

Transmission Cost Transition Agreement

Transmission Cost Transition Agreement

between

Entergy Arkansas, Inc.

Entergy Gulf States, Inc.

**(on behalf of Entergy Gulf
States-Louisiana and Entergy
Gulf States-Texas)**

Entergy Louisiana, Inc.

Entergy Mississippi, Inc.

Entergy New Orleans, Inc.

**Issued by: Frank F. Gallaher
President, Fossil Operations and Transmission
Issued on: December 29, 2000**

Effective:

Transmission Cost Transition Agreement

1. General

This Transmission Cost Transition Agreement ("Agreement") between Entergy Arkansas, Inc., Entergy Gulf States, Inc., (on behalf of Entergy Gulf States-Louisiana and Entergy Gulf States-Texas), Entergy Louisiana, Inc., Entergy Mississippi, Inc. and Entergy New Orleans, collectively referred to hereafter as the "Operating Companies," sets out the terms and procedures to be utilized to mitigate the cost changes that will occur at each of the Operating Companies as a result of the transfer of the Operating Companies' transmission assets and the responsibility for transmission operations to an independent transmission service company ("TRANSCO"), as requested by Entergy Services, Inc. ("ESI") acting as agent for the Operating Companies in Federal Energy Regulatory Commission ("FERC" or "Commission") Docket No. RT01-75-000.

The Operating Companies hereby agree to the schedule of payments set out in Paragraph 2 below by which those Operating Companies that are expected to experience transmission cost reductions as a result of the implementation of a regional average cost rate structure reflecting TRANSCO's total cost will mitigate the corresponding transmission cost increases expected to be experienced by the other Operating Companies.

Issued by: Frank F. Gallaher
President, Fossil Operations and Transmission
Issued on: December 29, 2000

Effective:

2. Transition Period Payments/Receipts

Each month during the transition period from January 2002 through December 2004, ESI, acting as agent for the Operating Companies, shall see that a wire transfer of funds in the amount of the applicable Monthly Payment Amounts set out in Table 1 shall be made to the designated account of each Receiving Company from each of the designated Paying Companies. Such transfer of funds shall be made by the fifth workday of the month following the month for which payment is due.

The last such payment shall be made in January 2005 for the month of December 2004. The above described payments shall then cease.

ESI shall implement the necessary administrative procedures to accomplish the above funds transfers in an expeditious and cost effective manner.

3. Accounting

The Paying Companies shall record their monthly payments as a transmission operation expense in FERC Account 565. The Receiving Companies shall record the monthly amounts they receive from the Paying Companies as revenue in FERC Account 456.

Issued by: Frank F. Gallaher
President, Fossil Operations and Transmission
Issued on: December 29, 2000

Effective:

TABLE 1

Schedule of Transition Period Payments			
<u>YEAR</u>	<u>PAYING COMPANY</u>	<u>RECEIVING COMPANY</u>	<u>MONTHLY PAYMENT AMOUNT(\$)</u>
2002	EGS-LA	EAI	152,000
		ELI	333,000
		ENOI	36,000
	EGS-TX	EAI	148,000
		ELI	325,000
		ENOI	35,000
	EMI	EAI	244,000
		ELI	534,000
		ENOI	58,000
2003	EGS-LA	EAI	101,000
		ELI	222,000
		ENOI	24,000
	EGS-TX	EAI	99,000
		ELI	216,000
		ENOI	24,000
	EMI	EAI	162,000
		ELI	356,000
		ENOI	39,000
2004	EGS-LA	EAI	51,000
		ELI	111,000
		ENOI	12,000
	EGS-TX	EAI	49,000
		ELI	108,000
		ENOI	12,000
	EMI	EAI	81,000
		ELI	178,000
		ENOI	19,000
2005 and thereafter	EGS-LA	EAI	0
		ELI	0
		ENOI	0
	EGS-TX	EAI	0
		ELI	0
		ENOI	0
	EMI	EAI	0
		ELI	0
		ENOI	0

Issued by: Frank F. Gallaher
President, Fossil Operations and Transmission
Issued on: December 29, 2000

Effective:

4. Resolution of All Transition Issues

Each of the Operating Companies, by entering into this Agreement, accepts the terms contained herein as a fair resolution of all issues associated with the transmission cost changes that the Operating Companies may experience as a result of establishing TRANSCO in order to satisfy the FERC's requirements set out in FERC Order Nos. 888, 888-A and 2000. The Operating Companies acknowledge that no practical means is available to measure exactly the transitional transmission cost changes that will result from the implementation of TRANSCO's regional transmission rate structure and accept the estimate of those cost changes upon which the Monthly Payment Amounts set out in Table 1 above are based as reasonable, based upon the best data available and arrived at through the best practical analytical approach.

The undersigned hereby agree to the terms set out above.

Entergy Arkansas, Inc.

Entergy Mississippi, Inc.

Entergy Gulf States, Inc.
(on behalf of Entergy Gulf
States-Louisiana and Entergy
Gulf States-Texas)

Entergy New Orleans, Inc.

Entergy Louisiana, Inc.

Issued by: **Frank F. Gallaher**
President, Fossil Operations and Transmission
Issued on: **December 29, 2000**

Effective: