of regulatory authority of competent jurisdiction. However, nothing contained herein shall be construed as affecting in any way the right of the party furnishing service under this rate schedule to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates, charges, classification; or service, or any rule, regulation, or contract relating thereto, under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

SECTION V - TERM

50.50 This service schedule shall be attached to and become a part of the Interconnection Agreement entered into on February 13, 1976 by and between the City and Mississippi Power & Light Company and shall continue in force concurrently with said Agreement provided that either party may terminate this schedule by written notice given to the other party not less than five (5) years in advance of the designated date of termination.

EXECUTED as of _____, 1978

CITY OF CLARKSDALE

By _____
Mayor

ATTEST:

City Clerk

MISSISSIPPI POWER & LIGHT COMPANY

By _____

ATTEST:

Secretary

RECEIVED
JAN 04 1979

FINANCIAL DEPARTMENT

Greenwood Utilities

EXHIBIT K K

OPERATED BY THE UTILITIES COMMISSION
FOR THE CITY SINCE 1904

POST OFFICE BOX 866
TELEPHONE (601) 453-7234
GREENWOOD, MISSISSIPPI 38930

December 29, 1978

Mr. Donald Lutken, President
Mississippi Power & Light Company
P. O. Box 1640
Jackson, Mississippi 39205

Dear Mr. Lutken:

I have received a copy of Mississippi Power & Light Company's application to the Mississippi Public Service Commission for a Certificate of Public Convenience and Necessity to construct and operate a 700 MW coal-fired steam electric generating station and related facilities in DeSoto and Tunica Counties, Mississippi. Construction to begin in 1981 and to be in operation in 1985.

At our meeting in regard to a wholesale rate you told me of your plans to construct a 700 MW coal fired plant and asked if Greenwood Utilities would be interested in the purchase of a part of the plant. Greenwood Utilities is interested and I would welcome the opportunity to discuss the matter further with you or anyone you suggest.

Yours very truly,

GREENWOOD UTILITIES

C. M. Mathews
C. M. Mathews, Manager

CMM:lfr



MISSISSIPPI POWER & LIGHT COMPANY

Helping Build Mississippi

P. O. BOX 1640, JACKSON, MISSISSIPPI 39205

January 12, 1979

DONALD C. LUTKEN
PRESIDENT

Mr. C. M. Mathews
Manager
Greenwood Utilities
Post Office Box 866
Greenwood, MS 38930

Dear Charlie:

This is in response to your letter of December 29, 1978. We believe this will be a very opportune time to discuss your interest in exploring joint participation in a coal-fired unit proposed to be constructed in the vicinity of Walls, Mississippi by Mississippi Power & Light Company since the project is in the beginning stage and we anticipate no real problem in altering our plans to accommodate your reasonable needs. We would propose that your participation be through joint ownership, with your supplying the funds for your part from the beginning to completion.

To accommodate our physical and financial planning, we feel it will be necessary for you to give us a definite commitment by July 1, 1979 as to the participation you will take and that there be an executed contract of sale and a closing by December 31, 1979.

Please let us know what you need in the way of engineering and technical data or other details to form the basis of your decision and we'll be glad to share it with you. To ensure that your requests are directed to the proper person in our organization, please address all requests to Frank York (telephone No. 601-969-2313).

We are working on a draft of a proposed sale and ownership agreement and operating agreement which would be the basis of joint participation in this project. If your preliminary investigation indicates you are still interested we will be glad to arrange a meeting to discuss these.

We look forward toward working and planning with you in this concrete way to ensure a stable power supply for the benefit of your customers and ours.

Sincerely,


D. C. Lutken

DCL:jls

cc: Mr. N. L. Stampley
Mr. F. S. York, Jr. ✓
Mr. S. W. Wise

bcc: Mr. D. E. Meiners
Mr. W. D. Colmer
Mr. J. D. Holland
Mr. T. A. Dallas
Mr. J. W. Schimpf
Mr. R. M. Merriman

LAW OFFICES
SPIEGEL & McDIARMID
2600 VIRGINIA AVENUE, N. W.
WASHINGTON, D. C. 20037
TELEPHONE (202) 333-4500

EXHIBIT M 10

GEORGE SPIEGEL
ROBERT C. McDIARMID
SANDRA J. STREBEL
ROBERT A. JABLON
JAMES N. HORWOOD
ALAN J. ROTH
FRANCES E. FRANCIS
DANIEL I. DAVIDSON
THOMAS N. MCHUGH, JR.

