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PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED

November 6, 2014

VIA ELECTRONIC FILING

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of Minnesota Power's Petition for Approval of a
133MW Power Purchase Agreement with Manitoba Hydro
Docket No. E015/M-14 -__

Dear Dr. Haar:

Minnesota Power is seeking Minnesota Public Utilities Commission ("Commission") approval of a Power Purchase Agreement ("PPA" or "Agreement") with Manitoba Hydro for the purchase of 133 MW of energy that is needed to serve Minnesota Power's customers. The addition of the Manitoba Hydro resource in 2020 is directly aligned with Minnesota Power's economic and environmentally compliant supply strategy as outlined in the Company's 2013 Integrated Resource Plan. The Agreement advances the goals Minnesota Power has set forth in its Energy**Forward** strategy, while further optimizing the value to Minnesota Power and its customers of the Company's substantial investments in wind energy. The Agreement will provide Minnesota Power's customers with a cost effective, non-carbon emitting supplemental energy source priced on a market basis. This energy supply would be an alternative to some of Minnesota Power's wholesale market purchases which would not possess the same degree of environmentally beneficial attributes as the Manitoba Hydro resource. The Manitoba Hydro purchase will reduce Minnesota Power's carbon emissions, achieves fuel diversity, and furthers the Company's progress in incorporating more non-coal resources into its power supply.

Minnesota Power and Manitoba Hydro also executed an Energy Exchange Agreement concurrently with the 133 MW PPA, with many of the terms of the Energy Exchange Agreement corresponding with the 133 MW PPA. The Petition will describe for the Commission and Minnesota Power stakeholders the benefits of a very unique wind storage provision that further increases the flexibility and value of the PPA as part of Minnesota Power's supply. This innovative wind storage provision facilitates timely shifts of energy



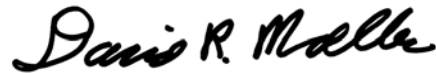
resources between Minnesota Power and Manitoba Hydro, optimizing the generation of electricity from either wind or water resources to meet customer load demands. The Energy Exchange Agreement entitles Minnesota Power to effectively “store” 750,000MWh per year of wind energy it produces with Manitoba Hydro by shifting delivery of those resources to Manitoba Hydro at appropriate times.

Parts of the Petition and PPA contain trade secret information and are marked as such pursuant to the Commission’s Revised Procedures for Handling Trade Secret and Privileged Data, which further the intent of Minn. Stat. § 13.37 and Minn. Rules 7829.0500. As required by the Commission’s Revised Procedures, a statement providing the justification for excising the Trade Secret Data is included in the Petition.

In accordance with Minn. Rules 7829.1300, Minnesota Power has included a Summary with this filing. As reflected in the attached Affidavit of Service, the Summary has been served on all parties on Minnesota Power’s General Service List.

Please contact me if you have any questions regarding this filing.

Yours truly,

A handwritten signature in black ink that reads "David R. Moeller". The signature is written in a cursive, flowing style.

David R. Moeller

DRM:sr
Attach.

STATEMENT REGARDING JUSTIFICATION FOR EXCISING TRADE SECRET INFORMATION

Minnesota Power has excised material from this Petition because of the power supply and resource planning data information. This is highly confidential information relating to Company financial and planning information; Minnesota Power's competitors and vendors would acquire highly confidential commercial information about Minnesota Power if this information were publicly available. In addition, unauthorized disclosure of this information may violate certain federal securities regulations. Minnesota Power follows strict internal procedures to maintain the secrecy of this information.

In addition, this information has been supplied by Minnesota Power and Manitoba Hydro, the two parties to the Agreement. Second, the information is not generally known or readily ascertainable to others, as Minnesota Power and Manitoba Hydro have taken every reasonable measure to maintain the secrecy of these contract terms throughout their negotiations. Third, this redacted information would provide economic value to others, if disclosed. For example, many contract terms have been marked trade secret at the request of Manitoba Hydro as the selling party. Knowledge of Minnesota Power's and Manitoba Hydro's resolution of key terms of the Agreement would provide an advantage to competitors and other potential Manitoba Hydro customers. In particular, Manitoba Hydro has advised Minnesota Power that maintaining the confidentiality of the designated "trade secret" information is particularly critical because Manitoba Hydro is currently in active negotiations with other potential customers.

Minnesota Power believes that this statement justifies why the information excised from the attached report should remain a trade secret under Minn. Stat. §13.37. Minnesota Power respectfully requests the opportunity to provide additional justification in the event of a challenge to the trade secret designation provided herein.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter Minnesota Power's
Petition for Approval of a 133 MW
Power Purchase Agreement with
Manitoba Hydro

Docket No. E015/M -14 - _____

PETITION FOR APPROVAL

SUMMARY OF FILING

Minnesota Power hereby petitions the Minnesota Public Utilities Commission ("Commission") for an Order approving a Power Purchase Agreement (the "PPA" or "Agreement") and an Energy Exchange Agreement ("EEA") with Manitoba Hydro for the purchase of 133 MW of energy to serve Minnesota Power's customers. This Agreement, and the EEA, also referred to as the 'Renewable Optimization Agreement,' was executed by Minnesota Power and Manitoba Hydro on July 30, 2014, for twenty (20) years effective when the Great Northern Transmission Line ("GNTL") is placed in-service. The GNTL is a proposed 220-mile 500 kilovolt ("kV") AC (alternating current) transmission line to be constructed between the Minnesota Manitoba border crossing northwest of Roseau, Minnesota and the existing Blackberry Substation near Grand Rapids, Minnesota, as well as associated substation facilities and transmission system modifications at the Blackberry Substation site, and a 500 kV series compensation station. Docket No. E015/CN-12-1163. Construction of the GNTL is expected to begin by 2016 and be completed by 2020. Based on a 2020 in-service date, the term of the Agreement would extend until 2040. The Agreement, paired with the Commission approved Manitoba Hydro 250 MW power purchase agreement ("250 MW PPA"), and the GNTL that is before the Commission, create a unique resource arrangement that brings significant long term economic and environmental benefits to Minnesota Power customers.

With Commission approval, the Agreement and EEA with Manitoba Hydro will provide Minnesota Power's customers with a cost effective, non-carbon emitting supplemental energy source that would be an alternative to some of Minnesota Power's short-term wholesale market purchases. By entering into the Agreement, the Company is strategically securing a unique energy product directly from Manitoba Hydro, an energy source with environmentally beneficial attributes. Very importantly, the Agreement provides access to a significant amount of additional wind storage optimization, while at the same time reducing the percentage of Minnesota Power's energy supply that is created from sources with carbon and other types of emissions. Equally important, the Agreement reduces transmission delivery costs for Minnesota Power customers per megawatt hour ("MWh") for this Agreement and the 250 MW PPA. Additionally, it enables the higher efficiency 500 kV GNTL to be considered thus creating long-term value for Minnesota Power's customers.

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**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter Minnesota Power's
Petition for Approval of a 133 MW
Power Purchase Agreement with
Manitoba Hydro

Docket No. E015/M-14-_____

PETITION FOR APPROVAL

I. Introduction

Minnesota Power hereby petitions the Minnesota Public Utilities Commission ("Commission") for an Order approving a Power Purchase Agreement¹ (the "PPA" or "Agreement") and Energy Exchange Agreement ("EEA") with Manitoba Hydro for the purchase of 133 MW of energy to serve Minnesota Power's customers. This Agreement and the EEA was executed by Minnesota Power and Manitoba Hydro on July 30, 2014, for twenty (20) years effective when the Great Northern Transmission Line ("GNTL") is placed in-service. The GNTL is a proposed 220-mile 500 kilovolt ("kV") alternating current ("AC") transmission line to be constructed between the Minnesota Manitoba border crossing northwest of Roseau, Minnesota and the existing Blackberry Substation near Grand Rapids, Minnesota, as well as associated substation facilities and transmission system modifications at the Blackberry Substation site, and a 500 kV series compensation station. Docket No. E015/CN-12-1163. Construction of the GNTL is expected to begin by 2016 and be completed by 2020. Based on a 2020 in-service date, the term of the Agreement would extend until 2040. The Agreement, paired with the Commissioned approved Manitoba Hydro 250 MW power purchase agreement ("250 MW PPA"),² and the GNTL Petition that is before the Commission, creates a unique resource arrangement that benefits Minnesota Power customers by reducing the environmental

¹ The Agreement is attached as Exhibit A. It has been redacted to protect sensitive "Trade Secret" data in accordance with the Commission's Rules. Minnesota Power has minimized the number of redactions; the redacted material which relates to price and certain key purchase terms is confidential to Minnesota Power and Manitoba Hydro and would provide competitors with information that Minnesota Power believes would significantly disadvantage the parties and Minnesota Power's customers.

² Docket No. E015/M-11-938.

compliance and carbon risk in Minnesota Power's energy supply portfolio, and provides significantly lower power delivery costs by enabling higher efficiency transmission to be installed that creates long-term value for its customers. The Agreement advances the goals Minnesota Power has set forth in its Energy**Forward** strategy including reshaping the Company's power supply from a predominantly coal-based energy mix to a balanced and diverse supply of approximately one-third renewable resources, one-third natural gas, and one-third efficient coal-fired generation.

With Commission approval, the Agreement and the EEA with Manitoba Hydro will provide Minnesota Power's customers with a cost effective, non-carbon emitting supplemental energy source that would be an alternative to some of Minnesota Power's short-term wholesale market purchases. The Agreement is multi-faceted and the provisions give Minnesota Power customers access to several beneficial power supply advantages. First additional wind storage and incremental environmental attributes are included that allow Minnesota Power to optimize its growing renewable power supply. Second, the transmission delivery costs for the energy associated with the Agreement are covered through a provision that credits Minnesota Power customers for transmission revenue requirements components associated with 133 MW of the GNTL. Further, by securing this transaction, Minnesota Power customers gain access to a lower cost 500 kV transmission alternative (GNTL) for the hydroelectric power coming from Manitoba.

The 133MW long-term purchase is based on the proposed construction of new hydroelectric facilities in northern Manitoba by Manitoba Hydro, and new transmission facilities constructed by both parties between Canada and the United States, given that current transmission export capability into the United States from Manitoba is fully utilized. Minnesota Power is working closely with Manitoba Hydro, the Midcontinent Independent System Operator ("MISO"), and associated parties on transmission needs for the PPA.

The EEA includes the wind storage provisions described above that further increase the flexibility and value of the PPA as part of Minnesota Power's supply. The innovative wind storage feature facilitates timely shifts of energy resources between Minnesota Power and Manitoba Hydro, optimizing the generation of electricity from either wind or water resources to

meet customer requirements. The EEA entitles Minnesota Power to effectively “store” 750,000 MWh per year of wind energy with Manitoba Hydro by facilitating delivery of those resources to Manitoba Hydro at appropriate times. When wind energy production is high relative to Minnesota Power’s electric loads, the provision allows Minnesota Power to send energy to Manitoba Hydro. When Minnesota Power’s wind production is relatively low or its electric loads are relatively high, the energy “stored” with Manitoba Hydro will be returned to Minnesota Power’s system. The EEA enhances the value of the PPA, helps balance the Company’s energy position and maximizes the value of its North Dakota wind resources all to the benefit of Minnesota Power customers.

Minnesota Power is requesting approval of the PPA and the EEA as the Company believes these contracts are in the public interest. Minnesota Power’s analysis (see Section 0) demonstrates that the 133 MW Manitoba Hydro purchase is projected to be a cost-effective resource to meet Minnesota Power customer requirements beginning in 2020.

II. Procedural Matters

A. General Filing Information

Pursuant to Minn. Rule 7829.1300, Minnesota Power provides the following required general filing information.

Summary of Filing (Minn. Rule 7829.1300, subp.1)

A one-paragraph summary accompanies this Petition.

1. Service on Other Parties (Minn. Rule 7829.1300, subp. 2)

Pursuant to Minn. Stat. § 216.17, subd. 3 and Minn. Rules 7829.1300, subp. 2, Minnesota Power eFiles the Petition on the Department of Commerce – Division of Energy Resources (“Department”) and the Minnesota Office of the Attorney General – Antitrust and Utilities Division. A summary of the filing prepared in accordance with Minn. Rules 7829.1300, subp. 1 is being served on Minnesota Power’s general service list.

2. Name, Address and Telephone Number of Utility (Minn. Rule 7829.1300, subp. 4(A))

Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 722 – 2641

3. Name, Address and Telephone Number of Utility Attorney (Minn. Rule 7829.1300, subp. 4(B))

David R. Moeller
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4. Date of Filing and Date Proposed Rate Takes Effect (Minn. Rule 7829.1300, subp. 4(C))

This Petition is being filed on November 6, 2014. A condition precedent in the Agreement is approval by the Commission within eighteen (18) months of July 30, 2014.

5. Statute Controlling Schedule for Processing the Filing (Minn. Rule 7829.1300, subp. 4(D))

There is no statute controlling for this Petition. This Petition falls within the definition of a “Miscellaneous Tariff Filing” under Minn. Rules 7829.0100, subp. 11 and 7829.1400, subps. 1 and 4 permitting comments in response to a miscellaneous filing to be filed within 30 days, and reply comments to be filed no later than 10 days thereafter.

6. Utility Employee Responsible for Filing (Minn. Rule 7829.1300, subp. 4(E))

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7. Impact on Rates and Services (Minn. Rule 7829.1300, subp. 4(F))

This Agreement and the EEA in and of itself will have no effect on Minnesota Power’s base rates. The energy costs under the Agreement will be charged to customers through Minnesota Power’s Rider for Fuel and Purchased Energy. The “Monthly Must Take Fee” (Section 2.6) paid to Minnesota Power by Manitoba Hydro during the term of the contract for associated transmission revenue requirements components will be credited to Minnesota Power customers under the transmission cost recovery rider or in general rates.

8. Service List (Minn. Rule 7829.0700)

David R. Moeller	Lori M. Hoyum
Senior Attorney	Policy Manager
Minnesota Power	Minnesota Power
30 West Superior Street	30 West Superior Street
Duluth, MN 55802	Duluth, MN 55802
(218) 723-3963	(218) 355-3601
dmoeller@allete.com	lhoyum@mnpower.com

B. Future Eligible Energy Technology Determination

Minnesota Power is not presently requesting a determination by the Commission under Minn. Stat. § 216B.1691 as to whether any of the hydro energy purchased through this PPA qualifies as an eligible energy technology as defined in Minn. Stat. § 216B.1691, subd. 1(a). Although at this time Minnesota Power is not entering into this PPA to comply with Minnesota Renewable Energy Standard (“RES”) requirements, Minnesota Power may in the future request Commission approval of purchases of energy from Manitoba Hydro’s system from facilities that are less than 100MW and therefore would qualify under Minn. Stat. § 216B.1691, subd. 1(a). Furthermore, Minnesota Power would apply the Commission’s decision in Docket No. E015/M-10-961 to the energy acquired for customers under this PPA that allows Minnesota Power to net the benefits from any sales of environmental attributes from Commission approved contracts through its Fuel and Purchased Energy Rider.

C. Resource Planning Rules

Due to the timing and type of this 133 MW PPA, Minnesota Power is not filing a Notice of Changed Circumstances from its 2013 Integrated Resource Plan (“2013 Plan”). Minn. Rules 7843.0500. Minnesota Power will fully incorporate this 133 MW PPA and all related aspects of the GNTL into its next resource plan filing due September 1, 2015.

D. Justification for Excising Trade Secret Information

Minnesota Power provides the Agreement and the EEA in Exhibit A. The Agreement, the EEA, and this Petition contain material designated as “Trade Secret” pursuant to Minn. Stat. § 13.37(b) and they are filed consistent with the Commission policy on trade secret material. Minnesota Power believes that all information identified as “Trade Secret” within this filing meets the requirements of Minn. Stat. § 13.37, subd. 1(b), for consideration as “trade secret information” for the following reasons.

First, the information within this Petition has been supplied by Minnesota Power and Manitoba Hydro, the two parties to the Agreement and the EEA. Second, the information is not generally known or readily ascertainable to others, as Minnesota Power and Manitoba Hydro have taken every reasonable measure to maintain the secrecy of these contract terms throughout their negotiations. Third, the redacted information would provide economic value to others, if disclosed. For example, many contract terms have been marked trade secret at the request of Manitoba Hydro as the selling party. Knowledge of Minnesota Power’s and Manitoba Hydro’s resolution of key terms of the Agreement would provide an advantage to competitors and other potential Manitoba Hydro customers. In particular, Manitoba Hydro has advised Minnesota Power that maintaining the confidentiality of the designated “trade secret” information is particularly critical because Manitoba Hydro is currently in active negotiations with other potential customers.

III. Manitoba Hydro and Its Business History with Minnesota Power

Minnesota Power and Manitoba Hydro have long capitalized on their proximate geographic location to partner with one another on power transactions and transmission interconnection opportunities. Manitoba Hydro, a Canadian Crown Corporation, owned by the Province of Manitoba and based in Winnipeg, serves approximately 555,000 electric customers throughout Manitoba. Most of Manitoba Hydro's energy is produced from its 15 hydroelectric stations, primarily on the Winnipeg, Saskatchewan and Nelson Rivers in the northern reaches of the Province. In 2009, Manitoba Hydro entered into a partnership between the Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation, Fox Lake Cree Nation, and Manitoba Hydro to develop the 695 MW Keeyask Generating Station on the lower Nelson River in northern Manitoba. Manitoba Hydro is managing the construction of the project and will be responsible for operating the generating station on behalf of the Keeyask Hydropower Limited Partnership ("KHLP"). Once completed, the Keeyask Generating Station will provide an average of 4.4 billion kilowatt hours of renewable energy each year. Construction began on July 16, 2014, and the first generator unit in-service date is targeted for 2019 with all units being commissioned by 2020.

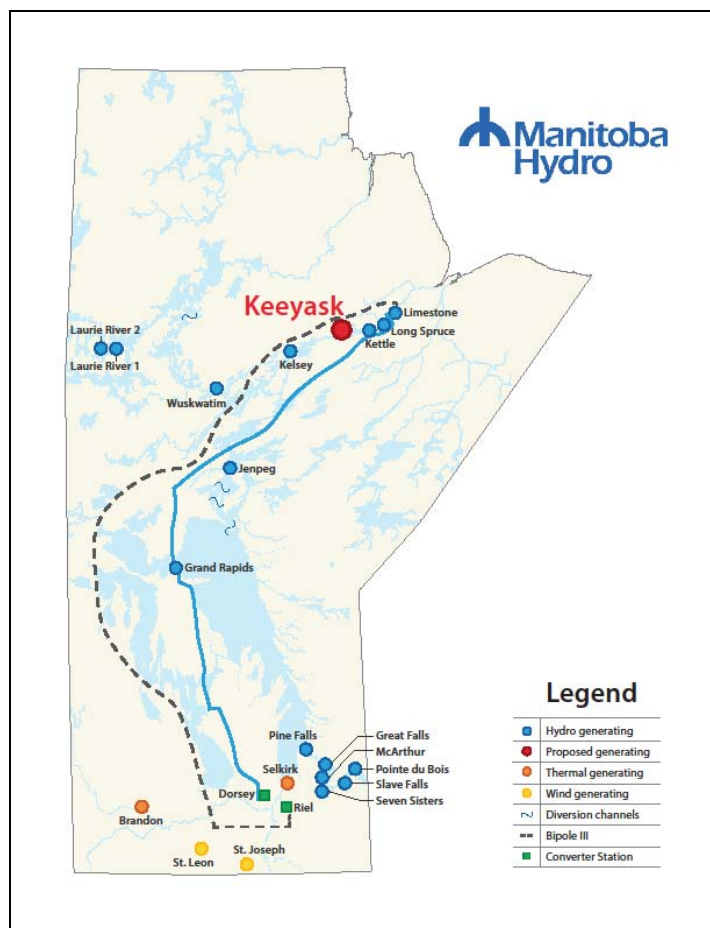


Figure 1 – Manitoba Hydro Map

Since the 1970s, Manitoba Hydro and Minnesota Power have utilized a mix of generation and transmission resources to maximize the value of the companies' assets while making sound decisions in the best interest of serving their customers. Minnesota Power's relationship with Manitoba Hydro began when Minnesota Power entered into a three party agreement with Manitoba Hydro and Minnkota Power Cooperative to construct a 230 kV transmission line between the Ridgeway Substation located near Winnipeg, Manitoba and the Shannon Substation located near Hibbing, Minnesota, which went into service in 1976. Minnesota Power began to use Manitoba Hydro's system more intensively in the late 1970s when Manitoba Hydro and Minnesota Power entered into a 10-year surplus energy agreement. This transaction flexibility supported Minnesota Power's growing taconite load and energy needs during scheduled and unplanned outages. In the 1990s, Manitoba Hydro provided regulation services for the Minnesota Power control area, which Minnesota Power repaid with energy in-kind. In 2006, Minnesota

Power entered into a 50 MW power purchase agreement with Manitoba Hydro that runs through 2015.³

In 2006, Minnesota Power and Manitoba Hydro also began discussing the potential of constructing two additional hydroelectric generating stations on the Nelson River in northern Manitoba, constructing additional transmission to the United States, and securing a long-term low carbon capacity and energy resource for Minnesota Power customers. Minnesota Power executed with Manitoba Hydro a Term Sheet in December 2007 to purchase 250MW of capacity and energy from 2020 to May, 2035. Minnesota Power first introduced the opportunity with Manitoba Hydro to purchase the 250MW to its stakeholders as a component of Minnesota Power's long-term power supply plan in its 2008 Integrated Resource Plan⁴ filed with the Commission on October 31, 2007. Minnesota Power again identified the 250MW purchase from Manitoba Hydro in its 2010 Plan as a key component of Minnesota Power's long-term plan that adds a significant amount of low carbon energy to Minnesota Power's power supply.

While discussions evolved on the 250MW Agreement between Minnesota Power and Manitoba Hydro, the two companies entered into a surplus energy agreement⁵ in 2010 that provides Minnesota Power with a supplemental energy source priced on a market basis. This energy only transaction consists of surplus hydro energy that is delivered on a non-firm basis as a low carbon alternative to wholesale market energy. This innovative transaction runs from 2011 through 2019 and is an example of Minnesota Power and Manitoba Hydro creatively working together to the mutual benefit of their respective companies and their customers.

Minnesota Power and Manitoba Hydro have had a strong, forward-looking and long-standing business relationship for decades. The positive commercial connection between Minnesota Power and Manitoba Hydro is further supported by the existing transmission inter-ties between their neighboring power systems.

³ The PPA, approved in an Order dated May 11, 2007, provides for Manitoba Hydro to supply 50MW of capacity and associated energy to Minnesota Power for the period of May 1, 2009 through April 30, 2015. See Docket No. E015/M-07-98. On October 29, 2014, Minnesota Power submitted a petition seeking Commission approval to enter into a similar 50 MW PPA with Manitoba Hydro for the period of June 1, 2015 through May 31, 2020. See Docket No. E015/M-14-926.

⁴ See Docket No. E015/RP-07-1357. On October 9, 2008, the Commission issued an Order approving Minnesota Power's withdrawal of its 2008 Integrated Resource Plan.

⁵ See Docket No. E015/M-10-961.

IV. Overview of the Agreements

A. The Manitoba Hydro Power Purchase Agreement

Minnesota Power seeks approval of the Agreement with Manitoba Hydro to purchase 133 MW of energy. Manitoba Hydro and Minnesota Power negotiated specific provisions into the Agreement to protect the best interests of their respective companies and customers. These provisions are mainly standard terms that would be included in a power purchase agreement of this magnitude. Certain terms exist within the Agreement solely to address potential scenarios and events and allocate risk between the parties in the limited circumstances in which they could occur. In the following paragraphs, Minnesota Power explains the Agreement's significant terms.

B. Discussion of Significant Agreement Terms

1. Term of Agreement

The Agreement was executed on July 30, 2014 (the "Effective Date"). Subject to Commission approval, the term begins as of the interconnection in-service date of the GNTL. Construction of the GNTL is expected to begin by 2016 and be completed by 2020. Based on a 2020 in-service date, the term of the agreement would extend until 2040, subject to various other approvals and contingencies (Article X11). Like many power purchase agreements, this Agreement contains a detailed definitions section explaining terms relevant to the transaction and which provides clarity for those who administer the contract between Manitoba Hydro and Minnesota Power for the 133 MW of energy in future years.

Minnesota Power's conditions precedent include: (a) MISO, Minnesota Power, Manitoba Hydro, and/or an Affiliate of Manitoba Hydro, and, if any such Persons that MISO may otherwise require, entering into a United States facilities construction agreement ("FCA")⁶ by June 1, 2016;

⁶ A FCA (facilities construction agreement) is an agreement entered into between two parties where one wants to have some facility such as an electric power generation unit or in this case an alternating current transmission line and the other company is one who undertakes the completion of the project. A subsidiary of Manitoba Hydro has entered into and executed the FCA. The subsidiary of Manitoba Hydro will make capital contributions toward and have ownership of the GNTL project and related facilities per the terms of the Agreement. The FCA was executed on September 25, 2014, and filed with the Federal Energy Regulatory Commission ("FERC") on September 26, 2014 (FERC Docket No. ER14-2950-000).

(b) the GNTL being commissioned and in-service by June 1, 2025; (c) MISO granting 133 MW of southbound Firm Transmission Service by June 1, 2025; (d) Commission approval within 18 months of June 30, 2014 (by January 30, 2016) and (e) Minnesota Power and Manitoba Hydro executing the 2014 Energy Exchange Agreement on July 30, 2014.

2. Services Provided from the Agreement

Pursuant to the Agreement, Manitoba Hydro provides non-firm surplus energy, not to exceed 133 MWh per hour, which is determined by Manitoba Hydro to be available on a Day Ahead Basis, and is offered to Minnesota Power on a Day Ahead Basis. The energy made available under the Agreement will be from Manitoba Hydro's system, which is predominantly hydroelectric. Minnesota Power must accept delivery of the energy, or alternatively, may offer all or a portion of it into the MISO market (see Section 2.2).

3. Agreement Pricing

The price for the [TRADE SECRET DATA EXCISED]

4. Energy Curtailments

As specified under Section 3.4, Manitoba Hydro has certain limited ability to curtail, restrict, or reduce the sale and supply of energy to Minnesota Power. The certain conditions, defined as a Curtailment Event, are as follows:

- 1) due to unavailability of Manitoba Hydro's purchased power; or
- 2) due to the unavailability of any portion of Manitoba Hydro's generation and or transmission system (including Manitoba Hydro's High Voltage Direct Current or "HVDC" system); or
- 3) due to a force majeure.

Under limited and typically infrequently occurring circumstances, energy deliveries may be reduced due to the unavailability of Manitoba Hydro's generating resources due to forced

outages, hydro conditions, or unavailability of the HVDC system to transmit power from Manitoba Hydro's generation facilities to the AC transmission grid.

Manitoba Hydro may also suspend energy deliveries due to force majeure. This clause is standard in contracts of this type and generally allows performance to be suspended when unanticipated events, beyond the party's control, prevent a party from performing its obligations. This clause also specifically precludes Manitoba Hydro from claiming force majeure in order to sell energy under this Agreement to someone else at a price greater than identified in this Agreement. (See Section 1.1, for definition of Force Majeure.)

When curtailment conditions occur, Section 3.5 of the Agreement describes the Manitoba Hydro priority criteria for implementation of the curtailment. Minnesota Power takes the level of energy available after Manitoba Hydro's end use load obligations, and Minnesota Power takes the level of energy available after Manitoba Hydro's native load obligations and all other capacity and firm power sales obligations are met. Minnesota Power's purchase would be curtailed in a pro rata share with the other Manitoba Hydro non-firm energy sale obligations on a pro rata basis.

5. Environmental Attributes

Under Article 8 of the Agreement, Manitoba Hydro shall allocate and transfer environmental attributes related to that portion of the energy purchased under this Agreement to Minnesota Power [TRADE SECRET DATA EXCISED] The transfer of environmental attributes is accomplished through a formula that allocates the environmental attributes based on Manitoba Hydro's system resources and the quantities of energy purchased by Minnesota Power. The Agreement specifies in Section 8.3(1) that the transfer will occur annually around March 31. This is a similar formula to the formula approved in the surplus energy agreement in Docket No. E015/M-10-961 and the 250 MW PPA in Docket No. E015/M-11-938.

The Agreement also includes a provision that provides Minnesota Power the ability to [TRADE SECRET DATA EXCISED]

6. Median Water Conditions

For the purpose of this agreement, “Median Water” means [TRADE SECRET DATA EXCISED] Manitoba Hydro is required to have offered and made available to Minnesota Power, in accordance with Article III, a minimum of [TRADE SECRET DATA EXCISED] MWh of energy as long as Manitoba Hydro has experienced Median Water conditions during a Contract Year during the Contract Term. [TRADE SECRET DATA EXCISED]

7. Energy Exchange Agreement

Minnesota Power seeks approval of the EEA consistent with the comments made in the GNTL CoN docket. Many of the terms of the EEA correspond with provisions contained in the 133 MW PPA. Overall, the EEA allows Minnesota Power the ability to sell energy to Manitoba Hydro utilizing the new transmission interconnection that will also be used to deliver the energy to Minnesota Power. The EEA contains a Pumped Storage Provision (Section 2.5), similar to what is included in the Agreement associated with the 250 MW PPA, that uniquely optimizes renewable energy (wind and hydro) for Manitoba Hydro and Minnesota Power. The EEA provides for an additional 750,000 MWh of wind storage that can be used to optimize the growing wind energy in Minnesota Power’s power supply. The combined wind storage that is provided through the 250 MW PPA and the 133 MW PPA allows Minnesota Power to optimize 43 percent or 100 percent of the off-peak generation of its wind portfolio. The Pumped Storage Provision in the EEA demonstrates the strategic benefit of having this unique transactional reservoir of hydroelectric capability in the region.

8. Monthly Must Take Fee

The Agreement contains a “Monthly Must Take Fee” (Section 2.6) through which Manitoba Hydro pays Minnesota Power for transmission revenue requirements components associated with delivering up to 133 MW of carbon-free energy via the GNTL. The “Monthly Must Take Fee” accounts for the estimated costs and expenses incurred over the projected forty-year life of the GNTL asset that will be paid in monthly installments to Minnesota Power by Manitoba Hydro during the twenty-year term of the Agreement.

The monthly amount paid by Manitoba Hydro will be based on conservative estimates of capital costs, administrative and general (“A&G”), and operations and maintenance (“O&M”), and property taxes, augmented with an annual contingency in the amount of [TRADE SECRET DATA EXCISED] built in to better protect Minnesota Power customers. Manitoba Hydro will pay estimated A&G, O&M, and property taxes for the first twenty-years of the GNTL’s life; they will also be required to pay the conservative present value of the estimated A&G, O&M, and property taxes for the remaining twenty years of its life during the contract term. As discussed in the GNTL Certificate of Need (“CoN”) Docket (Docket No. E015/CN-12-1163), these revenues will be credited to Minnesota Power customers.

9. Other Provisions of the Agreement

The following is a listing of standard provisions within the Agreement:

- Article 5 contains standard billing terms between the parties.
- Article 9 addresses the establishment of an operating committee designed to address issues that arise pursuant to the Agreement.
- Article 10 contains general terms and conditions standard in a power purchase agreement related to representations and warranties.
- Article 11 addresses the confidentiality of the Agreement, allowing for Minnesota Power to provide the Agreement in its regulatory proceedings (subject to trade secret restrictions).
- Article 14 provides creditworthiness procedures and performance assurances under the Agreement.
- Article 16 is the standard arbitration clause historically used by the parties to address disputes arising under the Agreement.
- Article 17 defines events of default and the termination of the Agreement.
- Article 18 addresses the limitation of liability.
- Article 19 provides other general contract terms and conditions.

All of the terms outlined in this Section of the Petition are generally standard provisions in purchased power contracts and are generally similar to the terms of Minnesota Power's previous agreements with Manitoba Hydro.

V. The Agreement is in the Public Interest

Minnesota Power's renewable resource development is guided by the Company's 2013 Plan,⁷ and Energy**Forward** resource strategy,⁸ which incorporate a diverse renewable strategy including hydroelectric, biomass, and wind resources. The 2013 Plan represented a significant step in Minnesota Power's Energy**Forward** resource strategy. This strategy is reshaping the Company's power supply from a predominantly coal-based energy mix to a diverse supply that minimizes customer costs, retains reliability, allows the Company to meet applicable air quality regulations in an economically and environmentally beneficial manner, and minimizes risks associated with potential further state or federal regulation that may restrict carbon emissions or penalize generators for those emissions. Diversification of the power supply is already underway with much of the progress attributed to the successful implementation of the Company's renewable energy plan over the past approximately 10 years, including 521 MW of North Dakota and Minnesota wind development, business transactions with Manitoba Hydro including the PPA that is subject of this filing, and decisions made to transform the Company's thermal fleet in the near and long-term. The Agreement advances the goals Minnesota Power has set forth in its Energy**Forward** strategy, while further optimizing the value to Minnesota Power and its customers of the Company's substantial investments in wind energy.

The environmentally beneficial 133 MW PPA with Manitoba Hydro is the next strategic move in Minnesota Power's supply evolution. With Commission approval, the Agreement will provide Minnesota Power's customers with a cost effective, non-carbon emitting supplemental energy source that would be an alternative to some of Minnesota Power's wholesale market purchases. While the energy is priced on a market basis, Minnesota Power will not be purchasing the energy from the wholesale market as it would typically do prior to the implementation of this Agreement. Instead, by entering into the Agreement, the Company will purchase energy directly from Manitoba Hydro, strategically securing for its customer an energy source with environmentally beneficial attributes, and access to a significant amount of additional wind storage, while at the same time reducing the percentage of Minnesota Power's

⁷ Minnesota Power submitted its 2013 Plan on March 1, 2013 (Docket No. E015/RP-13-53).

⁸ Minnesota Power announced its Energy**Forward** resource strategy in late January 2013. See <http://www.mnpower.com/Environment/EnergyForward> for additional information.

energy supply that come from sources that produce carbon and other types of emissions. Energy purchased by Minnesota Power from MISO Day Ahead or Real Time wholesale market can come from a mixture of suppliers and resources and would not have the environmental attributes that Minnesota Power would obtain with the primarily hydro-based energy secured under this Agreement. The transmission delivery costs for the energy associated with the Agreement are covered through a provision that credits Minnesota Power customers for transmission revenue requirements components associated with 133 MW of the GNTL. Further, by engaging in this transaction, Minnesota Power customers gain access to a lower cost 500 kV transmission alternative (GNTL) for the hydroelectric power it has coming from Manitoba.

The Agreement is a strategic component of Minnesota Power's energy source diversification and portfolio reshaping and it is timed to meet customer needs beginning in 2020. The PPA fits well with the Company's planning principles and strategic goals, while meeting regulatory and legislative objectives, including:

- Further improves environmental performance through ongoing and significant mercury and other air emission reductions.
- Cost effectively serves increasing customer load requirements while reducing carbon intensity per unit of energy delivered through an optimum mix of effective customer conservation programs, reduced reliance on coal, generating facility efficiency improvements, added development and acquisition of innovative renewable energy sources from wind, water and wood and the addition of natural gas in the long term.
- Protects affordability through power supply actions that maintain competitive electric service rates for Minnesota Power's customers.

The resource planning analysis of the Agreement (see Section 0) validates that the Manitoba Hydro purchase is a unique and advantageous opportunity that Minnesota Power should secure now as a strategic piece of its future power supply. The analysis clearly demonstrates that the PPA is a cost effective and environmentally beneficial resource choice for implementation in the 2020 timeframe. With the key provisions in this agreement and access to the lower cost 500 kV transmission delivery option, customers are projected to receive over \$100 million in power supply benefits over the life of this transaction.

The key reasons for Minnesota Power's request for approval of the PPA, supported by the analysis, include:

- This power supply aligns with the Company's approved 2013 Plan recommending diversification away from Minnesota Power's preponderance of coal-based resources and reshaping its power supply portfolio to increase flexibility.
- This purchase reduces the Company's reliance on short term wholesale market-based energy, as well as the percentage of Minnesota Power's energy supply that produces carbon and other types of emissions.
- The PPA provides valuable resource flexibility and optionality in conjunction with the EEA , leveraging the use of wind and hydro energy within Minnesota Power's supply to benefit customers.
- This Agreement reduces Minnesota Power customer's transmission delivery costs for delivering a predominantly non-carbon emitting renewable energy resource.

A. The Pricing in the Agreement is Economic

As described in Section IV.B.3. of this Petition, the pricing of the energy products offered under this Agreement is determined using a market basis. The pricing structure identified in the Agreement is reasonable and similar to structures Minnesota Power has utilized previously and would utilize in the future for the traditional types of wholesale market supplemental purchases. As part of rebuttal testimony filed on October 24, 2014, in the GNTL CoN docket, Minnesota Power provided the estimated rate impacts of the GNTL, including the direct benefits from the 133 MW PPA.

Minnesota Power has been proceeding strategically and thoughtfully in determining appropriate actions regarding its future energy resource supply in order to ensure compliance with current and pending state and federal environmental regulations, and make prudent investments and other sourcing decisions on behalf of Minnesota Power's customers. The Company is entering into this purchase with Manitoba Hydro as a way to reduce the Company's exposure to the environmental attributes of the future wholesale energy market. This energy supply would be an alternative to a portion of Minnesota Power's wholesale market purchases

which would not possess the same degree of environmentally beneficial attributes as the Manitoba Hydro resource. Energy purchased by Minnesota Power from the MISO Day Ahead or Real Time wholesale market will come from a mixture of suppliers and resources, that will not have the environmental attributes, the wind storage benefits, or the transmission cost reducing “Monthly Must Take Fee” that Minnesota Power would obtain with the primarily hydro-based energy secured under this Agreement. Risks associated with current and pending state and federal environmental regulations are minimized through this PPA.

The Agreement, paired with the Commission approved 250 MW PPA and the GNTL Petition that is presently before the Commission, creates a unique resource arrangement that produces long-term value for Minnesota Power customers by reducing the environmental compliance and carbon regulation risk in Minnesota Power’s energy supply portfolio, and reducing transmission delivery costs and enabling higher efficiency for delivery of energy and capacity from Manitoba Hydro. The Agreement brings economic benefits for Minnesota Power’s customers, in excess of \$100 million over the twenty-year term, as a market-based energy product with environmentally beneficial attributes. Using a 2015-2034 study period for comparison, Minnesota Power evaluated the Agreement as part of the Company’s base case with and without a carbon regulation penalty applied. The analysis showed that even in the absence of a carbon regulation penalty, entering into the Agreement with Manitoba Hydro provides approximately \$108 million in benefit to customers, and increases to approximately \$113 million in a carbon constrained future that contains a carbon regulation penalty. Within this total, the most significant components of customer benefit are the reduced transmission revenue requirements that come with access to the 500 kV project (approximately \$86 million of the benefit in both outlooks) and the additional wind storage benefit (approximately \$25 million of benefit in both outlooks). The up to 230,000 MWh annually of market based renewable energy that is provided through the PPA is tied to future market prices with the exception of having a reduced carbon profile that protects customers in a future with any such carbon regulation penalty.

Minnesota Power proposes that it provide annual updates related to energy purchases made under this Agreement through the Company’s Annual Automatic Adjustment (“AAA”)

Report filed with the Commission and closely reviewed by the Department. This report would identify the amount of energy that was purchased from Manitoba Hydro under the Agreement on a monthly basis and the market based price at which it was purchased. Additionally, Minnesota Power proposes to use the AAA Report to inform the Commission of the net benefits from any sales of environmental attributes under Commission approved contracts (including this Agreement) that flow back as a credit to Minnesota Power's customers.

B. The Agreement Offers Favorable Terms

As discussed above, Minnesota Power and Manitoba Hydro have transacted for decades and worked cooperatively to build and utilize new transmission interconnections between Canada and the United States. This PPA provides a new resource that meets Minnesota Power customer needs, while at the same time providing protections on behalf of customers prior to the start of the PPA and throughout the contract term. These protections include that both parties must obtain regulatory approvals and have new facilities in place prior to the start of the PPA. Once the contract term begins, Manitoba Hydro is required under the PPA to provide:

- energy as specified in the Agreement;
- **[TRADE SECRET DATA EXCISED]**
- limited energy curtailment and adverse water condition provisions;
- payment for transmission revenue requirements components associated with delivering up to 133 MW of carbon-free energy via the GNTL;
- substantial beneficial environmental attributes; and
- scheduling and billing that mutually benefits both parties.

In addition to the favorable terms of the PPA, as discussed in Section IV.B.7, the EEA provides the unique wind storage provision that helps to optimize use of Minnesota Power energy supplies.

C. The Agreement Offers a Highly Reliable Resource

The Agreement provides power sourced from Manitoba Hydro's reliable hydro system. When Manitoba Hydro experiences Median Water conditions during a contract year, Manitoba Hydro is required to offer and make available to Minnesota Power a minimum of [TRADE SECRET DATA EXCISED] MWh. [TRADE SECRET DATA EXCISED]

D. The Agreement Anticipates Future Carbon and Other Environmental Impacts

Minnesota Power has been closely monitoring and planning for public policy changes that seek to reduce carbon (and other emissions) which will cause considerable shifts in the Company's emissions and thus in its energy supply profile. Minnesota Power recognizes the significance of its reliance on coal-based generation and the potential for that reliance to negatively impact customers with carbon regulation and other emission reduction mandates. With over 70 percent of Minnesota Power's generation sourced from coal, it is necessary for Minnesota Power to implement major initiatives to reduce carbon and other emissions on its system to meet anticipated future compliance requirements. Although Minnesota Power's economical coal fired resources have served customers well, in a future carbon constrained world, what was a low cost advantage will likely become a high cost risk, depending on the magnitude and timing of a future carbon penalty. As discussed earlier in this section, Minnesota Power's Energy*Forward* is reshaping the Company's power supply from a predominantly coal-based energy mix to a diverse supply that minimizes customer costs, retains reliability, allows the Company to meet applicable air quality regulations in an economically and environmentally beneficial manner, and minimizes risks associated with potential further state or federal regulation that may restrict carbon emissions or penalize generator of those emissions.