PETER K. MATT
DANIEL J. GUTTMAN
DAVID R. STRAUS
BONNIE S. BLAIR
ROBERT HARLEY BEAR
THOMAS C. TRAUGER
JAMES CARL POLLOCK

September 22, 1978

Janet Urban, Esq.
Antitrust Division
Department of Justice
P. O. Box 14141
Washington, D. C. 20044

HAND DELIVERY- STAR BUILDING, ROOM 9412

Mississippi Power & Light
Company, Grand Gulf
Nuclear Station Units 1
and 2, NRC Dockets 50-
416A, 50-417A, Department
of Justice File 60-415-57.

Dear Ms. Urban:

This will confirm my inquiry to you as to the status and interpretation of the antitrust license conditions in the above-captioned proceeding. You advised me that the Department might, indeed, be interested in the situation apparently inconsistent with the antitrust laws arising under the license conditions and apparently inconsistent with those conditions. Consequently, I furnish, for your information, the following data with a request for your review and further advice.

On May 24, 1973, Thomas E. Kauper, then Assistant Attorney General, forwarded to the (then) Atomic Energy Commission the Department's Letter of Advice with respect to Mississippi Power & Light Company ("MP&L"), then the applicant for a construction permit for the above-captioned units, in accordance with the provisions of Section 105 of the Atomic Energy Act of 1954, as amended. That Advice Letter confirmed that the Department had reached agreement with the applicant as to license conditions which would resolve "any questions as to the policies that it intends to follow during the period of the Grand Gulf license..." (Letter of Advice, p. 5). The Commitments themselves, attached to the letter of May 22, 1973, from Donald C. Lutken, President, Mississippi Power & Light, to Mr. Kauper, provided, inter alia, that applicant would:

(Commitment 2) interconnect with and coordinate reserves with other entities in the area;

(Commitment 4) "offer an opportunity to participate in the Grand Gulf Units ..." to any entity in the Western Mississippi Area;

Commitment 5) "facilitate the exchange of bulk power by transmission over its transmission facilities between or among two or more entities in the Western Mississippi Area with which it is interconnected; and between any such entity(ies) and any entity(ies) engaging in bulk power supply outside the Western Mississippi Area between whose facilities applicant's transmission lines and other transmission lines would form a continuous electrical path, provided that (1) permission to utilize such other transmission lines has been obtained, and (2) the arrangements reasonably can be accommodated from a functional and technical standpoint.", and;

(Commitment 6) sell power for resale to any entity in the Western Mississippi Area now engaging in or proposing to engage in retail distribution of electric power.

The City of Clarksdale, Mississippi, which had previously operated isolated, has entered into an interconnection agreement with Mississippi Power & Light which, for present purposes, may be assumed to satisfy MP&L's obligation under Commitment 2. That Interconnection Agreement, however, did not provide for transmission service, or for the purchase by Clarksdale of wholesale power under MP&L's filed tariffs at the FERC. That Interconnection Agreement was filed at the FERC by MP&L on June 27, 1977, and the facilities were first energized in early August, 1977.

As early as December, 1976, however, the City of Clarksdale had inquired as to the availability of partial requirements power from MP&L and of the likelihood of an offer of participation in MP&L's Grand Gulf Units. Shortly, thereafter, the Company had responded that it did not propose to serve individual customers at wholesale not previously served (Letter of January 17, 1977). We are advised, in this connection, that MP&L had discontinued its previous partial

partial requirements rate filed at the FPC which it had utilized to sell partial requirements power at an FERC rate to Yazoo City, Mississippi, at approximately the same time it began negotiating interconnection agreements with Clarksdale and Greenwood, Mississippi.