Minnesota Power has already begun to respond to these policy signals with its economical Bison wind projects and the 250 MW PPA. The carbon free resource associated with the 133 MW PPA added to Minnesota Power's system in 2020 is a strategic step for Minnesota Power customers in reducing the percentage of Minnesota Power's energy supply that produces carbon and other types of emissions. Overall, the PPA is consistent with Minnesota Power's

strategic vision for making economic, carbon minimizing resource additions as needed while diversifying its portfolio.

E. Enhanced Wind Energy Storage Opportunities Creates Benefits for Customers

The EEA associated with the PPA contains an innovative “wind storage” provision that shifts energy resources between Minnesota Power and Manitoba Hydro to optimize the generation of electricity to meet Minnesota Power customer needs. The Energy Exchange Agreement entitles Minnesota Power to effectively “store” 750,000 MWh per year of wind energy by shifting delivery of its North Dakota wind generated resources to Manitoba Hydro at appropriate times. When wind energy production is high relative to Minnesota Power’s loads, the provision allows Minnesota Power to schedule wind energy delivery to Manitoba Hydro. This delivery shift effectively creates a reserve of Minnesota Power energy in Manitoba Hydro’s system. Subsequently, when its wind production is relatively low or electric loads are relatively high, Minnesota Power will schedule the reserved energy to be returned to its system. This wind energy storage feature, available through the Energy Exchange Agreement in connection with the PPA, will allow Minnesota Power’s customers to realize an estimated **[TRADE SECRET DATA EXCISED]** of benefit each year when energy is delivered back to the Company’s system during periods when it is needed. The combined wind storage that is provided through the 250 MW PPA and the 133 MW PPA allows Minnesota Power to optimize over 43 percent or 100 percent of the off-peak generation of its wind portfolio.

VI. Resource Planning Analysis

Minnesota Power identified in its recent CoN testimony for the GNTL a unique 133 MW energy transaction with Manitoba Hydro to accompany the 250 MW PPA for its long term energy supply needs. In combination, the two Manitoba Hydro agreements ensure the delivery of reliable and carbon-free power is possible utilizing an efficient 500 kV transmission line rather than lower kV alternatives.⁹ Minnesota Power continues to optimize the long-standing partnership with Manitoba Hydro as the Company grows its renewable portfolio. The Agreement with Manitoba Hydro for a market-based energy product with environmentally beneficial attributes brings economic benefits for Minnesota Power's customers, in excess of \$100 million over the twenty-year term. The analysis described in this section for the Agreement will demonstrate how this resource is not only needed for expected load growth, but also how it provides a non-carbon emitting supply choice to further position Minnesota Power customers for a carbon-constrained future.

A. The Manitoba Hydro PPA is needed

Minnesota Power's long-term outlook for energy and capacity needs supports Minnesota Power's decision to enter into the PPA with Manitoba Hydro. This transaction for 133 MW of energy secures a portion of Minnesota Power's future power supply requirements and provides ongoing benefits for Minnesota Power customers in the 2020 to 2040 timeframe.

1. The forecast for energy

Minnesota Power's needs analysis for the PPA is based on the Company's most recent published forecast of demand and energy consumption, which was prepared in June 2014 as part of Minnesota Power's Annual Electric Utility Forecast Report¹⁰ ("AFR") submittal. The AFR contained several long-term scenarios for Minnesota Power's energy and demand requirements.

⁹ Minnesota Power's 2014 Certificate of Need (Docket No. E015/CN-12-1163).

¹⁰ Minnesota Power's Annual Electric Utility Forecast Report is submitted annually by July 1st to the Department of Commerce - Division of Energy Resources (MN Rules Chapter 7610).

The “Moderate Growth Scenario,” which contains the addition of large industrial and wholesale customers was utilized as the “Expected” outlook for the evaluation of the PPA. Figure 2 illustrates the demand outlook utilized in Minnesota Power’s most recent evaluation of the PPA and identifies Minnesota Power’s range of expectations for customer load requirements in the 2020 timeframe.¹¹

Planned additions by large industrial customers and wholesale contract extensions through 2019 keep Minnesota Power’s long-term load growth projections at approximately 1 percent in the “Expected” outlook, including the effect of Minnesota Power’s 1.5 percent conservation goals. Minnesota Power’s system Expected load forecast utilized for this Petition has a projected summer peak demand of 1,769 MW by 2020 and 1,803 MW by 2025 with a 0.4 percent system growth rate utilized to extend the outlook to 2034.

¹¹ The econometric demand value for the Moderate Growth scenario was utilized as the Expected demand outlook for this petition.

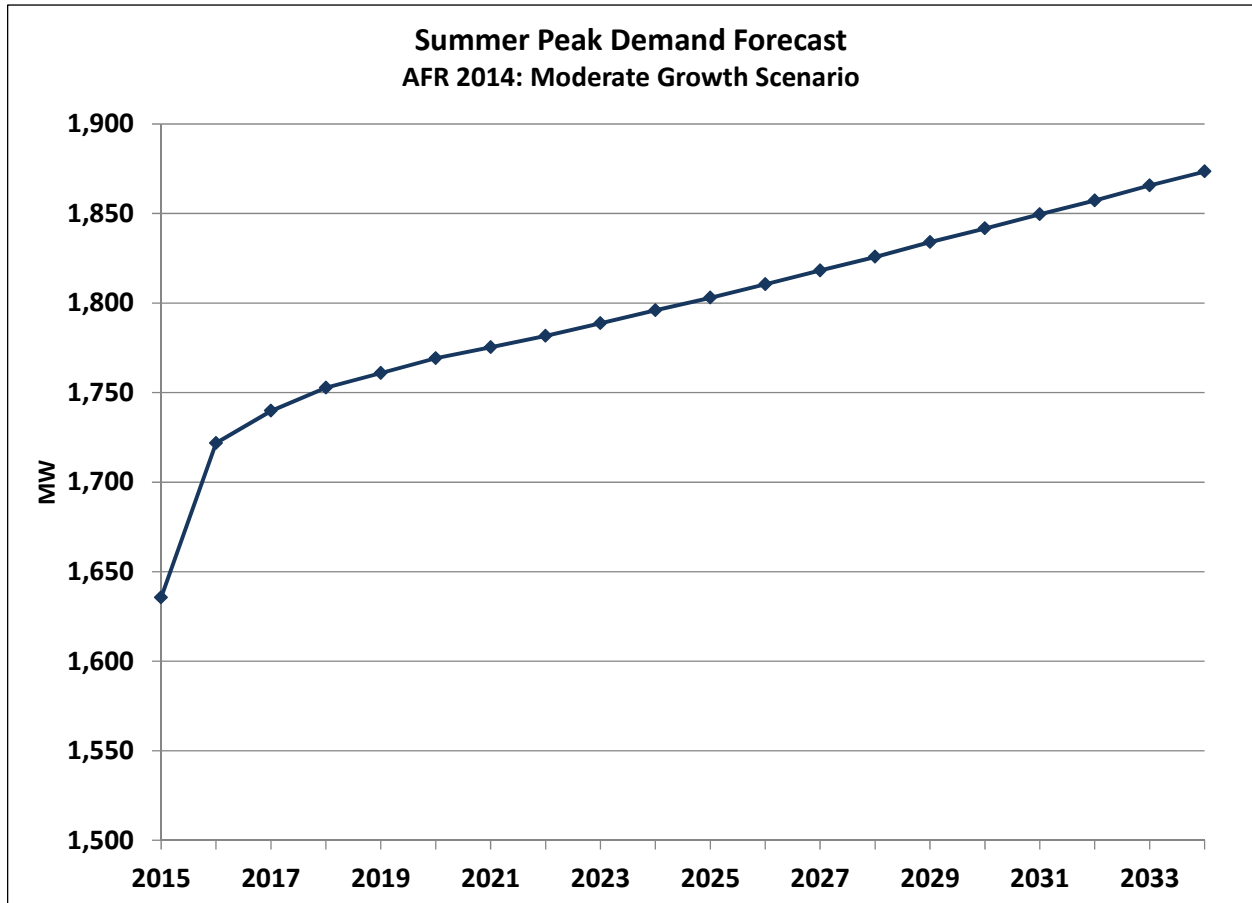


Figure 2- Summer Peak Demand Forecast

Energy requirements continue to drive Minnesota Power's supply picture, as its dominant industrial load contributes to what is an approximately 80 percent average system load factor, still one of the highest load factors in the nation. The outlook for energy in the Moderate Growth scenario (Expected outlook) reaches approximately 12,400 GWh by 2020 as shown in Figure 3.

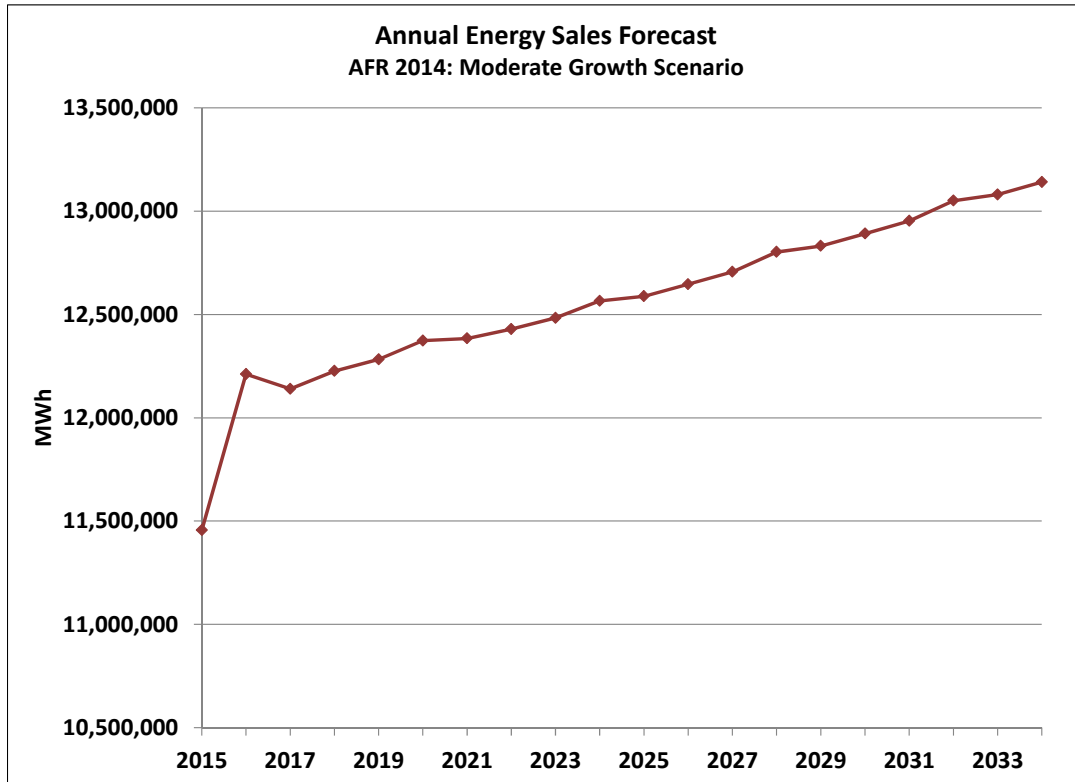


Figure 3 - Annual Energy Forecast

Minnesota Power's need for energy extends throughout the study period due to its customer load requirements creating significant load factors on its system. The PPA provides up to an additional 230,000 MWh of energy resource each year for Minnesota Power to augment its power supply and offset regional market purchases. Figure 4 and Figure 5 show Minnesota Power's energy need outlook with and without the 133 MW PPA for the Expected outlook scenario, demonstrating how the annual energy will contribute to meeting the customer energy needs into the future.

[TRADE SECRET DATA EXCISED]

Figure 4 - Energy Outlook – Expected Case without Manitoba Hydro 133 MW PPA

[TRADE SECRET DATA EXCISED]

Figure 5 - Energy Outlook – Expected Case with Manitoba Hydro 133 MW PPA

The 133 MW PPA fulfills a portion of the projected future energy needs for Minnesota Power by strategically securing a renewable resource that has market supply characteristics. The 133 MW PPA also carries minimal environmental risk, brings additional renewable optimization for Minnesota Power's growing wind energy and aligns with Minnesota Power's carbon reduction strategy to reduce its percentage of coal based resources.

B. Evaluating the Manitoba Hydro 133 MW PPA and Renewable Optimization Opportunity

Minnesota Power did not conduct a resource request for proposal for the Manitoba Hydro 133MW PPA. It is very unlikely that this twenty-year PPA from a non-carbon emitting resource that also gives Minnesota Power customers access to efficient new 500 kV transmission facilities for its 250 MW PPA, and additional optimization for its growing wind portfolio, would garner comparable resource bids. Instead, Minnesota Power evaluated the extensive benefits that customers would acquire by securing the transaction versus not moving forward with the opportunity.

To ensure customers would benefit from the additional 133 MW energy transaction, Minnesota Power conducted a comparative analysis of its power supply with and without the transaction and its renewable optimization attributes. The two cases, Base Case *without* the 133 MW PPA and Base Case *with* the 133 MW PPA shown below, captured and quantified the items that the 133 MW transaction brings to customers.

Base Case *without* the 133 MW PPA includes the 250 MW PPA, 250,000 MWh of wind storage provisions, and the 230 kV transmission line alternative that was identified in the GNTL CoN petition.¹² The lower kV transmission line is assumed in this scenario

¹² Appendix A identifies the transmission values utilized to estimate the customer cost to build a 230 kV transmission line that would be able to deliver just the 250 MW PPA.

because without the 133 MW PPA there would not be access to the larger 500 kV transmission option for customers.

Base Case with the 133 MW PPA which contains the 250 MW PPA with its 250,000 MWh of wind storage provisions, along with the components of the 133 MW PPA discussed in this Petition including: 1) up to 230,000 MWh of renewable-based energy each year to offset market purchases, 2) an additional 750,000 MWh of wind storage to optimize Minnesota Power's growing wind portfolio, 3) access to the more efficient 500 kV transmission alternative for delivery of the 250 MW PPA and the 133MW PPA,¹³ and 4) additional environmental credits [TRADE SECRET DATA EXCISED] that can be used to assist in meeting future environmental policy requirements.¹⁴

The Strategist production cost model was utilized to quantify the expected range of economic and environmental benefits that the 133 MW PPA would bring to Minnesota Power customers for items 1 through 3 listed in the Base Case *with* the 133 MW PPA above. The range of potential customer benefit of the additional environmental credits was calculated separately outside the Strategist model.¹⁵ The power supply costs modeled in Strategist were used to compare the two cases for the 2015-2034 study period. The evaluation was done under two base case conditions, with and without a carbon regulation penalty applied.

To ensure that only the impact of the 133 MW PPA was being captured, the remaining capacity and energy requirements were met through the long term power supply resources included in Minnesota Power's 2013 Plan. This allowed the PPA to be taken in and out of the power supply interchangeably so that the Present Value of Revenue Requirements ("PVRR") and

¹³ The estimate for the 500 kV transmission line alternative includes the "Monthly Must Take Fee" benefit in the 133 MW PPA that reduces the transmission delivery costs for customers as outlined in the GNTL CoN (see Dave McMillan's rebuttal testimony in Docket No. E015/CN-12-1163).

¹⁴ [TRADE SECRET DATA EXCISED] The contract provisions for the increased wind storage value were incorporated in the Strategist analysis, while the potential benefit of additional environmental attributes were calculated outside Strategist and included later in this section.

¹⁵ The assumptions used in the Strategist analysis to compare the power supply costs with and without the 133 MW PPA are outlined in Appendix A.

emissions could be directly compared to analyze the effects. Figure 6 provides a comparison of the Strategist power supply costs, represented by the PVRR value, with the 133 MW PPA under the backdrop of a future with or without a carbon regulation penalty. A negative value in the column (“Base” or “Base with CO² Penalty”) indicates the 133 MW PPA provides a savings to customers.

The 133 MW PPA provisions evaluated in Strategist were found to bring a range of approximately \$108 million in benefit to customers under the Base Case assumptions and up to \$113 million in a carbon-constrained future that contains a carbon regulation penalty. Within this total, the most significant components of customer benefit are the reduced transmission revenue requirements that come with access to the 500 kV project (approximately \$86 million of the benefit in both outlooks) and the additional wind storage benefit (approximately \$25 million of benefit in both outlooks). The up to 230,000 MWh annually of renewable energy that is provided through the contract is largely neutral in cost to customers as it is priced at the regional market with the exception of having a reduced carbon profile that protects customers in a future with a carbon regulation penalty.

Strategist PVRR Comparison
Manitoba Hydro PPA with and without Carbon Regulation Penalty

(NPV 2015-2034, 2014\$)	Base Case	Base Case with CO ₂ Penalty <i>\$21.50/ton in 2019</i>
Strategist Change in PVRR With 133 MW PPA	(\$107.8) million	(\$112.7) million

Figure 6 - Strategist Cost Comparison with and without CO₂ Penalty

To incorporate the customer benefits [TRADE SECRET DATA EXCISED] that are a component of the 133 MW transaction, Minnesota Power identified a range of potential future value for its customers. The value estimates range from the current outlook for [TRADE SECRET DATA EXCISED]. While these valuations will continue to evolve, it is evident that with over \$100 million in customer benefits already projected as shown in Figure 11, the additional value created by the environmental attributes of the transaction will further increase

the customer benefits. Figure 6 outlines the potential range of the additional environmental benefits that the transaction can bring with the assumed low and high outlooks described above.

(NPV 2015-2034, 2014\$)	Base Case + Additional Attributes with <u>Low</u> Outlook	Base with CO ₂ \$21.50/ton + Additional Attributes with <u>High</u> Outlook
Strategist Change in PVRR	(\$107.8) million	(\$112.7) million
Additional Environmental Benefits	(\$2.3) million	(\$20.5) million
TOTAL:	(\$110) million	(\$133) million

Figure 7 – High and Low Estimates of Additional Environmental Value

As shown by the total customer benefit estimations above, the 133 MW PPA is a strategic transaction that brings significant savings to customers over the contract term. The market-based energy product is expected to replace some market purchases and reduce thermal generation dispatch as market conditions permit during its 2020 to 2040 term. Figure 7 represents an estimation of how the up to 230,000 MWh of renewable energy could displace market purchases and other generation in Minnesota Power's supply portfolio based on the Strategist analysis. Depending on wind patterns, other power supply resource transformation and load growth in the future, the transaction could create some excess energy for Minnesota Power customers that would then be sold to the regional energy market as part of its least cost supply strategy. It is expected that the demand for renewable, non-carbon emitting energy will continue to grow over the next two decades, creating more opportunity for the 133 MW PPA to create benefit for Minnesota Power customers and reduce the number of hours of excess energy.

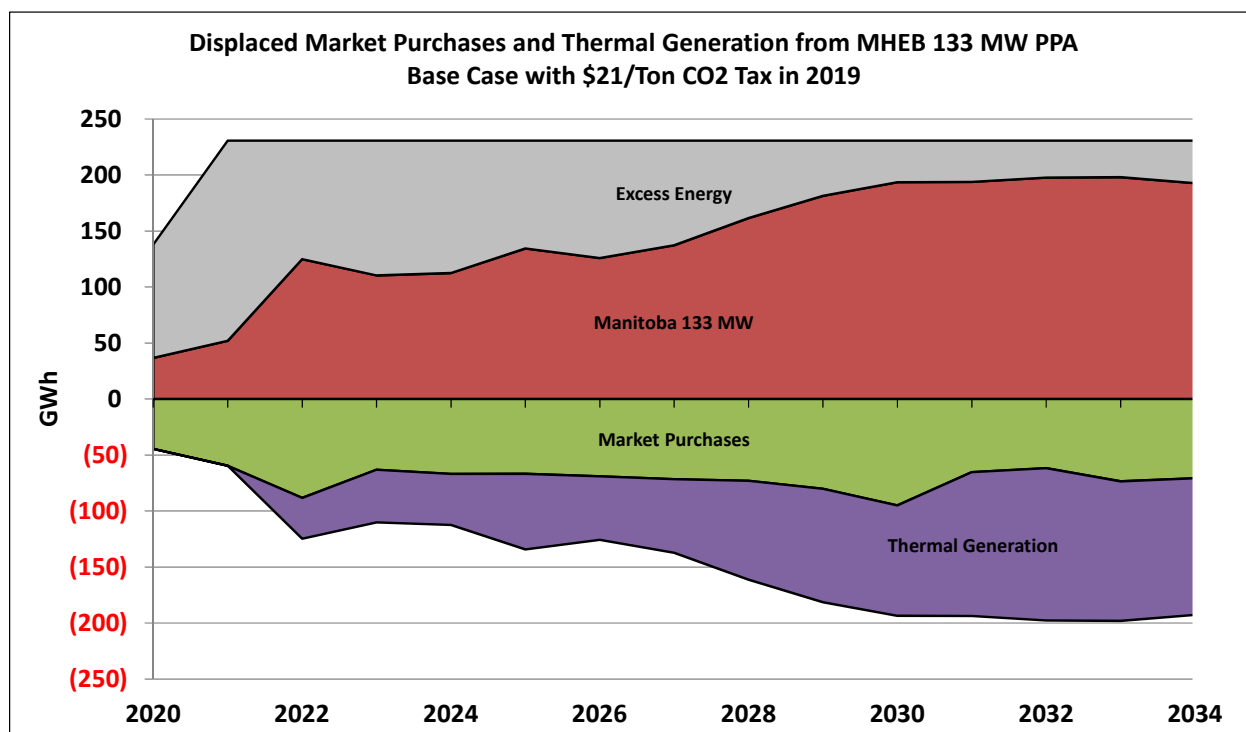


Figure 8 – Displaced Market Purchases and Thermal Generation from MHEB 133 MW PPA

Another significant benefit of the 133MW PPA is that it mitigates future environmental risk to Minnesota Power’s energy supply. Because the PPA is primarily a hydro resource, Minnesota Power customers will not incur additional costs from this transaction in the event that carbon emissions or other environmental effluents such as sulfur dioxide (“SO₂”) and nitrogen oxides (“NO_x”) are further limited or taxed in the future. The environmental benefits of the PPA are an ongoing positive aspect of this transaction for Minnesota Power’s customers that they will realize over the Agreement’s entire term.

C. Manitoba Hydro PPA Brings Environmental Benefit

Although a key focus of this Petition has been on the carbon minimizing aspects of the PPA, Minnesota Power also examined overall emission impacts in evaluating the alternatives considered. Table 1 identifies the impact of the PPA on total power supply emissions. The totals included in Table 1 identify the reduction in emissions from Minnesota Power's generation fleet over the PPA contract period. The addition of the PPA aligns with Minnesota Power's carbon reduction strategy and the Company's overall goal of reducing emissions emitted from its system on behalf of its customers.

	Total Reduction 2020-2034	
	Base Case	Base Case + CO2 \$21.50/Ton in 2019
CO₂ - Carbon Dioxide (Tons)	37,606	1,015,958
NO_x - Oxides of Nitrogen (Tons)	9	536
SO_x - Sulfur Dioxide (Tons)	22	478
PM₁₀ - Particulate Matter (Tons)	6	97
Hg - Mercury (Pounds)	0	5
CO - Carbon Monoxide (Tons)	25	586
Pb - Lead (Tons)	3	37

Table 1 - Total System Emissions Reduced due to 133MW Transaction 2020-2034

As identified in Appendix A of this Petition, the Base Case and Base Case with a carbon regulation penalty used in the analysis included the emission externality values determined for State power supply planning.¹⁶ In addition to the future cost of carbon regulation value, the values for PM₁₀ (particulate matter), NO_x (oxides of nitrogen), CO (carbon monoxide), Pb (lead),

¹⁶ Values taken from the State Externality Docket published on June 5, 2013 (see Docket Nos. E999/CI-93-583 and E999/CI-00-1636).

Hg (mercury) and CO₂ (carbon dioxide) were stressed to the low and high levels specified. The externality value for SO₂ is zero, so it was not included in Minnesota Power's analysis; however, the Company did analyze the impact of the SO₂ allowance price for CAIR (Clean Air Interstate Rule). The reductions in projected externality costs due to the implementation of the PPA are included in Figure 7. The PPA provides additional energy that has low to zero emission characteristics which results in a lower outlook for externality costs associated with Minnesota Power's power supply.

(NPV 2015-2034, 2014\$)	Base Case	Base Case with CO2 Penalty <i>\$21.50/ton in 2019</i>
Strategist Change in PVRR With 133 MW PPA due to Externality Costs	(\$34,742)	(\$231,409)

Figure 7 - Strategist Externalities Costs Comparison with and without CO₂ Penalty

VII. Transmission Infrastructure and Interconnection

There are significant transmission requirements for the import of the Manitoba Hydro energy. Current transmission export capability into the United States from Manitoba is fully utilized, so new transmission infrastructure is required to deliver energy pursuant to the PPA, as the Commission recognized when it approved the 250 MW PPA. Minnesota Power must plan for and construct the new infrastructure on the United States side of the border; Manitoba Hydro is responsible for transmission construction on the Canadian side of the border. The following section will describe what has been done to date to secure this infrastructure.

Through study work, it was determined that a 500 kV AC transmission line between the Minnesota Manitoba border crossing northwest of Roseau, Minnesota and the existing Blackberry Substation near Grand Rapids, Minnesota offers a unique opportunity to provide customers and the upper Midwest region with cost-competitive electricity generated by emission-free hydroelectric facilities. Additionally, the larger transmission facility built in Minnesota will also bring economic and fiscal benefits to Minnesota during construction and ongoing benefits once in operation.

Based on preliminary engineering considerations of the route alternatives and segment options in Minnesota Power's Route Permit application for the GNTL, and as revised in July 2014, the GNTL total project cost is estimated between \$557.9 million and \$710.1 million. However, Minnesota Power customers will be responsible for only 28.3 percent of the GNTL project cost, equating to \$158 million to \$201 million.

On September 25, 2014, Minnesota Power, Manitoba Hydro and MISO executed the FCA which reflects Minnesota Power's and the Manitoba Hydro's capital contributions towards and ownership of the GNTL project and related facilities. MISO and Minnesota Power filed the FCA with FERC on September 26, 2014 (FERC Docket No. ER14-2950-000). The FCA specifies that Minnesota Power will own 51 percent of the GNTL, but will only be responsible for 46 percent of the project costs. Manitoba Hydro will own 49 percent of the GNTL and fund 54 percent of the project costs. Through the Monthly Must Take Fee of this Agreement, Manitoba Hydro will provide an offset to Minnesota Power's revenue requirements associated

with delivering the 133 MW of energy (17.7 percent of project costs), thereby reducing Minnesota Power's overall share of the GNTL costs to 28.3 percent, the proportional equivalent of the 250 MW PPA over the estimated 883 MW GNTL capacity.

Through the unique business arrangements in this Agreement, the EEA and the FCA, Minnesota Power and its customers gain the benefits of the economies of scale, optionality and energy storage that are only available with a 500 kV transmission line while bearing the revenue responsibility associated with 250 MW of transfer capability.

VIII. Execution and Delivery Risk Factors

Minnesota Power recognizes that since both parties to the PPA must construct new facilities in order to implement the PPA and numerous related approvals must occur as set forth in the PPA, potential execution risks exist associated with the transaction. The Company believes these execution risks are manageable and that they do not overshadow the benefits for customers as outlined in Section VI. The following areas are intended to provide a high-level understanding of the Company's efforts to identify and manage potential execution issues related to the PPA. These factors do not include general business risks that might impact any construction project or business operations or other risks that might impact any business enterprise.

A. Regulatory Approvals

Minnesota Power and Manitoba Hydro each need regulatory approval prior to implementing the PPA and the EEA. Minnesota Power's conditions precedent which require regulatory approval include (1) MISO, Minnesota Power, Manitoba Hydro, and/or an Affiliate of Manitoba Hydro, and, if any such Persons that MISO may otherwise require, entering into a FCA by June 1, 2016; (2) MISO granting 133 MW of southbound Firm Transmission Service by June 1, 2025; and (3) Commission approval within 18 months of June 30, 2014 (by January 30, 2016). The FCA was executed on September 25, 2014, and filed with FERC on September 26, 2014 (FERC Docket No. ER14-2950-000).

Under Section 12.1, Manitoba Hydro needs governmental approvals for the PPA which include (1) similar to Minnesota Power, Manitoba Hydro entering into a FCA by June 1, 2016; (2) Manitoba Hydro and its transmission provider entering into a Canadian FCA on or before June 1, 2016; and (3) Manitoba Hydro's transmission provider granting 133 MW of southbound Firm Transmission Service in respect of the 133 MW Canadian TSR (transmission service request) by June 1, 2025.

In addition to the regulatory approvals that are conditions precedent under the PPA, Minnesota Power will need to obtain all necessary approvals in order to build new transmission

facilities in the United States. If the primary transmission option is undertaken and new transmission is constructed in Minnesota, Minnesota Power will need to receive, at a minimum, approval by the Commission of a Certificate of Need pursuant to Minn. Stat. § 216B.243. Minnesota Power filed its CoN on October 21, 2013, in Docket No. E015/CN-12-1163. The Commission issued an Order dated January 8, 2014, finding that the application substantially meets the Commission's filing requirement, and referred the matter to the Office of Administrative Hearings to conduct a contested case proceeding. Review of the CoN application is currently in the contested case proceeding process.

Additionally, Minnesota Power will need Commission approval of a Route Permit pursuant to Minn. Stat. Chapter 216E. On April 15, 2014, Minnesota Power filed an Application for a Route Permit to construct the GNTL and associated facilities pursuant to Minn. Stat. Chapter 216E and Minnesota Rules Chapter 7850. Docket No. E015/TL-14-21. Minnesota Power proposed to construct a 220-mile 500 kV AC transmission line between the Minnesota Manitoba border crossing northwest of Roseau, Minnesota and the existing Blackberry Substation near Grand Rapids, Minnesota, as well as associated substation facilities and transmission system modifications at the Blackberry Substation site, and a 500 kV series compensation station. The new substation facilities required for the Project will be constructed near the existing Blackberry 230/115 kV Substation. On July 2, 2014, the Commission issued an Order finding that Minnesota Power's application for a Route Permit is substantially complete, and referring the matter for contested case proceedings. As with the CoN, review of the Route Permit is also in the contested case proceeding process.

At the federal level, Minnesota Power will need to obtain a Presidential Permit authorizing the construction, connection, operation and/or maintenance of an electric transmission line that crosses the United States' international border. On April 15, 2014, Minnesota Power submitted its application for a Presidential Permit from the United States Department of Energy ("DOE") for the international interconnection at the United States - Canadian border. The DOE is currently reviewing the Company's application for a Presidential Permit.

Minnesota Power may also need to modify its existing Export Authorization that allows it to export electricity to a foreign country. No federal permit is required to import electricity from a foreign country. As with the Presidential Permit, an Export Authorization is obtained through the submission of an application to the DOE.

B. Project Timing

In order for Manitoba Hydro to sell 133 MW of system power to Minnesota Power, Manitoba Hydro must build the Keeyask Generating Station and the necessary transmission. The 695 MW Keeyask Generating Station is located on the lower Nelson River in northern Manitoba. The cost to build Keeyask Generating Station is estimated to be \$6.5 billion (Canadian) and is expected to be in-service in 2019. As discussed in Section III, Manitoba Hydro is developing the Keeyask Generating Station in partnership with Keeyask Cree Nations. This partnership was formalized in 2009 and provides that the Keeyask Generating Station will be owned by the KLHP. It will be constructed, maintained and operated by Manitoba Hydro. On July 2, 2014, the Province of Manitoba issued an environmental license to the KHLPP for the construction of the 695 MW Keeyask Generating Station. The Province's decision was based on favorable recommendations received from a special panel of the Manitoba Public Utilities Board responsible for reviewing Manitoba Hydro's development plans, and the Clean Environment Commission that was responsible for performing an independent environmental review of the Keeyask project. On July 16, 2014, construction officially commenced when work started on the quarry cofferdam. Manitoba Hydro and Minnesota Power believe construction of the Keeyask Generating Station and the transmission facilities can be completed before the start-date of the PPA.

Part of the reason for Minnesota Power's confidence in the construction schedule is the fact that Manitoba Hydro is a public utility as well as a Crown Corporation of the Province of Manitoba that has operated successfully and reliably for many decades. Manitoba Hydro also has a strong investment grade credit rating. These features give Manitoba Hydro a far better credit profile than would be present from a single purpose entity or a developer who is dependent upon the power purchase agreement to fund or finance construction.

Another strong consideration is Manitoba Hydro's track record in completing major hydro developments. In 2012, Manitoba Hydro completed construction of the 200 MW Wuskwatim Generation Station, which is located at Taskinigup Falls on the Burntwood River. Wuskwatim represents the first time Manitoba Hydro has entered into a partnership with a First Nations community on a generating station project. The station was developed and is owned by the Wuskwatim Power Limited Partnership ("WPLP"), a legal entity involving Nisichawayasihk Cree Nation and Manitoba Hydro. Manitoba Hydro operates the station as part of the Manitoba power grid on behalf of WPLP. The Wuskwatim Generating Station and Keeyask Generating Station add to Manitoba Hydro's over \$15 billion (Canadian) in capital assets and over 5,000 MW in existing hydroelectric generating capacity that serve over 555,000 customers and support export sales to many electric utilities.

Specifically related to the new transmission interconnection required under the PPA, Minnesota Power has taken the necessary actions to achieve a June 1, 2020 in-service date. Minnesota Power, Manitoba Hydro and MISO have also entered into a FCA. The FCA has been submitted to FERC for their review on September 26, 2014. Additionally, the Company's experience with the construction of other transmission projects in the Upper Midwest will also help mitigate transmission construction execution risk. Minnesota Power will allocate the required internal and external resources for timely completion of the necessary transmission interconnection prior to the June 1, 2020 start date.

Overall, between Manitoba Hydro's history of developing large hydro projects and international power lines and Minnesota Power's recent transmission projects, the parties are well situated to meet the June 1, 2020 start date to have all the necessary facilities in place to deliver up to 133 MW of power to Minnesota Power customers.

C. Reliability and Delivery Curtailment

Once Minnesota Power begins receiving energy under the PPA, the execution risk shifts from having all the facilities in place to operating and maintaining the facilities that will limit customer risks. Minnesota Power acknowledges there remains a long-term risk, as is present with any PPA, of transmission outages and operational delays (i.e., weather related, maintenance, etc.)

which could temporarily curtail delivery. However, given the new transmission interconnection and the fact that Minnesota Power is purchasing from Manitoba Hydro's system and not a specific hydro facility, Minnesota Power believes delivery curtailment under the PPA is a relatively low risk. As the Department and the Commission have noted in prior Manitoba Hydro related dockets, system power "is generally more reliable than power delivered from a designated plant or unit, because a system is generally more diversified than a single unit. If a system loses a single unit, it may still be able to deliver the power by making up the generation using other units or resources on the system. Under a dedicated unit delivery, however, a breakdown of the plant makes power delivery impossible." Docket No. E002/M-99-888, Order dated March 18, 2003.

The PPA addresses reliability through the curtailment and decrements, and Median Water conditions provisions. Except for a Force Majeure event or to avoid reducing service to Manitoba Hydro's end use load, the PPA requires Manitoba Hydro to make the energy as defined in the PPA available to Minnesota Power as long as Manitoba Hydro has experienced Median Water conditions during a Contract Year during the Contract Term. Section 3.4 of the 133 MW PPA outlines the provisions that provide Manitoba Hydro the right to curtail, restrict, or reduce the sale and supply of energy to Minnesota Power.

The PPA contains sufficient provisions to provide reliable power to be delivered by Manitoba Hydro to Minnesota Power and appropriately protects customers from the operational risks of Manitoba Hydro's system.

IX. Communication and Filing

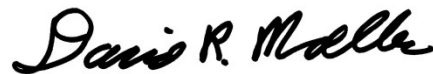
Minnesota Power recognizes the importance of on-going communication with the Commission, the Department and other stakeholders during the period following approval of the Agreement and throughout the planning and construction of Manitoba Hydro's new hydroelectric facility and both parties' new transmission facilities between Canada and the United States. In the Company's petition to the Commission seeking approval of the 250 MW PPA Minnesota Power committed to regular reporting, with the first report to be filed within one year of the date of the Order and annually thereafter until the start of the Agreement. The annual report provides updates on the various milestones achieved related to the new hydroelectric generating facilities and new major transmission facilities. The Commission adopted the reporting requirement as part of its February 1, 2012 Order (see Order Point 2 in Docket No. E015/M-11-938). Minnesota Power now commits to continuing the same reporting requirements for this Docket.

X. Conclusion

Minnesota Power firmly believes that the Agreement and the EEA are in the public interest and respectfully requests that the Commission approve the Agreement and the EEA. The Manitoba Hydro 133 MW purchase will provide Minnesota Power's customers with a competitively priced, predominantly emission free energy supply that has a combination of base load supply characteristics, price certainty and resource optimization flexibility not available in comparable alternatives. The 133 MW PPA directly aligns with Minnesota Power's 2013 Plan recommending reduced use of coal-based resources to minimize carbon penalty and other emission risk and reshaping its power supply portfolio to increase fuel diversity and flexibility. The addition of the 133 MW PPA expands Minnesota Power's renewable energy portfolio and reduces its carbon emitting generation as a percentage of its energy supply portfolio, achieves fuel diversity, and furthers the Company's progress in incorporating more flexible, efficient and diverse energy resources into its mix.

Dated: November 6, 2014

Respectfully submitted,

A handwritten signature in black ink that reads "David R. Moeller". The signature is written in a cursive, flowing style.

David R. Moeller
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Minnesota Power
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Appendix A – Assumptions and Outlooks

Appendix A provides the assumptions and outlooks used in Minnesota Power's evaluation that identified the Manitoba Hydro 133 MW power purchase agreement ("PPA" or "Agreement") is in the public interest. The analysis supports the statements and data presented in Section VI of this Petition that substantiates why proceeding with the Manitoba Hydro 133 MW PPA is in the best interest of Minnesota Power customers.

The following section provides a summary of the key economic modeling assumptions and basis that Minnesota Power utilized in the Strategist Proview analysis completed for the PPA. The assumptions used in the economic evaluation align with the assumptions used in Minnesota Power's 2013 Integrated Resource Plan ("2013 Plan") unless noted otherwise.

- A. Base Case Economic Modeling Assumptions – a review of the base economic assumptions used in the analysis for the Petition.
- B. New Asset Resources – a description of new resource additions included in the Baseline Scenario Power Supply.
- C. Sensitivity Analysis Results
- D. Other Changes Made for the Petition Evaluation

A. Base Case Economic Modeling Assumptions

Study Period

The focus of the PPA analysis is 2015 through 2034. The power supply cost shown in the Petition are the net present value of cost from 2015 thru 2034 and are reported in 2014 dollars, unless noted otherwise. Minnesota Power recognizes the study period does not encompass the entire 20 years of the contract period for the PPA. Minnesota Power's current set-up for Strategist is through year 2034. Although the last 5 years of the contract are not considered in the analysis, Minnesota Power has confidence that studying the first 15 years of the contract is adequate for evaluating the cost impact to the power supply.

Baseline Scenario Power Supply Assumptions

1. The Baseline Scenario Power Supply includes the generation resource decisions of the short-term and long-term action plans identified in Minnesota Power's 2013 Plan.
 - a. Short-term action plan (2013-2017)
 - i. 204.8 MW Bison 4 Wind Project by end of 2014
 - ii. Refuel Laskin Energy Center ("LEC") Units 1 and 2 with natural gas in 2015
 - iii. Shut down Taconite Harbor Energy Center ("THEC") Unit 3 ("THEC3") in 2015

- iv. 50 MW bilateral bridge purchases from 2016 thru 2019
- v. Retrofit of Boswell Energy Center (“BEC”) Unit 4 (“BEC4”) with environmental controls
- b. Long-term action plan (2018-2027)
 - i. New 200 MW share of a combined cycle natural gas facility in 2023
 - ii. 250 MW bilateral power purchase from Manitoba Hydro starting 2020
- c. New generation resources added past the long-term action plan for the purpose of ensuring resource adequacy beyond the Company’s current resource plan (2028 to 2034)
 - i. New 54 MW Wartsila generator in 2031

Externalities, Pricing and Wholesale Market

- 1. The base case forecasts utilized for emission externality values, natural gas prices, market energy prices, and market capacity prices over the study period:¹
 - a. The base forecast utilized the Metropolitan Fringe externality values from the State Externality Docket published on June 5, 2013, under Docket Nos. E999/CI-93-583 and E999/CI-00-1636. This is a change from the 2013 Plan where the externality values were based on the externality values from the State Externality Docket published on June 13, 2012. The mid-point of the externality values is utilized in the Base Case. These value ranges are approximate representations of what is in the Strategist database.
 - i. Carbon externality cost range: \$2.50/ton in 2015 to \$3.75/ton in 2034
 - ii. Oxides of nitrogen (“NO_x”) externality cost range: \$300/ton in 2015 to \$450/ton in 2034
 - iii. Particulate matter (“PM₁₀”) externality cost range: \$3,600/ton in 2015 to \$5,400/ton in 2034
 - iv. Carbon monoxide (“CO”) externality cost range: \$1.50/ton in 2015 to \$2.25/ton in 2034
 - v. Lead (“Pb”) externality cost range: \$2,700/ton in 2015 to \$4,000/ton in 2034
 - b. The sulfur dioxide (“SO₂”) allowance price assumptions utilized in the base forecast.
 - i. SO₂ allowance price for Clean Air Interstate Rule (“CAIR”) Replacement Group 2: \$202/ton in 2018 to \$11/ton in 2024

¹ Values are in nominal dollars.