On July 20, 1977, Clarksdale filed a Petition to Intervene in the FPC docket in which MP&L had filed the interconnection agreement with Clarksdale on June 27. Clarksdale noted that the agreement in question was an outgrowth of the policy commitments of MP&L appended as conditions to its AEC license and that in the view of Clarksdale the interconnection agreement met some of the requirements undertaken by MP&L but by no means all. Clarksdale specifically noted that the commitment required the sale of power for resale, provision of transmission capacity, and others, and noted that it was filing the intervention petition in order to give notice "of its belief that the interconnection agreement is inadequate and that it will seek the additional service schedules which are believed necessary and which it hopes will then be filed voluntarily by the Company." On August 4, 1977, MP&L filed its Response of Mississippi Power & Light Company to Petition to Intervene of Clarksdale, Mississippi, in the FERC docket. MP&L, opposing the intervention of Clarksdale in that docket, stated that:

"... the FPC has not been established as the enforcement agency for license conditions included in nuclear power plant licenses. Rather, to the extent that Clarksdale may believe that MP&L has not fulfilled its obligations under its construction permits for the Grand Gulf Nuclear Plant, its remedy rests with the NRC, not with this Commission."

On July 19, 1977, the Mayor of Clarksdale, Mayor Richard M. Webster, Jr., had directed a letter to Mr. Donald C. Lutken, President of MP&L. Mayor Webster noted, inter alia, that so far as Clarksdale's records showed, no offer of participation in Grand Gulf Nuclear Unit had been made to Clarksdale, and inquired when the process of making an offer or furnishing data preparatory to an offer would be made. Mayor Webster also expressed an interest in purchasing base load power and energy from MP&L under MP&L's wholesale filed rate. Mayor Webster noted that Clarksdale would have capacity excess to its needs best suited for peaking purposes as

a result of the national policies which had deprived Clarksdale of the gas supply upon which it had relied in the construction of its generation, and inquired as to the transmission rate which MP&L would apply to the sale of unit capacity by Clarksdale or purchase by Clarksdale to or from other entities interconnected with the Middle South Transmission System. On August 18, 1977, Mr. Lutken, President of MP&L, responded to Mayor Webster suggesting that Clarksdale had never expressed an interest before in participation in the Grand Gulf Unit and therefore participation would be difficult if not impossible but that the Company was willing to discuss the matter further if desired. The letter suggested that a better approach might be to consider the possibility of supplying Clarksdale's needs temporarily pending the planning and construction of future generating facilities and that the present interconnection agreement provided a schedule for that. He later noted, however, that energy available under those schedules would be at the incremental rate for the entire Middle South System, then estimated to be in a range between 5¢ and 6¢ per Kwh. The Company offered to consider the purchase of Clarksdale's excess capacity for peaking purposes and requested additional information. It also stated its willingness to develop a proposal for transmission service to Clarksdale and requested an idea as to the maximum quantity of power under consideration and the point of interconnection with the MP&L transmission system.

Mayor Webster responded September 8, 1977, again requesting an offer of participation to be made for the Grand Gulf plant, and requesting an opportunity for Clarksdale to purchase base load electricity priced at its appropriate cost or to purchase approximately 19.5 megawatts of capacity from Mississippi Power & Light at established FPC wholesale rates. Several meetings were held between Clarksdale and MP&L, beginning on October 26, 1977. Preparatory to that meeting, Mayor Webster had furnished to Mr. Lutken a letter of October 18, 1977, specifying in more detail some of the matters which Clarksdale wished to achieve. Clarksdale has no wish to divulge at this time the particular positions taken by MP&L at these series of meetings, but it is clear that no offer of participation in Grand Gulf has been or is likely to be made; that MP&L has declined to purchase power or energy from Clarksdale or to sell base load power or energy or power and energy under its FERC filed rate to Clarksdale even though it can be shown that such transactions would be advantageous to its shareholders; but MP&L did file a proposed transmission

rate for Clarksdale on August 28, 1978, in FERC Docket No. ER78-583, together with a similar rate for the City of Greenwood, Mississippi in Docket ER79-584. While Clarksdale believed certain aspects of that rate filing to be oppressive and unjust and unreasonable, and filed a Protest, Petition to Intervene and Request for One-Day Suspension on September 15, 1978, Clarksdale also believed that it would be able to utilize that transmission tariff to finally obtain some relief from the extremely high energy costs which it was forced to incur purchasing high cost oil to operate its units in a situation where base load power and energy were not available from any other source. Consequently, Clarksdale entered an agreement with the City of Lafayette, Louisiana, for the purchase of somewhat more than 14 megawatts of capacity, and the delivery of that power and energy (in unit contract form) from Lafayette to MP&L over the system of Gulf States Utilities Company, connected with MP&L by the 500 Kv backbone transmission system in the area at the Gulf States' Willow Glen site. By letter of September 8, 1978, Mayor Webster requested that MP&L, in accordance with the notice provisions of its filed tariff, provide transmission service for this power and energy as quickly as possible, and also inquired further about the decision to offer participation in Grand Gulf. As a result of a request from MP&L's manager of system operations, Clarksdale furnished MP&L a proposed hourly schedule for transmission service starting at 8:00 AM September 20, 1978, as requested. By letter of September 15, 1978, MP&L formally acknowledged receipt of Mayor Webster's letter, and stated that there was a technical difficulty in scheduling and accounting for the energy requested at the delivery point since MP&L did not have an interconnection agreement with Gulf States, but indicated that it might have been able to work out a way to accommodate by asking Louisiana Power & Light Company, its corporate affiliate, to act as agent. It indicated, however, that it would be unable to furnish firm transmission service over the interconnection proposed since there was but a single transmission interconnection with Gulf States, but proposed utilizing the services of Louisiana Power & Light Company or other entities for facilities to "back up" the Gulf States interconnection.

By telephone conversation of September 19, 1978, however, MP&L advised Clarksdale that it would not be possible under any circumstances to receive energy from Gulf States until an interconnection agreement between MP&L and Gulf States could be worked out, and that this negotiation might be quite lengthy. Thus, MP&L suggested that Clarksdale (or Lafayette) contract with Louisiana Power & Light for service under LP&L's transmission schedule, in addition to the transmission rates, terms and conditions with which Clarksdale would have to comply already with Gulf States and MP&L. Since none of Clarksdale's advisors could understand a legitimate basis for such position, Clarksdale, by letter of September 20, 1978, requested a written explanation of MP&L's position. MP&L initially indicated that it would furnish such a written explanation, but at approximately 5:00 PM that afternoon, stated that inasmuch as the Company's refusal to provide transmission service from the Gulf States interconnection had long-range implications, it could not furnish such a letter.

As may be seen from the above, despite diligent application and substantially more correspondence than is outlined above, although Clarksdale has requested wholesale service on a partial requirements basis under FERC tariffs, MP&L has declined to provide such service, a position which Clarksdale believes inconsistent with MP&L's obligations under the License Conditions. Although Clarksdale (and others) have repeatedly requested that an offer of participation in MP&L's Grand Gulf Nuclear Units be made, no such offer of participation has been forthcoming and Clarksdale has been given no reason to expect that such an offer will be made, a position which Clarksdale believes to be in violation of MP&L's License Commitments. Moreover, although MP&L has finally filed a transmission service schedule, it has chosen to interpret its service schedule in such a way as to effectively preclude the ability of Clarksdale to obtain capacity and energy which would be economic for Clarksdale even with the payment of two "pancake" transmission rates, insisting that Clarksdale enter into an agreement with its corporate affiliate LP&L as well, and pay both of these Middle South Utilities' affiliates even though the Middle South System itself, which is believed to have an interconnection agreement with Gulf States, permits a free-flowing centrally operated transmission operation over and through all of its affiliates for the benefit of any one. Clarksdale believes this, as well, to be inconsistent with MP&L's license obligations.

September 22, 1978

On behalf of the City of Clarksdale, this will serve to inquire whether the Department of Justice believes these positions of MP&L, which I think are fairly outlined herein, to be consistent with the agreement reached between Justice and MP&L embodied as the Grand Gulf License Commitments. If the Department does believe these positions to be consistent with license obligations, I believe that, at a minimum, substantial attention should be directed to the function which the Department has been exercising under Section 105 of the Atomic Energy Act of 1954, and its positions revised. If the Department believes that these positions are not consistent with its agreement with MP&L, this will request your advice as to what, if anything, the Department does in such situations to enforce its agreements.