- ii. This assumption was not included in the base forecast in the 2013 Plan.
- c. Natural Gas forecast assumptions utilized in the base forecast.
 - i. Natural Gas at Henry Hub: \$4.00/MMBtu in 2015 to \$6.50/MMBtu in 2034
 - ii. The projected natural gas prices used in this Petition is a change from the projections used in the 2013 Plan. The natural gas prices were updated with Minnesota Power's current forecast.
 - ii. Natural gas supply prices reflect the projected spot market at Henry Hub. In addition, a regional delivery charge of \$0.43/MMBtu for the fuel supply of all new gas generation alternatives is included in the petition including the natural gas fuel switch at LEC. The delivery charges were escalated at 2.1% annually after 2015.
- d. Delivered Coal price forecast assumptions utilized in the base forecast represent the attributes of each of Minnesota Power's facilities and include:

[TRADE SECRET DATA EXCISED]

- e. Wholesale Market Capacity (approximate): \$200/MW-month in 2015 to \$11,600/MW-month in 2034. Wholesale market capacity was made available up to a maximum of 50 MW for the model during all study years.
 - i. The projected market capacity prices used in this Petition is a change from the projections used in the 2013 Plan. The market capacity prices were updated with Minnesota Power's current forecast.
 - f. Wholesale Market Energy (approximate): \$32/MWh in 2015 to \$60/MWh in 2034. Additional implementation detail provided in item 2.
 - i. The projected market energy prices used in this Petition is a change from the projections used in the 2013 Plan. The market energy prices were updated with Minnesota Power's current forecast.
 - g. The base forecast for energy prices assumed no cost related to the regulation of carbon dioxide ("CO₂") emissions.
2. The base case energy market interaction structure for Minnesota Power's analysis assumed that the wholesale market was available throughout the study period. The wholesale energy market structure in the modeling represents the day-ahead interaction with the Midcontinent Independent System Operator ("MISO") regional market and helps utilities optimize power supply for customers. A sensitivity called 'No

Wholesale Market’ was developed that assumed the wholesale energy market was unavailable as a power supply resource long term (four years beyond the study start date). The sensitivity was included to understand the impact to the planning analysis when the availability of the regional wholesale energy market is removed. A more detailed description of each market interaction structure is provided below.

- a. With Wholesale Energy Market (“With Market”) – A conservative approach was taken when creating the wholesale energy market that would be made available as a power supply resource during the study period. While the regional market is a valuable and useful piece of a utility’s power supply, it should not be considered an “endless” resource. To help account for the increased risk and volatility that is present when purchasing incrementally larger amounts of energy from the short-term market, an increasing price adder was included based on the level of energy purchased. As the volume of energy purchased from the market increased, so did the price adder. This is referred to as a “Tiered Energy Market” and includes the following pricing assumptions:
 - i. 0 to 150 MW at base forecast price
 - ii. 151 to 300 MW at base forecast price plus \$15/MWh premium adder
 - iii. 301 to 600 MW at base forecast price plus \$40/MWh premium adder
 - iv. Greater than 600 MW at emergency energy price (\$267/MWh in 2015 and escalates at approximately 2% annually)
- b. Without Wholesale Energy Market (“No Wholesale Market”) – For this scenario, the Tiered Energy Market described above was removed starting in 2018 and only emergency energy at \$250/MWh in 2012 and escalates at approximately 2% annually was made available as a power supply resource. As this scenario did not provide for purchasing energy from the wholesale energy market during hours of generation unit planned and forced outages, the planned outages and forced outages for Minnesota Power’s generation resources were removed from the model. Removing these outages prevents the model from burdening the customer with additional resources that are not needed for reliability, which would also increase customer cost and power supply surpluses.

The No Market scenario was included to address stakeholder feedback that identified long-term expansion plan modeling could be done with no energy procured from a regional energy market, such as MISO, effectively cutting the utility off from the region as if the utility were located on an island. While Minnesota Power does not envision a future without an effective and beneficial regional market, it conducts this scenario to help identify the long-term resource actions that align under both planning methodologies.

3. The estimated decommissioning cost for Minnesota Power’s small coal units for the shutdown scenarios discussed in the 2013 Plan are from a study completed by the engineering firm Burns & McDonnell called 2011 Baseload Diversification Study.

These costs, along with the remaining plant balances at each facility, are assumed to be recovered and depreciated for 10 years past the shutdown date.

Minnesota Power Resources and Bilateral Power Transactions

Another important component of a utility's power supply are contracted purchases and sales that are conducted within the industry to optimize the power surpluses and deficits that occur due to industry load and supply changes. These transactions are called bilateral transactions and allow Minnesota Power to work with other entities to procure energy and capacity (see Appendix C from the 2013 Plan for a list of Minnesota Power's current bilateral transactions included in the Baseline Scenario).

A bilateral transaction is functionally different than the day-ahead regional energy and capacity markets represented by the MISO tariff construct in that bilateral transactions are typically forward, medium- to longer-term contracts with defined pricing terms. Minnesota Power monitors the bilateral power markets to identify opportunities to contract with other entities when it is in the best interest of its customers.

Emission Rate Modeling For Minnesota Power Generation and New Alternatives

The emission rates for the thermal generation units included in Strategist are modeled as tons or pounds per MMBtu of fuel consumed for energy production. The level of effluents emitted per MWh generated will vary depending on the output level of a generation facility. As a generator is dispatched to a lower output level because of economic conditions, the effluents emitted per MWh will increase due to the generator operating at a less optimal level when compared to running at full output. The effluents modeled with emission rates in Strategist are:

- a. Carbon Monoxide
- b. Carbon Dioxide
- c. Lead
- d. Mercury
- e. Nitrogen Oxide
- f. Particulate Matter 10
- g. Sulfur Dioxide

Minnesota Power Load and General Economic Assumptions

1. Customer energy and demand requirements are based on the Moderate Growth Scenario – Expected Case in Minnesota Power's 2014 Annual Electric Utility Forecast Report ("AFR2014"). The energy and demand forecast is based on the AFR2014 econometric modeling results plus customer adjustments for increased energy sales to new customers and transmission losses.

Using the AFR2014 forecast is a change from the load forecast used in the 2013 Plan, which used Minnesota Power's 2012 Annual Electric Utility Forecast Report forecast.

Example of the Energy and Demand Calculation:

The Moderate Growth Scenario from Table C.i. on page 48 of Minnesota Power's AFR2014 is the base forecast for the Petition. Note the annual peak demand for the Summer Season is used for the Peak Demand in the Manitoba Hydro 133MW PPA evaluation. The values needed to calculate the annual energy sales and annual peak demand is the econometric forecast and the customer adjustments. Below are the values and calculations from Table C.i. of the AFR2014 used to calculate the Annual Energies and Annual Peak Demand used in the Strategist software for the Petition:

Annual Energies (Minnesota Power Delivered Load) = Econometric + Net Energy Added

Annual Summer Peak Demand (Minnesota Power Delivered Load) = Econometric Summer Peak Demand + Net Load Added

Refer to page 46 of the AFR2014 for a description of the Customer Generation Adjustments ("Net Load Added" or "Net Energy Added").

The transmission losses of 6 percent are added to the Annual Energies to capture the power supply requirements for serving Minnesota Power's customers.

2. Capacity accreditation values for generators are the installed capacity ("ICAP") and are based on MISO's Planning Year 2014-2015 (June 2014 thru May 2015) generation performance test results per the Module E Resource Adequacy program.

Using the ICAP from MISO's Planning Year 2014-2015 is a change from the ICAP used in the 2013 Plan, which used MISO's Planning Year 2012-2013.

3. Planning reserve margin is based on MISO's required reserve margin of 11.32% based on its 2012 Loss of Load Expectation study and installed generating capability and projected energy demand in the MISO region.
4. The utility discount rate is the weighted average cost of capital for Minnesota Power based on current capital structure and allowed return on equity. The utilized discount rate is 8.18%.
5. General escalation rate of 2.1% was utilized, except for capital cost and operation and maintenance for new generation which is escalated at 3% per year.

B. New Asset Resources Included in the Baseline Scenario Power Supply

The capital costs for the new resource alternatives included in the 2013 Plan's short-term and long-term action plans that form the Base Case for the Baseline Scenario Power Supply were developed using Minnesota Power's most current planning estimates for such resources.

The estimates are high level engineering projections and typically have a minimum of +/- 30% range of accuracy.

1. Partial ownership share of 408 MW (approximate) natural gas 1x1 combined cycle natural gas facility
 - a. Estimated capital build cost plus a transmission upgrade cost in 2014 dollars is **[TRADE SECRET DATA EXCISED]**
2. 55 MW (approximate) natural gas reciprocating engines (6 x 9.2MW engines)
 - a. Estimated capital build costs in 2014 dollars is **[TRADE SECRET DATA EXCISED]**

C. Variables Stressed high or low and Scenario Sensitivities utilized in the Sensitivity Analysis

The following variables were stressed low and high in the single variable sensitivity analysis.

1. Wholesale market energy
 - a. A low sensitivity representing a decrease of 50% from base:
[TRADE SECRET DATA EXCISED]
 - b. A high sensitivity representing an increase of 50% from base:
[TRADE SECRET DATA EXCISED]
2. Natural gas price forecast at Henry Hub
 - a. A low sensitivity representing a decrease of 50% from base:
[TRADE SECRET DATA EXCISED]
 - b. A low sensitivity representing a decrease of 25% from base:
[TRADE SECRET DATA EXCISED]
 - c. A high sensitivity representing an increase of 25% from base:
[TRADE SECRET DATA EXCISED]
 - d. A high sensitivity representing an increase of 50% from base:
[TRADE SECRET DATA EXCISED]
3. Carbon regulation planning value²

² All carbon regulation planning values reflect costs in dollars per ton.

The evaluation of several carbon regulation levels gives insight into the customer impact of these potential carbon regulation prices; however, in Minnesota Power's opinion these costs should not directly impact long-term resource decisions until regulation has been defined and approved for implementation. The carbon regulation values for the sensitivities are from the 2014 Order Establishing 2014 Estimate of Future Carbon Dioxide Regulation Costs, pursuant to Minn. Stat. § 216H.06, in Docket No. E-999/CI-07-1199. This is a change from the 2013 Plan where the carbon regulation values for the sensitivities were from the 2012 Order Establishing 2012 Estimate of Future Carbon Dioxide Regulation Costs.

- a. A sensitivity based on the low carbon regulation value ranging from \$9/ton starting in 2019 to \$12/ton in 2034.
- b. A sensitivity based on the mid carbon regulation value ranging from \$21.50/ton starting in 2019 to \$29/ton in 2034.
- c. A high sensitivity based on the high carbon regulation value ranging from \$34/ton starting in 2019 to \$46/ton in 2034.

The carbon regulation planning value used in this Petition does not specifically take into account the EPA's (United States Environmental Pollution Control Agency) proposed Clean Power Plan that will regulate carbon emissions from the electric industry.

4. Externality costs

The values for PM₁₀, CO, NO_x, Pb, and CO₂ were stressed to the low and high levels indicated in the Metropolitan Fringe from the State Externality Docket, Docket Nos. E-999/CI-93-583 and E-999/CI-00-1636.

The social cost of carbon using the 3% discount rate from the "Technical Support Document: - Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis – Under Executive Order 12866" dated May 2013, was used as an additional sensitivity for the value of CO₂. The technical support document is available at <http://www.whitehouse.gov/sites/default/files/omb/assets/inforeg/technical-update-social-cost-of-carbon-for-regulator-impact-analysis.pdf>. The Social Cost used in the analysis is shown in the table (2011 dollars) located at <http://www.epa.gov/climatechange/EPAactivities/economics/scc.html>.

- a. A sensitivity based on the social cost of carbon using the 3% discount rate ranging from \$38/ton in 2015 to \$85/ton in 2034.

5. Coal fuel prices

- a. The low sensitivity reduced coal prices by approximately 30% from base.
- b. The high sensitivity increased coal prices by approximately 30% from base.

3. Biomass fuel prices

- a. The low sensitivity reduced biomass prices by approximately 10% from base.
- b. The high sensitivity increased biomass prices by approximately 10% from base.

D. Other changes made in the Manitoba Hydro 133 MW Purchase Model

The following are specific changes made to the Base Case assumptions from the 2013 Plan to the Manitoba Hydro 133 MW PPA evaluation.

1. To align with the energy sales forecast assumptions in AFR2014, the moving of Rapids Energy Center (“Rapids”) to the regulated side of business does not occur. The 2013 Plan assumed Rapids would be moved to regulated in April 1, 2013.
2. The Rapids biomass expansion assumed to occur in January 2015 in the 2013 Plan was removed in the PPA evaluation based on the current status of Rapids project.³
- 3.

[TRADE SECRET DATA EXCISED]

4. The projected capital cost and subsequent revenue requirements for the Great Northern Transmission Line (“GNTL”) has been updated from the 2013 Plan with the latest estimates consistent with Minnesota Power’s testimony in the Certificate of Need proceedings (see Docket No. 015/M- CN-12-1163). There are revenue requirements for the GNTL included in the analysis for both a 230 kV transmission line and Minnesota Power’s share of the 500 kV transmission line.

The revenue requirements for the 230 kV line are used in the scenario that doesn’t include the Manitoba Hydro 133 MW Purchase – the Companies current base case. The revenue requirements for the 230 kV transmission line are included to represent the transmission facilities required to deliver the Manitoba Hydro 250 MW Purchase approved by the Minnesota Public Utilities Commission on February, 2012 (Docket E-015/M-11-938). As stated in Mr. Donahue’s testimony on page 12, line 19 the current expected capital costs for the 230 kV option range from \$277 million to \$355 million (2013 dollars). For the revenue requirements used in the Strategist modeling, Minnesota Power used the mid-range of this estimate, \$316 million (2013 dollars).

Minnesota Power’s share of the revenue requirements for the 500 kV line are used in the scenario that includes the Manitoba Hydro 133 MW Purchase. The revenue requirements for the 500 kV transmission line are included to represent the transmission facilities required to deliver both the Manitoba Hydro 133 MW PPPA and Manitoba Hydro 250 MW PPA to Minnesota Power customers. For the revenue requirements

³ The Company did not receive Commission approval to include the Rapids biomass project in its Renewable Resources Rider; see Docket No. Docket No. E015/M-12-1349.

used in the Strategist modeling Minnesota Power used \$676.9 million (2013 dollars) for the 500 kV project cost which is within the ranges stated on page 36 in Section VII in the Manitoba Hydro 133 MW Petition.

Figure 1 is a comparison of the levelized revenue requirements between the two different size options (500 kV and 230 kV) for the GNTL. The figure shows having access to a 500 kV transmission line reduces the levelized revenue requirements by approximately \$16 million each year over the 40 year life of the project or reduces total revenue requirements by \$119 million (2014 dollars) over the 40 year life of the project, which is a direct benefit to Minnesota Power customers when compared to the 230 kV option. Note the levelized revenue requirement for the 500 kV options includes the ‘Must Take Fee’ paid to Minnesota Power per the PPA and represents Minnesota Power’s ownership share of the transmission line.

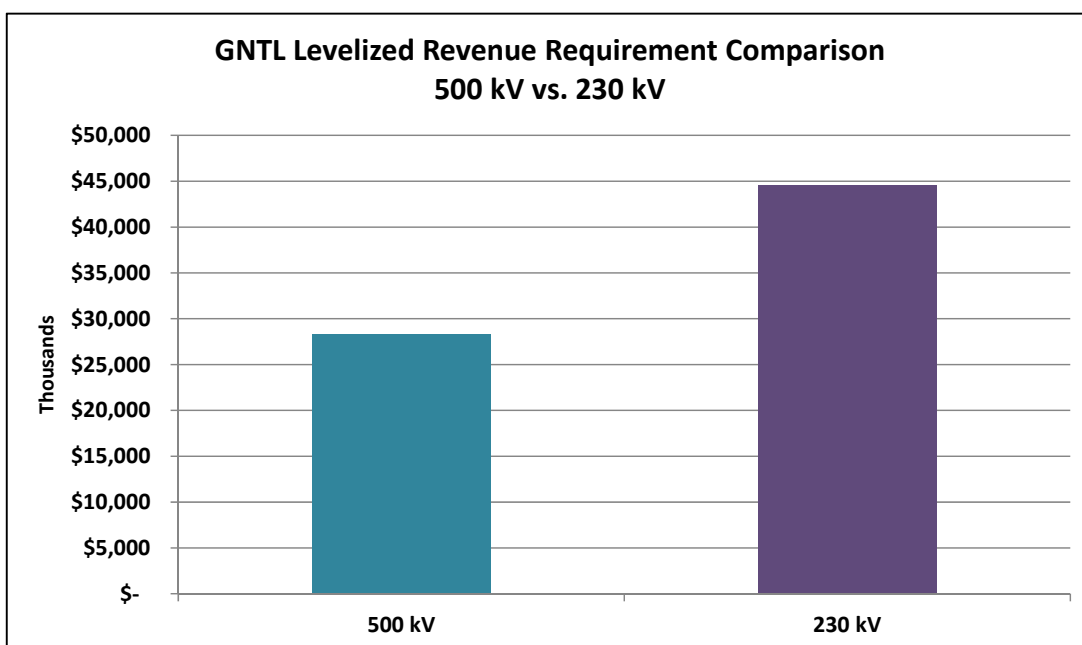


Figure 1: Comparison of the Levelized Revenue Requirements for the Great Northern Transmission Line Size Options

5. An assumption was made for a hypothetical value of the environmental attributes associated with the PPA. The value of the environmental attributes ranges from a levelized \$2 per environmental attribute up to \$19 per environmental attribute. The range in the value of environmental attributes is based off two independent forecasts for the value of renewable energy credits and a carbon tax. Minnesota Power thought it was prudent to use the future value of renewable energy credits and a carbon tax as a proxy for the value of an environmental attribute. The value of environmental attributes was not included in the Strategist modeling. The value of environmental attributes was added to the economic analysis as a sensitivity for the potential value of the environmental attributes Minnesota Power could receive in addition to the environmental attributes received directly from the energy purchased.

The low range for an environmental attribute of \$2 per environmental attribute (levelized from 2020-2034) is based on the estimated value for a renewable energy credit from wind generation.

The high range for an environmental attribute of \$18 per environmental attribute (levelized from 2020-2034) is based on the estimated value of a future carbon tax starting at \$15/ton in 2021. The assumption was made that one environmental attribute equals one avoided ton of carbon tax.

6. The energy delivery schedule for the PPA is modeled similar to when Minnesota Power is offered energy as part of the existing Manitoba Hydro purchase agreement for surplus energy. The existing Manitoba Hydro purchase agreement for surplus energy is effective from May 2010 thru April 2022 and was approved by the Minnesota Public Utilities Commission on March 11, 2011 under Docket No.E-015/M-10-961.

EXHIBIT A

**PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED**

133 MW ENERGY SALE AGREEMENT

between

THE MANITOBA HYDRO-ELECTRIC BOARD

- and -

MINNESOTA POWER, an operating division of ALLETE, Inc.

DATED JULY 30, 2014

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APPENDIX K - [TRADE SECRET DATA EXCISED]

APPENDIX L - [TRADE SECRET DATA EXCISED]

APPENDIX M - [TRADE SECRET DATA EXCISED]

APPENDIX N - [TRADE SECRET DATA EXCISED]

133 MW ENERGY SALE AGREEMENT

DATED July 30, 2014

BETWEEN:

THE MANITOBA HYDRO-ELECTRIC BOARD,

(hereinafter referred to as “MH”),

- and -

MINNESOTA POWER, an operating division of ALLETE, Inc.,

(hereinafter referred to as “MP”).

WHEREAS, MP and MH are the owners and operators of electric generation facilities in the United States of America and in Canada, respectively, and are engaged in the generation, distribution and sale of electric energy;

AND WHEREAS, MP, MH and 6690271 Manitoba Ltd. entered into a term sheet dated September 27, 2013, (the “**Term Sheet**”) for a number of proposed transactions;

AND WHEREAS, each of the aforesaid proposed transactions contemplated by the Term Sheet was subject to a number of conditions including the execution and delivery of definitive written agreements;

AND WHEREAS, this Agreement is the definitive agreement for one of the proposed transactions being the sale by MH and the purchase by MP of the Firm Energy and **[TRADE SECRET DATA EXCISED]** Environmental Attributes;

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AND WHEREAS, MP agrees to purchase and MH agrees to sell the Firm Energy and the **[TRADE SECRET DATA EXCISED]** Environmental Attributes pursuant to the terms and conditions set forth in this Agreement;

AND WHEREAS, the Parties require governmental permits and approvals for the import and export of electric energy;

AND WHEREAS, MP is a member of MISO and subject to applicable MISO tariffs, and MH is a coordinating member of MISO.

NOW, THEREFORE, in consideration of the mutual promises and covenants of each Party to the other contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties covenant and agree as follows:

ARTICLE I

INTERPRETATION

1.1 Defined Terms

Unless otherwise specified in this Agreement, the following terms shall, for the purposes of this Agreement, have the following meanings:

[TRADE SECRET DATA EXCISED]

“133 MW Canadian TSR” shall have the meaning set forth in Section 3.1(1)(d)(ii).

“133 MW US TSR” shall have the meaning set forth in Section 3.1(1)(a)(ii)(B).

“250 MW System Power Sale Agreement” shall mean the 250 MW System Power Sale Agreement entered into between MP and MH on May 19, 2011.

“500 kV Canadian Transmission Interconnection” shall have the meaning set forth in Section 3.1(1)(g).

TRADE SECRET DATA EXCISED

“500 kV Transmission Interconnection” shall have the meaning set forth in Section 3.1(1)(g).

“500 kV Transmission Interconnection In-service Date” shall mean when the 500 kV Transmission Interconnection is commissioned and comes into service.

“500 kV US Transmission Interconnection” shall have the meaning set forth in Section 3.1(1)(g).

“500 kV US Transmission Interconnection Miles” shall mean the distance in miles of the 500 kV US Transmission Interconnection.

“2014 Energy Exchange Agreement” shall mean the 2014 Energy Exchange Agreement entered into between MP and MH concurrently with this Agreement.

[TRADE SECRET DATA EXCISED]

“Affiliate” shall mean any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with MP or MH, and shall include a wholly owned subsidiary of MP or MH.

“Agreement” means this 133 MW Energy Sale Agreement and all amendments thereto.

[TRADE SECRET DATA EXCISED] Environmental Attributes shall have the meaning set forth in Section 8.1(1).

[TRADE SECRET DATA EXCISED]

“Ancillary Services” shall mean those Ancillary Services (as defined under the TARIFF) and other reasonably similar services and products, associated, directly or indirectly, with the transmission of the Firm Energy and/or the transmission of the Firm Energy but for greater certainty does not include Environmental Attributes.

[TRADE SECRET DATA EXCISED]

“Bankruptcy Code” shall have the meaning set forth in Section 10.1(1)(k).

[TRADE SECRET DATA EXCISED]

[TRADE SECRET DATA EXCISED]

“Business Day” shall mean Monday through Friday, excluding Canadian banking holidays (such banking holidays shall be as recognized by the Canadian Payments Association or any successor agency) and United States banking holidays (such banking holidays shall be as recognized by the Federal Reserve Board or any successor agency).

“Canadian FCA” shall have the meaning set forth in Section 3.1(1)(f).

“Canadian TSRs” shall have the meaning set forth in Section 3.1(1)(d).

“Canadian Upgrades” shall have the meaning set forth in Section 3.1(1)(e).

“Capital Recovery” shall have the meaning set forth in Section 2.6(d).

“Centrally Operated Market” shall mean a centrally operated structure or structures bringing together buyers and sellers to facilitate the exchange of wholesale electricity products and/or related services.

[TRADE SECRET DATA EXCISED]

“Commercially Reasonable Efforts” shall mean those efforts expended by a Party, acting reasonably, under normal commercial conditions to identify, develop, and implement a solution to an issue or problem that is cost effective (taking into account the complexity and importance of the issue or problem being addressed) and is also consistent with applicable legal requirements, rules governing any applicable Market and Good Utility Practice if the Party is MP and Good Hydro Utility Practice if the Party is MH.

“Confidential Information” shall have the meaning set forth in Section 11.1(a).

TRADE SECRET DATA EXCISED

“Contingency Reserve(s)” shall have the meaning set forth in the NERC Glossary of Terms.

“Contingency Reserves Emergency Energy” shall mean the energy required to be supplied by MH pursuant to a NERC Contingency Reserve obligation.

“Contract Term” shall mean the twenty (20) year period, from the 500 kV Transmission Interconnection In-service Date.

“Contract Year” shall mean a twelve-month period, June 1 through May 31 of the following calendar year, which is within the Contract Term.

[TRADE SECRET DATA EXCISED]

“CPT” shall mean Central Prevailing Time.

“Credit Support Provider” shall mean a Person approved by the Requesting Party who provides Performance Assurance on behalf of the Second Party.

“Day-Ahead Basis” shall mean in advance, not later than 11 a.m. (EST) of the Business Day prior to any day that the Firm Energy is to be made available to MP.

“Day-Ahead Energy and Operating Reserve Market” shall mean the day-ahead market established pursuant to and defined by the TARIFF.

“Day-Ahead Energy Price” shall have the meaning set forth in the Tariff.

“DBRS” shall mean DBRS Limited or its successor.

[TRADE SECRET DATA EXCISED]

“Defaulting Party” shall have the meaning set forth in Section 17.3(1).

[TRADE SECRET DATA EXCISED]

“Delivery Point” shall have the meaning set forth in Section 2.3(1).

[TRADE SECRET DATA EXCISED]

“**Discloser**” shall have the meaning set forth in Section 11.1.

[TRADE SECRET DATA EXCISED]

“**EA Calendar Year**” shall have the meaning set forth in Section 8.8.

“**Early Termination Date**” shall have the meaning set forth in Section 17.3(1).

“**Effective Date**” shall mean the date this Agreement is executed by the Parties.

“**Emergency Energy**” shall have the meaning set forth in the TARIFF.

“**Energy Exchange Agreement**” shall mean the Energy Exchange Agreement entered into between MP and MH on May 19, 2011.

“**Environmental Attributes**” shall mean the rights to any existing or future environmental benefits or attributes, credits, renewable characteristics, avoided emissions, avoided greenhouse gas emissions, emission reductions, emissions or greenhouse gas emissions associated with, related to or derived or resulting from the generation of electricity.

[TRADE SECRET DATA EXCISED]

“**Event of Default**” shall have the meaning set forth in Section 17.1.

“**Executive Officers**” shall be, in the case of MH the Vice-President Generation Operations, and in the case of MP the Vice-President of Strategy and Planning or its successor, or such other officer designated by each Party from time to time.

“**FERC**” shall mean the Federal Energy Regulatory Commission or its successor.

“**Firm Energy**” shall have the meaning set forth in Section 2.1(1).

“**Firm Energy Price**” shall have the meaning set forth in Section 4.1.

TRADE SECRET DATA EXCISED

“Firm Point-to-Point Transmission Service” shall have the meaning set forth in the applicable OATT.

“Firm Power” shall mean: (a) generating capacity that is intended to be available at all times, except as otherwise agreed by the seller and the purchaser, and for which the seller maintains generation reserves in accordance with standards and requirements established by the RRO to which the seller belongs; and (b) energy that was contracted to be supplied by the seller to the purchaser.

“Firm Transmission Service” shall mean transmission service provided pursuant to the OATT of either Party’s Transmission Provider, being either Firm Point-to-Point Transmission Service or Network Integration Transmission Service, or the highest priority transmission service available pursuant to either Party’s OATT, or in the event that either Party does not have an OATT, the highest priority transmission service available to that Party for the delivery of energy and the supply of capacity.

“Force Majeure” shall mean an event or circumstances that prevents or delays one Party (the **“Claiming Party”**) from performing its obligations under this Agreement and that is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and that, by the exercise of Good Utility Practice, if the Claiming Party is MP and the exercise of Good Hydro Utility Practice if the Claiming Party is MH, unable to overcome or avoid or cause to be avoided, including but not restricted to, acts of God, **[TRADE SECRET DATA EXCISED]**, strikes, lockouts and other labour disturbances, epidemics, pandemic, war (whether or not declared), blockades, acts of public enemies, acts of sabotage or terrorism, civil insurrection, riots or civil disobedience, any situation where delivery or acceptance will endanger the Claiming Party’s facilities or endanger that Party’s system operations, explosions, acts or omissions of any Governmental Authority taken on or after the Effective Date, (including the adoption or change in any law or regulation lawfully imposed by such Governmental Authority) but only if, and to the extent that, such action or inaction by such Governmental Authority prevents or delays the Claiming Party’s performance and/or renders the Claiming Party unable, despite due diligence, to obtain any licenses, permits, or approval required by any Governmental Authority, and the

TRADE SECRET DATA EXCISED

issuance of any order, injunction, or other legal or equitable decree, if any, to the extent that any of the foregoing prevents or delays the performance of the Claiming Party's obligations hereunder. As used in this Agreement, an event or circumstance can "prevent" a Party's performance not only if it physically prevents such performance, but also if it renders such performance unlawful.

"Good Hydro Utility Practice" shall mean, at any particular time, any of the practices, methods, and acts engaged in or approved by a significant portion of the hydro-electric utilities located in North America during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time a decision is made, could be expected to produce the desired result at a reasonable cost consistent with reliability, safety, and expedition. Good Hydro Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but includes a range of acceptable practices, methods, or acts.

"Good Utility Practice" shall mean, at any particular time, any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utilities located in North America during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time a decision is made, could be expected to produce the desired result at a reasonable cost consistent with reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but includes a range of acceptable practices, methods, or acts.

"Governmental Authority" shall mean any federal, state, or provincial government, parliament, legislature, or any regulatory authority, agency, bureau, department, commission or board of any of the foregoing, or any political subdivision thereof, or any court or administrative tribunal, or, without limitation, any other law, regulation or rule-making entity, having jurisdiction in the relevant circumstances, or any Person acting under the authority of any of the foregoing, or any other authority charged with the administration or enforcement of applicable laws.

TRADE SECRET DATA EXCISED

“Governmental Charges” shall mean all applicable federal, state, provincial and local ad valorem, property, occupation, severance, generation, first use, conservation, or energy, transmission, utility, gross receipts, privilege, sales, use, goods and services, consumption, excise and other taxes, charges, emission allowance costs, duties, tariffs, levies, licenses, fees, permits, assessments, adders or surcharges (including public purposes charges and low income bill payment assistance charges), imposed or authorized by a Governmental Authority, independent system operator, utility, transmission and/or distribution provider or similar Person, however styled or payable.

[TRADE SECRET DATA EXCISED]

“Guarantee Agreement” shall mean a guarantee provided to the Requesting Party by a Credit Support Provider with an Investment Grade Credit Rating as Performance Assurance pursuant to Section 14.2(1) in a form acceptable to the Requesting Party acting with commercially reasonable discretion.

“Interest” shall have the meaning set forth in Section 2.6(e).

“Interest Rate” shall mean, for any date, the lesser of: (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in The Wall Street Journal under “Money Rates” on such day (or if not published on such day, on the most recent preceding day on which published), plus two percent (2%); and (b) the maximum rate permitted by applicable law.

“Investment Grade Credit Rating” shall mean with respect to any Person, a rating (unenhanced by unaffiliated third party support) of not less than:

- (a) BBB- from S&P; or
- (b) Baa3 from Moody’s; or
- (c) BBB(low) from DBRS,

then assigned to the lower of:

- (i) its unsecured, senior long-term debt obligations; or
- (ii) if applicable, its issuer rating,

in each instance, unenhanced by unaffiliated third party support and not on “credit watch” or “negative outlook”, provided, however, that in the event that such Person has a rating from one of the aforesaid rating agencies below the required level, the lowest such rating shall apply for the purposes of this definition.

“Letter(s) of Credit” shall mean one or more irrevocable, transferable, standby letters of credit, issued by a commercial bank, as defined in either the Federal Deposit Insurance Act (United States) or the Bank Act (Canada), or successor legislation, operating from an office in either the United States or Canada whose credit rating is, at such time of issuance, at least “A-” by S&P or “A3” by Moody’s or A(low) by DBRS, or an equivalent rating by any successor rating agency thereof (if any), in a form as the issuing bank may request and as may be acceptable in a commercially reasonable manner to the Party in whose favor the Letter of Credit is issued.

“Letter of Credit Default” shall mean with respect to an outstanding Letter of Credit, the occurrence of any of the following events: (a) the issuer of the Letter of Credit shall fail to maintain a credit rating of at least “A-” by S&P or “A3” by Moody’s or A(low) by DBRS; (b) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; (c) such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect, at any time during the Contract Term; (d) any event analogous to an event specified in Section 17.1(c), (d),(e) or (g) of this Agreement shall occur with respect to the issuer of such Letter of Credit; or (e) twenty (20) Business Days prior to the expiration or termination date of such Letter of Credit, such Letter of Credit has not been extended or replaced with a Letter of Credit for an amount at least equal to that of the Letter of Credit being replaced.

“Market” or “Markets” shall mean:

- (a) a Centrally Operated Market; and/or

TRADE SECRET DATA EXCISED

- (b) the wholesale purchase and sale of electricity products and/or related services on a bilateral basis.

“Market Participant” shall have the meaning set forth in the TARIFF.

“Market Portal” shall have the meaning set forth in the TARIFF.

“Market Settlement Amounts” shall mean any and all charges attributable to either Party arising out of a process of determining charges established and maintained at any time and from time to time by a Market (or a Transmission Provider).

“Median Water” means [TRADE SECRET DATA EXCISED]

“MH Minimum Annual Energy Decrement Event” shall have the meaning set forth in Section 3.4(2).

“MH/MP Agreements” shall mean this Agreement, the 250 MW System Power Sale Agreement, the Energy Exchange Agreement and the 2014 Energy Exchange Agreement.

“MH OASIS” shall mean the “Open Access Same-Time Information System” used by MH.

“MH Termination Event” shall have the meaning set forth in Section 17.4.

“MH’s Border Accommodation Power Sales” shall mean those sales of Firm Power made by MH, as seller, which for some purposes are treated by MH as part of MH’s End-Use Load, to Persons located in provinces and states adjacent to the province of Manitoba in circumstances whereby electric service to those locations is not otherwise readily available from other power suppliers. In all cases, these sales are made over transmission systems lower than 115 kV.

“MH’s Conditions Precedent” shall have the meaning set forth in Section 12.1.

TRADE SECRET DATA EXCISED

“MH’s Curtailment of Cleared Firm Energy” shall have the meaning set forth in Section 3.4(4).

“MH’s Electrical Generation Facilities” shall mean MH’s electrical generation facilities that are either owned and operated or operated by MH.

“MH’s End-Use Load” shall mean: (a) the total load of Persons that purchase electric service from MH for their own consumption in the province of Manitoba and not for resale including any portion of that Person’s load that may from time to time not be supplied by MH but may be produced by that Person; (b) MH’s Border Accommodation Power Sales; and (c) MH’s Separated Load Sales.

“MH’s Energy Commitments” shall mean the energy required by MH to serve the total of the following obligations of MH: (a) MH’s End-Use Load; (b) all energy sales by MH that are associated with planning capacity; and (c) all energy sales that are not associated with planning capacity including all of MH’s Firm LD Energy Sales and MH’s Firm Energy Sales.

“MH’s Energy Resources” shall mean the sources of generation identified in Appendix “B”, as such Appendix is revised from time to time.

“MH’s Firm Energy Sales” shall mean those sales by MH described as “Firm Energy Sales” in agreements entered into between MH and third Persons.

“MH’s Firm LD Energy Sales” shall mean those sales by MH described as “Firm LD Sales” in agreements entered into between MH and third Persons.

“MH’s HVDC System” shall mean MH’s high voltage direct current transmission system.

“MH’s Real Time Energy” shall have the meaning set forth in Section 3.2(9).

“MH’s Required Approval” shall have the meaning set forth in Section 12.3.

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“MH’s Separated Load Sales” shall mean those sales of energy made by MH, as seller, which are treated by MH as part of MH’s End-Use Load, to Persons located in provinces and states adjacent to the Province of Manitoba in circumstances whereby electric service to those locations becomes separated due to forced outages, planned outages, or scheduled outages by the applicable Transmission Provider, from the said province or state adjacent to the Province of Manitoba and such outages require electric service to be provided by MH until electric service is restored.

“MH’s Wind Energy” shall mean all energy: (a) that is generated by a wind generation facility that is part of MH’s integrated power system; or (b) was purchased by MH from a wind generation facility.

[TRADE SECRET DATA EXCISED]

“Minimum Annual Energy Amount” shall have the meaning set forth in Section 2.1(1)(b).

“MISO” shall mean the Midcontinent Independent System Operator, Inc.

“MISO OASIS” shall mean “MISO’s Open Access Same-Time Information System” as defined in the TARIFF.

“Moody’s” shall mean Moody’s Investors Service Inc. or its successor.

“MP Minimum Annual Decrement Event” shall have the meaning set forth in Section 3.8(3).

“MP’s Required Approval” shall have the meaning set forth in Section 12.3.

“MP Termination Event” shall have the meaning set forth in Section 17.5.

“MP’s Conditions Precedent” shall have the meaning set forth in Section 12.2.

“MP’s Curtailment of MH’s Cleared Energy” shall have the meaning set forth in Section 3.8(2).

TRADE SECRET DATA EXCISED

“MPUC” shall mean the Minnesota Public Utilities Commission or any successor state regulatory commission of competent jurisdiction.

[TRADE SECRET DATA EXCISED]

“MRO” shall mean the Midwest Reliability Organization or successor regional reliability organization, or any committee or subcommittee thereof.

[TRADE SECRET DATA EXCISED]

“NEB” shall mean the National Energy Board of Canada or its successor.

“NERC” shall mean the North American Electric Reliability Corporation or its successor.

“Net Scheduled Interchange” shall have the meaning set forth in the TARIFF.

“Network Integration Transmission Service” shall have the meaning set forth in the applicable OATT.

“Non-defaulting Party” shall have the meaning set forth in Section 17.3(1).

“Non-Disclosure Agreement” shall mean that certain non-disclosure agreement between the Parties, dated November 11, 2011.

[TRADE SECRET DATA EXCISED]

“On-Peak Hours” shall mean HE 7:00 CPT to HE 22:00 CPT Monday to Friday.

“Open Access Transmission, Energy and Operating Reserve Markets Tariff” or **“TARIFF”** shall mean the Open Access Transmission, Energy and Operating Reserve Markets FERC Electric Tariff, including all schedules and attachments thereto, of the Midcontinent Independent System Operator, Inc. issued on May 1, 2013, as amended, supplemented, or replaced from time to time.

“Open Access Transmission Tariff” or **“OATT”** shall mean a transmission tariff as it may be in effect from time to time that: (a) in the case of MP’s Transmission

TRADE SECRET DATA EXCISED

Provider, has been filed with and accepted by FERC as complying with FERC's then current open access transmission, comparability, and non-discrimination requirements; and (b) in the case of MH, provides reciprocal open access transmission service on sufficiently comparable and non-discriminatory terms so as to entitle MH to use the transmission tariff of Transmission Providers in the United States; and (c) in the case of a third party, has been filed with and accepted by FERC as complying with FERC's then current open access transmission, comparability, and non-discrimination requirements, or provides reciprocal open access transmission service on sufficiently comparable and non-discriminatory terms so as to entitle such entity to transmit electricity with entities whose transmission tariff has been filed with and accepted by FERC as a transmission tariff.

“Operating Committee” shall have the meaning set forth in Section 9.1(1).

“Party” shall mean either MH or MP and **“Parties”** means both MH and MP.

“Performance Assurance” shall have the meaning set forth in Section 14.2(1).

“Person” shall mean an individual, partnership, corporation, limited liability company, trust, unincorporated association, syndicate, joint venture, or other entity or Governmental Authority.

“Pledgor” shall have the meaning set forth in Section 14.3(1).

[TRADE SECRET DATA EXCISED]

“Priority Criteria” shall have the meaning set forth in Section 3.5.

[TRADE SECRET DATA EXCISED]

“Purchase and Sale Exclusion Event(s)” shall mean any or all of the following events or circumstances: (a) MH's offer in respect of any amount of the Firm Energy, does not clear the Day-Ahead Energy and Operating Reserve Market; or (b) the curtailment, restriction, or reduction of any portion of the Firm Energy pursuant to Sections 3.4, 3.7 or 3.8 or Article XIII.

TRADE SECRET DATA EXCISED

“Real-Time Energy and Operating Reserve Market” shall mean the Market for purchases and sales of Energy and Operating Reserve conducted by the Transmission Provider during the Operating Day, each as defined in and in accordance with the TARIFF.

“Real Time Energy Price” shall have the meaning set forth in Section 3.2(9).