I apologize for directing this letter to you; this is a matter of some urgency, however, to the City of Clarksdale as a result of the comparative electric rates which it has been forced to assess its consumer-voters in the absence of alternatives, and the (comparatively) lower rates charged by MP&L in the surrounding area, together with the repeated efforts of MP&L to purchase the City's facilities in the past. I understand that you will be willing to direct this letter to the appropriate niche within the Department's ever varying structure to permit us to comply with protocol while still obtaining the Department's views, if such views are to be given, as quickly as possible. Two additional copies of this letter are attached for your convenience.

Yours very truly,



Robert C. McDiarmid
Attorney for the City of
Clarksdale, Mississippi

Enclosures

RCMcD:jbs

REID & PRIEST
40 WALL STREET
NEW YORK, N. Y. 10005
212 344-2233

RECEIVED
OCT 20 1978
EXHIBIT N

MIDTOWN OFFICE
30 ROCKEFELLER PLAZA
NEW YORK, N. Y. 10020
212 344-2233

CABLE ADDRESS: "REIDAPT"
TWX NO.: 7105816721
Washington, D.C.
October 16, 1978

WASHINGTON OFFICE
1701 K STREET, N. W.
WASHINGTON, D. C. 20006
202 331-1752

Janet R. Urban, Esquire
Antitrust Division
Department of Justice
Washington, D.C. 20530

Re: Mississippi Power & Light Company
Grand Gulf Nuclear Station, Units 1 and 2
NRC Dockets 50-416A, 50-417A
Department of Justice File 60-415-57

Dear Ms. Urban:

This letter will respond to the concerns you expressed in our telephone conversation of October 2, 1978, respond to Mr. McDiarmid's letter to you of September 22, 1978 on behalf of the City of Clarksdale (Clarksdale) and supplement my letter to the Antitrust Division of September 25, 1978 on behalf of Middle South Energy, Inc. (MSE) and Mississippi Power & Light Company (MP&L). We welcome this opportunity to address your concerns and refute Mr. McDiarmid's allegations.

Both MP&L and MSE are committed to faithfully adhering to the policy commitments adopted by MP&L and imposed by the Atomic Energy Commission (now Nuclear Regulatory Commission, NRC) as conditions to the Grand Gulf construction license. MP&L and MSE believe they have abided by both the letter and spirit of the license conditions. This letter will show that Mr. McDiarmid's allegations on behalf of Clarksdale are unfounded and, accordingly, your concerns about MP&L's dealings with Clarksdale, in regard to (1) Grand Gulf access, (2) transmission and (3) wholesale bulk power supply, are unwarranted.

1. Grand Gulf Access

There appear to be two separable issues concerning access to Grand Gulf. The first issue, which was anticipated by our letter of September 25, 1978, is whether MP&L and MSE have lived up to their license conditions on affording Clarksdale an opportunity to participate in Grand Gulf and, indeed, if at this late date Clarksdale were to request access, whether the license conditions would require MP&L and MSE to make it available. Although MP&L's conduct and position are thoroughly

documented in our letter of September 25, 1978, we will comment briefly on Clarksdale's allegations.

Mr. McDiarmid's letter to you of September 22, 1978 confirms what MP&L had begun to suspect; that the issue of access for Clarksdale is a red herring designed by Clarksdale to pressure MP&L on other pending negotiations. Mr. McDiarmid's letter, while it articulates no specific complaint, suggests by innuendo that Clarksdale has been refused access to Grand Gulf. It has not. Note, however, that while he refers at least four times to a lack of "offers" of participation, not once does Mr. McDiarmid state that Clarksdale would like to participate in Grand Gulf. At least since January 17, 1977, Clarksdale has had all the information it requires about Grand Gulf to make a decision concerning participation. Significantly, at the meeting of May 26, 1978 between representatives of Clarksdale and MP&L, Mr. McDiarmid, aside from lecturing for five minutes on the hornbook law of "offers," made no mention of any interest in participation by Clarksdale. Indeed, neither Mr. McDiarmid nor Mayor Webster of Clarksdale made any other reference to Grand Gulf in the day-long meeting.