“Recipient” shall have the meaning set forth in Section 11.1.

“Representative” shall have the meaning set forth in Section 11.1(b)(i).

“Requesting Party” shall have the meaning set forth in Section 14.2(1).

[TRADE SECRET DATA EXCISED]

“RRO” shall mean a regional reliability organization, including the MRO, if applicable.

“S&P” shall mean Standard & Poor’s Services Group (a division of McGraw-Hill Inc.) or its successor.

“Seams Costs” shall mean any and all transmission and transmission service and related costs applied by one Market for the transmission of energy and related products from that Market or to that Market at the boundary of that Market.

“Schedule” or **“Scheduling”** shall mean the actions of seller, buyer, and their designated representatives, of notifying, requesting, and confirming to each other the quantity of the Firm Energy and/or Ancillary Services to be delivered on any given day or days during the Contract Term.

“Scheduled” shall mean the result of Scheduling.

“Second Party” shall have the meaning set forth in Section 14.2(1).

“Secured Party” shall have the meaning set forth in Section 14.3(1).

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“Supplied Energy” shall mean that portion of the Firm Energy that was, pursuant to this Agreement, supplied and sold by MH attributable to MH’s Energy Resources and for greater certainty shall not include any amount of the Firm Energy that was: (a) offered by MH but did not clear the Day-Ahead Energy and Operating Reserve Market; or (b) curtailed, restricted or reduced pursuant to Sections 3.4, 3.7 or 3.8 or Article XIII.

“Term Sheet” shall have the meaning set forth in the preamble.

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“Transfer System” shall have the meaning set forth in Section 8.4(2).

“Transmission Minimum Annual Energy Decrement Event” shall have the meaning set forth in Section 3.7(3).

“Transmission Provider(s)” shall mean, collectively, the Person or Persons as applicable who direct the operation of the Transmission Provider(s) System.

“Transmission Provider(s) System” shall mean the contiguously interconnected electric transmission and sub-transmission facilities, including land rights, material, equipment and facilities owned, controlled, directed, and/or operated by the Transmission Provider(s) that transmits and distributes electrical energy.

“Transmission Service” shall mean the Firm Transmission Service referred to in Sections 3.1(2), and 3.1(4).

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“Unavailability of MH’s Purchased or Sold Power” shall mean: (a) when all or a portion of capacity and/or energy, purchased from Persons, including from Markets outside the province of Manitoba, are unavailable to MH, due to curtailments, restrictions or reductions of the capacity and/or energy purchased in accordance with the provisions of one or more of the applicable power purchase agreements; or (b) where MH does not have access on commercially reasonable terms to Markets in the

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United States to purchase and import energy and/or capacity into MH's integrated power system despite using Commercially Reasonable Efforts to gain such access; or (c) when the TARIFF or any MISO Business Practices Manual is revised to the extent that they unreasonably restrict MH's ability to export power into the MISO market.

“Unavailability of MH's Purchased Power” shall mean: (a) when all or a portion of the energy purchased by MH from MP (including any assignee of MP) is not received by MH, under the provisions of one or more of the applicable energy or power purchase agreements (if any) between MH and MP (including without limiting the generality of the foregoing due to curtailment or force majeure thereunder) unless the said energy is not received by MH due to MH being in default under the provisions of the applicable agreement; or (b) the occurrence of an uncured “Event of Default” (as defined in the Energy Exchange Agreement) by MP under the Energy Exchange Agreement; or (c) the occurrence of an uncured “Event of Default” (as defined in the 2014 Energy Exchange Agreement) by MP under the 2014 Energy Exchange Agreement.

“U.S. Dollars” or “US \$” shall mean lawful money of the United States of America.

“US Business Day” shall mean Monday through Friday, excluding United States banking holidays (such banking holidays shall be as recognized by the Federal Reserve Board or any successor agency).

“US FCA” shall have the meaning set forth in Section 3.1(1)(c).

“US TSRs” shall have the meaning set forth in Section 3.1(1)(a).

“US Upgrades” shall have the meaning set forth in Section 3.1(1)(b).

“Use Limited System Installed Capacity” shall mean the value attributed to electrical generating capacity based on generator testing data required to be provided by MH to MISO on an annual basis pursuant to MISO's generator testing requirements and that due to design considerations, environmental restrictions on operations, cyclical requirements such as the need to recharge or refill, or for other non-economic reasons, is or may be unable to operate continuously on a daily basis,

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but is capable of providing energy for a minimum of four (4) continuous hours of each day during the expected peak load of the system operator to which the purchaser belongs during the term of the applicable power purchase and sale agreement. For greater certainty, Use Limited System Installed Capacity does not include any generation reserves.

“WPS” shall have the meaning set forth in Section 3.1(1)(a)(ii).

[TRADE SECRET DATA EXCISED]**1.2 Interpretation**

Unless the context otherwise requires, this Agreement shall be interpreted in accordance with the following:

- (a) words singular and plural in number shall be deemed to include the other and pronouns having masculine or feminine gender shall be deemed to include the other;
- (b) any reference in this Agreement to any Person, includes its successors and permitted assigns, and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities;
- (c) any reference in this Agreement to any section or Appendix means and refers to the section contained in, or Appendix attached to, this Agreement;
- (d) other grammatical forms of defined words or phrases have corresponding meanings to the defined words or phrases;
- (e) a reference to writing includes typewriting, printing, lithography, photography, and any other mode of representing or reproducing words, figures or symbols in a lasting and visible form, including electronic mail;
- (f) a reference to a Party to this Agreement includes that Party's successors and permitted assigns;
- (g) a reference to a document or agreement, including this Agreement, includes a reference to that document or agreement as amended from time to time and includes any exhibits or attachments thereto;

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- (h) headings are inserted for convenience only and shall not affect the interpretation of this Agreement or any section thereto;
- (i) the preamble hereto shall form an integral part of this Agreement; and
- (j) the word “including” means “including without limitation”.

1.3 No Presumption

The Parties are both represented by counsel, have both participated in the negotiation and drafting of this Agreement, and have endeavoured to ensure that the terms of this Agreement are as clear as possible. Accordingly, in interpreting this Agreement there shall be no presumption in favour of or against any Party on the basis that it was or was not the drafter of this Agreement or any individual provision thereof.

ARTICLE II**SUPPLY AND PURCHASE OBLIGATIONS****2.1 Offers of Energy**

- (1) During each day of the Contract Term, MH shall sell to MP and MP shall purchase from MH such quantity of energy, if any, that MH determines for that day on a Day Ahead Basis that it has available for sale to MP, and is offered by MH to MP, on a Day Ahead Basis (the “**Firm Energy**”) provided that:
 - (a) the energy so offered for each hour in that day shall not exceed 133 MWh per hour; and
 - (b) so long as MH has experienced Median Water during a Contract Year during the Contract Term, as determined by MH on or before 120 calendar days after the end of such Contract Year, MH agrees that during such Contract Year, it shall have offered and made available, in accordance with Article III, a minimum of [**TRADE SECRET DATA EXCISED**] MWh of energy (the “**Minimum Annual Energy Amount**”).

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- (2) MH agrees to provide to MP, within 180 days of the end of each Contract Year, of the quantity of hydraulic generation that was generated by MH in that Contract Year from MH's integrated power system.
- (3) The Parties acknowledge that the Firm Energy has no Use Limited System Installed Capacity component and has no other capacity component except for operating capacity only in the event of and to the extent MH is required to make the Firm Energy available to MP in accordance with this Agreement.

2.2 Firm Energy

MH shall during the Contract Term, offer and make available the Firm Energy to the Delivery Point and MP shall accept delivery of and pay for the Firm Energy or alternatively, pay for the Firm Energy if not taken. The Parties acknowledge that the quantity of Firm Energy sold by MH and purchased by MP is impacted by the provisions of Section 3.2. The Parties further acknowledge MH would not be required to make available to MP, and MP would not be required to accept delivery of and pay for, or pay for if not taken, that quantity of Firm Energy that was curtailed, restricted or reduced pursuant to and in accordance with the provisions of Sections 3.4, 3.7 or 3.8 or if the additional Force Majeure provisions of Article XIII apply.

2.3 Delivery Point

- (1) The Parties agree that the delivery point for the Firm Energy that is sold by MH and purchased by MP under this Agreement shall be at the point or points where MH's major transmission facilities cross the international boundary between the Province of Manitoba and the United States of America (the **"Delivery Point"**).
- (2) The Delivery Point for any portion of the Firm Energy to be sold and purchased herein may only be changed with the consent of the Parties, provided that the Party receiving a request from the other Party to change the Delivery Point must use Commercially Reasonable Efforts in responding to such request.

2.4 Title and Risk of Loss

Title to and risk of loss of the Firm Energy sold and purchased under this Agreement shall pass from MH to MP at the Delivery Point.

2.5 Ancillary Services

- (1) MP acknowledges and agrees that: (a) MH shall be entitled to retain all Ancillary Services; (b) MH shall be entitled to sell the Ancillary Services to other Persons through use of the Market Portal or otherwise and without limiting the generality of the foregoing, MH has the right to offer and/or schedule the Ancillary Services into the MISO market including in conjunction with Schedules for the delivery of the Firm Energy to MP in accordance with Section 3.2 or, in MH's sole discretion through the use of the Market Portal; (c) the price for the Firm Energy does not include any value in respect of or related to the Ancillary Services; and (d) MP shall use Commercially Reasonable Efforts to comply with all reasonable requests of MH concerning the Firm Energy and MH's participation in any Market in respect of or related to the Ancillary Services.
- (2) If MH's offer in respect of the Ancillary Services associated with a quantity of Firm Energy clears the Day-Ahead Energy and Operating Reserve Market, the Parties acknowledge that MH shall have no obligation to make available such quantity of energy to MP and MP shall have no obligation to pay for such quantity of energy, but MH shall continue to otherwise have an obligation to make available in accordance with Articles 2 and 3 that portion, if any, of the Firm Energy that MH offered into and cleared the Day-Ahead Energy and Operating Reserve Market and MP shall be obligated to pay for same.
- (3) MP shall, if required pursuant to the Market mechanisms in effect at the applicable time, approve any valid NERC E-Tag, prepared pursuant to and in accordance with the applicable Market procedures, associated with any offer of Ancillary Services made by MH pursuant to this Agreement into the Day-Ahead Energy and Operating Reserve Market and MP shall take such other

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actions as may be reasonably requested by MH pursuant to the Market mechanisms in effect at the applicable time in respect of such offers.

- (4) In the event that MP receives any compensation or payment from MISO or otherwise for Ancillary Services that were offered or scheduled by MH, MP shall remit such compensation or payment to MH or MP shall request the MISO redirect any such compensation or payments to MH.

2.6 Monthly Must Take Fee

MH shall make monthly payments during the Contract Term to MP in accordance with Sections 5.5 and 5.6 in each calendar month of each MTF Contract Year (excluding the last calendar month of the Contract Term) determined by the sum of the amounts calculated pursuant to Sections 2.6 (a), (b), (c), (d), (e), and (f) for such MTF Contract Year (“**Monthly Must Take Fee**”) as follows:

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2.7 Additional Purchase of Energy and/or Power

MH and MP agree to enter into negotiations prior to the end of the Contract Term for additional purchases and sales of energy and/or power on mutually agreeable terms utilizing the available capacity of the 500 kV Transmission Interconnection, provided, however that failure to reach any agreement shall not affect any agreements between MH and MP.

ARTICLE III**SCHEDULING AND DELIVERY****3.1 Transmission**

- (1) The Parties acknowledge and agree:
- (a) Transmission service requests have been filed on the MISO OASIS:
 - (i) by MH for 883 MW of northbound transfer capability;

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(ii) by MP, MH and Wisconsin Public Service Corporation (“WPS”) for 883 MW of southbound transfer capability which includes:

- (A) MP pursuant to transmission service request 76703672 for 250 MW of southbound transfer capability; and
- (B) MP pursuant to transmission service request number 79258361 for 133 MW of southbound transfer capability (the “**133 MW US TSR**”); (such filed transmission service requests collectively the “**US TSRs**”),

and for recognition of such transfer capability as Firm Transmission Service under the TARIFF;

- (b) to accommodate the US TSRs, additions, alterations, and improvements will be required to MP’s transmission system (the “**US Upgrades**” which includes without limitation, the 500 kV US Transmission Interconnection);
- (c) a facilities construction agreement would be required to be entered into in accordance with the requirements of MISO for the construction and maintenance of the US Upgrades (the “**US FCA**”);
- (d) MH has filed individual transmission service requests on the MH OASIS (such filed transmission service requests collectively the “**Canadian TSRs**”) for:
 - (i) a total 883 MW of northbound transfer capability; and
 - (ii) a total 883 MW of southbound transfer capability which includes:

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(A) 133 MW of southbound transfer capability pursuant to transmission service request number 79622799 (the “**133 MW Canadian TSR**”);

and for recognition of such transfer capability as Firm Transmission Service under MH’s OATT;

- (e) to accommodate the Canadian TSRs, additions, alterations, and improvements will be required to MH’s Transmission Providers transmission system (the “**Canadian Upgrades**” which includes without limitation, the 500 kV Canadian Transmission Interconnection”);
- (f) a facilities construction agreement would be required to be entered into in accordance with the requirements of MH’s Transmission Provider for the construction and maintenance of the Canadian Upgrades (the “**Canadian FCA**”);
- (g) the US Upgrades and the Canadian Upgrades are expected to consist of the United States portion and the Canadian portion, respectively, of a new 500 kilovolt international transmission interconnection utilizing a route between the Dorsey sub-station in Manitoba and the Blackberry sub-station near Grand Rapids, Minnesota (the Canadian and United States components of the said transmission interconnection collectively referred to the “**500 kV Transmission Interconnection**”)(the United States component of the 500 kV Transmission Interconnection referred to as the “**500 kV US Transmission Interconnection**”)(the Canadian component of the 500 kV Transmission Interconnection referred to as the “**500 kV Canadian Transmission Interconnection**”);
- (h) if a Canadian FCA is entered into, MH agrees it will fund all of the costs for constructing the Canadian Upgrades on the conditions and

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terms set out in the Canadian FCA and will comply with the provisions of such agreement;

- (i) if a US FCA is entered into, MH agrees it will contribute or cause an Affiliate of MH to contribute to the costs for constructing and maintaining the US Upgrades on the conditions and terms set out in the US FCA or otherwise by separate agreement with MH and/or its Affiliate and MP, and MH and/or its Affiliate and MP, as applicable, agree to comply with the provisions of such agreement(s); and
 - (j) if a US FCA is entered into, MP agrees it will contribute to the costs for constructing and maintaining the US Upgrades on the conditions and terms set out in the US FCA or otherwise by separate agreement with MH and/or its Affiliate, as applicable, and MP agrees it will comply with the provisions of such agreement(s).
- (2) MH acknowledges and agrees that the Canadian Upgrades, if built and completed, shall enable the provision of Firm Transmission Service in respect of the purchase of the Firm Energy that is made available and sold by MH pursuant to this Agreement to the Delivery Point, subject to:
 - (a) MH receiving from MH's Transmission Provider pursuant to MH's OATT, 133 MW of southbound Firm Transmission Service in respect of the 133 MW Canadian TSR as a result of the Canadian Upgrades being constructed and placed in-service.
- (3) MH agrees:
 - (a) to use Commercially Reasonable Efforts to obtain the Firm Transmission Service referred to in Section 3.1(2)(a) above; and
 - (b) subject to Sections 3.1(1) and 3.1(2)(a) to arrange and pay for Firm Transmission Service for the delivery of the Firm Energy to be made available and sold by MH pursuant to this Agreement to the Delivery

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Point. Without limiting the generality of the foregoing, MH shall be responsible for the payment of any and all Market Settlement Amounts, transmission charges and associated charges, congestion charges, transmission loss charges and/or transmission energy losses, and all other charges assessed by MH's Transmission Provider for the delivery of the Firm Energy made available and sold by MH pursuant to this Agreement to the Delivery Point. For greater certainty, no provision of this Agreement shall obligate MH and/or any Affiliate of MH to pay for any of the costs of constructing, operating or maintaining the Canadian Upgrades, or any of the costs of constructing, operating and maintaining the US Upgrades and such obligations, will be as set out in the Canadian FCA and the US FCA, as applicable.

- (4) MP acknowledges and agrees that the US Upgrades, if built and completed, shall enable the provision of Firm Transmission Service, in respect of the purchase of the Firm Energy that is sold by MH and purchased by MP pursuant to this Agreement, from the Delivery Point, subject to:
 - (a) MP receiving from MISO, pursuant to the TARIFF, 133 MW of southbound Firm Transmission Service in respect of the 133 MW US TSR as a result of the US Upgrades being constructed and placed in-service.
- (5) MP agrees:
 - (a) to use Commercially Reasonable Efforts to obtain the Firm Transmission Service referred to in Section 3.1(4)(a); and
 - (b) subject to Sections 3.1(1) and 3.1(4)(a), to arrange and pay for Firm Transmission Service for the delivery of the Firm Energy to be received and purchased by MP pursuant to this Agreement from the Delivery Point. Without limiting the generality of the foregoing, MP shall be responsible for the payment of any and all Market Settlement

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Amounts, transmission charges and associated charges, congestion charges, transmission loss charges and/or transmission energy losses, and all other charges assessed by MP's Transmission Provider for the delivery of the Firm Energy received and purchased by MP pursuant to this Agreement from the Delivery Point. For greater certainty, no provision of this Agreement shall obligate MP to pay for any of the costs of constructing, operating or maintaining the US Upgrades and such obligations, will be as set out in the US FCA.

3.2 Offers and Scheduling

- (1) MP shall be required to Schedule any of the Firm Energy that has been offered on a Day-Ahead Basis by MH. The Firm Energy that is Scheduled shall be Scheduled using the Transmission Service.
- (2) The price at which MH offers all of the Firm Energy pursuant to this Agreement, into the Day-Ahead Energy and Operating Reserve Market, shall be at the sole discretion of MH.
- (3) All Firm Energy that is to be Scheduled shall be Scheduled and provide for delivery up to 133 MWh per hour, over the applicable hour(s) that MH offered Firm Energy on a Day-Ahead Basis during the Contract Term.
- (4) MP shall, if required pursuant to the Market mechanisms in effect at the applicable time, approve any valid NERC E-Tag, prepared pursuant to and in accordance with the applicable Market procedures, associated with any offer of Firm Energy made by MH pursuant to this Agreement into the Day-Ahead Energy and Operating Reserve Market and MP shall take such other actions as may be reasonably requested by MH pursuant to the Market mechanisms in effect at the applicable time in respect of such offers.
- (5) During any hour during the Contract Term that a Purchase and Sale Exclusion Event has occurred, MH shall have no obligation to sell and make available, and MP shall have no obligation to purchase and receive, that quantity of the Firm Energy that is subject to or otherwise applicable to the Purchase and Sale Exclusion Event.

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- (6) The Parties shall during the Contract Term Schedule the Firm Energy in a manner that would enable MH to satisfy its obligations under this Agreement utilizing MH's resources, (which includes MH's Electrical Generation Facilities), and/or third party purchases, and/or Markets available to MH and the right to utilize any market mechanisms that are available to MH throughout the Contract Term to satisfy its obligations under this Agreement. Without limiting the generality of the foregoing, the Parties agree that the Market Portal may be utilized at MH's sole discretion to offer and/or Schedule into the MISO market. The Parties further agree that if: **[TRADE SECRET DATA EXCISED]**
- (7) Each Party shall be responsible for and pay its own costs and expenses associated with the purchase and sale of the Firm Energy under the applicable OATT and/or TARIFF, including without limitation, any Market Settlement Amounts.
- (8) MH shall, where required to submit an offer or electing to submit an offer in the Day-Ahead Energy and Operating Reserve Market for the Firm Energy, subject to the provisions of Section 3.2(10) use a Dispatchable Interchange Schedule with an Offer, in the Day-Ahead Energy and Operating Reserve Market in order to satisfy its obligations under this Agreement, based on the present Scheduling practices and procedures of the TARIFF. MH shall, subject to the provisions of Section 3.2(10), submit such Dispatchable Interchange Schedule with an Offer in accordance with the timing requirements of the MISO Business Practices Manuals. MP shall approve, if required pursuant to the Market mechanisms in effect at the applicable time, the Dispatchable Interchange Schedule with an Offer submitted by MH pursuant to this Agreement and take such other actions as may be reasonably requested by MH pursuant to the Market mechanisms in effect at the applicable time in respect of such Dispatchable Interchange Schedule with an Offer. Notwithstanding the foregoing, including Section 3.2(3), MH may in its sole discretion, utilize the Market Portal to Schedule and/or offer into the MISO market.

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- (9) MP acknowledges that during the Contract Term, MH shall have the right to sell energy (“**MH’s Real Time Energy**”), at the Delivery Point, to MP or to the MISO market, using the Transmission Service capability that has not otherwise been utilized under this Agreement, and the Real-Time Energy and Operating Reserve Market: (a) subject to MH paying all incremental Market Settlement Amounts, if any, charged to MP that were directly related to MH’s offer of energy pursuant to this Section 3.2(9) into the Real-Time Energy and Operating Reserve Market; (b) subject to MH receiving the benefit of any Market Settlement Amounts referred to in (a) above; (c) **[TRADE SECRET DATA EXCISED]** The Operating Committee shall make and implement decisions and procedures regarding the sale and purchase and delivery and receipt of MH’s Real Time Energy.
- (10) As of the Effective Date, the Parties are Market Participants and the terms of Section 3.2(8) reflects the Scheduling practices and procedures of the TARIFF. The Parties further acknowledge that in the event that, at any time after the Effective Date and prior to the end of the Contract Term: (i) either one or both of the Parties is no longer a Market Participant; or (ii) the TARIFF or the MISO Business Practices Manuals are no longer in effect or are revised, to the extent that the requirements of Sections 3.2(8) would, if complied with by either Party, achieve a result that would be materially inconsistent with the rights and obligations of the Parties pursuant to the other provisions of this Agreement; or (iii) the MISO market no longer exists, the Parties agree that a new Scheduling mechanism which is consistent with the rights and obligations of the Parties pursuant to this Agreement shall be established including: (A) MP purchasing and taking title to all of the Firm Energy at the Delivery Point and paying for same; and (B) the Parties shall during the Contract Term Schedule the Firm Energy in a manner that would enable MH to satisfy its obligations under this Agreement utilizing MH’s resources, (which includes MH’s Electrical Generation Facilities), and/or third party purchases, and/or Markets available to MH and the right to utilize any market mechanisms that are available to MH throughout the Contract Term to satisfy its obligations

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under this Agreement; and make such other necessary amendments to this Agreement to reflect the new Scheduling mechanism, and the Parties agree to direct the Operating Committee to immediately enter into good faith negotiations to establish such new Scheduling mechanism and make such other necessary amendments to this Agreement to reflect the new Scheduling mechanism, failing which the establishment of a new Scheduling mechanism and other amendments to this Agreement shall be determined pursuant to Article XVI on the condition that they are consistent with the rights and obligations of the Parties under this Agreement prior to the revision.

- (11) The Parties further acknowledge that in the event that, at any time after the Effective Date and prior to the end of the Contract Term: (i) either one or both of the Parties is no longer a Market Participant; or (ii) the MISO market no longer exists; and the Parties are participants in different Centrally Operated Markets or one or both of the Parties is not a participant in a Centrally Operated Market, the Parties agree that the “must take” provisions of this Agreement applicable to the Firm Energy shall no longer apply and the Parties shall mutually agree on what quantity, if any, of Firm Energy that MH shall be required to sell to MP and MP shall be required to purchase from MH, but that the “must take” provisions of this Agreement shall continue to apply to all of the Firm Energy if the Parties are participants in the same Centrally Operated Market.
- (12) The Parties further acknowledge and agree that in the event that, at any time after the Effective Date and prior to the end of the Contract Term either one or both of the Parties is no longer a Market Participant and one Party is a participant in a Centrally Operated Market that is different from the Centrally Operated Market in which the other Party participates: (i) where one Party is still a participant in the MISO market, the Party that is no longer a participant in the MISO market shall pay all Seams Costs incurred by the Parties in respect of the sale and purchase and delivery of the Firm Energy; and (ii) where neither Party is a participant in the MISO market the Seams Costs

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incurred by the Parties in respect of the sale and purchase and delivery of the Firm Energy shall be accounted for and allocated between the Parties in an equitable and fair manner taking into account all of the circumstances associated with the Parties incurring such costs.

- (13) The Parties further acknowledge that in the event that, at any time after the Effective Date and prior to the end of the Contract Term: (i) either one or both of the Parties is no longer a Market Participant; or (ii) the TARIFF or the Market Business Practices Manuals are no longer in effect or are substantially revised; or (iii) the MISO market no longer exists, the Operating Committee will meet, consult in good faith, and consistent with Section 9.1(3)(d), make recommendations to the Parties about what amendments or revisions to the Agreement (if any) would be appropriate to address one or both Parties not being a Market Participant, the TARIFF changes or the end of the MISO market. The Operating Committee shall also keep a record of changes to the TARIFF that could impact on the scope and meaning of the Agreement and consistent with Section 9.1(3) make recommendations to the Parties about what amendments or revisions to the Agreement (if any) would be appropriate to address the TARIFF changes.
- (14) Capitalized terms used in this Section 3.2 and not otherwise defined in this Agreement shall have the meanings prescribed in the TARIFF or the MISO Business Practices Manual for Definitions.

3.3 Transmission System Operations

The Parties acknowledge that, as of the Effective Date, their respective Transmission Providers operate their transmission systems pursuant to the provisions of an OATT. Nothing in this Agreement shall obligate either Party or their respective Transmission Providers to maintain an OATT in effect during the Contract Term. Notwithstanding Section 3.1, in the event that either Party's Transmission Provider ceases to maintain an OATT at any time during the Contract Term, that Party agrees that it shall use

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Commercially Reasonable Effort to obtain sufficient transmission capacity for delivery of the applicable amount of the Firm Energy to/from the Delivery Point, as applicable.

3.4 MH's Energy Curtailments and Decrements

(1) MH shall have the right to curtail, restrict, or reduce the sale and supply of any of the Firm Energy in accordance with any of the following provisions:

- (a) during any period(s) of time during the Contract Term, if there is either an: (A) Unavailability of MH's Purchased Power; or (B) all or a portion of MH's Electrical Generation Facilities' capacity is unavailable due to: (i) forced outages of one or more generating unit(s); or (ii) derates of one or more generating unit(s) caused by low water flow or other reason; or (iii) the unavailability of generation outlet capacity caused by a forced outage or derate of MH's HVDC System; or (iv) scheduled outages of generating unit(s) or MH's HVDC System, to the extent that such scheduled outages are reasonably necessary to avoid equipment damage to facilities or to avoid the deferral of normal or scheduled maintenance beyond that consistent with Good Hydro Utility Practice, and if and to the extent that such Unavailability of MH's Purchased Power or outages or derates, as referenced in any of clauses (i), (ii), (iii) or (iv), cause MH to have insufficient energy to serve MH's Energy Commitments, the Firm Energy may be curtailed, restricted or reduced by MH by the amount, if any, determined after application of the Priority Criteria; or
- (b) during any period(s) of time during the Contract Term, if and to the extent a Force Majeure event or circumstance(s) otherwise precludes MH's ability to make available, or to continue to make available, any of the Firm Energy in accordance with this Agreement, then to that extent the Firm Energy, may be curtailed, restricted or reduced by MH by the amount, if any, determined after application of the Priority Criteria; or

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- (c) if and to the extent necessary to avoid curtailing, restricting or reducing service to MH's End-Use Load, in a manner consistent with and to the extent authorized by "Requirement 6.3 of NERC Standard EOP-002" or its successor requirements.
- (2) MH shall have the right to decrement the Minimum Annual Energy Amount, if applicable for a Contract Year, when during that Contract Year:
 - (a) there is either an: (A) Unavailability of MH's Purchased or Sold Power; or (B) all or a portion of MH's Electrical Generation Facilities capacity is unavailable due to: (i) forced outages of one or more generating unit(s); or (ii) derates of one or more generating unit(s) caused by low water flow or other reason; or (iii) the unavailability of generation outlet capacity caused by a forced outage or derate of MH's HVDC System; or (iv) scheduled outages of generating unit(s) or MH's HVDC System, to the extent that such scheduled outages are reasonably necessary to avoid equipment damage to facilities or to avoid the deferral of normal or scheduled maintenance beyond that consistent with Good Hydro Utility Practice, and if and to the extent that such Unavailability of MH's Purchased or Sold Power or outages or derates, as referenced in any of clauses (i), (ii), (iii) or (iv) cause MH to have insufficient energy to serve MH's Energy Commitments; or
 - (b) a Force Majeure event or circumstance precludes MH's ability to have energy available to offer to MP in accordance with this Agreement,

(each of the events referred to in (a) and (b) of this Section 3.4(2) is referred to as an "**MH Minimum Annual Energy Decrement Event**"),

by the amount, if any, determined in accordance with the provisions of Section 3.10(a). For greater certainty, a MH Minimum Annual Energy Decrement Event can occur and continue only during a period of time during the Contract Term when MH has not offered energy to MP pursuant to this Agreement but

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can not occur during a period of time for which MH has offered energy to MP in accordance with this Agreement. The Parties also acknowledge and agree that any Firm Energy amount that is offered by MH and curtailed pursuant to Section 3.4(1) shall, notwithstanding such curtailment, be credited to MH as part of the Minimum Annual Energy Amount, if applicable, for a Contract Year, that MH was to have offered and made available during the applicable Contract Year, in accordance with Section 2.1.

- (3) In the event of the exercise by MH of the right pursuant to Section 3.4(1) to curtail, restrict or reduce any of the Firm Energy, MH shall:
 - (a) subject to Section 3.4(3)(c) exercise that right only for an amount and for the applicable time period(s), after application of the Priority Criteria, that MH determines is necessary to respond to the circumstance giving rise to this right to curtail, restrict or reduce any of the Firm Energy; and
 - (b) exercise Good Hydro Utility Practice to overcome the circumstances giving rise to this right, provided however that MP hereby acknowledges and agrees that the exercise of Good Hydro Utility Practice would not obligate MH to make additional purchases of energy from a third party and/or the Markets.
- (4) In the event MH curtails, restricts, or reduces the supply of any of the Firm Energy that has already been accepted into the MISO market or cleared the Day-Ahead Energy and Operating Reserve Market, as applicable (“**MH’s Curtailment of Cleared Firm Energy**”), MH shall be responsible for any Market Settlement Amounts charged to MP that were directly related to the curtailment, restriction or reduction in the supply of the Firm Energy due to MH’s Curtailment of Cleared Firm Energy under the applicable OATT and/or TARIFF.

3.5 Curtailment Priority Criteria

In the event of the exercise by MH of the right granted pursuant to Section 3.4(1) to curtail, restrict or reduce any of the Firm Energy, then the following priority criteria (the “**Priority Criteria**”) shall be used by MH to determine the amount of any of the Firm Energy for the applicable time period(s) that shall be subject to curtailment, restriction or reduction, if applicable, for a Contract Year:

- (a) MH’s End-Use Load shall have priority over all other power and energy sales of MH;
- (b) any power and/or energy sale by MH that is associated with planning capacity and is not part of MH’s End Use Load shall take priority over all other power and energy sales of MH, except for MH’s End-Use Load;
- (c) all of MH’s Firm LD Energy Sales and MH’s Firm Energy Sales shall take priority over all other power and/or energy sales of MH, except for those referred to in categories (a) and (b) above;
- (d) all other power and/or energy sales by MH except for those referred to in categories (a), (b) and (c) above shall have the lowest priority; and
- (e) in the event that more than one power and/or energy sale of the same types referred to in categories (b), and (c) of this Section 3.5 exists, curtailment with respect to such power or energy sales within that category shall be determined on a pro rata basis.

The Parties acknowledge that the purchase and sale of the Firm Energy pursuant to this Agreement is part of Section 3.5(c).

3.6 Option to Continue Deliveries

MP acknowledges and agrees that: (a) no provision in this Agreement requires MH to implement the right granted pursuant to Sections 3.4(1) to curtail, restrict or reduce the Firm Energy; (b) MH retains the right to supply the applicable amount of the Firm Energy, under conditions which give rise to the right to curtail, restrict or reduce the applicable amount of the Firm Energy under Section 3.4(1), from any of MH’s

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Electrical Generation Facilities, third party purchases, Markets or market mechanisms available to MH, during any period of time, for which this right exists, provided MH does so for the entire period of time during which it had the right pursuant to Section 3.4(1) to curtail, restrict or reduce the applicable amount of the Firm Energy to be supplied and does not selectively assert the right to provide the applicable amount of the Firm Energy in only some, but not all, hours of the period of time when it would otherwise have the right to curtail, restrict or reduce the applicable amount of the Firm Energy; and (c) in conjunction with the implementation of the right granted pursuant to Section 3.4(1) to curtail, restrict or reduce any of the applicable amount of the Firm Energy and MH's covenant to do so in accordance with the provisions of Section 3.5 and the Priority Criteria referenced therein, MH shall have the right, but not the obligation, to curtail, restrict or reduce one type of its power and/or energy sales and not another type of its power and/or energy sales even though under the Priority Criteria the power and/or energy sale that was curtailed had a higher priority. The exercise of the right under Section 3.6(c) is subject to MH continuing to provide service, through purchases made from third parties, Markets and/or Market mechanisms available to MH, to the power and/or energy sale that was not curtailed despite having a lower priority. For greater certainty the exercise of the right under Section 3.6(c) does not restrict or limit MH's right granted pursuant to Section 3.4(1) to curtail, restrict or reduce the applicable amount of the Firm Energy.

3.7 Transmission Provider Curtailments and Decrements

- (1) In the event that the Transmission Provider(s) of MH and/or MP reduces or curtails the Firm Transmission Service designated, allocated or required for the delivery of the Firm Energy, the Firm Energy that is to be supplied by MH and received by MP shall be curtailed, restricted or reduced in accordance with the provisions of that Transmission Provider's OATT. The Parties also agree that where MH has been unable to obtain sufficient quantities of Net Scheduled Interchange including "ramp capability" to have its offer for the energy clear the Day-Ahead Energy and Operating Reserve Market, the quantity of the

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Firm Energy that did not clear the said market shall be deemed to have been curtailed pursuant to this Section 3.7(1).

- (2) Subject to Section 19.3, in the event MH, MH's Transmission Provider or MP's Transmission Provider ceases to have an OATT, curtailment or reduction of Firm Energy Schedules hereunder in order to maintain the reliable operation of the interconnected AC transmission system shall be implemented exclusively in accordance with this Section. Curtailment of energy deliveries under this Section to accommodate such events shall be implemented as follows, in the order specified, until the required amount of loading relief has been obtained: (a) all transmission service or transactions that are lower than Firm Transmission Service, and which contribute to the condition requiring curtailment, shall be curtailed first; (b) the applicable Party shall use Commercially Reasonable Efforts to cause the curtailing Person to redispatch its generation system to continue the Schedules hereunder consistent with producing the desired loading mitigation upon the congested facility(s); and (c) to the extent all transactions identified in clause (a) of this Section 3.7(2) are curtailed and system redispatch is not sufficient to produce the necessary mitigation that would avoid curtailment of the Schedules under this Agreement, the transaction curtailment priority used by MH relative to all uses of such AC transmission system at the time shall be implemented in a comparable and non-discriminatory manner.
- (3) In the event that the Transmission Provider(s) of MH and/or MP reduces or curtails the Firm Transmission Service designated, allocated or required for the delivery of the energy offered by MH to MP pursuant to this Agreement (**"Transmission Minimum Annual Energy Decrement Event"**), the Minimum Annual Energy Amount, if applicable for a Contract Year, shall be decremented by the amount determined in accordance with Section 3.10(b), during the period of such Transmission Minimum Annual Energy Decrement Event. For greater certainty, a Transmission Minimum Annual Energy Decrement Event can occur and continue only during a period of time when MH has not offered energy to MP pursuant to this Agreement but can not occur during a period of time for which MH has offered energy to MP in

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accordance with this Agreement. The Parties also acknowledge and agree that any Firm Energy amount that is offered by MH and curtailed pursuant to Section 3.7(1) shall, notwithstanding such curtailment, be credited to MH as part of the Minimum Annual Energy Amount, if applicable, for a Contract Year, that MH was to have offered and made available during the applicable Contract Year, in accordance with Section 2.1.

3.8 MP's Curtailments and Decrements

- (1) MP shall have the right to refuse to accept and purchase such quantity of the energy offered by MH pursuant to this Agreement to the extent a Force Majeure event or circumstance(s) precludes MP's ability to accept such quantity of the energy that is offered by MH pursuant to this Agreement.
- (2) In the event MP refuses to accept any of the Firm Energy, pursuant to Section 3.8(1), that has already been accepted into the MISO market or cleared the Day-Ahead Energy and Operating Reserve Market, as applicable ("**MP's Curtailment of MH's Cleared Energy**"), MP shall be responsible for any Market Settlement Amounts charged to MH that were directly related to the curtailment, restriction or reduction in the supply of the Firm Energy due to MP's Curtailment of MH's Cleared Energy under the applicable OATT and/or TARIFF.
- (3) The Minimum Annual Energy Amount, if applicable for a Contract Year, shall be decremented when a Force Majeure event or circumstance would preclude MP from accepting energy from MH under this Agreement ("**MP Minimum Annual Energy Decrement Event**"), during the period of such MP Minimum Annual Energy Decrement Event, by the amount determined in accordance with Section 3.10(c). For greater certainty, a MP Minimum Annual Energy Decrement Event: (i) can occur and continue only during a period of time when MH has not offered energy to MP pursuant to this Agreement; (ii) will occur if MH has not offered energy to MP, if MP has advised MH that a Force Majeure event or circumstance, in accordance with the provisions of this Agreement, would prevent MP from accepting energy from MH under this

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Agreement; and (iii) can not occur during a period of time for which MH has offered energy to MP in accordance with this Agreement. The Parties also acknowledge and agree that any Firm Energy amount that is offered by MH and is curtailed pursuant to Section 3.8(1) shall, notwithstanding such curtailment, be credited to MH as part of the Minimum Annual Energy Amount, if applicable, for a Contract Year, that MH was to have offered and made available during the applicable Contract Year, in accordance with Section 2.1.

3.9 Curtailment and/or Decrementing Notices

Each Party shall provide as much notice as practicable to the other Party regarding: (i) the curtailment, restriction or reduction or refusal of the supply or acceptance, as applicable, of the Firm Energy and/or the energy offered by MH, as applicable; and/or (ii) the decrementing of the Minimum Annual Energy Amount, if applicable for a Contract Year, in each instance pursuant to the applicable subsections of Sections 3.4, 3.7 and 3.8 and Article XIII. Such notices shall include the anticipated duration and amount of: (a) the curtailment, restriction, or reduction or refusal of the supply or acceptance, as applicable, of the Firm Energy and where practicable, daily updates; and/or (b) the decrementing of the Minimum Annual Energy Amount, if applicable for a Contract Year, and where practicable daily updates.

3.10 Minimum Annual Energy

The Minimum Annual Energy Amount, if applicable for a Contract Year, shall be decremented:

- (a) for each MH Minimum Annual Energy Decrement Event that occurs during the applicable Contract Year, that MH has determined it will exercise its right to decrement the Minimum Annual Energy Amount, by the amount determined from multiplying: (i) the duration (in hours) of the applicable MH Minimum Annual Energy Decrement Event; and (ii) **[TRADE SECRET DATA EXCISED]**;

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- (b) for each Transmission Minimum Annual Energy Decrement Event that occurs during the applicable Contract Year, by the amount determined from multiplying: (i) the duration (in hours) of the Transmission Minimum Annual Energy Decrement Event; and (ii) **[TRADE SECRET DATA EXCISED]**; and
- (c) for each MP Minimum Annual Energy Decrement Event that occurs during the applicable Contract Year, by the amount determined from multiplying (i) the duration (in hours) of the MP Minimum Annual Energy Decrement Event; and (ii) **[TRADE SECRET DATA EXCISED]**.

3.11 Contingency Reserves, Contingency Reserves Emergency Energy, and Emergency Energy

The Parties acknowledge and agree that:

- (a) Contingency Reserves and Contingency Reserves Emergency Energy made available by MH to MISO during the Contract Term pursuant to MH's NERC Contingency Reserve obligations shall not be considered to be Firm Energy;
- (b) Emergency Energy made available by MH to MISO during the Contract Term shall not be considered to be Firm Energy;
- (c) MH shall have the right to deliver during the Contract Term Contingency Reserves, Contingency Reserves Emergency Energy and Emergency Energy using the Transmission Service;
- (d) all payments received by MP from a Transmission Provider for Contingency Reserves, Contingency Reserves Emergency Energy and/or Emergency Energy made available to MISO by MH during the Contract Term which are received by MP by virtue of MP's rights in and to the Transmission Service or otherwise shall be remitted by MP to MH in the month following MP's receipt of said payments; and
- (e) all costs associated with Contingency Reserves, Contingency Reserves Emergency Energy and/or Emergency Energy charged to MH by MISO which are attributable to MP during the Contract Term shall be billed to MP by MH

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and shall be paid by MP in the month following MP's receipt of the billing for said costs to the extent MH is not compensated by MISO for the said costs.

ARTICLE IV**ENERGY PRICING****4.1 Energy Pricing**

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ARTICLE V**BILLING AND PAYMENT****5.1 Dollar Amounts**

All dollar amounts set forth in this Agreement, monetary transactions, accounting and cost calculations between MH and MP shall be determined and stated in U.S. Dollars.

5.2 Payment in U.S. Dollars

Payment of all invoices pursuant to this Agreement shall be made in U.S. Dollars.

5.3 Method of Payment of Invoices

Payment of all invoices pursuant to this Agreement shall be made by the Party required to make the payment to the Party entitled to receive the payment by electronic bank transfer or by other mutually agreeable method(s), to the bank designated in Appendix C attached hereto. A Party may change the designation of the bank set out in Appendix C by notice to the other Party in accordance with Section 19.1 hereof. Payment shall be deemed to be made when received by the bank designated in Appendix C.

5.4 Rendering Invoices

Unless otherwise specifically agreed upon by the Parties, the calendar month shall be the standard billing period for all invoices rendered under this Agreement. As soon as practicable after the end of each calendar month, each Party shall render to the other

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Party an invoice for the payment obligations, if any, incurred hereunder during the preceding month.

5.5 Payment Amounts

- (1) Subject to Section 5.5(2), the amount payable by MP to MH for each month during the Contract Term shall be determined as follows:
 - (a) the sum of the amount determined for each applicable hour that a quantity was Scheduled for that month determined as follows:
 - (i) **[TRADE SECRET DATA EXCISED]**; less
 - (b) the sum of the amount determined for each applicable hour that a quantity of Firm Energy that had been Scheduled during any day for that month was curtailed, restricted or reduced pursuant to Sections 3.4, 3.7 or 3.8 or Article XIII as follows:
 - (i) **[TRADE SECRET DATA EXCISED]**; plus
 - (c) the amount of all payments received by MP during that month from a Transmission Provider for Contingency Reserves, Contingency Reserves Emergency Energy and/or Emergency Energy made available to the MISO by MH during the Contract Term which are received by MP by virtue of MP's rights in and to the Transmission Service or otherwise as provided in Section 3.11(d); plus
 - (d) the amount of all costs associated with Contingency Reserves, Contingency Reserves Emergency Energy and/or Emergency Energy charged to MH by the MISO during that month which are attributable to MP during the Contract Term (to the extent MH is not compensated by the MISO for the said costs) as provided in Section 3.11(e); plus
 - (e) any costs and expenses associated with the supply and receipt of the Firm Energy under the applicable OATT that were: (i) billed to and paid by MH during that month; or (ii) billed to MH during a prior month and paid by MH during that month, but were amounts that were required to be paid by MP pursuant to Sections 3.2(7); less

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- (f) any costs and expenses associated with the supply and receipt of the Firm Energy under the applicable OATT that were: (i) billed to and paid by MP during that month; or (ii) billed to MP during a prior month and paid by MH during that month, but were amounts that were required to be paid by MH pursuant to Section 3.2(7); plus
- (g) any Market Settlement Amounts: (i) charged to and paid by MH during that month; or (ii) charged to MH during a prior month and paid by MH during that month, that were directly related to the curtailment, restriction or reduction in supply of Firm Energy due to MP's Curtailment of MH's Cleared Firm Energy under the applicable OATT and/or the TARIFF but were amounts that were required to be paid by MP pursuant to Section 3.8(2); less
- (h) any Market Settlement Amounts: (i) charged to and paid by MP during that month; or (ii) charged to MP during a prior month and paid by MP during that month, that were directly related to the curtailment, restriction or reduction in supply of Firm Energy due to MH's Curtailment of Cleared Firm Energy under the applicable OATT and/or the TARIFF but were amounts that were required to be paid by MH pursuant to Section 3.4(4).

(2) **[TRADE SECRET DATA EXCISED]**

5.6 Payment Date

Unless otherwise agreed by the Parties, all invoices under this Agreement shall be due and payable in accordance with each Party's invoice instructions on or before the third (3rd) Business Day after receipt of the invoice. Any amounts not paid by the due date shall be deemed delinquent and shall accrue interest at the Interest Rate and such interest shall be calculated from and including the due date to but excluding the date the delinquent amount is paid in full.

5.7 Estimates

In the event that not all of the information necessary for the preparation of the monthly invoice is known in time for the preparation of the monthly invoice, estimates may be used on the monthly invoice to be followed with an adjustment on a future invoice to reflect actual charges as soon as they are known. In the event that the amount paid or payable on any invoice or invoices delivered pursuant to this Agreement is based, in whole or in part, upon third party invoices and the third party subsequently adjusts their invoice, MH shall charge or credit MP for the change in such third party invoice within sixty (60) Business Days of MH's receipt of such adjusted third party invoice.

5.8 Billing Adjustments and Disputes

A Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice rendered under this Agreement within twelve (12) months of the date the invoice, or adjustment to an invoice, was rendered. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed, payment of the invoice, as invoiced, shall be required to be made when due. Notice of the dispute shall be given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. Upon resolution of the dispute, any required payment or reimbursement shall be made within ten (10) Business Days after the date of such resolution, along with interest accrued at the Interest Rate from and including the date the payment was originally to be made by the disputing Party to but excluding the date the payment or reimbursement is paid. Inadvertent overpayments shall be deducted by the Party receiving such overpayment from subsequent weekly invoices rendered by such Party. Any dispute with respect to an invoice or adjustment is waived unless the other Party is notified in accordance with this Section 5.8 within twelve (12) months after the invoice is rendered or any specific adjustment to the invoice is made.

5.9 Netting

- (1) The billing departments of each of the Parties shall exchange settlement data under each of the MH/MP Agreements. A netting computation of the amount that each Party has determined is due and owing under each of the MH/MP Agreements for the applicable billing period shall be performed by each of the Parties by the third (3) Business Day following the last day of each month. If the Parties are in agreement as to the net amount owing by a Party under the MH/MP Agreements, that net amount shall be paid by that Party by the date referenced in Section 5.6. If the net amount agreed upon is not paid by that date, or if the Parties are unable to agree on the net amount to be paid, all of the provisions of each of the MH/MP Agreements, including the billing and payment provisions shall continue to govern the payment obligations of each Party, and all amounts due under this Agreement shall be paid in full on the date payment is required to be made under this Agreement.
- (2) The payment by a Defaulting Party of any amounts due under each of the MH/MP Agreements shall be a condition precedent to the payment of any amounts due by the Non-defaulting Party to the Defaulting Party under any of the MH/MP Agreements.

5.10 Payment in Full

If the Parties subsequently mutually agree not to net payments pursuant to Section 5.9 or only one Party owes a debt or obligation to the other during the applicable billing period, including, but not limited to, any interest, and payments or credits, that Party shall pay such sum in full when due.

5.11 Impact of Performance Assurance

Except in connection with a termination in accordance with Article XVII in which circumstances the Party benefiting from the Performance Assurance notifies the other Party in writing, amounts invoiced pursuant to this Article V shall not take into

account or include any Performance Assurance which may be in effect to secure a Party's performance under this Agreement.

5.12 Accounting and Billing Procedures

The Operating Committee may make and implement decisions regarding the creation and revision, from time to time, of accounting and billing procedures necessary to implement the terms and conditions of this Agreement, including the provisions of Article V.

5.13 Preliminary Billing Information

The Parties shall exchange preliminary billing information in accordance with the accounting and billing procedures established by the Operating Committee.

ARTICLE VI

GOVERNMENTAL CHARGES

6.1 Governmental Charges

Each Party shall be solely responsible for and shall pay or cause to be paid all Governmental Charges imposed on that Party in respect of any matters related to this Agreement. In the event MH is required by law or regulation to remit or pay Governmental Charges that are MP's responsibility hereunder, MP shall promptly reimburse MH for such Governmental Charges. In the event MP is required by law or regulation to remit or pay Governmental Charges that are MH's responsibility hereunder, MH shall promptly reimburse MP for such Governmental Charges. For greater certainty, the Parties agree and acknowledge that, as of the Effective Date, MP is a non-resident, non-registrant not carrying on business in Canada in respect of all supplies hereunder for Canadian federal goods and services tax purposes.

6.2 Assistance

Each Party shall provide reasonable assistance to the other Party in connection with and for the purpose of enabling due compliance with Governmental Charges and all associated information, documentation and reporting obligations. Each Party shall provide to the other and to a Governmental Authority having jurisdiction such forms, returns, reports, documents, elections, written declarations, certificates, etc. as the other Party may reasonably request, including without limitation any documentation that may be required to substantiate any available exemptions or relief from Governmental Charges.

ARTICLE VII

METERING

7.1 Metering

All applicable matters relating to the metering of the Firm Energy shall be determined in accordance with the applicable provisions of agreements between the Parties' Transmission Providers relating to revenue metering, and the application of the provisions of such agreements shall, if necessary, be referred to the Operating Committee.

ARTICLE VIII

ENVIRONMENTAL ATTRIBUTES

8.1 Environmental Attributes of Firm Energy

- (1) The Parties acknowledge and agree that MH shall allocate and transfer to MP that amount of Environmental Attributes (the **[TRADE SECRET DATA EXCISED] Environmental Attributes**") determined by MH, only for the purposes of allocating and transferring Environmental Attributes pursuant to Section 8.2 and Section 8.4, to be from that portion of the MWh of Firm Energy that was: (a) Supplied Energy; and (b) allocated or determined by MH, only for the purpose of allocating and transferring Environmental Attributes, to be sourced from **[TRADE SECRET DATA EXCISED]**.

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- (2) The Parties acknowledge and agree that for environmental reporting purposes, the Environmental Attributes of that component of the Firm Energy that: (a) is Supplied Energy; and (b) is not allocated or determined by MH in accordance to be sourced from **[TRADE SECRET DATA EXCISED]** in accordance with this Article XIII, shall be reported, as being electrical energy which is sourced from the **[TRADE SECRET DATA EXCISED]** MH's Energy Resources stipulated by MH in accordance with this Article VIII.
- (3) The Parties further acknowledge and agree that for environmental reporting purposes, the Environmental Attributes of that component of the Firm Energy, that is not Supplied Energy, is electrical energy which is not sourced from any specific generation type or resource and has Environmental Attributes equivalent to energy that is associated with the applicable market in which the majority of MP's load is physically situated and shall be reported by each of the Parties, in that manner, in any reports that are filed by each of the Parties in respect of the purchase and sale of the Firm Energy pursuant to this Agreement.
- (4) MH shall not be obligated to manage the supply of the Firm Energy in any particular manner, nor does this Agreement restrict or limit MH to any specific type(s) of generating resources to be used to supply the Firm Energy (including energy obtained from third party purchases and/or the Markets available to MH, regardless of the generation type used by the third party or which generating resources may have been attributable to the energy accessed through the Markets), nor shall any provision in this Agreement constitute a representation or warranty by MH that the Firm Energy is supplied from a particular generating resource, including renewable resources.
- (5) The Parties acknowledge and agree that the consideration for the **[TRADE SECRET DATA EXCISED]** Environmental Attributes is included in the price for the Firm Energy.
- (6) Without limiting the reporting requirements referred to in Section 8.1(2), the Parties further acknowledge and agree that MH has retained all Environmental Attributes for the Firm Energy allocated or determined by MH for the purposes of this Article to be sourced from those MH's Energy Resources that

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are **[TRADE SECRET DATA EXCISED]**, as referred to in this Article VIII. For greater certainty **[TRADE SECRET DATA EXCISED]** is not included as part of MH's Energy Resources and in the event that the Environmental Attributes of energy from **[TRADE SECRET DATA EXCISED]**, including any form of credits are, notwithstanding the provisions of this Article VIII, received by MP, MP agrees: (i) to assign and transfer the said Environmental Attributes of **[TRADE SECRET DATA EXCISED]** to MH, in such manner as MH may request, acting reasonably; (ii) to cooperate with MH in making any required filing with any Governmental Authority or other Person in respect of the assignment and transfer referred to in (i); and (iii) in the event applicable laws or rules governing any applicable Market prevents or restricts the assignment or transfer referred to in (i), MP agrees to **[TRADE SECRET DATA EXCISED]**.

- (7) The Parties acknowledge and agree that MH shall be entitled to revise or amend Appendix B, with reasonable notice to MP, to **[TRADE SECRET DATA EXCISED]**

8.2 Calculation of Environmental Attributes

- (1) MH shall calculate the Environmental Attributes of the Supplied Energy purchased by MP, for the purposes of this Article VIII during the Contract Term in the following manner.
- (a) **[TRADE SECRET DATA EXCISED]**

8.3 Reporting of Environmental Attributes

- (1) On or before March 31st of each calendar year, MH shall provide MP with a report, for each preceding calendar year or applicable portion thereof, during the Contract Term, in accordance with the procedures established by MH for such reporting, that identifies the MWh of the Firm Energy that was supplied from MH's Energy Resources and the MWh of the Firm Energy that is not Supplied Energy and the Environmental Attributes of each of MH's Energy Resources.

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- (2) The Parties acknowledge and agree that the report referred to above shall be used by MH and MP when reporting the Environmental Attributes of the Firm Energy.

8.4 Transfer of Environmental Attributes

- (1) MH shall transfer to MP the **[TRADE SECRET DATA EXCISED]** Environmental Attributes applicable for each calendar year during the Contract Term, on or before March 31st of the subsequent calendar year.
- (2) For MH's Energy Resources that **[TRADE SECRET DATA EXCISED]** are registered by MH on a system used to track and transfer Environmental Attributes and used by MH to transfer **[TRADE SECRET DATA EXCISED]** (the "**Transfer System**"), MP shall receive the transfer of the applicable amount of **[TRADE SECRET DATA EXCISED]** Environmental Attributes through the Transfer System. MH's transfer through the Transfer System will be on the condition that MP complies, at its own expense, with the Transfer System requirements concerning the acceptance of the transferred **[TRADE SECRET DATA EXCISED]** Environmental Attributes.
- (3) If any of MH's Energy Resources **[TRADE SECRET DATA EXCISED]** are not registered by MH on a Transfer System, MP shall receive the transfer of the applicable amount of the **[TRADE SECRET DATA EXCISED]** Environmental Attributes from MH, by MH providing a transfer substantially in the form used by MH generally for the transfer of Environmental Attributes.
- (4) Subject to Section 8.4(5), MH shall be responsible for all costs required for MH to be a member of, access and utilize the Transfer System for the recording, transfer and receipt of the **[TRADE SECRET DATA EXCISED]** Environmental Attributes.
- (5) MP shall be responsible for all costs required for MP to be a member, access and utilize the Transfer System for the recording, transfer and receipt of the **[TRADE SECRET DATA EXCISED]** Environmental Attributes.

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- (6) No actions shall be required to be undertaken by MH in respect of the transfer to MP of the **[TRADE SECRET DATA EXCISED]** Environmental Attributes, except as expressly provided herein

8.5 Use

MP may use any and all of the **[TRADE SECRET DATA EXCISED]** Environmental Attributes at its sole discretion and for MP's sole benefit, including without limitation the re-sale of the **[TRADE SECRET DATA EXCISED]** Environmental Attributes.

8.6 Rights Conferred by Law

In the event that the **[TRADE SECRET DATA EXCISED]** Environmental Attributes are conferred by statute or other legal instrument to MH, MH shall transfer the **[TRADE SECRET DATA EXCISED]** Environmental Attributes to MP in accordance with MH's procedures and the terms of this Agreement provided that MH has the legal authority for so doing. If MH does not have the legal authority to transfer the **[TRADE SECRET DATA EXCISED]** Environmental Attributes to MP, then MH shall use Commercially Reasonable Efforts to obtain such legal authority.

8.7 MP Qualification

To the extent allowed by applicable law, MP may have the **[TRADE SECRET DATA EXCISED]** Environmental Attributes qualified and recognized as environmental credits or offsets, if any. MH shall cooperate in such qualification and recognition in accordance with the procedures that it uses or applies generally to the qualification and recognition of **[TRADE SECRET DATA EXCISED]** Environmental Attributes. Without limiting the generality of Section 8.9 and Section 18.1, neither Party makes any representation or warranty with respect to any future action or failure to act, or approval or failure to approve, by any Governmental Authority or any other third Person in respect of the allocation and transfer of the **[TRADE SECRET DATA EXCISED]** Environmental Attributes.

8.8 **[TRADE SECRET DATA EXCISED]****8.9** **Disclaimer**

WITH RESPECT TO THE [TRADE SECRET DATA EXCISED] ENVIRONMENTAL ATTRIBUTES TO BE TRANSFERRED UNDER THIS AGREEMENT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, MH EXPRESSLY DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, WHETHER WRITTEN OR ORAL, AND WHETHER EXPRESS OR IMPLIED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MH MAKES NO REPRESENTATION OR WARRANTY HEREUNDER REGARDING THE SUITABILITY OR LIKELIHOOD OF THE [TRADE SECRET DATA EXCISED] ENVIRONMENTAL ATTRIBUTES TO MEET OR QUALIFY UNDER ANY VOLUNTARY OR MANDATORY PROGRAM PERTAINING TO THE GENERATION OF “GREEN” OR CARBON NEUTRAL ELECTRIC POWER OR REGARDING ANY CREATION OF A FEDERAL, STATE OR LOCAL MANDATORY OR VOLUNTARY RENEWABLE PORTFOLIO STANDARD OR CARBON OFFSET OR ALLOWANCE TRADING PROGRAM UNDER WHICH THE [TRADE SECRET DATA EXCISED] ENVIRONMENTAL ATTRIBUTES COULD BE SOLD, TRANSFERRED OR USED FOR COMPLIANCE.

ARTICLE IX**OPERATING COMMITTEE****9.1** **Operating Committee**

- (1) A committee (the “**Operating Committee**”) is hereby constituted consisting of the Division Manager of Power Sales & Operations for MH or a duly authorized delegate from MH, and the Vice-President Strategy and Planning for MP or a duly authorized delegate from MP. Both MH and MP shall have

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one vote on the Operating Committee, and all decisions of the Operating Committee must be unanimous to be effective.

- (2) The Operating Committee shall meet at the written request of either of its members within ten (10) Business Days of receipt of such request. Written minutes shall be kept of all meetings and decisions and copies of such minutes shall be distributed to the Operating Committee members and the Parties within five (5) Business Days after each meeting.
- (3) The Operating Committee may:
 - (a) make and implement decisions regarding the creation and revision, from time to time, of accounting and billing procedures necessary to implement the terms and conditions of this Agreement in accordance with Sections 5.11 and 5.12;
 - (b) make and implement decisions and procedures regarding Scheduling from time to time as necessary to implement the terms and conditions of this Agreement in accordance with Section 3.2;
 - (c) make and implement decisions and procedures regarding the sale and purchase and delivery and receipt of MH's Real Time Energy in accordance with Section 3.2(9);
 - (d) make and implement decisions for operating procedures for the conduct of meetings and the recording of minutes;
 - (e) make recommendations to the Parties concerning amendment and revision of this Agreement;
 - (f) perform any other obligations expressly provided for in this Agreement to be performed by the Operating Committee and any other matters as the Parties may agree from time to time;
 - (g) attempt to resolve any controversy, claim or dispute prior to referring such matters to the Executive Officers of MP and MH for resolution in accordance with Section 16.1 and the form of notices being provided by the Parties pursuant to the provisions of this Agreement; and
 - (h) make and implement decisions concerning Section 19.1 and the form of notices being provided by the Parties pursuant to the provisions of this Agreement,

provided that the Operating Committee shall not have authority to modify the terms and conditions of this Agreement.

ARTICLE X

REPRESENTATIONS, WARRANTIES AND COVENANTS

10.1 General and US Bankruptcy Representations and Warranties

- (1) Each Party makes the following representations and warranties to the other Party, which representations and warranties will be deemed to be repeated, if applicable, by each Party throughout the Contract Term:
 - (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
 - (b) subject to Article XII, it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
 - (c) subject to Article XII, the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;
 - (d) this Agreement and each other document executed and delivered by it in accordance with this Agreement constitutes its legally valid and binding obligation, enforceable against it in accordance with its terms, subject to any equitable defences;
 - (e) it is a Market Participant as of the date of the execution of this Agreement;
 - (f) it or its Credit Support Provider, if any, is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it or its Credit Support Provider, if any, being or becoming bankrupt;
 - (g) there is not pending or, to its knowledge, threatened against it or any of its Affiliates or its Credit Support Provider, if any, any legal

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proceedings that could materially adversely affect its ability to perform its obligations under this Agreement;

- (h) it is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing and understanding the merits, and understands and accepts, the terms, conditions and risks of this Agreement. It is also capable of assuming, and assumes, the risks of this Agreement. Information and explanations related to the terms and conditions of this Agreement will not be considered advice or a recommendation to enter into this Agreement. No communication (written or oral) received from the other Party will be deemed to be an assurance or guarantee as to the expected results of this Agreement, unless such communication is expressly stated in writing to be a “guarantee” and is signed by the Party providing the statement;
- (i) it has entered into this Agreement in connection with the conduct of its business and it has, subject to the provisions of this Agreement, the capacity or ability to make available or take delivery of (as applicable) all of the Firm Energy;
- (j) the other Party is not acting as a fiduciary for or an adviser to it in respect of this Agreement;
- (k) this Agreement constitutes a “master netting agreement” and all transactions pursuant to it constitute "forward contracts" within the meaning of the United States Bankruptcy Code ("**Bankruptcy Code**") or a “swap agreement” within the meaning of the Bankruptcy Code;
- (l) it is a “forward contract merchant” within the meaning of the Bankruptcy Code with respect to any transactions under this Agreement that constitute "forward contracts" and a “swap participant” with respect to any transactions under this Agreement that constitute “swap agreements”, all within the meaning of the Bankruptcy Code;

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- (m) all payments made or to be made by one Party to the other Party pursuant to this Agreement constitute "settlement payments" within the meaning of the Bankruptcy Code;
- (n) all transfers of Performance Assurance by one Party to the other Party under this Agreement constitute "margin payments" within the meaning of the Bankruptcy Code;
- (o) it is a "master netting agreement participant" within the meaning of the Bankruptcy Code;
- (p) certain provisions of this Agreement grant each Party the contractual right to "cause the liquidation, termination, or acceleration" of this Agreement or the transactions under this Agreement within the meaning of Sections 556, 560 and 561 of the Bankruptcy Code, as they may be amended, superseded or replaced from time to time;
- (q) it intends and agrees that, if it goes into bankruptcy, the other Party shall be entitled to exercise its rights and remedies under this Agreement in accordance with the safe harbour provisions of the Bankruptcy Code set forth in, *inter alia*, Sections 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 548(d)(2), 556, 560 and 561, as they may be amended, superseded or replaced from time to time;
- (r) it is an "eligible contract participant" as defined in Section 1a(12) of the Commodity Exchange Act, as amended, 7 U.S.C. § 1a(12);
- (s) it (i) is a producer, processor, or commercial user of, or a merchant handling, the commodity which is the subject of this Agreement, or the products or by products thereof; and (ii) enters into this Agreement solely for purposes related to its business as such;
- (t) (i) for the purposes of this Agreement, neither it nor the other Party is a "utility" as such term is used in 11 U.S.C. Section 366; and (ii) it waives and agrees not to assert against the other Party the applicability of the provisions of 11 U.S.C. Section 366 in any bankruptcy proceeding wherein it is a debtor and in any such proceeding, it further waives the right to assert that the other Party is a provider of last resort; and

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- (u) the Parties acknowledge that all transactions executed under this Agreement, and this Agreement itself, are commercial merchandizing contracts that are not regulated under the Commodity Exchange Act, as amended, 7 U.S.C. Sec. 1, et seq. (the "**Act**") and lawful Commodity Futures Trading Commission ("**CFTC**") regulations promulgated thereunder ("**Regulations**"), as "swaps" as defined in Sec. 1a(47)(A) of the Act but rather all transactions under this Agreement and this Agreement itself are excluded from the term "swap" under Section 1a(47)(B)(ii) of the Act.
- (2) MH makes the following additional representations and warranties to MP as of the Effective Date, which representations and warranties will be deemed to be repeated throughout the Contract Term:
 - (a) no Event of Default with respect to MH and no MH Termination Event has occurred and is continuing; and
 - (b) no Event of Default with respect to MH and no MH Termination Event would occur as a result of its entering into or performing its obligations under this Agreement.
- (3) MP makes the following additional representations and warranties to MH as of the Effective Date, which representations and warranties will be deemed to be repeated throughout the Contract Term:
 - (a) no Event of Default with respect to MP and no MP Termination Event has occurred and is continuing; and
 - (b) no Event of Default with respect to MP and no MP Termination Event would occur as a result of its entering into or performing its obligations under this Agreement.

10.2 MH Tax Representations and Warranties

MH makes the following representations and warranties to MP, which representations and warranties will be deemed to be repeated, if applicable, by MH throughout the Contract Term:

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- (a) it is a foreign person (as that term is used in section 1.6041-4(a)(4) of the United States Treasury Regulations) for United States federal income tax purposes and its U.S. Taxpayer identification number is 98-0126210; and
- (b) no part of any payment received or to be received by MH in connection with this Agreement is attributable to a trade or business carried on by it in the United States of America.

10.3 MP Tax Representations

MP makes the following representations and warranties to MH, which representations and warranties will be deemed to be repeated, if applicable, by MP throughout the Contract Term:

- (a) it is a "U.S. person" (as that term is used in section 1.1441-4(a) (3) (ii) of the United States Treasury Regulations) for United States federal income tax purposes and its U.S. Taxpayer identification number is 39-0715160; and
- (b) no part of any payment received or to be received by MP in connection with this Agreement is attributable to a trade or business carried on by it or in respect of services rendered by it in Canada.

ARTICLE XI**CONFIDENTIALITY****11.1 Confidentiality**

The Parties confirm that Confidential Information (as defined in the "Non-Disclosure Agreement") had been disclosed by each Party to the other Party during the course of negotiating this Agreement and acknowledge that the provisions of the Non-Disclosure Agreement governs the disclosure of all such Confidential Information that was disclosed up to the date this Agreement is executed. The Parties (each a "**Discloser**") also recognize that there is a need pursuant to this Agreement for each Party to disclose Confidential Information, after the date this Agreement is executed, to the other Party (each a "**Recipient**") and that the provisions of this Agreement will govern the disclosure of such information not the Non-Disclosure Agreement and the

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Parties wish to protect the Confidential Information in the following manner and agree as follows:

- (a) **“Confidential Information”** shall mean all non-public and confidential information which information is treated by the Discloser and its representatives as confidential and which is conspicuously marked “Confidential” if in written or printed form, or if oral, which is specifically identified as confidential at the time of disclosure and is confirmed in writing to each other party as “Confidential” within five (5) Business Days after disclosure, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in Recipient's possession or part of Recipient's general knowledge prior to the date of this Agreement; or (iii) the information is disclosed to Recipient without confidential restriction by a third party who rightfully possesses the information (without confidential restriction) and did not learn of it, directly or indirectly, from Recipient.
- (b) Except as hereinafter provided, Recipient shall hold all Confidential Information in strict confidence and shall not disclose any Confidential Information to any third party. Recipient shall take all reasonable measures to protect the confidentiality of, and avoid the unauthorized use, disclosure, publication, or dissemination of Confidential Information. Recipient may disclose Confidential Information:
 - (i) to its directors, officers, employees, members, agents or advisors, including, without limitation, its attorneys, accountants, consultants and financial advisors who need to know such information for the purposes of the transactions contemplated by this Agreement (each a **“Representative”**); and
 - (ii) to any other third parties, only with the prior written consent of the Discloser.
- (c) If the Recipient or its Representatives are required to disclose the Confidential Information by law, regulation, ruling of a governmental

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agency or by court order, before the Recipient or its Representatives disclose any Confidential Information, the Recipient or its Representatives shall give the Discloser timely written notice (at least 10 Business Days) of the requirement for disclosure and assist the Discloser to secure a protective order to limit disclosure of such Confidential Information only to parties agreeing to be bound by the terms of a confidentiality agreement in a form and content satisfactory to the Discloser, acting reasonably. Recipient shall cooperate reasonably in any such efforts to secure a protective order; provided, however, Recipient shall not be required to take, or refrain from taking, any action if it would cause Recipient or its Representatives to be in violation of the terms of a required disclosure described in this Section 11.1(c).

- (d) Notwithstanding the foregoing, the Parties acknowledge that if MP files this Agreement with the Minnesota Public Utilities Commission, MP agrees to seek protection of the Confidential Information in this Agreement under the Minnesota Public Utilities Commission's Minnesota Rule 7829.0500. The Parties will cooperate reasonably to prepare a public version of this Agreement for inclusion in the public record at the Minnesota Public Utilities Commission. The Parties agree that the public version of this Agreement will redact only such Confidential Information that properly constitutes proprietary information, trade secrets, or other privileged information as defined by applicable Minnesota laws.
- (e) Recipient shall be liable for any use or disclosure of Confidential Information by its Representatives, which is not in compliance with the obligations imposed upon the Recipient pursuant to this Agreement.
- (f) All rights, title and interest in and to the Confidential Information are reserved by, and remain the sole property of the Disclosing Party. The Recipient does not acquire any intellectual property rights under this Agreement. Nothing in this Agreement shall be construed as a grant of,

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or intention or commitment to grant any right, title or interest of any nature whatsoever in or to the Confidential Information.

- (g) Recipient agrees that the unauthorized disclosure or use of Confidential Information could cause irreparable harm and significant injury to the Discloser, the amount of which may be difficult to ascertain or quantify, thus, making any remedy at law or in damages inadequate. Therefore, Recipient agrees that Discloser shall have the right to apply to any court of competent jurisdiction for an order restraining any breach or threatened breach of this Section and for any other relief Discloser deems appropriate. This right shall be in addition to any other remedy available to Discloser in law or equity.
- (h) This Section 11.1 shall survive any termination of this Agreement for a period of three (3) years.

ARTICLE XII**CONDITIONS****12.1 MH's Conditions Precedent**

- (1) The obligation of MH to complete the transactions referenced herein shall be subject to and contingent upon the fulfillment of the following conditions precedent ("**MH's Conditions Precedent**") to the satisfaction of MH, as certified or waived in writing by MH, by the dates specified:
 - (a) MH obtaining the approval of its Board of Directors, within sixty (60) days of the Effective Date, approving MH entering into this Agreement;
 - (b) MH obtaining an Order in Council of the Lieutenant Governor (Manitoba), within one-hundred and fifty (150) days of the Effective Date, approving MH entering into this Agreement;
 - (c) MH obtaining the final non-appealable order of the NEB on conditions acceptable to MH, in its sole and absolute discretion, six (6) months before the start of the Contract Term, or by such other date (if any) as

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the Parties may mutually agree upon, authorizing the export by MH of the Firm Energy to the United States;

- (d) the US FCA has been entered into by MISO, MP, and MH and/or an Affiliate of MH, and such other Persons, if any, as MISO may otherwise require enter into the US FCA, on or before June 1, 2016;
- (e) the Canadian FCA has been entered into by MH (Power Sales & Operations division) and MH's Transmission Provider on or before June 1, 2016;
- (f) the 500 kV US Transmission Interconnection is constructed, commissioned and in-service on or before June 1, 2025;
- (g) the 500 kV Canadian Transmission Interconnection is constructed, commissioned and in-service on or before June 1, 2025;
- (h) MH receiving from MH's Transmission Provider, on or before June 1, 2025, pursuant to MH's OATT, 133 MW of southbound Firm Transmission Service in respect of the 133 MW Canadian TSR as a result of the Canadian Upgrades being constructed and placed in-service;
- (i) MP receiving from MISO, on or before June 1, 2025, pursuant to the TARIFF, 133 MW of southbound Firm Transmission Service in respect of the US Upgrades as a result of the US Upgrades being constructed, and placed in-service; and
- (j) the Parties executing on the Effective Date the 2014 Energy Exchange Agreement.

12.2 MP's Conditions Precedent

- (1) The obligation of MP to complete the transactions referenced herein shall be subject to and contingent upon the fulfillment of the following conditions precedent (“**MP's Conditions Precedent**”) to the satisfaction of MP, as certified or waived in writing by MP, by the dates specified:
- (a) the US FCA has been entered into by MISO, MP, and MH and/or an Affiliate of MH, and such other Persons, if any, as MISO may otherwise require enter into the US FCA, on or before June 1, 2016;
 - (b) the 500 kV US Transmission Interconnection is constructed, commissioned and in-service on or before June 1, 2025;
 - (c) MP receiving from MISO, on or before June 1, 2025, pursuant to the TARIFF, 133 MW of southbound Firm Transmission Service in respect of the 133 MW US TSR as a result of the US Upgrades being constructed and place in-service;
 - (d) the final approval of this Agreement by the MPUC on conditions acceptable to MP, within eighteen (18) months of the Effective Date; and
 - (e) the Parties executing on the Effective Date the 2014 Energy Exchange Agreement.

12.3 Required Approvals

MH shall use Commercially Reasonable Efforts to secure the approvals listed in Sections 12.1(1)(c) and 12.1(1)(h) (“**MH's Required Approval**”). MP shall use Commercially Reasonable Efforts to secure the approvals listed in Sections 12.2(1)(c) (“**MP's Required Approval**”). Each Party agrees to cooperate with and provide reasonable assistance to the other Party, if requested, in order to assist that Party in obtaining the Required Approvals.

12.4 Conditions Precedent Notices

- (1) MH shall notify MP as soon as practicable following the satisfaction or waiver or the failure to satisfy or waive any of MH's Conditions Precedent, including the obtaining of or the failure to obtain MH's Required Approval.
- (2) MP shall notify MH as soon as practicable following the satisfaction or waiver or the failure to satisfy or waive any of MP's Conditions Precedent including MP's Required Approvals.

12.5 Termination of Agreement

This Agreement shall, subject to the obligation of the Parties in Section 12.3 and Article XI, terminate on the date notice has been received by one Party from the other Party that:

- (a) any of MH's Conditions Precedent have not been satisfied and will not be waived; or
- (b) any of MP's Conditions Precedent have not been satisfied and will not be waived.

ARTICLE XIII**FORCE MAJEURE****13.1 Force Majeure**

- (1) Neither Party shall be in breach or liable for any delay or failure in its performance under this Agreement to the extent such performance is prevented or delayed due to a Force Majeure event or circumstance, provided that:
 - (a) the non-performing Party shall give the other Party notice promptly (and within forty-eight (48) hours if possible) after the non-performing Party's knowledge of the commencement of the Force Majeure, with written confirmation to be supplied within ten (10) calendar days after the commencement of the Force Majeure further describing the particulars of the occurrence of the Force Majeure;
 - (b) the delay in performance due to the Force Majeure shall be of no greater scope and of no longer duration than is directly caused by the Force Majeure;

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- (c) the Party whose performance is delayed or prevented: (i) shall proceed with Commercially Reasonable Efforts to overcome the Force Majeure which is preventing or delaying performance; and (ii) shall provide weekly written progress reports to the other Party during the period that performance is delayed or prevented describing actions taken and to be taken to remedy the consequences of the Force Majeure, the schedule for such actions and the expected date by which performance shall no longer be affected by the Force Majeure; and
 - (d) when the performance of the Party claiming the Force Majeure is no longer being delayed or prevented, that Party shall give the other Party notice to that effect.
- (2) For greater certainty, the Parties further acknowledge that the following events or circumstances shall not constitute or form the basis for Force Majeure: (a) the loss of MP's markets; (b) MP's inability to economically use or resell the Firm Energy, including MP's ability to purchase the Firm Energy, at a price less than the prices provided for in this Agreement; and (c) MH's ability to sell the Firm Energy at a price greater than the prices provided for in this Agreement.

ARTICLE XIV**CREDITWORTHINESS****14.1 Credit Review Procedures**

For the purpose of determining whether a Party is able to meet its obligations pursuant to this Agreement, a Party may require commercially reasonable credit review procedures. If requested by a Party, the other Party shall deliver, unless such financial statements are available on "EDGAR" or "SEDAR" or on such other Party's internet website: (a) within 150 calendar days following the end of each fiscal year, a copy of such Party's annual report containing audited consolidated financial statements for such fiscal year; and (b) within 90 calendar days after the end of each of its first three fiscal quarters of each fiscal year, a copy of such Party's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the

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statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles or such other principles then in effect, provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such Party shall diligently pursue the preparation, certification and delivery of the statements.

14.2 Performance Assurances

- (1) Should the creditworthiness, financial strength, or performance viability of a Party (the “**Second Party**”) become unsatisfactory to the other Party (the “**Requesting Party**”) in such Requesting Party’s commercially reasonably exercised discretion with regard to any transaction pursuant to this Agreement, the Requesting Party may require the Second Party to post or provide at the Second Party’s option: (a) a Letter of Credit; (b) other collateral or security by the Second Party that is acceptable to the Requesting Party in its commercially reasonably exercised discretion; (c) a Guarantee Agreement; or (d) some other mutually agreeable method of satisfying the Requesting Party (the items described in (a) through (d) are referred to as “**Performance Assurance**”). The Requesting Party may only request, and the Second Party shall only be required to provide, Performance Assurance in a commercially reasonable amount under the circumstances. The Second Party may request from the Requesting Party that the Performance Assurance be returned or reduced, on the condition that such a request shall only be made once every sixty (60) days during any period when a Performance Assurance has been provided. The Requesting Party shall be required to return or reduce the Performance Assurance, after receipt of the request from the Second Party, if, considering whether the factors that justified the Requesting Party’s request for Performance Assurance have been removed or improved, it is commercially reasonable to do so.
- (2) Events which may cause the Requesting Party to question the Second Party’s financial strength, or performance viability as set out in Section 14.2(1) above, include, but are not limited to, any of the following:

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- (a) The Requesting Party having knowledge that the Second Party (or its Credit Support Provider, if applicable) is failing to perform or defaulting under terms of other contracts;
 - (b) The Second Party, or its Credit Support Provider has an Investment Grade Credit Rating (unenhanced by unaffiliated third Party support) and the credit rating falls below an Investment Grade Credit Rating according to at least one of S&P, Moody's or DBRS;
 - (c) The Second Party, or its Credit Support Provider is rated BBB- by S&P (or the equivalent rating from Moody's or DBRS) and the Second Party or its Credit Support Provider (as applicable) has been either placed on negative credit watch or negative outlook by at least one such rating agency; or
 - (d) Other material adverse changes in the Second Party's financial condition.
- (3) If the Second Party fails to provide Performance Assurance within five (5) Business Days of written demand therefore, such failure will be considered an Event of Default under Article XVII of this Agreement and the Requesting Party shall have the right to exercise any of the remedies provided for under that Article XVII. Nothing contained in this Article XIV shall affect any other credit agreement or arrangement, if any, between the Parties.
- (4) If the Second Party provides a Letter of Credit, the Second Party shall: (i) renew the Letter of Credit on a timely basis; and (ii) provide a substitute Letter of Credit at least twenty (20) Business Days prior to the expiration of the outstanding Letter of Credit if the issuer has indicated its intent not to renew such Letter of Credit.

14.3 Grant of Security Interest

- (1) To secure its obligations under this Agreement and to the extent either or both Parties (or their Credit Support Provider, if applicable) deliver Performance Assurance hereunder, unless prohibited by applicable law, each Party (a "**Pledgor**") hereby grants to the other Party (the "**Secured Party**") a present

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and continuing security interest in, and lien on (and right of setoff against), all Performance Assurance delivered by the Pledgor to the Secured Party hereunder and held for the benefit of, such Secured Party, and all proceeds of such Performance Assurance (subject to any secured interest held or maintained by the Pledgor's lender), and Pledgor agrees to take such actions as the Secured Party reasonably requires in order to perfect the Secured Party's security interest in, and lien on (and right of setoff against), such Performance Assurance and any and all proceeds resulting there from or from the liquidation thereof.

- (2) Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default, or an uncured event of default under any of the MH/MP Agreements, the Non-defaulting Party may do any one or more of the following: (a) exercise any of the rights and remedies of a Secured Party with respect to all Performance Assurance delivered by the Defaulting Party, including any such rights and remedies under law then in effect; (b) exercise its rights of setoff against any and all Performance Assurance of the Defaulting Party in the possession of the Non-defaulting Party or its agent up to the amount then owed to it by the Defaulting Party; (c) draw on any outstanding Letter of Credit issued for its benefit up to the amount then owed to it by the Defaulting Party; and (d) liquidate all Performance Assurance then held by or for the benefit of the Secured Party, free from any claim or right of any nature whatsoever of the Defaulting Party, including any equity or right of purchase or redemption by the Defaulting Party. The Secured Party shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Pledgor's obligations under this Agreement (the Pledgor remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.
- (3) In addition to and not in limitation of any other right or remedy (including any right to setoff, counterclaim, or otherwise withhold payment) under applicable law, the Non-defaulting Party may, at its option and in its commercially reasonably exercised discretion and without prior notice to the Defaulting

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Party, setoff any amounts payable by it to the Defaulting Party under this Agreement (irrespective of currency, place of payment or booking office of obligation) against amounts that the Defaulting Party may owe it under this Agreement and any of the MH/MP Agreements. The obligations of the Parties under this Agreement in respect of such amounts shall be deemed satisfied and discharged to the extent of any such setoff.

- (4) The payment by the Defaulting Party of any amounts due under this Agreement and under any of the MH/MP Agreements shall be a condition precedent to the payment of any amounts due by the Non-defaulting Party to the Defaulting Party under any of the MH/MP Agreements.
- (5) The Non-defaulting Party shall use Commercially Reasonable Efforts to provide notice to the Defaulting Party as to the nature and amount of any setoff and recoupment after it is effected, but failure to give notice shall not impair the validity of any setoff.