In short, MP&L has afforded Clarksdale ample opportunity to participate, but Clarksdale has refused to seize it. MP&L feels that the time has come for it, with Justice's concurrence, to close the door on those opportunities. In addition, MP&L and MSE's agreement in principal to sell 10 percent of Grand Gulf to South Mississippi Electric Power Association (SMEPA) and West Mississippi Electric Power Association (WMEPA) which had indicated a desire to participate over four years ago is proof positive of MP&L and MSE's full compliance with the license provisions on access.

The second issue with respect to access, one which you raised, involves the desireability of amending the Grand Gulf license conditions to eliminate their obviously unintended open-ended nature. MP&L and MSE agree with you that this may be desireable and are currently studying your informal suggestions as to how this might be accomplished. We feel strongly, however, that this is a matter to be resolved solely between MP&L and MSE, on one hand, and the Department of Justice, on the other.

2. Transmission

You have expressed concern, founded on the allegations in Mr. McDiarmid's letter, that MP&L has not lived up to its commitment 5 (as listed by Mr. McDiarmid) providing that MP&L will facilitate transmission "over its transmission facilities."

Among other things, Mr. McDiarmid alleges that MP&L has somehow impeded Clarksdale's purchase of power from the City of Lafayette. Nothing could be further from the truth.

Commitment 5 of the license conditions (which incidently are incorporated in MP&L's filed transmission rate) requires that (1) there be a continuous electrical path between the supplying party and MP&L's transmission lines; (2) that permission to use these lines has been obtained, and (3) that the transmission can be accomodated from a functional and technical standpoint. Despite the fact that MP&L believed there was such a technical problem with the delivery point requested by Clarksdale, by its letter to Clarksdale of September 14, 1978 MP&L advised that it would work out the problem on either a firm or an interruptible basis. MP&L operating people thought that the problem had been solved and that the City of Lafayette (Lafayette) could work through Louisiana Power & Light Company (LP&L) to affect delivery to MP&L. It was, therefore, surprising to find Clarksdale complaining about this very situation.

Clarksdale first expressed interest in a transmission rate by its letter of September 8, 1977. MP&L's president, Mr. D.C. Lutken, on January 18, 1978 confirmed MP&L's intent to provide transmission service and gave Clarksdale a progress report on the development of such a rate. By letter of March 2, 1978, MP&L distributed to Clarksdale and its consultant a draft Schedule E to the Clarksdale Interconnection Agreement, providing for transmission service. Clarksdale rejected the proposed rate schedule and the subsequent exchange of letters and meeting of the parties produced no mutually acceptable schedule.

By letter of August 14, 1978 Clarksdale advised MP&L that it had the opportunity to obtain purchased power if MP&L would provide transmission services. In an effort to accomodate Clarksdale, MP&L on August 28, 1978 unilaterally filed with the Federal Energy Regulatory Commission (FERC) Schedule E to the MP&L-Clarksdale Interconnection Agreement and requested waiver of the 30 day notice requirement so that transmission could begin immediately. The rate tendered for filing reflects the extensive negotiations between the parties and tracks the terms of the Grand Gulf license conditions. It is now up to the FERC to determine if the filed rates are just and reasonable and any excess not supported by MP&L's cost of service will be ordered refunded. Clarksdale's complaint to the Antitrust Division on this score is at best premature.

Inasmuch as Clarksdale has intervened in the FERC proceeding, it will have ample opportunity to air whatever competitive allegations it has with respect to this rate schedule. Certainly, Clarksdale's mere disapproval of the transmission

rates, which is all Clarksdale has so far alleged, does not amount a violation of either the license conditions or the anti-trust laws. Moreover, as for Mr. McDiarmid's complaint and your concern about MP&L's insistence that Clarksdale itself deal with LP&L, MP&L is aware of no requirement, whether under the antitrust laws, MP&L's license conditions or under the regulatory scheme in general, that MP&L interfere with the internal business decisions and otherwise make commitments on behalf of any independent third party, simply by reason of its corporate affiliation (LP&L) or by reason of its being joined electrically (Gulf States Utilities, Inc.).