ARTICLE XV**TRADE SECRET DATA EXCISED****15.1 TRADE SECRET DATA EXCISED****ARTICLE XVI****DISPUTE RESOLUTION****16.1 Condition Precedent to Arbitration**

Prior to initiation of arbitration, any controversy, claim or dispute between the Parties shall be first referred in writing to the Operating Committee for review and attempted resolution. If the controversy, claim or dispute is not resolved within thirty (30) calendar days after referral to the Operating Committee, the matter will be referred to the Executive Officers for review and decision. Any decision by the Executive Officers to resolve a controversy, claim or dispute must be unanimous. If the controversy, claim or dispute is not resolved within thirty (30) calendar days after referral to the Executive Officers, either Party may proceed to arbitration.

16.2 Initiation

Arbitration proceedings must be initiated within one hundred and twenty (120) calendar days of the date the controversy, claim or dispute was first referred to the Executive Officers and shall be initiated by written notice to the other Party setting forth the point or points in dispute. Unless otherwise agreed to in writing by the Parties, failure to initiate arbitration within such one hundred and twenty (120) day period shall be deemed a waiver of the right to arbitrate that controversy, claim or dispute. Provided however, that any such waiver shall not preclude a Party from initiating arbitration proceedings in respect of a similar claim, controversy or dispute based on facts that arise subsequent to the date the controversy, claim or dispute was first submitted to the Executive Officers.

16.3 Arbitration Proceedings

Subject to Section 16.1 above and Section 9.1(3)(g), any and all controversies, claims or disputes between the Parties arising out of or relating to this Agreement or an alleged breach thereof, shall be settled by arbitration. For greater clarity and certainty, arbitration shall not be available to anyone who is not a party to this Agreement, and the aforesaid requirement to arbitrate shall not preclude a Party from seeking contribution, indemnification or damages from another Person in proceedings instituted by third parties in courts of competent jurisdiction. Unless otherwise provided in this Article, the arbitration shall be conducted before three arbitrators and shall be conducted in accordance with the International Commercial Arbitration Act (Ontario), RSO 1990, c.I9 and the UNCITRAL model Law on International Commercial Arbitration as amended and then in effect. Each Party shall select one arbitrator, and the two selected arbitrators shall jointly agree, within 30 days after the last of the two arbitrators have been appointed, on a third arbitrator who shall chair the arbitration. All arbitrators shall be competent by virtue of education and experience in the particular matter subject to arbitration. Before proceeding with the first hearing, each arbitrator shall take an oath of office. The arbitrators shall require witnesses to testify under oath administered by a duly qualified person. The arbitrators shall have jurisdiction and authority only to interpret, apply or determine compliance with the

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provisions of this Agreement insofar as shall be necessary to determine the particular matter subject to arbitration. The arbitrators shall not have jurisdiction or authority to add to, detract from, or alter the provisions of this Agreement or any applicable law or rule of civil procedure. The arbitrators shall have the power to order specific performance under any and all provisions of this Agreement and no Party can avoid specific performance based on an argument that the other Party has an adequate remedy at law. All arbitrations shall be held in Winnipeg, Manitoba.

16.4 Jurisdiction

The arbitrators may rule on their own jurisdiction, including any objections with respect to the existence or validity of this Agreement. For that purpose, this Article shall be treated as an agreement independent of the terms of the balance of this Agreement. A decision by the arbitrators that this Agreement is null and void shall not entail *ipso jure* the invalidity of this Article. If a Party disputes the authority or jurisdiction of the arbitrators, it shall notify the other Party as soon as the matter alleged to be beyond the authority or jurisdiction of the arbitrators is raised during the arbitration proceedings. The arbitrators may rule on the issue as to whether or not they have the authority or jurisdiction in dispute, either as a preliminary question or in an award on the merits.

16.5 Discovery

Each Party shall have the rights of discovery in accordance with the applicable rules of the Court of Queen's Bench of Manitoba. All issues subject to discovery shall be determined by order of the arbitrators upon motion made to them by any Party. When a Party is asked to reveal material which the Party considers to be proprietary or confidential information or trade secrets, the Party shall bring the matter to the attention of the arbitrators who shall make such protective orders as are reasonable and necessary or as otherwise provided by law.

16.6 Continuation of Performance

Pending the final decision of the arbitrators, the Parties agree, subject to Section 14.2, to diligently proceed with the performance of all obligations, including the payment of all sums required by this Agreement. Payment of any interest shall be as determined by the arbitrator.

16.7 Costs

All fees, costs and expenses of the arbitrators incurred in connection with the arbitration shall be allocated among the Parties by the arbitrators. The nature of the dispute and the outcome of the arbitration shall be factors considered by the arbitrators when allocating such fees, costs, and expenses. Each Party shall be responsible for the fees, costs, and expenses of its own employees, expert consultants and attorneys, and for the costs of exhibits and other incidental costs.

16.8 Enforcement

Any decision (including orders arising out of disputes as to the scope or appropriateness of a request for, or a response to, discovery) of an arbitrator may be enforced in a court of competent jurisdiction with all costs, including court costs and attorney's fees and disbursements, paid by the Party found to be in default or in error. Judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction and may be enforced in accordance with the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

16.9 Correction and Interpretation of Award

Within thirty (30) calendar days after receipt of an arbitration award, a Party, with notice to the other Party, may request the arbitrators to correct in the award any errors in computation, any clerical or typographical errors or any errors of similar nature, or may request the arbitrators to give an interpretation of a specific point or a part of the award. If the arbitrators consider the request to be justified, they shall make the correction or give the interpretation within thirty (30) calendar days after receipt of the

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request. The interpretation shall form part of the award. The arbitrators may correct any error as herein-before referred to on their own initiative within thirty (30) calendar days after the date of award. In addition, within thirty (30) calendar days after receipt of an award, a Party with notice to the other Party may request the arbitrators to make an additional award as to claims presented in the arbitration but omitted from the award. If the arbitrators consider the request to be justified, they shall make an additional award within sixty (60) calendar days after receipt of the request. The arbitrators may extend, at their sole discretion if necessary, the period of time within which it shall make a correction, interpretation or an additional award.

ARTICLE XVII**DEFAULT/TERMINATION****17.1 Events of Default**

If any of the following events, conditions, or circumstances (each an “**Event of Default**”) shall occur and be continuing:

- (a) the failure of either Party or any Credit Support Provider of either Party to make any payment to the other Party as required by this Agreement if such amount remains unpaid for a period of five (5) Business Days after the date the Defaulting Party receives written notice from the Non-defaulting Party that the amount is overdue;
- (b) the failure by either Party to perform or observe any material obligation to the other Party under this Agreement, that is not excused by an event of Force Majeure, other than obligations for the payment of money, if such failure is not remedied within thirty (30) calendar days after written notice thereof shall have been given by the Non-defaulting Party to the Defaulting Party;
- (c) the insolvency or bankruptcy of a Party or its Credit Support Provider or its inability or admission in writing of its inability to pay its debts as they mature, or the making of a general assignment for the benefit of, or entry into any contract or arrangement with, its creditors;

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- (d) the application for, or consent (by admission of material allegations of a petition or otherwise) to, the appointment of a receiver, trustee or liquidator for a Party or for all or substantially all of its assets, or its authorization of such application or consent, or the commencement of any proceedings seeking such appointment against it without such authorization, consent or application, which proceedings continue undismissed or unstayed for a period of thirty (30) calendar days;
- (e) the authorization or filing by a Party or its Credit Support Provider of a voluntary petition in bankruptcy or application for or consent (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction or the institution of such proceedings against a Party or its Credit Support Provider without such authorization, application or consent, which proceedings remain undismissed or unstayed for thirty (30) calendar days or which result in adjudication of bankruptcy or insolvency within such time;
- (f) in the event that a Party fails to provide Performance Assurance within five (5) Business Days of the date the Performance Assurance was to have been provided in accordance with Section 14.2;
- (g) a Party or its Credit Support Provider consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to or reorganizes or reincorporates or reconstitutes into or as another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganization, reincorporation or reconstitution, the resulting, surviving or transferee entity fails to assume, if applicable, all the obligations of such Party or such Party's Credit Support Provider under this Agreement to which it or its predecessor was a party and, in the case of a Credit Support Provider, such Party has failed to provide a replacement Guarantee Agreement (if a Guarantee Agreement is outstanding) within five (5) Business Days

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- (h) the occurrence of a Letter of Credit Default that remains uncured for five (5) Business Days;
- (i) the occurrence of an uncured Event of Default (as such term is defined in Section 17.1 of the 250 MW System Power Sale Agreement) provided that the Non-defaulting Party shall have the unfettered discretion whether to declare an Event of Default under this Agreement associated with such occurrence;
- (j) the occurrence of an uncured Event of Default (as such term is defined in Section 15.1 of the Energy Exchange Agreement) provided that the Non-defaulting Party shall have the unfettered discretion whether to declare an Event of Default under this Agreement associated with such occurrence;
- (k) the occurrence of an uncured Event of Default (as such term is defined in Section 15.1 of the 2014 Energy Exchange Agreement) provided that the Non-defaulting Party shall have the unfettered discretion whether to declare an Event of Default under this Agreement associated with such occurrence; or
- (l) any material representation or warranty made by the Defaulting Party in this Agreement that is proven to have been false in any material respect when made,

then, and in any such event, the Non-defaulting Party shall have all the rights and remedies available to it at law or in equity, including the right to terminate this Agreement by written notice to the Defaulting Party in accordance with Section 17.3.

17.2 Suspension of Performance

Notwithstanding any other provision of this Agreement, if an Event of Default has occurred and is continuing beyond any applicable cure period, the Non-defaulting Party, upon notice to the Defaulting Party, shall have the right: (a) to suspend performance under this Agreement; provided, however, in no event shall any such suspension continue for longer than (10) Business Days unless an Early Termination Date has been declared and notice thereof given pursuant to Section 17.3; and (b) to

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the extent an Event of Default has occurred and is continuing beyond any applicable cure period, to exercise any remedies available at law or in equity.

17.3 Right to Terminate Following an Event of Default

- (1) If at any time an Event of Default with respect to a Party (the "**Defaulting Party**") has occurred and is then continuing beyond any applicable cure period, the other Party (the "**Non-defaulting Party**") may, by not less than twenty (20) calendar days notice to the Defaulting Party specifying the relevant Event of Default, designate a Business Day not earlier than the day such notice is effective as termination of this Agreement prior to the expiry of the Contract Term (such designated Business Day will constitute an "**Early Termination Date**").
- (2) In addition to and not in limitation of any other right or remedy (including any right to setoff, counterclaim, or otherwise withhold payment) available to the Non-defaulting Party at law or in equity, the Non-defaulting Party may, at its option and in its commercially reasonably exercised discretion and without prior notice to the Defaulting Party, setoff any amounts payable by it to the Defaulting Party under this Agreement (irrespective of currency, place of payment or booking office of obligation) against amounts that the Defaulting Party may owe it under any of the MH/MP Agreements. The obligations of the Parties under this Agreement in respect of such amounts shall be deemed satisfied and discharged to the extent of any such setoff and recoupment.
- (3) The payment by the Defaulting Party of any amounts due under any of the MH/MP Agreements shall be a condition precedent to the payment of any amounts due by the Non-defaulting Party to the Defaulting Party under any of the MH/MP Agreements.
- (4) The Non-defaulting Party shall use Commercially Reasonable Efforts to provide notice to the Defaulting Party as to the nature and amount of any setoff and recoupment after it is affected, but failure to give notice shall not impair the validity of any setoff and recoupment.

17.4 MH Termination Events

MH has the right, but not the obligation, to terminate this Agreement (a “**MH Termination Event**”) immediately upon notice to MP upon the termination of any of the MH/MP Agreements prior to the expiry of the term of the applicable agreement, unless the termination occurred due to occurrence of an uncured “Event of Default” (as such term is defined in the applicable agreement) by MH.

17.5 MP Termination Events

MP has the right, but not the obligation, to terminate this Agreement (a “**MP Termination Event**”) immediately upon notice to MH upon the termination of any of the MH/MP Agreements prior to the expiry of the term of the applicable agreement, unless the termination occurred due to occurrence of an uncured “Event of Default” (as such term is defined in the applicable agreement) by MP.

17.6 Payment on Termination

On or as soon as practicable following the effective designation of either an MH Termination Event or an MP Termination Event, MH shall calculate the amounts due and owing by MP to MH, and MP shall calculate the amounts due and owing by MH to MP, as applicable, for the period up to and including the termination date, and each Party shall deliver an invoice to the other Party for the amount due which shall be payable in accordance with Article V.

ARTICLE XVIII**LIMITATION OF LIABILITY****18.1 Limitation of Liability**

THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES

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AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF THE EXPRESS REMEDY OR MEASURE OF DAMAGES PROVIDED IS ALL RIGHTS OR REMEDIES AVAILABLE TO A PARTY AT LAW OR IN EQUITY, SUCH PARTY SHALL BE ENTITLED TO SEEK ALL OR ANY SUCH RIGHTS AND DAMAGES OR REMEDIES. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

ARTICLE XIX**GENERAL****19.1 Notices**

Any notices, demands or requests (other than those operational matters identified by the Operating Committee), required or authorized by this Agreement shall be in writing and may be delivered by hand delivery, mail, electronic mail, confirmed fax, or overnight courier service to:

if to the Manitoba Hydro-Electric Board:

Division Manager
Power Sales & Operations
Manitoba Hydro
360 Portage Avenue
Post Office Box 815
Winnipeg, Manitoba
R3C 2P4
Fax (204) 360-6137

with copies to:

General Counsel
Manitoba Hydro
360 Portage Avenue
Post Office Box 815
Winnipeg, Manitoba
R3C 2P4
Fax (204) 360-6147

if to Minnesota Power:

Vice-President Strategy & Planning
Minnesota Power
30 West Superior St.
Duluth, MN 55802
Fax (218) 723-3915

with copies to:

General Counsel
Minnesota Power
30 West Superior Street
Duluth, MN 55802
Fax (218) 723-3955

Notice by hand delivery shall be effective at the close of business on the day actually received, if received during the recipient's business hours on a Business Day, and otherwise shall be effective at the close of business on the next Business Day. Notice by overnight mail, or courier, shall be effective on the next Business Day after it was sent. Notice by electronic mail or confirmed fax shall be effective at the close of business on the day actually received, if received during the recipient's business hours on a Business Day, and otherwise shall be effective at the close of business on the next Business Day. The designation of the persons to be notified or the address of such persons may be changed at any time by similar notice.

19.2 Operational Matters

All issues related to operational matters and notices in respect thereto, as identified by the Operating Committee shall be directed to the appropriate operations personnel at MH and MP. Each Party shall each provide to the other Party a list of contacts for notification on the said operational matters that shall be updated from time to time as required.

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19.3 MH's Marketing and Sales Function and MP's Merchant Function

The Parties acknowledge that MH has established an open access transmission tariff and MP is subject to the TARIFF, and MH has adopted, and MP is subject to, the FERC "Standards of Conduct" which require that MH's and MP's respective employees engaged in transmission system operations function independently from MH's and MP's respective marketing and sales employees, and that MH and MP treat all of their respective transmission customers on a non-discriminatory basis. This Agreement is entered into by MH and MP on behalf of their respective marketing and sales functions. Nothing in this Agreement shall obligate either MH's or MP's transmissions function to take or refrain from taking any action.

19.4 Records

Each Party shall keep complete and accurate records and memoranda of its operations hereunder and shall maintain such data as may be necessary to determine with reasonable accuracy any item required hereunder. With respect to invoicing records, each Party shall maintain such records, memoranda and data for the current calendar year plus a minimum of five (5) previous calendar years. Each Party or its respective designee, shall each have the right, at its sole expense, upon reasonable prior notice during the other Party's regular business hours at such Party's primary place of business, to inspect, review and take copies of the other Party's records as far as such records concern monetary matters or other issues under this Agreement and may be reasonably necessary for the purpose of ascertaining the reasonableness and accuracy of any statements of cost, bills or invoices relating to transactions hereunder. Each Party shall treat and shall take reasonable steps to cause its designee to treat such information so inspected, reviewed, or copied as Confidential Information.

19.5 Indemnity

- (1) Each Party shall indemnify and save harmless the other Party from and against all claims, actions, suits, proceedings, demands, assessments, judgments,

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charges, penalties, costs, and expenses which arise or are made or claimed against or suffered or incurred by the other as a result of:

- (a) any breach by it of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto; and
- (b) any breach or non-performance by it of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto.

(2) The Parties agree:

- (a) MH shall be deemed to be in exclusive control of the Firm Energy prior to the delivery by MH and receipt by MP of the Firm Energy at the Delivery Point and MH shall be responsible for, and shall indemnify MP from, any damages or injury MP or any third party may suffer or incur, caused thereby except to the extent such damages or injury were caused by the gross negligence or wilful misconduct of MP; and
- (b) MP shall be deemed to be in exclusive control of the Firm Energy from and after delivery by MH and receipt by MP of the Firm Energy at the Delivery Point and shall be responsible for, and shall indemnify MH from, any damages or injury MH or any third party may suffer or incur, caused thereby except to the extent such damages or injury is caused by the gross negligence or wilful misconduct of MH.

For the purposes of this Section 19.5(2) “gross negligence or wilful misconduct” does not include acts or omissions by a Party that constitute ordinary negligence, and “damages or injury” does not include indirect, incidental, and consequential damages, and without restricting generality of the foregoing, “damages or injury” does not include expenses or liabilities associated with the interruption of power, energy or related services to any third Person.

- (3) Each Party shall promptly notify the other Party of claims, demands or actions that may result in a claim for indemnity. Failure to be provided with notice will not relieve a Party from indemnification liability unless, and then only to

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the extent that, such failure results in the forfeiture by such Party of a substantial right or defense. No settlement of any claim which may result in a claim for indemnity may be made by either Party without the prior consent of the other Party, which consent may not be unreasonably withheld. Neither Party shall be liable under this Agreement in respect of any settlement of a claim unless it has consented in writing to such settlement.

19.6 Governing Law

In respect of matters under this Agreement relating to or arising out of the offering and all other matters in respect of the Firm Energy, the Parties acknowledge that those matters and the applicable provisions of this Agreement concerning same shall be governed and construed in accordance with the laws of the province of Manitoba and Canada. Any disputes arising under this Agreement concerning same that are not resolved by arbitration shall be subject to the exclusive jurisdiction of the courts of the province of Manitoba and the Supreme Court of Canada.

19.7 Waiver of Right to Trial by Jury

Each Party hereby irrevocably waives to the fullest extent permitted by applicable law, any and all rights it may have to trial by jury with respect to any legal proceeding arising out of or relating to this Agreement and any agreement executed or contemplated to be executed in conjunction with this Agreement. This provision is a material inducement to each of the Parties for entering into this Agreement. Each Party hereby waives any right to consolidate any action, proceeding, or counterclaim arising out of or in connection with this Agreement and any other agreement executed or contemplated to be executed in conjunction with this Agreement, or any matter arising hereunder or thereunder in which a jury trial has not or cannot be waived.

19.8 Foreign Sovereign Immunities Act

MH irrevocably agrees to waive the protections of the Foreign Sovereign Immunities Act, 28 U.S.C. §1602, et seq., in connection with this Agreement.

19.9 No Representation or Warranty for Injury

It is acknowledged and agreed that the Firm Energy and related services are inherently dangerous, MH offers no warranty, or representation, express or implied, that the Firms Energy or related services will not cause injury to Person, property or business.

19.10 Surviving Termination

All provisions of this Agreement which by their nature are intended to survive the termination of this Agreement, including, the provisions relating to: (a) the billing by MH to MP of and payment from MP to MH for or related to the Firm Energy; (b) the confidentiality provisions pursuant to Article 11 of this Agreement; and (c) Section 17.6, shall survive the Contract Term or the earlier termination of this Agreement, as the case may be, for a period of three (3) years following the expiration of the Contract Term or the earlier termination of this Agreement.

19.11 Enurement

This Agreement shall be binding upon and its benefits enure to the Parties and their permitted successors and assigns. This Agreement shall not create the relationship between the Parties of a joint venture or a partnership.

19.12 Assignment

Neither this Agreement nor any interest or obligation in or under this Agreement may be assigned (whether by way of security or otherwise) by either Party without the prior written consent of the other Party, except that either Party may, without consent of the other Party, assign this Agreement (in whole and not in part only) to any of their respective Affiliates, including any newly formed Affiliate pursuant to either Party reorganizing its corporate structure, on sixty (60) calendar days advance notice to the other Party provided that:

- (a) prior to the effective date of the assignment, Performance Assurance, if required by the non-assigning Party, has been provided to the non-

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assigning Party in an amount and upon terms satisfactory to the non-assigning Party, in its sole discretion, acting reasonably;

- (b) the non-assigning Party shall not be required to pay to the assignee an amount in respect of any Governmental Charges which the non-assigning Party would not have been required to pay to the assigning Party in the absence of such assignment;
- (c) the non-assigning Party shall not receive a payment from which an amount has been withheld or deducted, on account of a withholding tax in excess of that which the assigning Party would have been required to so withhold or deduct in the absence of such assignment;
- (d) it does not become unlawful for either Party or the assignee to perform any obligation under this Agreement as a result of such assignment; and
- (e) no Event of Default or MH Termination Event or MP Termination Event, as applicable, occurs as a result of such assignment.

With respect to the results described in clauses (b) and (c) above, the non-assigning Party will cause the assignee to make, and the assigning Party will make, such reasonable representations as may be mutually agreed upon by the assigning Party, the assignee and the non-assigning Party in order to permit such parties to determine that such results will not occur upon or after the assignment. For greater certainty the assignment in part only of the interest or obligation of MP, to an Affiliate of MP in accordance with and pursuant to the conditions stipulated in this Section 19.12, includes the interest granted pursuant to Article 8 to have the Allocated Environmental Attributes transferred to MP.

19.13 Waiver and Amendment

Unless otherwise specifically provided herein, this Agreement may be altered, modified, varied, or waived, in whole or in part, only by a supplementary written document executed by the Parties.

19.14 Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

19.15 Recording of Communications

The Parties agree: (a) that each may electronically monitor or record, at any time and from time to time, any and all communications between them; (b) to waive any further notice of such monitoring or recording; (c) to notify and obtain any necessary consents of its officers and employees of such monitoring or recording; (d) that any such monitoring or recording may be offered into evidence in any such suit, trial, hearing, arbitration, or other proceeding; and (e) to furnish appropriately redacted copies of recordings to the other Party within ten (10) Business Days of the other Party's written request.

19.16 Existing Agreements

Each of the Parties are parties to existing agreements with each other and with other third parties. This Agreement shall not affect the obligations and rights of a Party with respect to such existing agreements, except as expressly provided for herein.

19.17 No Other Rights

This Agreement is not intended to and shall not create rights of any character whatsoever in favour of any Person, other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third Persons to any Party, nor shall any provision of this Agreement give any third Persons any right of subrogation or action over against any Party.

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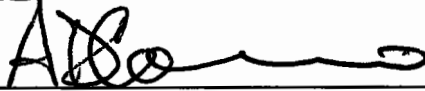
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19 18 Entire Agreement

Subject only to the provisions of the Non Disclosure Agreement this Agreement represents the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral and written proposals and communications pertaining hereto including the Term Sheet There are no representations conditions warranties or agreements express or implied statutory or otherwise with respect to or collateral to this Agreement other than contained herein or expressly incorporated herein

IN WITNESS WHEREOF the Parties have caused this Agreement to be duly executed on the date first above written

THE MANITOBA HYDRO ELECTRIC
BOARD



By A D Cormie Division Manager Power
Sales & Operations

I HAVE AUTHORITY TO BIND THE
MANITOBA HYDRO ELECTRIC BOARD

MINNESOTA POWER an operating division of
ALLETE Inc



By Alan R Hodnik Chairman President and
Chief Executive Officer

I HAVE AUTHORITY TO BIND ALLETE
INC

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Pursuit to Minn. Stat. §13.37

APPENDIX A - N

of the

133 MW Energy Sale Agreement Between
The Manitoba Hydro-Electric Board and
Minnesota Power, an operating division of ALLETE, Inc.

HAS BEEN DESIGNATED AS TRADE SECRET

EXHIBIT A

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2014 ENERGY EXCHANGE AGREEMENT

between

THE MANITOBA HYDRO-ELECTRIC BOARD

- and -

MINNESOTA POWER, an operating division of ALLETE, Inc.

DATED July 30, 2014

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SCHEUDULE B- [TRADE SECRET DATA EXCISED]

2014 ENERGY EXCHANGE AGREEMENT

DATED July 30, 2014

BETWEEN:

THE MANITOBA HYDRO-ELECTRIC BOARD,

(hereinafter referred to as “MH”),

- and -

MINNESOTA POWER, an operating division of ALLETE, Inc.,

(hereinafter referred to as “MP”).

WHEREAS, MP, and MH are the owners and operators of electric generation and transmission facilities in the United States of America and in Canada, respectively, and are engaged in the generation, transmission, distribution and sale of electric energy;

AND WHEREAS, MP, MH and 6690271 Manitoba Ltd. entered into a term sheet dated September 27, 2013, (the “**Term Sheet**”) for a number of proposed transactions;

AND WHEREAS, each of the aforesaid proposed transactions contemplated by the Term Sheet was subject to a number of conditions including the execution and delivery of definitive written agreements;

AND WHEREAS, this Agreement is the definitive agreement for one of the proposed transactions being: (i) the sale by MP and the purchase by MH of MP’s Energy; (ii) MH agreeing to pay for MP’s Pumped Energy; and (iii) MP agreeing to pay for MH’s Stored Energy;

AND WHEREAS, MH agrees to purchase and MP agrees to sell MP's Energy pursuant to the terms and conditions set forth in this Agreement;

AND WHEREAS, MH agrees to pay MP for MP's Pumped Energy pursuant to the terms and conditions set forth in this Agreement;

AND WHEREAS, MP agrees to pay MH for MH's Stored Energy pursuant to the terms and conditions set forth in this Agreement;

AND WHEREAS, the Parties require governmental permits and approvals for the import and export of electric energy;

AND WHEREAS, MP is a member of MISO and subject to applicable MISO tariffs, and MH is a coordinating member of MISO.

NOW, THEREFORE, in consideration of the mutual promises and covenants of each Party to the other contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties covenant and agree as follows:

ARTICLE I

INTERPRETATION

1.1 Defined Terms

Unless otherwise specified in this Agreement, the following terms shall, for the purposes of this Agreement, have the following meanings:

"133 MW Energy Sale Agreement" shall mean the 133 MW Energy Sale Agreement entered into between MP and MH concurrently with this Agreement.

“250 MW System Power Sale Agreement” shall mean the 250 MW System Power Sale Agreement entered into between MP and MH on May 19, 2011.

“500 kV Canadian Transmission Interconnection” shall have the meaning set forth in Section 3.1(1)(g).

“500 kV Transmission Interconnection” shall have the meaning set forth in Section 3.1(1)(g).

“500 kV Transmission Interconnection In-service Date” shall mean when the 500 kV Transmission Interconnection is commissioned and comes into service.

“500 kV US Transmission Interconnection” shall have the meaning set forth in Section 3.1(1)(g).

“Affiliate” shall mean any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with MP or MH and shall include a wholly owned subsidiary of MP or MH.

“Agreement” means this 2014 Energy Exchange Agreement and all amendments thereto.

“Ancillary Services” shall have the meaning set forth in the TARIFF.

“Balancing Authority” shall have the meaning set forth in the TARIFF.

“Bankruptcy Code” shall have the meaning set forth in Section 9.1(1)(k).

“Business Day” shall mean Monday through Friday, excluding Canadian banking holidays (such banking holidays shall be as recognized by the Canadian Payments Association or any successor agency) and United States banking holidays (such banking holidays shall be as recognized by the Federal Reserve Board or any successor agency).

“Canadian FCA” shall have the meaning set forth in Section 3.1(1)(f).

“**Canadian TSRs**” shall have the meaning set forth in Section 3.1(1)(d).

“**Canadian Upgrades**” shall have the meaning set forth in Section 3.1(1)(e).

“**Centrally Operated Market**” shall mean a centrally operated structure or structures bringing together buyers and sellers to facilitate the exchange of wholesale electricity products and/or related services.

“**Commercially Reasonable Efforts**” shall mean those efforts expended by a Party, acting reasonably, under normal commercial conditions to identify, develop, and implement a solution to an issue or problem that is cost effective (taking into account the complexity and importance of the issue or problem being addressed) and is also consistent with applicable legal requirements, rules governing any applicable Market and Good Utility Practice if the Party is MP and Good Utility Hydro Practice if the Party is MH.

“**Confidential Information**” shall have the meaning set forth in Section 10.1(a).

“**Contract Term**” shall mean, the twenty (20) year period from the 500 kV Transmission Interconnection In-service Date.

“**Contract Year**” shall mean a twelve-month period, June 1 through May 31 of the following calendar year, whether or not within the Contract Term.

“**Credit Support Provider**” shall mean a Person approved by the Requesting Party who provides Performance Assurance on behalf of the Second Party.

“**Day-Ahead Basis**” shall mean in advance, not later than 11 a.m. (EST) of the Business Day prior to any day that MP is to make available MP’s Energy to MH.

“**Day-Ahead Energy and Operating Reserve Market**” shall mean the day-ahead market established pursuant to and defined by the TARIFF.

“Day-Ahead Energy Price” shall have the meaning set forth in the TARIFF.

“Day-Ahead Offer Basis” shall mean in advance, not later than 11 a.m. (EST) of the Business Day prior to any day that MP offers MP’s Pumped Energy to MH or MH offers MH’s Stored Energy to MP, as applicable.

“DBRS” shall mean DBRS Limited or its successor.

“Defaulting Party” shall have the meaning set forth in Section 15.3(1).

“Delivery Point” shall have the meaning set forth in Section 2.2(1).

“Discloser” shall have the meaning set forth in Section 10.1.

“Early Termination Date” shall have the meaning set forth in Section 15.3(1).

“Effective Date” shall mean the date this Agreement is executed by the Parties.

“Energy Exchange Agreement” shall mean the Energy Exchange Agreement entered into between MP and MH on May 19, 2011.

“Environmental Attributes” shall mean the rights to any existing or future environmental benefits or attributes, credits, renewable characteristics, avoided emissions, avoided greenhouse gas emissions, emission reductions, emissions or greenhouse gas emissions associated with, related to or derived or resulting from the generation of electricity.

“Event of Default” shall have the meaning set forth in Section 15.1.

“Executive Officers” shall be, in the case of MH the Vice-President Generation Operations, and in the case of MP the Vice-President Strategy and Planning, or its successor or such other officer designated by each Party from time to time.

“FERC” shall mean the Federal Energy Regulatory Commission or its successor.

“**Financial Schedule**” shall have the meaning set forth in the TARIFF.

“**Firm Point-to-Point Transmission Service**” shall have the meaning set forth in the applicable OATT.

“**Firm Transmission Service**” shall mean transmission service provided pursuant to the OATT of either Party’s Transmission Provider, being either Firm Point-to-Point Transmission Service or Network Integration Transmission Service, or the highest priority transmission service available pursuant to either Party’s OATT, or in the event that either Party does not have an OATT, the highest priority transmission service available to that Party for the delivery of energy and the supply of capacity.

“**Force Majeure**” shall mean an event or circumstances that prevents or delays one Party (the “**Claiming Party**”) from performing its obligations under this Agreement and that is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and that, by the exercise of Good Utility Practice, if the Claiming Party is MP and that, by the exercise of Good Hydro Utility Practice, if the Claiming Party is MH is unable to overcome or avoid or cause to be avoided, including but not restricted to, acts of God, [TRADE SECRET DATA EXCISED] strikes, lockouts and other labour disturbances, epidemics, pandemic, war (whether or not declared), blockades, acts of public enemies, acts of sabotage or terrorism, civil insurrection, riots or civil disobedience, any situation where delivery or acceptance will endanger the Claiming Party’s facilities or endanger that Party’s system operations, explosions, acts or omissions of any Governmental Authority taken on or after the Effective Date, (including the adoption or change in any law or regulation or environmental constraints lawfully imposed by such Governmental Authority) but only if, and to the extent that, such action or inaction by such Governmental Authority prevents or delays performance and/or renders the Claiming Party unable, despite due diligence, to obtain any licenses, permits, or approval required by any Governmental Authority, and the issuance of any order, injunction, or other legal or equitable decree to the extent that any of the

foregoing prevents or delays the performance of a Claiming Party's obligations hereunder.

“Good Hydro Utility Practice” shall mean, at any particular time, any of the practices, methods, and acts engaged in or approved by a significant portion of the hydro-electric utilities located in North America during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time a decision is made, could be expected to produce the desired result at a reasonable cost consistent with reliability, safety, and expedition. Good Hydro Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but includes a range of acceptable practices, methods, or acts.

“Good Utility Practice” shall mean, at any particular time, any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utilities located in North America during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time a decision is made, could be expected to produce the desired result at a reasonable cost consistent with reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but includes a range of acceptable practices, methods, or acts.

“Governmental Authority” shall mean any federal, state, or provincial government, parliament, legislature, or any regulatory authority, agency, commission or board of any of the foregoing, or any political subdivision thereof, or any court, or, without limitation, any other laws, regulation or rule-making entity, having jurisdiction in the relevant circumstances, or any Person acting under the authority of any of the foregoing, or any other authority charged with the administration or enforcement of applicable laws.

“Governmental Charges” shall mean all applicable federal, state, provincial and local ad valorem, property, occupation, severance, generation, first use, conservation, or energy, transmission, utility, gross receipts, privilege, sales, use, consumption, excise and other taxes (other than taxes based on income or net worth), charges, emission allowance costs, duties, tariffs, levies, licenses, fees, permits, assessments, adders or surcharges (including public purposes charges and low income bill payment assistance charges), imposed or authorized by a Governmental Authority, independent system operator, utility, transmission and distribution provider or similar Person, however styled or payable.

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“Guarantee Agreement” shall mean a guarantee provided to the Requesting Party by a Credit Support Provider with an Investment Grade Credit Rating as Performance Assurance pursuant to Section 13.2 in a form acceptable to the Requesting Party acting with commercially reasonable discretion.

“Interest Rate” shall mean, for any date, the lesser of: (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in The Wall Street Journal under “Money Rates” on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%); or (b) the maximum rate permitted by applicable law.

“Investment Grade Credit Rating” shall mean with respect to any Person, a rating (unenhanced by unaffiliated third party support) of not less than: (a) BBB- from S&P; or (b) Baa3 from Moody’s; or (c) BBB(low) from DBRS, then assigned to the lower of: (i) its unsecured, senior long-term debt obligations; or (ii) if applicable, its issuer rating and, in each instance, unenhanced by unaffiliated third party support and not on “credit watch” or “negative outlook”, provided, however, that in the event that such Person has a rating from one of the aforesaid rating agencies below the required level, the lowest such rating shall apply for the purposes of this definition.

“Letter(s) of Credit” shall mean one or more irrevocable, transferable, standby letters of credit, issued by a commercial bank, as defined in either the Federal Deposit Insurance Act (United States) or the Bank Act (Canada), or successor legislation, operating from an office in either the United States or Canada whose credit rating is, at such time of issuance, at least “A-” by S&P or “A3” by Moody’s or A(low) by DBRS, or an equivalent rating by any successor rating agency thereof (if any) in a form as the issuing bank may request and as may be acceptable in a commercially reasonable manner to the Party in whose favor the Letter of Credit is issued.

“Letter of Credit Default” shall mean with respect to an outstanding Letter of Credit, the occurrence of any of the following events: (a) the issuer of the Letter of Credit shall fail to maintain a credit rating of at least “A-” by S&P or “A3” by Moody’s or A(low) by DBRS; (b) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; (c) such Letter of Credit shall expire or terminate, or shall fail to or cease to be in full force and effect at any time during the Contract Term; (d) any event analogous to an event specified in Section 15.1(c), (d),(e) or (g) of this Agreement shall occur with respect to the issuer of such Letter of Credit; or (e) twenty (20) Business Days prior to the expiration or termination date of a Letter of Credit, such Letter of Credit is not extended or replaced with a Letter of Credit for an amount at least equal to that of the Letter of Credit being replaced.

“Local Balancing Authority” shall have the meaning set forth in the TARIFF.

“Market” or **“Markets”** shall mean:

- (a) a Centrally Operated Market; and/or
- (b) the wholesale purchase and sale of electricity products and/or related services on a bilateral basis.

“Market Participant” shall have the meaning set forth in the TARIFF.

“Market Settlement Amounts” shall mean any and all charges attributable to either Party arising out of a process of determining charges established and maintained at any time and from time to time by a Market (or a Transmission Provider).

“MH Termination Event” shall have the meaning set forth in Section 15.4.

“MH/MP Agreements” shall mean this Agreement, the 250 MW System Power Sale Agreement, the Energy Exchange Agreement and the 133 MW Energy Sale Agreement.

“MH’s Ancillary Services” shall mean those Ancillary Services and other reasonably similar services and products, associated, directly or indirectly, with the transmission of MP’s Energy.

“MH’s Conditions Precedent” shall have the meaning set forth in Section 11.1.

“MH’s Stored Energy” shall have the meaning set forth in Section 2.5(2).

“MH’s Stored Energy Price” shall have the meaning set forth in Section 4.1(3).

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“Minimum MP’s Energy Requested Amount” shall have the meaning set forth in Section 2.1(2).

“MISO” shall mean the Midcontinent Independent System Operator, Inc.

“Moody’s” shall mean Moody’s Investors Service Inc. or its successor.

“MP Charges” shall have the meaning set forth in Section 3.1(5)(b).

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“MP Termination Event” shall have the meaning set forth in Section 15.5.

“MP’s Ancillary Services” shall mean those Ancillary Services and other reasonably similar services and products, associated, directly or indirectly, with the generation of MP’s Energy.

“MP’s Condition Precedent” shall have the meaning set forth in Section 11.2.

“MP’s Designated Peak Hours” shall mean any four (4) hours in any day during the Contract Term, of which MP has provided advance notice to MH, not later than 8 a.m. (EST) of the Business Day occurring immediately prior to the day that MP’s Energy is to be made available by MP to MH.

“MP’s Energy” shall have the meaning set forth in Section 2.1(1).

“MP’s Energy Price” shall have the meaning set forth in Section 4.1(1).

“MP’s Load Zone” shall mean the geographic area that encompasses the major portion of MP’s electric load in the States of Minnesota and Wisconsin.

“MP’s Pumped Energy” shall have the meaning set forth in Section 2.5(1).

“MP’s Pumped Energy Price” shall have the meaning set forth in Section 4.1(2).

“NERC” shall mean the North American Electric Reliability Corporation or its successor.

“Network Integration Transmission Service” shall have the meaning set forth in the applicable OATT.

“Non-defaulting Party” shall have the meaning set forth in Section 15.3(1).

“Non-Disclosure Agreement” shall mean that certain non-disclosure agreement between the Parties, effective November 10, 2006, as amended.

“**Northbound 133 MW Canadian TSR**” shall have the meaning set forth in Section 3.1(1)(d)(i)(A).

“**Northbound 133 MW US TSR**” shall have the meaning set forth in Section 3.1(1)(a)(i)(A).

“**On-Peak Hours**” shall mean HE 7:00 CPT to HE 22:00 CPT Monday to Friday.

“**Open Access Transmission, Energy and Operating Reserve Markets Tariff**” or “**TARIFF**” shall mean the Open Access Transmission, Energy and Operating Reserve Markets FERC Electric Tariff, including all schedules and attachments thereto, of the Midcontinent Independent System Operator, Inc. issued on May 1, 2013, as amended, supplemented, or replaced from time to time.

“**Open Access Transmission Tariff**” or “**OATT**” shall mean a transmission tariff as it may be in effect from time to time that: (a) in the case of MP’s Transmission Provider, has been filed with and accepted by FERC as complying with FERC’s then current open access transmission, comparability, and nondiscrimination requirements; and (b) in the case of MH, provides reciprocal open access transmission service on sufficiently comparable and nondiscriminatory terms so as to entitle MH to use the transmission tariff of Transmission Providers in the United States; and (c) in the case of a third party, has been filed with and accepted by FERC as complying with FERC’s then current open access transmission, comparability, and nondiscrimination requirements, or provides reciprocal open access transmission service so as to entitle such entity to transmit electricity with entities whose transmission tariffs have been filed with and accepted by FERC as a transmission tariff.

“**Operating Committee**” shall have the meaning set forth in Section 8.1(1).

“**Party**” shall mean either MH or MP and “**Parties**” means both MH and MP.

“**Performance Assurance**” shall have the meaning set forth in Section 13.2(1).

“**Person**” shall mean an individual, partnership, corporation, trust, unincorporated association, syndicate, joint venture, or other entity or Governmental Authority.

“**Pledgor**” shall have the meaning set forth in Section 13.3(1).

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“**Recipient**” shall have the meaning set forth in Section 10.1.

“**Representative**” shall have the meaning set forth in Section 10.1(b)(i).

“**Requesting Party**” shall have the meaning set forth in Section 13.2(1).

“**S&P**” shall mean Standard & Poor’s Rating Services (a division of McGraw-Hill Inc.) or its successor.

“**Schedule**” or “**Scheduling**” shall mean the actions of seller, buyer, and their designated representatives, of notifying, requesting, and confirming to each other the quantity of MP’s Energy to be delivered on any given day or days during the Contract Term.

“**Scheduled**” shall mean the result of Scheduling.

“**Seams Costs**” shall mean any and all transmission and transmission service and related costs applied by one Market for the transmission of energy and related products from that Market or to that Market at the boundary of that Market.

“**SEP Contract Year**” shall have the meaning set forth in Section 4.1(3).

“**Second Party**” shall have the meaning set forth in Section 13.2(1).

“**Secured Party**” shall have the meaning set forth in Section 13.3(1).

“**Transmission Provider(s)**” shall mean, collectively, the Person or Persons as applicable who direct the operation of the Transmission Provider(s) System.

“**Transmission Provider(s) System**” shall mean the contiguously interconnected electric transmission and sub-transmission facilities, including land rights, material, equipment and facilities owned, controlled, directed, and or operated by the Transmission Provider(s) that transmits and distributes electrical energy.

“**Transmission Service**” shall have the meaning set forth in Sections 3.1(2)(a), 3.1(3), 3.1(4)(a), and 3.1(5).

“**U.S. Dollars or US \$**” shall mean lawful money of the United States of America.

“**US FCA**” shall have the meaning set forth in Section 3.1(1)(c).

“**US TSRs**” shall have the meaning set forth in Section 3.1(1)(a)(ii)(B).

“**US Upgrades**” shall have the meaning set forth in Section 3.1(b).

“**WPS**” shall have the meaning set forth in 3.1(1)(a)(ii).

1.2 Interpretation

Unless the context otherwise requires, this Agreement shall be interpreted in accordance with the following:

- (a) words singular and plural in number shall be deemed to include the other and pronouns having masculine or feminine gender shall be deemed to include the other;
- (b) any reference in this Agreement to any Person includes its successors and permitted assigns, and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities; any reference in this Agreement to any section or Appendix means and refers to the section contained in, or Appendix attached to, this Agreement;

- (c) other grammatical forms of defined words or phrases have corresponding meanings to the defined words or phrases;
- (d) a reference to writing includes typewriting, printing, lithography, photography, and any other mode of representing or reproducing words, figures or symbols in a lasting and visible form, including electronic mail;
- (e) a reference to a Party to this Agreement includes that Party's successors and permitted assigns;
- (f) a reference to a document or agreement, including this Agreement, includes a reference to that document or agreement as amended from time to time and includes any exhibits or attachments thereto;
- (g) headings are inserted for convenience only and shall not affect the interpretation of this Agreement or any section thereto;
- (h) the word "including" means "including without limitation"; and
- (i) the preamble hereto shall not form part of this Agreement.

1.3 No Presumption

The Parties are both represented by counsel, have both participated in the negotiation and drafting of this Agreement, and have endeavoured to ensure that the terms of this Agreement are as clear as possible. Accordingly, in interpreting this Agreement there shall be no presumption in favour of or against any Party on the basis that it was or was not the drafter of this Agreement or any individual provision thereof.

ARTICLE II

ENERGY TRANSACTIONS

2.1 MP's Energy

- (1) Subject to the provisions of this Agreement, during the Contract Term MP shall sell to MH and MH shall purchase from MP that quantity of energy that MH, subject to Section 2.1(2), in its sole discretion requests on a Day-Ahead Basis ("MP's Energy"), provided that the energy quantity requested in any hour shall

not exceed 133 MWh per hour. MP shall offer and make available MP's Energy to the Delivery Point and MH shall accept delivery at the Delivery Point and pay for MP's Energy.

- (2) MH agrees to request from MP pursuant to Section 2.1(1) the energy quantity amount (expressed in MWh) determined as follows:

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over the Contract Term (the "**Minimum MP's Energy Requested Amount**").

- (3) The Parties acknowledge that in accordance with Section 3.1 the Transmission Service shall be utilized for the delivery and receipt of MP's Energy. The Parties may by mutual agreement also request additional Firm Transmission Service or additional transmission service that is not Firm Transmission Service on a daily and/or monthly basis for the delivery and receipt of MP's Energy.
- (4) The Parties acknowledge that MP has in its sole discretion the right, but not the obligation, to source and/or supply and/or sell MP's Energy from third party purchases and/or Markets available to MP. Without limiting the generality of the foregoing, the Parties acknowledge that MP has the right but not the obligation to utilize any Market mechanisms that are available to MP throughout the Contract Term.
- (5) The Parties acknowledge and agree that: (a) MP has retained all Environmental Attributes for MP's Energy; and (b) for environmental reporting purposes, the Environmental Attributes of MP's Energy, is electrical energy that is not sourced from any specific generation type or resource and has Environmental Attributes equivalent to energy that is associated with the applicable market in which the majority of MP's Load Zone is physically situated and shall be reported by each of the Parties in that manner, in any reports that are filed by each of the Parties in respect of the purchase and sale of MP's Energy pursuant to this Agreement.

2.2 MP's Energy Delivery Point

- (1) The Parties agree that the delivery point for MP's Energy that is sold by MP and purchased by MH under this Agreement shall be at the point or points where MH's major transmission facilities cross the international boundary between the province of Manitoba and the United States of America (the "**Delivery Point**").
- (2) The Delivery Point for any portion of MP's Energy to be sold and purchased herein may only be changed with the consent of the Parties provided that the Party receiving a request from the other Party to change the Delivery Point must use Commercially Reasonable Efforts in responding to such request.

2.3 MP's Energy Title and Risk of Loss

Title to and risk of loss of MP's Energy sold and purchased under this Agreement shall pass from MP to MH at the Delivery Point.

2.4 MP's Energy Ancillary Services

- (1) The Parties acknowledge and agree that: (a) MP shall be entitled to retain all of MP's Ancillary Services; (b) the price for MP's Energy does not include any value in respect of or related to MP's Ancillary Services; (c) MH shall use Commercially Reasonable Efforts to comply with all reasonable requests by MP to participate in the Market in respect of or related to MP's Ancillary Services; (d) MH shall be entitled to retain all of MH's Ancillary Services; (e) the price for MP's Energy is inclusive of the value in respect of or related to MH's Ancillary Services; and (f) MP shall use Commercially Reasonable Efforts to comply with all reasonable requests by MH to participate in the Market in respect of or related to MH's Ancillary Services.
- (2) In the event that MH receives any compensation or payment from the MISO or otherwise for MP's Ancillary Services that were offered or scheduled by MP, MH shall remit such compensation or payment to MP. In the event that MP receives any compensation or payment from MISO or otherwise for MH's

Ancillary Services that were offered or scheduled by MH, MP shall remit such compensation or payment to MH.

2.5 **MP's Pumped Energy and MH's Stored Energy**

MP's Pumped Energy

- (1) Subject to the provisions of this Agreement, during the Contract Term MP shall be entitled to offer to MH on a Day-Ahead Offer Basis when MP, in its sole discretion, determines excess renewable energy is available: (a) during the twelve (12) month period of each calendar year that is entirely within the Contract Term, up to a total of 750,000 MWh of energy; and (b) during such period of time within a portion of a calendar year that is within the Contract Term (and that calendar year is not entirely within the Contract Term), up to a total amount determined using a pro-rated portion of 750,000 MWh of energy for an entire calendar year, calculated by multiplying 750,000 by the total number of days in that calendar year that were within the Contract Term and dividing the result by the number of days in such calendar year (all energy offered by MP pursuant to this Section 2.5(1)(a) and (b) shall collectively be referred to as "**MP's Pumped Energy**"). MP's Pumped Energy shall not exceed in any hour 383 MWh under the Energy Exchange Agreement and this Agreement, subject to further agreement by MP and MH. The Parties acknowledge and agree that MP shall have no obligation to sell and deliver any quantity of MP's Pumped Energy and MH shall have no obligation to purchase and receive any quantity of MP's Pumped Energy. MH agrees to pay MP for the applicable quantity of MP's Pumped Energy at MP's Pumped Energy Price and the provisions of Section 3.2(9) shall apply to the Parties in respect of MP's Pumped Energy.

(2) MH's Stored Energy

Subject to the provisions of this Agreement, during the Contract Term MP shall be entitled to require MH to offer to MP the amount of energy that MP has requested on a Day-Ahead Offer Basis that MH offer to MP during the Contract Term, provided that: (a) the total amount of energy offered by MH shall not exceed for the corresponding time period referred to in Section 2.5(1)(a) or (b) above, the total amount of MP's Pumped Energy that was offered by MP during that same time period; and (b) the energy offered by MH shall not exceed in any hour 383 MWh under the Energy Exchange Agreement and this Agreement subject to further agreement by MP and MH (all energy offered by MH pursuant to the request of MP pursuant to this Section 2.5(2)(a) and (b) shall collectively be referred to as "**MH's Stored Energy**"). The Parties acknowledge and agree that MH shall have no obligation to sell and deliver any of MH's Stored Energy and MP shall have no obligation to purchase and receive any quantity of MH's Stored Energy. MP agrees to pay MH for the applicable quantity of MH's Stored Energy at MH's Stored Energy Price and the provisions of Section 3.2(9) shall apply to the Parties in respect of MH's Stored Energy.

ARTICLE III**SCHEDULING AND DELIVERY****3.1 Transmission**

- (1) The Parties acknowledge and agree:
 - (a) Transmission service requests have been filed on the MISO OASIS:
 - (i) by MH for 883 MW of northbound transfer capability which includes:
 - (A) MH pursuant to transmission service request number 79258492 for 133 MW of northbound transfer capability (the "**Northbound 133 MW US TSR**"); and

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- (ii) by MP, MH and Wisconsin Public Service Corporation (“**WPS**”) for 883 MW of southbound transfer capability which includes:
 - (A) MP pursuant to transmission service request 76703672 for 250 MW of southbound transfer capability; and
 - (B) MP pursuant to transmission service request number 79258361 for 133 MW of southbound transfer capability (such filed MP transmission service requests collectively the “**US TSRs**”),

and for recognition of such transfer capability as Firm Transmission Service under the TARIFF;

- (b) to accommodate the US TSRs, additions, alterations, and improvements will be required to MP’s transmission system (the “**US Upgrades**” which includes without limitation, the 500 kV US Transmission Interconnection);
- (c) a facilities construction agreement would be required to be entered into in accordance with the requirements of MISO for the construction and maintenance of the US Upgrades (the “**US FCA**”);
- (d) MH has filed individual transmission service requests on the MH OASIS (such filed transmission service requests collectively the “**Canadian TSRs**”) for:
 - (i) a total 883 MW of northbound transfer capability which includes:
 - (A) MH’s transmission service request number 76703155 (as of the Effective Date) for 500 MW of northbound transfer capability pursuant or any successor transmission service request for a minimum of 200 MW of northbound transfer

capability (the “**Northbound 500 MW Canadian TSR**”);
and

(ii) a total 883 MW of southbound transfer capability;

and for recognition of such transfer capability as Firm Transmission Service under MH’s OATT;

- (e) to accommodate the Canadian TSRs, additions, alterations, and improvements will be required to MH’s Transmission Providers transmission system (the “**Canadian Upgrades**” which includes without limitation, the 500 kV Canadian Transmission Interconnection”);
- (f) a facilities construction agreement would be required to be entered into in accordance with the requirements of MH’s Transmission Provider for the construction and maintenance of the Canadian Upgrades (the “**Canadian FCA**”);
- (g) the US Upgrades and the Canadian Upgrades are expected to consist of the United States portion and the Canadian portion, respectively, of a new 500 kilovolt international transmission interconnection utilizing a route between the Dorsey sub-station in Manitoba and the Blackberry sub-station near Grand Rapids, Minnesota (the Canadian and United States components of the said transmission interconnection collectively referred to the “**500 kV Transmission Interconnection**”)(the United States component of the 500 kV Transmission Interconnection referred to as the “**500 kV US Transmission Interconnection**”) (the Canadian component of the 500 kV Transmission Interconnection referred to as the “**500 kV Canadian Transmission Interconnection**”);
- (h) if a Canadian FCA is entered into, MH agrees it will fund all of the costs for constructing the Canadian Upgrades on the conditions and terms set

out in the Canadian FCA and will comply with the provisions of such agreement;

- (i) if a US FCA is entered into, MH agrees it will contribute or cause an Affiliate of MH to contribute to the costs for constructing and maintaining the US Upgrades on the conditions and terms set out in the US FCA or otherwise by separate agreement with MH and/or its Affiliate and MP, and MH and/or its Affiliate, as applicable, agree to comply with the provisions of such agreement(s); and
 - (j) if a US FCA is entered into, MP agrees it will contribute to the costs for constructing and maintaining the US Upgrades on the conditions and terms set out in the US FCA or otherwise by separate agreement with MH and/or its Affiliate, as applicable, and MP agrees it will comply with the provisions of such agreement(s).
- (2) MH acknowledges and agrees that the Canadian Upgrades, if built and completed, shall enable the provision of Firm Transmission Service in respect of the purchase of MP's Energy that is sold by MP and purchased by MH pursuant to this Agreement from the Delivery Point, subject to:
 - (a) MH receiving from MH's Transmission Provider pursuant to MH's OATT, 133 MW of northbound Firm Transmission Service in respect of the Northbound 133 MW Canadian TSR as a result of the Canadian Upgrades being constructed and placed in-service.
- (3) MH agrees:
 - (a) to use Commercially Reasonable Efforts to obtain the Firm Transmission Service referred to in Section 3.1(2)(a) above; and

- (b) subject to Sections 3.1(1) and 3.1(2)(a) to arrange and pay for Firm Transmission Service for the delivery of the MP's Energy to be received and purchased by MH pursuant to this Agreement from the Delivery Point. Without limiting the generality of the foregoing, MH shall be responsible for the payment of any and all Market Settlement Amounts, transmission charges and associated charges, congestion charges, transmission loss charges and/or transmission energy losses, and all other charges assessed by MH's Transmission Provider for the delivery of MP's Energy made available and sold by MP pursuant to this Agreement from the Delivery Point. For greater certainty, no provision of this Agreement shall obligate MH and/or any Affiliate of MH to pay for any of the costs of constructing, operating or maintaining the Canadian Upgrades, or any of the costs of constructing, operating and maintaining the US Upgrades and such obligations, will be as set out in the Canadian FCA and the US FCA, as applicable.
- (4) MH acknowledges and agrees that the US Upgrades, if built and completed, shall enable the provision of Firm Transmission Service, in respect of the purchase of the Firm Energy that is made available and sold by MP and purchased by MH pursuant to this Agreement to the Delivery Point, subject to:
 - (a) MH receiving from MISO, pursuant to the TARIFF, 133 MW of northbound Firm Transmission Service in respect of the Northbound 133 MW US TSR as a result of the US Upgrades being constructed and place in-service.
- (5) MH agrees:
 - (a) to use Commercially Reasonable Efforts to obtain the Firm Transmission Service referred to in Section 3.1(4)(a); and

- (b) subject to Sections 3.1(1) and 3.1(4)(a), to arrange and pay for Firm Transmission Service for the delivery of the Firm Energy to be received and purchased by MH pursuant to this Agreement from the Delivery Point. Without limiting the generality of the foregoing, MH shall be responsible for the payment of any and all Market Settlement Amounts, transmission charges and associated charges, congestion charges, transmission loss charges and/or transmission energy losses, and all other charges assessed by MP's Transmission Provider for the delivery of the Firm Energy received and purchased by MH pursuant to this Agreement to the Delivery Point with the exception of those charges and amounts that MP incurs or is subject to due to arising from MP offering the Energy into the MISO market or other applicable Market (the "**MP Charges**").
- (6) MP acknowledges agrees that is responsible for the payment of the MP Charges.

3.2 Scheduling

MP's Energy

- (1) The Parties shall Schedule MP's Energy provided that MP's Energy that is Scheduled shall:
- (a) not exceed in any hour 133 MWh per hour; and
 - (b) not be Scheduled during MP's Designated Peak Hours.
- (2) MP shall during each day, during each month of the Contract Term, subject to the provisions of this Agreement offer into the Day-Ahead Energy and Operating Reserve Market, in accordance with the applicable MISO requirements, MP's Energy and MH shall submit a Dispatchable Interchange Schedule with a Bid into the Day-Ahead Energy Market for MP's Energy, in accordance with the applicable MISO requirements.

- (3) The price at which MP offers MP's Energy pursuant to this Agreement, into the Day-Ahead Energy and Operating Reserve Market shall be at the sole discretion of MP. The price of MH's Bid for MP's Energy pursuant to this Agreement into the Day-Ahead Energy and Operating Reserve Market shall be at the sole discretion of MH.
- (4) MP shall advise MH of any curtailment of MP's Energy pursuant to Section 3.6. Upon receipt of such notice, MH agrees not to submit a Bid and/or will curtail any Schedules for the amount of MP's Energy that has been curtailed and agrees to disclaim any right or entitlement to such amount of MP's Energy for the duration of the curtailment. Such curtailment time period shall decrement the Minimum MP's Energy Requested Amount for each one (1) month curtailment time period the amount determined as follows:

$$\text{Minimum MP's Energy Requested Amount} \div 240;$$

provided that the said monthly amount will be pro-rated for any curtailment time period that is less than one (1) month in duration.

- (5) In the event during any applicable hour during the Contract Term:
- (a) MH's Bid in respect of any amount of MP's Energy does not clear the Day-Ahead Energy and Operating Reserve Market; and/or
 - (b) any portion of MP's Energy was curtailed, restricted or reduced pursuant to Sections 3.4, 3.5 or 3.6 or Article XII,

MP shall have no obligation to sell and deliver and MH shall have no obligation to purchase and receive that quantity of MP's Energy. For greater certainty, all of the energy quantities referred to in this Section 3.2(5) shall decrement the Minimum MP's Energy Requested Amount.

- (6) MP may offer MP's Energy in a manner that would enable MP to supply MP's Energy from MP's resource(s) including MP's electrical generation facility(s), third party purchases and/or Markets available to MP, and has the right to utilize

any Market mechanisms that are available to MP throughout the Contract Term to satisfy its obligations under this Agreement.

- (7) MH shall be responsible for and pay the costs and expenses associated with the purchase and sale of MP's Energy under the applicable OATT and/or TARIFF, including without limitation any Market Settlement Amounts, with the exception of: (i) MP Charges; (ii) all amounts arising due to MP's curtailment of MP's Energy pursuant to Section 3.6; and (iii) any costs or expenses associated with or related to the generation of MP's Energy. For greater certainty, this Section 3.2 and this Agreement does not allocate responsibility for construction, operation and maintenance costs related to the 500 kV Transmission Interconnection which will be addressed in the Canadian FCA and the US FCA.
- (8) MP shall utilize the Market mechanisms authorized by the TARIFF with MP's offer in the Day-Ahead Energy and Operating Reserve Market in order to supply MH with MP's Energy under this Agreement. MH shall submit a Dispatchable Interchange Schedule with a Bid, if applicable, in accordance with the timing requirements of the Market Business Practices Manuals.

MP's Pumped Energy and MH's Stored Energy

- (9)
 - (a) MP shall submit a Financial Schedule in the Day-Ahead Energy and Operating Reserve Market for the applicable quantity of MP's Pumped Energy specifying MP as the seller and MH as the buyer. [TRADE SECRET DATA EXCISED]
 - (b) MH shall submit a Financial Schedule in the Day-Ahead Energy and Operating Reserve Market for the applicable quantity of MH's Stored Energy specifying MH as the seller and MP as the buyer. [TRADE SECRET DATA EXCISED]

- (c) MH shall approve for MP's Pumped Energy and MP shall approve for MH's Stored Energy, if required pursuant to the Market mechanisms in effect at the applicable time, the Financial Schedule submitted by the other Party pursuant to this Section 3.2(9)(a) and (b), as applicable and each Party shall take such other actions as may be reasonably requested by the other Party pursuant to the Market mechanisms in effect at the applicable time in respect of such Financial Schedule.
- (10) The Parties acknowledge that pursuant to the TARIFF MISO will: (i) charge MP and pay MH the **[TRADE SECRET DATA EXCISED]** for the quantity of MP's Pumped Energy; and (ii) charge MH and pay MP the **[TRADE SECRET DATA EXCISED]** for the quantity of MH's Stored Energy. The Parties also acknowledge that the Financial Schedules submitted in accordance with Section 3.2(9), together with: (A) MH's obligation to pay for the quantity of MP's Pumped Energy at MP's Pumped Energy Price, shall satisfy MH's obligation(s) in respect of MP's offer of MP's Pumped Energy; and (B) MP's obligation to pay for the quantity of MH's Stored Energy at MH's Stored Energy Price, shall satisfy MP's obligation(s) in respect of MH's offer of MH's Stored Energy.
- (11) The Parties further acknowledge and agree that if: (i) either Party is no longer a Market Participant; or (ii) the MISO Market no longer exists; or (iii) the TARIFF no longer exists; or (iv) the TARIFF is amended or revised to the extent, that one or both of the Parties is or will be materially adversely impacted when such amendments or revisions are considered in the context of the impact they will have on the Parties continued compliance with the requirements of Sections 2.5, 3.2(9) and 3.2(10), and pursuant to Section 8.1(3) changes to Sections 2.5, 3.2(9) and 3.2(10) to address the material adverse impact such amendments or revisions to the TARIFF had on the Parties have not been developed and agreed to by the Parties; or (v) **[TRADE SECRET DATA EXCISED]** as referred to in Sections 4.1(2) and (3) is no longer available to be used in the establishment of the price for MP's Pumped Energy and MH's

Stored Energy, then either Party shall on notice to the other Party have the right to immediately terminate the rights and obligations of the Parties pursuant to Section 2.5, 3.2(9) and 3.2(10), and the provisions of Sections 2.5, 3.2(9) and 3.2(10) shall no longer constitute a legally valid and binding obligation enforceable against either Party.

General

- (12) As of the Effective Date, the Parties are Market Participants, and the terms of Sections 3.2(8) and 3.2(9) reflect the Scheduling practices and procedures of the TARIFF. The Parties further acknowledge that in the event that at any time after the Effective Date and prior to the end of the Contract Term: (i) either one or both of the Parties is no longer a Market Participant; or (ii) the TARIFF or the Business Practices Manuals are no longer in effect or are revised, to the extent that the requirements of Sections 3.2(8) and 3.2(9) would, if complied with by either Party, achieve a result that would be materially inconsistent with the rights and obligations of the Parties pursuant to the other provisions of this Agreement; or (iii) the MISO market no longer exists, the Parties agree that a new Scheduling mechanism that is consistent with the rights and obligations of the Parties pursuant to this Agreement shall be established and the Parties agree to direct the Operating Committee to immediately enter into good faith negotiations to establish such new Scheduling mechanism failing which the establishment of a new Scheduling mechanism shall be determined pursuant to Article XIV on the condition that it is consistent with the rights and obligations under this Agreement prior to the revision.
- (13) The Parties further acknowledge and agree that in the event that, at any time after the Effective Date and prior to the end of the Contract Term either one or both of the Parties is no longer a Market Participant and one Party is a participant in a Centrally Operated Market that is different from the Centrally Operated Market in which the other Party participates: (i) where one Party is still a participant in the MISO market, the Party that is no longer a participant in

the MISO market shall pay all Seams Costs incurred by the Parties in respect of the sale and purchase and delivery of all of the energy purchased and sold pursuant to the provisions of this Agreement; and (ii) where neither Party is a participant in the MISO market the Seams Costs incurred by the Parties in respect of the sale and purchase and delivery of all of the energy purchased and sold pursuant to the provisions of this Agreement shall be accounted for and allocated equally between the Parties.

- (14) The Parties further acknowledge that in the event that at any time after the Effective Date and prior to the end of the Contract Term: (i) either one or both of the Parties is no longer a Market Participant; or (ii) the TARIFF or the Business Practices Manuals are no longer in effect or are substantially revised; or (iii) the MISO market no longer exists, the Operating Committee will meet, consult in good faith, and consistent with Section 8.1(3)(d), make recommendations to the Parties about what amendments or revisions to the Agreement (if any) would be appropriate to address one or both Parties not being a Market Participant, the TARIFF changes or the end of the MISO market. The Operating Committee shall also keep a record of changes to the TARIFF that could impact on the scope and meaning of the Agreement, and consistent with Section 8.1(3) shall make recommendations to the Parties about what amendments or revisions to the Agreement (if any) would be appropriate to address the TARIFF changes.
- (15) Capitalized terms used in this Section 3.2 and not otherwise defined in this Agreement shall have the meanings prescribed in the TARIFF or the MISO Initiative Business Practices Manual for Definitions.

3.3 Transmission System Operations

The Parties acknowledge that as of the Effective Date, their respective Transmission Providers operate their transmission systems pursuant to the provisions of an OATT. Nothing in this Agreement shall obligate either Party or its respective Transmission Providers to maintain an OATT in effect during the Contract Term.

3.4 MH's Energy Curtailments

MH shall have the right to curtail, restrict, or reduce the purchase and receipt of any of MP's Energy to the extent a Force Majeure event precludes MH's ability to accept any of MP's Energy under this Agreement.

3.5 Transmission Provider Curtailments

- (1) In the event that the Transmission Provider(s) of MH and/or MP reduces or curtails the Firm Transmission Service designated, allocated or required for the delivery of MP's Energy the said energy shall be curtailed, restricted or reduced in accordance with the provisions of that Transmission Provider's OATT.
- (2) Subject to Section 17.3, in the event MH or MP or its respective Transmission Provider ceases to have an OATT, curtailment or reduction of energy Schedules hereunder in order to maintain the reliable operation of the interconnected AC transmission system, shall be implemented exclusively in accordance with this Section 3.5(2). Curtailment of energy deliveries under this Section 3.5(2) to accommodate such events shall be implemented as follows, in the order specified, until the required amount of loading relief has been obtained: (a) all transmission service or transactions, that are lower in curtailment priority than Firm Transmission Service and that contribute to the condition requiring curtailment shall be curtailed first; (b) the applicable Party shall use Commercially Reasonable Efforts to cause the curtailing Person to redispatch its generation system to continue the Schedules hereunder consistent with producing the desired loading mitigation upon the congested facility(s); and (c) to the extent all transactions identified in clause (a) of this Section 3.5(2) are curtailed and system redispatch is not sufficient to produce the necessary mitigation that would avoid curtailment of the schedules under this Agreement, the transaction curtailment priority used by the applicable Transmission

Provider relative to all uses of such AC transmission system at the time shall be implemented in a comparable and non-discriminatory manner.

3.6 MP's Curtailments

MP shall have the right to curtail, restrict or reduce the sale and supply of any of MP's Energy, in accordance with either of the following provisions:

- (a) to the extent a Force Majeure precludes MP's ability to supply any of MP's Energy under this Agreement; or
- (b) to the extent necessary to avoid curtailing, restricting or reducing service to MP's End-Use Load, in a manner consistent with and to the extent authorized by "Requirement 6.3 of NERC Standard EOP-002" or its successor requirements.

3.7 Curtailment Notice

Each Party shall provide as much notice as practicable to the other Party regarding the curtailment, restriction or reduction or refusal of the supply or acceptance, as applicable, of MP's Energy pursuant to Section 3.4 or Section 3.6. This shall include the anticipated duration of the curtailment, restriction, or reduction or refusal of the supply or acceptance, as applicable, of MP's Energy and where practicable daily updates.

ARTICLE IV

ENERGY PRICING

4.1 Energy Pricing

- (1) The price for MP's Energy [TRADE SECRET DATA EXCISED]
- (2) The price for MP's Pumped Energy [TRADE SECRET DATA EXCISED]
- (3) The price for MH's Stored Energy [TRADE SECRET DATA EXCISED]
- (4) [TRADE SECRET DATA EXCISED]
- (5) [TRADE SECRET DATA EXCISED]

ARTICLE V**BILLING AND PAYMENT****5.1 Dollar Amounts**

All dollar amounts set forth in this Agreement, monetary transactions, accounting and cost calculations between MH and MP shall be determined and stated in U.S. Dollars.

5.2 Payment in U.S. Dollars

Payment of all invoices pursuant to this Agreement shall be made in U.S. Dollars.

5.3 Method of Payment of Invoices

Payment of all invoices pursuant to this Agreement shall be made by the Party required to make the payment to the Party entitled to receive the payment by electronic bank transfer or by other mutually agreeable method(s), to the bank designated in Appendix A attached hereto. A Party may change the designation of the bank set out in Appendix A by notice to the other Party in accordance with Section 17.1 hereof. Payment shall be deemed to be made when received by the bank designated in Appendix A.

5.4 Rendering Invoices

Unless otherwise specifically agreed upon by the Parties, the calendar month shall be the standard billing period for all invoices rendered under this Agreement. As soon as practicable after the end of each calendar month, each Party shall render to the other Party an invoice for the payment obligations, if any, incurred hereunder during the preceding month.

5.5 Payment Amounts

- (1) Except as hereinafter expressly provided, the amount payable by MH to MP for each month during the Contract Term shall be determined as follows:

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- (a) the sum of the amount determined for each applicable hour that a quantity of MP's Energy was Scheduled for that month for each applicable hour as follows:
 - (i) **[TRADE SECRET DATA EXCISED]** ; less
- (b) the sum of the amount determined for each applicable hour that a quantity of MP's Energy was curtailed, restricted or reduced pursuant to Sections 3.4, 3.5, 3.6 or Article XII that had been Scheduled during any day for that month and where a net amount was owed by MH pursuant to Section 5.5(1)(a), as follows:
 - (i) **[TRADE SECRET DATA EXCISED]**; plus
- (c) any costs and expenses associated with the supply and receipt of MP's Energy under the applicable OATT that were billed to and paid by MP but were amounts that were required to be paid by MH pursuant to Section 3.2(7); plus
- (d) the sum of the amount determined for each applicable hour that a quantity of MP's Pumped Energy was offered for that month that MH is obligated to pay for that quantity of MP's Pumped Energy pursuant to Section 3.2(9) for that month determined as follows:
 - (i) **[TRADE SECRET DATA EXCISED]**; less
- (e) the sum of the amount determined for each applicable hour that a quantity of MH's Stored Energy was offered for that month that MP is obligated to pay for that quantity of MH's Stored Energy pursuant to Section 3.2(9) for that month determined as follows:
 - (i) **[TRADE SECRET DATA EXCISED]**.

Provided that if during any particular month of the Contract Term the total of the amounts determined pursuant to Section 5.5(b) and (e) exceeds the total of the amounts determined pursuant to Sections 5.5(a), (c) and (d), MP shall pay MH the difference between the total of the said amounts.

5.6 Payment Date

Unless otherwise agreed by the Parties, all invoices under this Agreement shall be due and payable in accordance with each Party's invoice instructions on or before the third (3rd) Business Day after receipt of the invoice. Any amounts not paid by the due date shall be deemed delinquent and shall accrue interest at the Interest Rate and such interest shall be calculated from and including the due date to but excluding the date the delinquent amount is paid in full.

5.7 Estimates

In the event that not all of the information necessary for the preparation of the monthly invoice is known in time for the preparation of the monthly invoice, estimates may be used on the monthly invoice to be followed with an adjustment to reflect actual charges on a future invoice. In the event that the amount paid or payable on any invoice or invoices delivered pursuant to this Agreement is based, in whole or in part, upon third party invoices and the third party subsequently adjusts their invoice, MP shall charge or credit MH for the change in such third party invoice within sixty (60) Business Days of MP's receipt of such adjusted third party invoice.

5.8 Billing Adjustments and Disputes

A Party may in good faith dispute the correctness of any invoice or any adjustment to an invoice, rendered under this Agreement within twelve (12) months of the date the invoice, or adjustment to an invoice, was rendered. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder is disputed, payment of the invoice, as invoiced, shall be required to be made when due. Notice of the objection shall be given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. Upon resolution of the dispute, any required payment shall be made within ten (10) Business Days of the receipt of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date the payment or reimbursement is paid.

Inadvertent overpayments shall be deducted by the Party receiving such overpayment from subsequent monthly invoices rendered by such Party. Any dispute with respect to an invoice is waived unless the other Party is notified in accordance with this Section 5.8 within twelve (12) months after the invoice is rendered or any specific adjustment to the invoice is made.

5.9 Netting

- (1) The billing departments of each of the Parties shall exchange settlement data under each of the MH/MP Agreements. A netting computation of the amount that each Party has determined is due and owing under each of the MH/MP Agreements for the applicable billing period shall be performed by each of the Parties by the third (3) Business Day following the last day of each month. If the Parties are in agreement as to the net amount owing by a Party under the MH/MP Agreements, that net amount shall be paid by that Party by the date referenced in Section 5.6. If the net amount agreed upon is not paid by that date, or if the Parties are unable to agree on the net amount to be paid, all of the provisions of each of the MH/MP Agreements, including the billing and payment provisions shall continue to govern the payment obligations of each Party, and all amounts due under this Agreement shall be paid in full on the date payment is required to be made under this Agreement.
- (2) The payment by a Defaulting Party of any amounts due under each of the MH/MP Agreements shall be a condition precedent to the payment of any amounts due by the Non-defaulting Party to the Defaulting Party under either of the MH/MP Agreements.

5.10 Payment in Full

If the Parties subsequently mutually agree not to net payments pursuant to Section 5.9 or only one Party owes a debt or obligation to the other during the applicable billing

period, including, but not limited to, any interest, and payments or credits, that Party shall pay such sum in full when due.

5.11 Impact of Performance Assurance

Except in connection with a termination in accordance with Article XV in which circumstances the Party benefiting from the Performance Assurance notifies the other Party in writing, amounts invoiced pursuant to this Article V shall not take into account or include any Performance Assurance which may be in effect to secure a Party's performance under this Agreement.

5.12 Accounting and Billing Procedures

The Operating Committee may make and implement decisions regarding the creation and revision, from time to time, of accounting and billing procedures necessary to implement the terms and conditions of this Agreement including the provisions of Article V.

5.13 Preliminary Billing Information

The Parties shall exchange preliminary billing information in accordance with the accounting and billing procedures established by the Operating Committee.

ARTICLE VI

GOVERNMENTAL CHARGES

6.1 Governmental Charges

Each Party shall be solely responsible for and shall pay or cause to be paid all Governmental Charges imposed on that Party in respect of any matters related to this Agreement. In the event MH is required by law or regulation to remit or pay Governmental Charges that are MP's responsibility hereunder, MP shall promptly reimburse MH for such Governmental Charges. In the event MP is required by law or regulation to remit or pay Governmental Charges that are MH's responsibility

hereunder, MH shall promptly reimburse MP for such Governmental Charges. For greater certainty, the Parties agree and acknowledge that, as of the Effective Date, MP is a non-resident, non-registrant not carrying on business in Canada in respect of all supplies hereunder for Canadian federal goods and services tax purposes.

6.2 Assistance

Each Party shall provide reasonable assistance to the other Party in connection with and for the purpose of enabling due compliance with Governmental Charges and all associated information, documentation and reporting obligations. Each Party shall provide to the other and to a Governmental Authority having jurisdiction such forms, returns, reports, documents, elections, written declarations, certificates, etc. as the other Party may reasonably request, including without limitation any documentation that may be required to substantiate any available exemptions or relief from Governmental Charges.

ARTICLE VII METERING

7.1 Metering

All applicable matters relating to the metering of MP's Energy shall be determined in accordance with the applicable provisions of agreements between the Parties Transmission Providers relating to revenue metering and the application of the provisions of such agreements shall, if necessary, be referred to the Operating Committee.

ARTICLE VIII

OPERATING COMMITTEE

8.1 Operating Committee

- (1) A committee (the “**Operating Committee**”) is hereby constituted consisting of the Division Manager of Power Sales & Operations for MH or a duly authorized delegate from MH and the Vice-President Strategy & Planning for MP or a duly authorized delegate from MP. Both MH and MP shall have one vote, and all decisions of the Operating Committee must be unanimous to be effective.
- (2) The Operating Committee shall meet at the written request of either of its members within ten (10) Business Days of receipt of such request. Written minutes shall be kept of all meetings and decisions and copies of such minutes shall be distributed to the Operating Committee members and the Parties within five (5) Business Days after each meeting.
- (3) The Operating Committee may:
 - (a) make and implement decisions regarding the creation and revision, from time to time, of accounting and billing procedures necessary to implement the terms and conditions of this Agreement in accordance with Section 5.12 and Section 5.13;
 - (b) make and implement decisions and procedures regarding Scheduling, from time to time as necessary to implement the terms and conditions of this Agreement in accordance with Section 3.2;
 - (c) make and implement decisions for operating procedures for the conduct of meetings and the recording of minutes;
 - (d) make recommendations to the Parties concerning amendment and revision of this Agreement;
 - (e) perform any other obligations expressly provided for in this Agreement to be performed by the Operating Committee and any other matters as the Parties may agree from time to time;

- (f) settle any controversy, claim or dispute prior to referring such matters to the Executive Officers of MP and MH for resolution in accordance with Section 14.1; and
- (g) make and implement decisions concerning Section 17.1 and the form of notices being provided by the Parties pursuant to the provisions of this Agreement,

provided that the Operating Committee shall not have authority to modify the terms and conditions of this Agreement.

ARTICLE IX

REPRESENTATIONS, WARRANTIES AND COVENANTS

9.1 General and US Bankruptcy Representations and Warranties

- (1) Each Party makes the following representations and warranties to the other Party, which representations and warranties will be deemed to be repeated, if applicable, by each Party throughout the Contract Term:
 - (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
 - (b) subject to Article XI, it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
 - (c) subject to Article XI, the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;
 - (d) subject to Article XI, this Agreement and each other document executed and delivered in accordance with this Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms subject to any equitable defences;
 - (e) it is a Market Participant as of the date of the execution of this Agreement;

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- (f) it or its Credit Support Provider, if any, is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it or its Credit Support Provider, if any, being or becoming bankrupt;
- (g) there is not pending or, to its knowledge, threatened against it or any of its Affiliates or its Credit Support Provider, if any, any legal proceedings that could materially adversely affect its ability to perform its obligations under this Agreement;
- (h) it is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing and understanding the merits, and understands and accepts, the terms, conditions and risks of this Agreement. It is also capable of assuming, and assumes, the risks of this Agreement. Information and explanations related to the terms and conditions of this Agreement will not be considered advice or a recommendation to enter into this Agreement. No communication (written or oral) received from the other Party will be deemed to be an assurance or guarantee as to the expected results of this Agreement, unless such communication is expressly stated in writing to be a "guarantee" and is signed by the Party providing the statement;
- (i) it has entered into this Agreement in connection with the conduct of its business and it has, subject to the provisions of this Agreement, the capacity or ability to make available or take delivery of all of MP's Energy, as applicable;
- (j) the other Party is not acting as a fiduciary for or an adviser to it in respect of this Agreement;
- (k) this Agreement constitutes a "master netting agreements" and all transactions pursuant to it constitute "forward contracts" within the

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meaning of the United States Bankruptcy Code ("**Bankruptcy Code**") or a "swap agreement" within the meaning of the Bankruptcy Code;

- (l) it is a "forward contract merchant" within the meaning of the Bankruptcy Code with respect to any transactions that constitute "forward contracts" and a "swap participant" with respect to any transactions that constitute "swap agreements";
- (m) all payments made or to be made by one Party to the other Party pursuant to this Agreement constitute "settlement payments" within the meaning of the Bankruptcy Code;
- (n) all transfers of Performance Assurance by one Party to the other Party under this Agreement constitute "margin payments" within the meaning of the Bankruptcy Code;
- (o) it is a "master netting agreement participant" within the meaning of the Bankruptcy Code;
- (p) certain provisions of this Agreement grants each Party the contractual right to "cause the liquidation, termination or acceleration" of the transactions under this Agreement within the meaning of Sections 556, 560 and 561 of the Bankruptcy Code, as they may be amended superseded or replaced from time to time;
- (q) upon a bankruptcy of the other Party, a Non-defaulting Party shall be entitled to exercise its rights and remedies under this Agreement in accordance with the safe harbour provisions of the Bankruptcy Code set forth in, *inter alia*, Sections 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 548(d)(2), 556, 560 and 561, as they may be amended superseded or replaced from time to time;
- (r) it is an "eligible contract participant" as defined in Section 1a(18) of the Commodity Exchange Act, as amended, 7 U.S.C. § 1a(18);
- (s) it (i) is a producer, processor, or commercial user of, or a merchant handling, the commodity which is the subject of this Agreement, or the

products or by products thereof; and (ii) is offered or enters into this Agreement solely for purposes related to its business as such;

- (t) for the purposes of this Agreement, it is not a "utility" as such term is used in 11 U.S.C. Section 366. Each Party waives and agrees not to assert the applicability of the provisions of 11 U.S.C. Section 366 in any bankruptcy proceeding wherein such Party is a debtor. In any such proceeding, each Party further waives the right to assert that the other Party is a provider of last resort;
- (u) no Event of Default or potential Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement; and
- (v) all transactions under this Agreement and this Agreement itself are not "swaps" as defined in Section 1a(47)(A) of the Commodity Exchange Act, as amended, 7 U.S.C. § 1 et. seq. (the "Act"), but rather all transactions under this Agreement and this Agreement itself are excluded from the term "swap" under Section 1a(47)(B)(ii) or lawful Commodity Futures Trading Commission ("CFTC") regulations promulgated thereunder ("Regulations") as contracts of sale of nonfinancial commodities for deferred shipment or delivery intended to be physically settled. In the event that any particular transaction is deemed by an agency of competent jurisdiction (whether or not in a final adjudication) to be a "swap" as defined above, or not to be qualified for the exclusion under Section 1a(47)(B) described above, any attendant recordkeeping, reporting or other regulatory obligations shall be timely and completely fulfilled by MP; and consistent therewith, in such event, MP and MH have elected, under Section 4r(a)(3)(C) of the Act (7 U.S.C. Section 6r(a)(3)(C)), that MP shall fulfill all counterparty reporting obligations of either party under the Act and the interim and final Regulations. Notwithstanding the above, MH shall meet all its own then applicable

recordkeeping obligations under the Act and interim and final Regulations (i) which are not the exclusive responsibility of MP under the Act or as provided above, and (ii) which are applicable to MH under the Act despite MH not being a U.S. person. Further, MH will cooperate in a reasonably timely and complete manner in such event to provide MP information to enable MP to meet its responsibilities under the Act.