Again MP&L suspects, and the following chronology suggests, that Clarksdale is trying to fabricate its own "inconsistent situations." Late in the afternoon of September 19, 1978, after several conversations that day, Mr. M.L. Carraway of Clarksdale's Water and Light Department advised MP&L's Mr. T.A. Dallas by telephone that Clarksdale's consultants could not understand the two alternative transmission arrangements proposed by MP&L (one using LP&L, the other using Gulf States). He requested that Mr. Dallas answer his questions in writing so that he could get the correct information to his consultants, since he was having difficulty explaining MP&L's proposals to them.

Mr. Dallas said that he would see what he could do and would begin working at once. At approximately 5:00 p.m. the next day, September 20, 1978, after several more conversations that day with Mr. Carraway, Mr. Dallas offered written answers, provided that Mr. Carraway would put his questions in writing. Please note that at this time (approximately 5:00 p.m., September 20, 1978), Mississippi Power & Light Company had not received a written request for the information referred to by Mr. McDiarmid's letter. Two letters from Mr. Carraway to Mr. Dallas were posted September 20, 1978, and received September 21, 1978, one of which requested MP&L's written position as to avoid any chance of "misinterpretation". Mr. Lutken answered both letters by letter to Mayor Webster dated September 21, 1978, which summarized the factual situation and again offered the two alternatives; either for Clarksdale to arrange wheeling by LP&L from Lafayette to MP&L or for MP&L to enter an interconnection agreement with Gulf States. On September 22, 1978, Mayor Webster wrote Mr. Lutken saying, in effect, that he did not believe Mr. Lutken's representations and threatening to complain to the Antitrust Division. The fact that Mr. McDiarmid's lengthy letter to you was hand delivered on September 22, 1978 suggests that this whole charade was contrived to pressure MP&L to submit to Clarksdale's terms on partial requirements service.

The charade continues. On September 26, 1978, Mr. Lutken wrote Clarksdale saying in effect: tell us what you want and when you want it and we will transmit it as soon as the FERC waives the 30 day notice requirement. On Monday, September 29, Mr. Lutken notified Clarksdale that on the previous Friday, September 27, the Commission had granted the requested waiver and reiterated MP&L's readiness to wheel for Clarksdale as soon as Clarksdale decides the length of and schedule for deliveries and whether it wants firm or interruptible service. On October 2, Clarksdale wrote Mr. Lutken that Clarksdale had made all necessary arrangements with Gulf States and Lafayette, and that it wanted firm service for one year for delivery of up to 14 megawatts. Clarksdale, however, found new cause for delay by withholding an updated transmission schedule until MP&L once again reaffirms its agreement to transmit. On October 3, Mr. Lutken advised Clarksdale that the offer to transmit for them was still open, but that in checking with Gulf States, he learned that Clarksdale had yet to make arrangements with it and that Clarksdale had not taken up MP&L's offer of September 21 to make such arrangements. On October 6, Clarksdale responded that they have finally contacted Gulf States which would draft an interconnection agreement between MP&L and Gulf States and forward it to MP&L. On October 10, MP&L advised Clarksdale that it is standing by ready to wheel as soon as the papers are executed. This most recent round of correspondence, copies of which are attached, shows that MP&L has been most cooperative and cordial in trying to serve Clarksdale in spite of Clarksdale's contentiousness.

3. Wholesale Bulk Power Supply

As to Commitment 6 of the Grand Gulf license conditions which commits MP&L to selling power for resale, Mr. McDiarmid has complained and you have expressed concern that MP&L is offering Clarksdale partial requirements service at rates based on marginal costs. In addition, Mr. McDiarmid has alleged that MP&L has refused to sell to new wholesale customers and that MP&L has refused to sell base load power to and to purchase power from Clarksdale.