- (2) MH makes the following additional representations and warranties to MP as of the Effective Date and which will be deemed to be repeated throughout the Contract Term:
 - (a) no Event of Default with respect to MH and no MH Termination Event has occurred and is continuing; and
 - (b) no Event of Default with respect to MH and no MH Termination Event would occur as a result of its entering into or performing its obligations under this Agreement.
- (3) MP makes the following additional representations and warranties to MH as of the Effective Date and which will be deemed to be repeated throughout the Contract Term:
 - (a) no Event of Default with respect to MP and no MP Termination Event has occurred and is continuing; and
 - (b) no Event of Default with respect to MP and no MP Termination Event would occur as a result of its entering into or performing its obligations under this Agreement.

9.2 MH Tax Representations and Warranties

MH makes the following representations and warranties to MP, which representations and warranties will be deemed to be repeated, if applicable, by MH throughout the Contract Term:

- (a) it is a foreign person (as that term is used in section 1.6041-4(a)(4) of the United States Treasury Regulations) for United States federal income tax purposes and its U.S. Taxpayer identification number is 98-0126210; and
- (b) no part of any payment received or to be received by MH in connection with this Agreement is attributable to a trade or business carried on by it in the United States of America.

9.3 MP Tax Representations

MP makes the following representations and warranties to MH, which representations and warranties will be deemed to be repeated, if applicable, by MP throughout the Contract Term:

- (a) it is a "U.S. person" (as that term is used in section 1.1441-4(a) (3) (ii) of the United States Treasury Regulations) for United States federal income tax purposes and its U.S. Taxpayer identification number is 41-04181150; and
- (b) no part of any payment received or to be received by MP in connection with this Agreement is attributable to a trade or business carried on by it or in respect of services rendered by it in Canada.

ARTICLE X

CONFIDENTIALITY

10.1 Confidentiality

The Parties confirm that Confidential Information (as defined in the "Non-Disclosure Agreement") had been disclosed by each Party to the other Party during the course of negotiating this Agreement and acknowledge that the provisions of the Non-Disclosure Agreement governs the disclosure of all such Confidential Information that was disclosed up to the date this Agreement is executed. The Parties (each a "**Discloser**") also recognize that there is a need pursuant to this Agreement for each Party to disclose Confidential Information, after the date this Agreement is executed, to the other Party

(each a "**Recipient**") and that the provisions of this Agreement will govern the disclosure of such information not the Non-Disclosure Agreement and the Parties wish to protect the Confidential Information in the following manner and agree as follows:

- (a) **"Confidential Information"** shall mean all non-public and confidential information which information is treated by the Discloser and its representatives as confidential and which is conspicuously marked "Confidential" if in written or printed form, or if oral, which is specifically identified as confidential at the time of disclosure and is confirmed in writing to each other party as "Confidential" within five (5) Business Days after disclosure, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in Recipient's possession or part of Recipient's general knowledge prior to the date of this Agreement; or (iii) the information is disclosed to Recipient without confidential restriction by a third party who rightfully possesses the information (without confidential restriction) and did not learn of it, directly or indirectly, from Recipient.
- (b) Except as hereinafter provided, Recipient shall hold all Confidential Information in strict confidence and shall not disclose any Confidential Information to any third party. Recipient shall take all reasonable measures to protect the confidentiality of, and avoid the unauthorized use, disclosure, publication, or dissemination of Confidential Information. Recipient may disclose Confidential Information:
 - (i) to its directors, officers, employees, members, agents or advisors, including, without limitation, its attorneys, accountants, consultants and financial advisors who need to know such information for the purposes of the transactions contemplated by this Agreement (each a "**Representative**"); and
 - (ii) to any other third parties, only with the prior written consent of the Discloser.

- (c) If the Recipient or its Representatives are required to disclose the Confidential Information by law, regulation, ruling of a governmental agency or by court order, before the Recipient or its Representatives disclose any Confidential Information, the Recipient or its Representatives shall give the Discloser timely written notice (at least 10 Business Days) of the requirement for disclosure and assist the Discloser to secure a protective order to limit disclosure of such Confidential Information only to parties agreeing to be bound by the terms of a confidentiality agreement in a form and content satisfactory to the Discloser, acting reasonably. Recipient shall cooperate reasonably in any such efforts to secure a protective order; provided, however, Recipient shall not be required to take, or refrain from taking, any action if it would cause Recipient or its Representatives to be in violation of the terms of a required disclosure described in this Section 10.1(c).
- (d) Notwithstanding the foregoing, the Parties acknowledge that if MP files this Agreement with the Minnesota Public Utilities Commission, MP agrees to seek protection of the Confidential Information in this Agreement under the Minnesota Public Utilities Commission's Minnesota Rule 7829.0500. The Parties will cooperate reasonably to prepare a public version of this Agreement for inclusion in the public record at the Minnesota Public Utilities Commission. The Parties agree that the public version of this Agreement will redact only such Confidential Information that properly constitutes proprietary information, trade secrets, or other privileged information as defined by applicable Minnesota laws.
- (e) Recipient shall be liable for any use or disclosure of Confidential Information by its Representatives, which is not in compliance with the obligations imposed upon the Recipient pursuant to this Agreement.

- (f) All rights, title and interest in and to the Confidential Information are reserved by, and remain the sole property of the Disclosing Party. The Recipient does not acquire any intellectual property rights under this Agreement. Nothing in this Agreement shall be construed as a grant of, or intention or commitment to grant any right, title or interest of any nature whatsoever in or to the Confidential Information.
- (g) Recipient agrees that the unauthorized disclosure or use of Confidential Information could cause irreparable harm and significant injury to the Discloser, the amount of which may be difficult to ascertain or quantify, thus, making any remedy at law or in damages inadequate. Therefore, Recipient agrees that Discloser shall have the right to apply to any court of competent jurisdiction for an order restraining any breach or threatened breach of this Section and for any other relief Discloser deems appropriate. This right shall be in addition to any other remedy available to Discloser in law or equity.
- (h) This Section 10.1 shall survive any termination of this Agreement for a period of three (3) years.

ARTICLE XI

CONDITIONS PRECEDENT

11.1 MH's Condition Precedent

The obligation of MH to complete the transactions referenced herein shall be subject to and contingent upon the fulfillment of the following condition precedent (“**MH's Conditions Precedent**”) to the satisfaction of MH, as certified or waived in writing by MH, by the dates specified:

- (a) MH obtaining the approval of its Board of Directors, within sixty (60) calendar days of the Effective Date, approving MH entering into this Agreement;

- (b) the Parties executing on the Effective Date the 133 MW Energy Sale Agreement and all conditions precedent to that agreement being satisfied by the date specified in that agreement;
- (c) MH receiving from MH's Transmission Provider, on or before June 1, 2025, pursuant to MH's OATT, 133 MW of northbound Firm Transmission Service in respect of the Northbound 133 MW Canadian TSR as a result of the Canadian Upgrades being constructed and placed in-service; and
- (d) MH receiving from MISO, on or before June 1, 2025, pursuant to the TARIFF, 133 MW of northbound Firm Transmission Service in respect of the Northbound 133 MW US TSR as a result of the US Upgrades being constructed and placed in-service.

11.2 MP's Condition Precedent

The obligation of MP to complete the transactions referenced herein shall be subject to and contingent upon the fulfillment of the following condition precedent ("**MP's Condition Precedent**") to the satisfaction of MP, as certified or waived in writing by MP, by the dates specified:

- (a) the Parties executing on the Effective Date the 133 MW Energy Sale Agreement and all conditions precedent to that agreement being satisfied by the dates specified in that agreement.

11.3 Conditions Precedent Notices

Each Party shall notify the other Party as soon as practicable following the satisfaction or the failure to satisfy MH's Conditions Precedent or MP's Condition Precedent, as applicable.

11.4 Termination of Agreement

This Agreement shall, subject to the obligations of the Parties in Article X, terminate on the date notice has been received by one Party from the other Party that:

- (a) MH's Conditions Precedent have not been satisfied and will not be waived; or
- (b) MP's Condition Precedent has not been satisfied and will not be waived.

ARTICLE XII**FORCE MAJEURE****12.1 Force Majeure**

- (1) Neither Party shall be in breach or liable for any delay or failure in its performance under this Agreement to the extent such performance is prevented or delayed due to a Force Majeure event or circumstance, provided that:
 - (a) the non-performing Party shall give the other Party notice promptly (and within forty-eight (48) hours if possible) after the non-performing Party's knowledge of the commencement of the Force Majeure, with written confirmation to be supplied within ten (10) calendar days after the commencement of the Force Majeure further describing the particulars of the occurrence of the Force Majeure;
 - (b) the delay in performance due to the Force Majeure shall be of no greater scope and of no longer duration than is directly caused by the Force Majeure;
 - (c) the Party whose performance is delayed or prevented: (i) shall proceed with Commercially Reasonable Efforts to overcome the Force Majeure which is preventing or delaying performance; and (ii) shall provide weekly written progress reports to the other Party during the period that performance is delayed or prevented describing actions taken and to be taken to remedy the consequences of the Force Majeure, the schedule for

such actions and the expected date by which performance shall no longer be affected by the Force Majeure; and

- (d) when the performance of the Party claiming the Force Majeure is no longer being delayed or prevented, that Party shall give the other Party notice to that effect.

- (3) For greater certainty, the Parties further acknowledge that the following events or circumstances shall not constitute or form the basis for Force Majeure: (a) the loss of MH's markets; (b) MH's inability to economically use or resell MP's Energy, including MH's ability to purchase MP's Energy, at a price less than the prices provided for in this Agreement; and (c) MP's ability to sell MP's Energy at a price greater than the prices provided for in this Agreement.

ARTICLE XIII

CREDITWORTHINESS

13.1 Credit Review Procedures

For the purpose of determining whether a Party is able to meet its obligations pursuant to this Agreement, a Party may require commercially reasonable credit review procedures. If requested by a Party, the other Party shall deliver, unless such financial statements are available on "EDGAR" or "SEDAR" or on such other Party's internet website: (a) within 150 calendar days following the end of each fiscal year, a copy of such Party's annual report containing audited consolidated financial statements for such fiscal year; and (b) within 90 calendar days after the end of each of its first three fiscal quarters of each fiscal year, a copy of such Party's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles or such other principles then in effect, provided, however, that should any such statements not be available on a timely basis

due to a delay in preparation or certification, such Party shall diligently pursue the preparation, certification and delivery of the statements.

13.2 Performance Assurances

- (1) Should the creditworthiness, financial strength, or performance viability of a Party (the “**Second Party**”) become unsatisfactory to the other Party (the “**Requesting Party**”) in such Requesting Party’s commercially reasonably exercised discretion with regard to any transaction pursuant to this Agreement, the Requesting Party may require the Second Party to post or provide at the Second Party’s option: (a) a Letter of Credit; (b) other collateral or security by the Second Party that is acceptable to the Requesting Party in its commercially reasonably exercised discretion; (c) a Guarantee Agreement; or (d) some other mutually agreeable method of satisfying the Requesting Party (the items described in (a) through (d) are referred to as “**Performance Assurance**”). The Requesting Party may only request, and the Second Party shall only be required to provide, Performance Assurance in a commercially reasonable amount under the circumstances. The Second Party may request from the Requesting Party that the Performance Assurance be returned or reduced, on the condition that such a request shall only be made once every sixty (60) days during any period when a Performance Assurance has been provided. The Requesting Party shall be required to return or reduce the Performance Assurance, after receipt of the request from the Second Party, if, considering whether the factors that justified the Requesting Party’s request for Performance Assurance have been removed or improved, it is commercially reasonable to do so.
- (2) Events which may cause the Requesting Party to question the Second Party’s financial strength, or performance viability as set out in Section 13.2(1) above, include, but are not limited to, any of the following:
 - (a) The Requesting Party having knowledge that the Second Party (or its Credit Support Provider, if applicable) is failing to perform or defaulting under terms of other contracts;

- (b) The Second Party, or its Credit Support Provider has an Investment Grade Credit Rating (unenhanced by unaffiliated third Party support) and the credit rating falls below an Investment Grade Credit Rating according to at least one of S&P, Moody's or DBRS;
 - (c) The Second Party, or its Credit Support Provider is rated BBB- by S&P (or the equivalent rating from Moody's or DBRS) and the Second Party or its Credit Support Provider (as applicable) has been either placed on negative credit watch or negative outlook by at least one such rating agency; or
 - (d) Other material adverse changes in the Second Party's financial condition.
- (3) If the Second Party fails to provide Performance Assurance within five (5) Business Days of written demand therefore, such failure will be considered an Event of Default under Article XV of this Agreement and the Requesting Party shall have the right to exercise any of the remedies provided for under that Article XV. Nothing contained in this Article XIII shall affect any other credit agreement or arrangement, if any, between the Parties.
- (4) If the Second Party provides a Letter of Credit, the Second Party shall: (i) renew the Letter of Credit on a timely basis; and (ii) provide a substitute Letter of Credit at least twenty (20) Business Days prior to the expiration of the outstanding Letter of Credit if the issuer has indicated its intent not to renew such Letter of Credit.

13.3 Grant of Security Interest

- (1) To secure its obligations under this Agreement and to the extent either or both Parties (or their Credit Support Provider, if applicable) deliver Performance Assurance hereunder, unless prohibited by applicable law, each Party (a "**Pledgor**") hereby grants to the other Party (the "**Secured Party**") a present and continuing security interest in, and lien on (and right of setoff against), all Performance Assurance delivered by the Pledgor to the Secured Party hereunder

and held for the benefit of, such Secured Party, and all proceeds of such Performance Assurance (subject to any secured interest held or maintained by the Pledgor's lender), and Pledgor agrees to take such actions as the Secured Party reasonably requires in order to perfect the Secured Party's security interest in, and lien on (and right of setoff against), such Performance Assurance and any and all proceeds resulting there from or from the liquidation thereof.

- (2) Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default, or an uncured event of default under the 250 MW System Power Sale Agreement, the Non-defaulting Party may do any one or more of the following: (a) exercise any of the rights and remedies of a Secured Party with respect to all Performance Assurance delivered by the Defaulting Party, including any such rights and remedies under law then in effect; (b) exercise its rights of setoff against any and all Performance Assurance of the Defaulting Party in the possession of the Non-defaulting Party or its agent up to the amount then owed to it by the Defaulting Party; (c) draw on any outstanding Letter of Credit issued for its benefit up to the amount then owed to it by the Defaulting Party; and (d) liquidate all Performance Assurance then held by or for the benefit of the Secured Party, free from any claim or right of any nature whatsoever of the Defaulting Party, including any equity or right of purchase or redemption by the Defaulting Party. The Secured Party shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Pledgor's obligations under this Agreement (the Pledgor remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.
- (3) In addition to and not in limitation of any other right or remedy (including any right to setoff, counterclaim, or otherwise withhold payment) under applicable law, the Non-defaulting Party may, at its option and in its commercially reasonably exercised discretion and without prior notice to the Defaulting Party, setoff any amounts payable by it to the Defaulting Party under this Agreement

(irrespective of currency, place of payment or booking office of obligation) against amounts that the Defaulting Party may owe it under this Agreement and the 250 MW System Power Sale Agreement. The obligations of the Parties under this Agreement in respect of such amounts shall be deemed satisfied and discharged to the extent of any such setoff.

- (4) The payment by the Defaulting Party of any amounts due under this Agreement and under the 250 MW System Power Sale Agreement shall be a condition precedent to the payment of any amounts due by the Non-defaulting Party to the Defaulting Party under either of the MH/MP Agreements.
- (5) The Non-defaulting Party shall use Commercially Reasonable Efforts to provide notice to the Defaulting Party as to the nature and amount of any setoff and recoupment after it is effected, but failure to give notice shall not impair the validity of any setoff.

ARTICLE XIV

DISPUTE RESOLUTION

14.1 Condition Precedent to Arbitration

Prior to initiation of arbitration, any controversy, claim or dispute between the Parties shall be first referred in writing to the Operating Committee for review and attempted resolution. If the controversy, claim or dispute is not resolved within thirty (30) calendar days after referral to the Operating Committee, the matter will be referred to the Executive Officers for review and decision. Any decision by the Executive Officers to resolve a controversy, claim or dispute must be unanimous. If the controversy, claim or dispute is not resolved within thirty (30) calendar days after referral to the Executive Officers, either Party may proceed to arbitration.

14.2 Initiation

Arbitration proceedings must be initiated within one hundred and twenty (120) calendar days of the date the controversy, claim or dispute was first referred to the Executive Officers and shall be initiated by written notice to the other Party setting forth the point or points in dispute. Unless otherwise agreed to in writing by the Parties, failure to initiate arbitration within such one hundred and twenty (120) day period shall be deemed a waiver of the right to arbitrate that controversy, claim or dispute. Provided however, that any such waiver shall not preclude a Party from initiating arbitration proceedings in respect of a similar claim, controversy or dispute based on facts that arise subsequent to the date the controversy, claim or dispute was first submitted to the Executive Officers.

14.3 Arbitration Proceedings

Subject to Section 14.1 above and Section 10.1(g), any and all controversies, claims or disputes between the Parties arising out of or relating to this Agreement or an alleged breach thereof, shall be settled by arbitration. For greater clarity and certainty, arbitration shall not be available to anyone who is not a party to this Agreement, and the aforesaid requirement to arbitrate shall not preclude a Party from seeking contribution, indemnification or damages from another Person in proceedings instituted by third parties in courts of competent jurisdiction. Unless otherwise provided in this Article, the arbitration shall be conducted before three arbitrators and shall be conducted in accordance with the International Commercial Arbitration Act (Ontario), RSO 1990, c.I9 and the UNCITRAL model Law on International Commercial Arbitration as amended and then in effect. Each Party shall select one arbitrator, and the two selected arbitrators shall jointly agree, within 30 days after the last of the two arbitrators have been appointed, on a third arbitrator who shall chair the arbitration. All arbitrators shall be competent by virtue of education and experience in the particular matter subject to arbitration. Before proceeding with the first hearing, each arbitrator shall take an oath of office. The arbitrators shall require witnesses to testify under oath administered by a duly qualified person. The arbitrators shall have jurisdiction and authority only to

interpret, apply or determine compliance with the provisions of this Agreement insofar as shall be necessary to determine the particular matter subject to arbitration. The arbitrators shall not have jurisdiction or authority to add to, detract from, or alter the provisions of this Agreement or any applicable law or rule of civil procedure. The arbitrators shall have the power to order specific performance under any and all provisions of this Agreement and no Party can avoid specific performance based on an argument that the other Party has an adequate remedy at law. All arbitrations shall be held in Winnipeg, Manitoba.

14.4 Jurisdiction

The arbitrators may rule on their own jurisdiction, including any objections with respect to the existence or validity of this Agreement. For that purpose, this Article shall be treated as an agreement independent of the terms of the balance of this Agreement. A decision by the arbitrators that this Agreement is null and void shall not entail *ipso jure* the invalidity of this Article. If a Party disputes the authority or jurisdiction of the arbitrators, it shall notify the other Party as soon as the matter alleged to be beyond the authority or jurisdiction of the arbitrators is raised during the arbitration proceedings. The arbitrators may rule on the issue as to whether or not they have the authority or jurisdiction in dispute, either as a preliminary question or in an award on the merits.

14.5 Discovery

Each Party shall have the rights of discovery in accordance with the applicable rules of the Court of Queen's Bench of Manitoba. All issues subject to discovery shall be determined by order of the arbitrators upon motion made to them by any Party. When a Party is asked to reveal material which the Party considers to be proprietary or confidential information or trade secrets, the Party shall bring the matter to the attention

of the arbitrators who shall make such protective orders as are reasonable and necessary or as otherwise provided by law.

14.6 Continuation of Performance

Pending the final decision of the arbitrators, the Parties agree, subject to Section 15.2, to diligently proceed with the performance of all obligations, including the payment of all sums required by this Agreement. Payment of any interest shall be as determined by the arbitrator.

14.7 Costs

All fees, costs and expenses of the arbitrators incurred in connection with the arbitration shall be allocated among the Parties by the arbitrators. The nature of the dispute and the outcome of the arbitration shall be factors considered by the arbitrators when allocating such fees, costs, and expenses. Each Party shall be responsible for the fees, costs, and expenses of its own employees, expert consultants and attorneys, and for the costs of exhibits and other incidental costs.

14.8 Enforcement

Any decision (including orders arising out of disputes as to the scope or appropriateness of a request for, or a response to, discovery) of an arbitrator may be enforced in a court of competent jurisdiction with all costs, including court costs and attorney's fees and disbursements, paid by the Party found to be in default or in error. Judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction and may be enforced in accordance with the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

14.9 Correction and Interpretation of Award

Within thirty (30) calendar days after receipt of an arbitration award, a Party, with notice to the other Party, may request the arbitrators to correct in the award any errors in computation, any clerical or typographical errors or any errors of similar nature, or may request the arbitrators to give an interpretation of a specific point or a part of the award. If the arbitrators consider the request to be justified, they shall make the correction or give the interpretation within thirty (30) calendar days after receipt of the request. The interpretation shall form part of the award. The arbitrators may correct any error as herein-before referred to on their own initiative within thirty (30) calendar days after the date of award. In addition, within thirty (30) calendar days after receipt of an award, a Party with notice to the other Party may request the arbitrators to make an additional award as to claims presented in the arbitration but omitted from the award. If the arbitrators consider the request to be justified, they shall make an additional award within sixty (60) calendar days after receipt of the request. The arbitrators may extend, at their sole discretion if necessary, the period of time within which it shall make a correction, interpretation or an additional award.

ARTICLE XV

DEFAULT/TERMINATION

15.1 Events of Default

If any of the following events, conditions, or circumstances (each an “**Event of Default**”) shall occur and be continuing:

- (a) the failure of either Party or any Credit Support Provider of either Party to make any payment to the other Party as required by this Agreement if such amount remains unpaid for a period of five (5) Business Days after the date the Defaulting Party receives written notice from the Non-defaulting Party that the amount is overdue;

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TRADE SECRET DATA EXCISED**

- (b) the failure by either Party to perform or observe any material obligation to the other Party under this Agreement, that is not excused by an event of Force Majeure, other than obligations for the payment of money, if such failure is not remedied within thirty (30) calendar days after written notice thereof shall have been given by the Non-defaulting Party to the Defaulting Party;
- (c) the insolvency or bankruptcy of a Party or its Credit Support Provider or its inability or admission in writing of its inability to pay its debts as they mature, or the making of a general assignment for the benefit of, or entry into any contract or arrangement with, its creditors;
- (d) the application for, or consent (by admission of material allegations of a petition or otherwise) to, the appointment of a receiver, trustee or liquidator for a Party or for all or substantially all of its assets, or its authorization of such application or consent, or the commencement of any proceedings seeking such appointment against it without such authorization, consent or application, which proceedings continue undismissed or unstayed for a period of thirty (30) calendar days;
- (e) the authorization or filing by a Party or its Credit Support Provider of a voluntary petition in bankruptcy or application for or consent (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction or the institution of such proceedings against a Party or its Credit Support Provider without such authorization, application or consent, which proceedings remain undismissed or unstayed for thirty (30) calendar days or which result in adjudication of bankruptcy or insolvency within such time;
- (f) in the event that a Party fails to provide Performance Assurance within five (5) Business Days of the date the Performance Assurance was to have been provided in accordance with Section 13.2;

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- (g) a Party or its Credit Support Provider consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to or reorganizes or reincorporates or reconstitutes into or as another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganization, reincorporation or reconstitution, the resulting, surviving or transferee entity fails to assume, if applicable, all the obligations of such Party or such Party's Credit Support Provider under this Agreement to which it or its predecessor was a party and, in the case of a Credit Support Provider, such Party has failed to provide a replacement Guarantee Agreement (if a Guarantee Agreement is outstanding) within five (5) Business Days;
- (h) the occurrence of a Letter of Credit Default that remains uncured for five (5) Business Days;
- (i) the occurrence of an uncured "Event of Default" (as such term is defined in Section 17.1 of the 250 MW System Power Sale Agreement) provided that the Non-defaulting Party shall have the unfettered discretion whether to declare an Event of Default under this Agreement associated with such occurrence;
- (j) the occurrence of an uncured "Event of Default" (as such term is defined in Section 15.1 of the Energy Exchange Agreement) provided that the Non-defaulting Party shall have the unfettered discretion whether to declare an Event of Default under this Agreement associated with such occurrence;
- (k) the occurrence of an uncured "Event of Default" (as such term is defined in Section 17.1 of the 133 MW Energy Sale Agreement) provided that the Non-defaulting Party shall have the unfettered discretion whether to declare an Event of Default under this Agreement associated with such occurrence; or

- (1) any material representation or warranty made by the Defaulting Party in this Agreement that is proven to have been false in any material respect when made,

then, and in any such event, the Non-defaulting Party shall have all the rights and remedies available to it at law or in equity, including the right to terminate this Agreement by written notice to the Defaulting Party in accordance with Section 15.3.

15.2 Suspension of Performance

Notwithstanding any other provision of this Agreement, if an Event of Default has occurred and is continuing beyond any applicable cure period, the Non-defaulting Party, upon notice to the Defaulting Party, shall have the right: (a) to suspend performance under this Agreement; provided, however, in no event shall any such suspension continue for longer than (10) Business Days unless an Early Termination Date has been declared and notice thereof given pursuant to Section 15.3; and (b) to the extent an Event of Default has occurred and is continuing beyond any applicable cure period, to exercise any remedies available at law or in equity.

15.3 Right to Terminate Following an Event of Default

- (1) If at any time an Event of Default with respect to a Party (the "**Defaulting Party**") has occurred and is then continuing beyond any applicable cure period, the other Party (the "**Non-defaulting Party**") may, by not less than twenty (20) calendar days notice to the Defaulting Party specifying the relevant Event of Default, designate a Business Day not earlier than the day such notice is effective as termination of this Agreement prior to the expiry of the Contract Term (such designated Business Day will constitute an "**Early Termination Date**").
- (2) In addition to and not in limitation of any other right or remedy (including any right to setoff, counterclaim, or otherwise withhold payment) available to the Non-defaulting Party at law or in equity, the Non-defaulting Party may, at its

option and in its commercially reasonably exercised discretion and without prior notice to the Defaulting Party, setoff any amounts payable by it to the Defaulting Party under this Agreement (irrespective of currency, place of payment or booking office of obligation) against amounts that the Defaulting Party may owe it under the 250 MW System Power Sale Agreement. The obligations of the Parties under this Agreement in respect of such amounts shall be deemed satisfied and discharged to the extent of any such setoff and recoupment.

- (3) The payment by the Defaulting Party of any amounts due under either of the MH/MP Agreements shall be a condition precedent to the payment of any amounts due by the Non-defaulting Party to the Defaulting Party under either of the MH/MP Agreements.
- (4) The Non-defaulting Party shall use Commercially Reasonable Efforts to provide notice to the Defaulting Party as to the nature and amount of any setoff and recoupment after it is effected, but failure to give notice shall not impair the validity of any setoff and recoupment.

15.4 MH Termination Events

MH has the right, but not the obligation, to terminate this Agreement (a “**MH Termination Event**”) immediately upon notice to MP upon the termination of any of the MH/MP Agreements prior to the expiry of the term of the applicable agreement, unless the termination occurred due to occurrence of an uncured Event of Default (as such term is defined in the applicable agreement) by MH.

15.5 MP Termination Events

MP has the right, but not the obligation, to terminate this Agreement (a “**MP Termination Event**”) immediately upon notice to MH upon the termination of the MH/MP Agreements prior to the expiry of the term of the applicable agreement, unless

the termination occurred due to occurrence of an uncured Event of Default (as such term is defined in the applicable agreement) by MP.

15.6 Payment on Termination

On or as soon as practicable following the effective designation of either an MH Termination Event or an MP Termination Event, MH shall calculate the amounts due and owing by MP to MH, and MP shall calculate the amounts due and owing by MH to MP, as applicable, for the period up to and including the termination date, and each Party shall deliver an invoice to the other Party for the amount due which shall be payable in accordance with Article V.

ARTICLE XVI LIMITATION OF LIABILITY

16.1 Limitation of Liability

THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF THE EXPRESS REMEDY OR MEASURE OF DAMAGES PROVIDED IS ALL RIGHTS OR REMEDIES AVAILABLE TO A PARTY AT LAW OR IN EQUITY, SUCH PARTY SHALL BE ENTITLED TO SEEK ALL OR ANY SUCH RIGHTS AND DAMAGES OR REMEDIES. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE OBLIGOR'S LIABILITY SHALL BE

LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

ARTICLE XVII

GENERAL

17.1 Notices

Any notices, demands or requests (other than those operational matters identified by the Operating Committee), required or authorized by this Agreement shall be in writing and may be delivered by hand delivery, mail, electronic mail, confirmed fax, or overnight courier service to:

if to the Manitoba Hydro-Electric Board:

Division Manager
Power Sales & Operations
Manitoba Hydro

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360 Portage Avenue
Post Office Box 815
Winnipeg, Manitoba
R3C 2P4
Fax (204)-360-6137

with copies to:

General Counsel
Manitoba Hydro
360 Portage Avenue
Post Office Box 815
Winnipeg, Manitoba
R3C 2P4
Fax (204)-360-6147

if to Minnesota Power:

Vice-President Strategy & Planning
Minnesota Power
30 West Superior St.
Duluth, MN 55802
Fax (218) 723-3915

with copies to:

General Counsel
Minnesota Power
30 West Superior Street
Duluth, MN 55802
Fax (218) 723-3955

Notice by hand delivery shall be effective at the close of business on the day actually received, if received during the recipient's business hours on a Business Day, and otherwise shall be effective at the close of business on the next Business Day. Notice by overnight mail, or courier, shall be effective on the next Business Day after it was

sent. Notice by electronic mail or confirmed fax shall be effective at the close of business on the day actually received, if received during the recipient's business hours on a Business Day, and otherwise shall be effective at the close of business on the next Business Day. The designation of the persons to be notified or the address of such persons may be changed at any time by similar notice.

17.2 Operational Matters

All issues related to operational matters and notices in respect thereto, as identified by the Operating Committee shall be directed to the appropriate operations personnel at MH and MP. Each Party shall each provide to the other Party a list of contacts for notification on the said operational matters that shall be updated from time to time as required.

17.3 MH's Marketing and Sales Function and MP's Merchant Function

The Parties acknowledge that MH has established an open access transmission tariff and MP is subject to the TARIFF, and MH has adopted, and MP is subject to, the FERC "Standards of Conduct" which require that MH's and MP's respective employees engaged in transmission system operations function independently from MH's and MP's respective marketing and sales employees, and that MH and MP treat all of their respective transmission customers on a non-discriminatory basis. This Agreement is entered into by MH and MP on behalf of their respective marketing and sales functions. Nothing in this Agreement shall obligate either MH's or MP's transmission function to take or refrain from taking any action.

17.4 Records

Each Party shall keep complete and accurate records and memoranda of its operations hereunder and shall maintain such data as may be necessary to determine with reasonable accuracy any item required hereunder. With respect to invoicing records, each Party shall maintain such records, memoranda and data for the current calendar

year plus a minimum of five (5) previous calendar years. Each Party or its respective designee, shall each have the right, at its sole expense, upon reasonable prior notice during the other Party's regular business hours at such Party's primary place of business, to inspect, review and take copies of the other Party's records as far as such records concern monetary matters or other issues under this Agreement and may be reasonably necessary for the purpose of ascertaining the reasonableness and accuracy of any statements of cost, bills or invoices relating to transactions hereunder. Each Party shall treat and shall take reasonable steps to cause its designee to treat such information so inspected, reviewed, or copied as Confidential Information.

17.5 Indemnity

- (1) Each Party shall indemnify and save harmless the other Party from and against all claims, actions, suits, proceedings, demands, assessments, judgments, charges, penalties, costs, and expenses which arise or are made or claimed against or suffered or incurred by the other as a result of:
 - (a) any breach by it of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto; and
 - (b) any breach or non-performance by it of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto.
- (2) The Parties agree:
 - (a) MP shall be deemed to be in exclusive control of the MP's Energy prior to the delivery by MP and receipt by MH of MP's Energy at the Delivery Point and MP shall be responsible for, and shall indemnify MH from, any damages or injury MH or any third party may suffer or incur, caused thereby except to the extent such damages or injury were caused by the gross negligence or wilful misconduct of MH; and
 - (b) MH shall be deemed to be in exclusive control of MP's Energy from and after delivery by MP and receipt by MH of MP's Energy at the Delivery

Point and shall be responsible for, and shall indemnify MP from, any damages or injury MP or any third party may suffer or incur, caused thereby except to the extent such damages or injury is caused by the gross negligence or wilful misconduct of MP.

For the purposes of this Section 17.5(2) “gross negligence or wilful misconduct” does not include acts or omissions by a Party that constitute ordinary negligence, and “damages or injury” does not include indirect, incidental, and consequential damages, and without restricting generality of the foregoing, “damages or injury” does not include expenses or liabilities associated with the interruption of power, energy or related services to any third Person.

- (3) Each Party shall promptly notify the other Party of claims, demands or actions that may result in a claim for indemnity. Failure to be provided with notice will not relieve a Party from indemnification liability unless, and then only to the extent that, such failure results in the forfeiture by such Party of a substantial right or defense. No settlement of any claim which may result in a claim for indemnity may be made by either Party without the prior consent of the other Party, which consent may not be unreasonably withheld. Neither Party shall be liable under this Agreement in respect of any settlement of a claim unless it has consented in writing to such settlement.

17.6 Governing Law

- (1) In respect of matters under this Agreement relating to or arising out of the sale of MP’s Energy and MP’s Pumped Energy, the Parties acknowledge that those matters and the applicable provisions of this Agreement concerning same shall be governed and construed in accordance with the laws of the state of Minnesota and United States. Any disputes arising under this Agreement that are not resolved by arbitration shall be subject to the exclusive jurisdiction of the courts of the state of Minnesota and the Supreme Court of the United States.

- (2) In respect of matters under this Agreement relating to or arising out of the offering and all other matters in respect of the MH's Stored Energy, the Parties acknowledge that those matters and the applicable provisions of this Agreement concerning same shall be governed and construed in accordance with the laws of the province of Manitoba and Canada. Any disputes arising under this Agreement concerning same that are not resolved by arbitration shall be subject to the exclusive jurisdiction of the courts of the province of Manitoba and the Supreme Court of Canada.

17.7 Waiver of Right to Trial by Jury

Each Party hereby irrevocably waives to the fullest extent permitted by applicable law, any and all rights it may have to trial by jury with respect to any legal proceeding arising out of or relating to this Agreement and any agreement executed or contemplated to be executed in conjunction with this Agreement. This provision is a material inducement to each of the Parties for entering into this Agreement. Each Party hereby waives any right to consolidate any action, proceeding, or counterclaim arising out of or in connection with this Agreement and any other agreement executed or contemplated to be executed in conjunction with this Agreement, or any matter arising hereunder or thereunder in which a jury trial has not or cannot be waived.

17.8 Foreign Sovereign Immunities Act

MH irrevocably agrees to waive the protections of the Foreign Sovereign Immunities Act, 28 U.S.C. §1602, et seq., in connection with this Agreement.

17.9 No Representation or Warranty for Injury

It is acknowledged and agreed that MP's Energy and related services are inherently dangerous, MP offers no warranty, or representation, express or implied, that MP's Energy or related services will not cause injury to Person, property or business.

17.10 Surviving Termination

All provisions of this Agreement which by their nature are intended to survive the termination of this Agreement, including, the provisions relating to: (a) the billing by MP to MH of and payment from MH to MP for or related to MP's Energy and MP's Pumped Energy; (b) the billing by MH to MP of and payment from MP to MH for or related to MH's Stored Energy; (c) the confidentiality provisions pursuant to Article 10 of this Agreement; and (d) Section 17.5, shall survive the Contract Term or the earlier termination of this Agreement as the case may be for a period of three (3) years following the expiration of the Contract Term or the earlier termination of this Agreement.

17.11 Enurement

This Agreement shall be binding upon and its benefits enure to the Parties and their permitted successors and assigns. This Agreement shall not create the relationship between the Parties of a joint venture or a partnership.

17.12 Assignment

Neither this Agreement nor any interest or obligation in or under this Agreement may be assigned (whether by way of security or otherwise) by either Party without the prior written consent of the other Party, except that either Party may, without consent of the other Party, assign this Agreement (in whole and not in part only) to any of their respective Affiliates, including any newly formed Affiliate pursuant to either Party

reorganizing its corporate structure, on sixty (60) calendar days advance notice to the other Party provided that:

- (a) prior to the effective date of the assignment, Performance Assurance, if required by the non-assigning Party, has been provided to the non-assigning Party in an amount and upon terms satisfactory to the non-assigning Party, in its sole discretion, acting reasonably;
- (b) the non-assigning Party shall not be required to pay to the assignee an amount in respect of any Governmental Charges which the non-assigning Party would not have been required to pay to the assigning Party in the absence of such assignment;
- (c) the non-assigning Party shall not receive a payment from which an amount has been withheld or deducted, on account of a withholding tax in excess of that which the assigning Party would have been required to so withhold or deduct in the absence of such assignment;
- (d) it does not become unlawful for either Party or the assignee to perform any obligation under this Agreement as a result of such assignment; and
- (e) no Event of Default or MH Termination Event or MP Termination Event, as applicable, occurs as a result of such assignment.

With respect to the results described in clauses (b) and (c) above, the non-assigning Party will cause the assignee to make, and the assigning Party will make, such reasonable representations as may be mutually agreed upon by the assigning Party, the assignee and the non-assigning Party in order to permit such parties to determine that such results will not occur upon or after the assignment.

17.13 Waiver and Amendment

Unless otherwise specifically provided herein, this Agreement may be altered, modified, varied, or waived, in whole or in part, only by a supplementary written document executed by the Parties.

17.14 Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

17.15 Recording of Communications

The Parties agree: (a) that each may electronically monitor or record, at any time and from time to time, any and all communications between them; (b) to waive any further notice of such monitoring or recording; (c) to notify and obtain any necessary consents of its officers and employees of such monitoring or recording; (d) that any such monitoring or recording may be offered into evidence in any such suit, trial, hearing, arbitration, or other proceeding; and (e) to furnish appropriately redacted copies of recordings to the other Party within ten (10) Business Days of the other Party's written request.

17.16 Existing Agreements

Each of the Parties are parties to existing agreements with each other and with other third parties. This Agreement shall not affect the obligations and rights of a Party with respect to such existing agreements, except as expressly provided for herein.

17.17 No Other Rights

This Agreement is not intended to and shall not create rights of any character whatsoever in favour of any Person, other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third Persons to any Party, nor shall any provision of this Agreement give any third Persons any right of subrogation or action over against any Party.

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17.18 Entire Agreement

Subject only to the provisions of the Non-Disclosure Agreement, this Agreement represents the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral and written proposals and communications pertaining hereto, including the Term Sheet. There are no representations, conditions, warranties or agreements, express or implied, statutory or otherwise, with respect to or collateral to this Agreement other than contained herein or expressly incorporated herein.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on the date first above written.

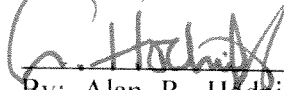
THE MANITOBA HYDRO-ELECTRIC BOARD



By: A.D. Cormie, Division Manager Power Sales
& Operations

I HAVE AUTHORITY TO BIND THE
MANITOBA HYDRO-ELECTRIC BOARD

MINNESOTA POWER, an operating division of
ALLETE, Inc.



By: Alan R. Hodnik, Chairman, President and
Chief Executive Officer

I HAVE AUTHORITY TO BIND ALLETE, INC.

EXHIBIT A

Pursuit to Minn. Stat. §13.37

APPENDIX A - B

of the

133 MW Energy Exchange Agreement Between
The Manitoba Hydro-Electric Board and
Minnesota Power, an operating division of ALLETE, Inc.

HAS BEEN DESIGNATED AS TRADE SECRET

STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

AFFIDAVIT OF SERVICE VIA
ELECTRONIC FILING AND
U. S. MAIL

Susan Romans of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 6th day of November, 2014, she served Minnesota Power's Petition for Approval of a 133MW Power Purchase Agreement with Manitoba Hydro on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce of via electronic filing. The remaining parties on the attached service list were served as indicated on the list.



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	GEN_SL_Minnesota Power_Minnesota Power General Service List
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	Yes	GEN_SL_Minnesota Power_Minnesota Power General Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	Yes	GEN_SL_Minnesota Power_Minnesota Power General Service List
Elizabeth	Goodpaster	bgoodpaster@mncenter.org	MN Center for Environmental Advocacy	Suite 206 26 East Exchange Street St. Paul, MN 551011667	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Margaret	Hodnik	mhodnik@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	GEN_SL_Minnesota Power_Minnesota Power General Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	GEN_SL_Minnesota Power_Minnesota Power General Service List
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Thomas	Scharff	thomas.scharff@newpagecorp.com	New Page Corporation	P.O. Box 8050 610 High Street Wisconsin Rapids, WI 544958050	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List
Karen	Turnboom	karen.turnboom@newpagecorp.com	NewPage Corporation	100 Central Avenue Duluth, MN 55807	Electronic Service	No	GEN_SL_Minnesota Power_Minnesota Power General Service List