Clarksdale and MP&L have been interconnected since August of 1977. Prior to that time, Clarksdale did not request service from MP&L and MP&L did not serve Clarksdale. Accordingly, MP&L did not take Clarksdale into consideration when forecasting its future base load capacity requirements. Inasmuch as Clarksdale's purchases from MP&L now impose marginal costs on MP&L and because, as a partial requirements customer, Clarksdale will continue to impose such marginal costs, MP&L will pass those marginal costs on to Clarksdale, subject to FERC

approval. We are aware of no legal prohibition on distinguishing between classes of customers based on actual differences in the costs of providing service to those classes. To the contrary, both the FERC and the antitrust laws recognize cost-justified price differences. See initial decision by Judge Gordon (formerly acting section chief in the Special Trial Section of the Antitrust Division) in Southern California Edison Co., FERC Docket No. ER76-205, (Slip opinion p. 71 June 1, 1978); see also 15 U.S.C. §13(a).

The full Commission currently has before it this very issue in Florida Power & Light Company, FERC Docket ER78-19. MP&L is following this proceeding very closely and if the ultimate outcome is a broad policy statement on the appropriateness of marginal cost-based rates for partial requirements service which fits the MP&L-Clarksdale situation, MP&L will abide by it. In any event, at this stage neither complaint to the Antitrust Division nor, indeed, to the NRC are the proper means to raise this fundamental rate-making issue.

Mr. McDiarmid's allegations of MP&L's refusal to sell to new wholesale customers and refusal to purchase from Clarksdale are easily refuted. As MP&L's letter of December 8, 1976 bears out, what MP&L refused was to serve new partial requirements customers at rates based on embedded costs. This is simply a restatement of Clarksdale's first complaint on partial requirements rates and need not be dealt with separately. Moreover, Clarksdale's suggestion of something sinister about MP&L's termination of Yazoo City's partial requirements rate is equally inapt. This "partial requirements" rate for Yazoo City was the rate schedule for the exchange of reserved capacity and off peak energy under MP&L's Interconnection Agreement with Yazoo City dated September 26, 1962. These were rates fixed for the life of the Interconnection Agreement, adjustable only for increases in fuel costs. Changing costs due to inflation resulted in these rates becoming an unfair burden on other MP&L customers. Therefore, MP&L on June 14, 1973 gave one year notice of its intent to cancel the agreement effective June 14, 1974. Yazoo City subsequently agreed to the withdrawal of these partial requirements rates and to the substitution of modern ones. It is entirely coincidental that the effective date was so close to the initiation of the latest round in a long series of negotiations with Clarksdale for an initial interconnection agreement. (See MP&L's response to Question 13 of Construction License Application, pp. 4-5, September 22, 1972.)

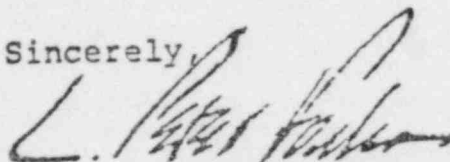
Finally, Clarksdale suggests that MP&L has refused to purchase power from Clarksdale or to sell base load power to Clarksdale under its FERC filed rate. This is simply not true. From July, 1977 through August, 1978, MP&L sold Clarksdale

6,341,800 kWh of energy for scheduled maintenance and 1,552,200 kWh of emergency energy under Schedule A of its Interconnection Agreement. During the same period, MP&L purchased 287,810 kWh of emergency service from Clarksdale.

In conclusion, MP&L has at all times dealt with Clarksdale on the basis of good faith. With respect to access to Grand Gulf, Clarksdale, despite having been provided with cost estimates almost two years ago, has yet to express any interest. With respect to Clarksdale's transmission complaint, Clarksdale as a party to the FERC proceedings can litigate the justness and reasonableness of MP&L's transmission rate at the FERC, the forum that has jurisdiction over such rates. As far as partial requirements service is concerned, MP&L will abide by both generally applicable final pronouncements on the subject and by any particular FERC findings as to the justness and reasonableness of MP&L's cost-justified rate differences.

If you have any further questions in this matter, please let me know.

Sincerely,



L. Peter Farkas
Attorney for Mississippi Power
& Light Company

LPF:mac

Enclosures

cc: Donald A. Kaplan
Donald C. Lutken
Sherwood W. Wise