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**PUBLIC DOCUMENT
TRADE SECRET DATA
HAS BEEN EXCISED**

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October 29, 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
50 MW 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 50 MW of capacity and energy that is needed to serve Minnesota Power's customers. The Agreement with Manitoba Hydro supports the path to the Company's Energy **Forward** resource strategy, its long-term action to further reduce carbon emissions in its portfolio and diversify its generation mix towards a balance of approximately one-third renewable resources, one-third natural gas, and one-third efficient coal-fired generation. Minnesota Power's long-term action plan includes implementation of the 250 MW Manitoba Hydro PPA and Great Northern Transmission Line in the 2020 timeframe, and investigation of an intermediate natural gas generation resource addition to meet expected capacity and energy needs in the 2020 timeframe as identified in Minnesota Power's 2013 Integrated Resource Plan ("2013 Plan"). The 50 MW PPA with Manitoba Hydro is a strategic and necessary step of the 2013 Plan to minimize short-term rate impacts for customers by taking advantage of a lower cost power market to flexibly help bridge energy and capacity requirements in the period between 2015 and 2020. Additionally, 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.

On August 5, 2014, Minnesota Power submitted a filing in compliance with Order Point 7 of the Order notifying the Commission that the Company had entered into a power purchase agreement for 50 MW of capacity and energy with Manitoba Hydro for the June 2015 through May 2020 period (see Docket No. E015/RP-13-53). The 50 MW PPA that is



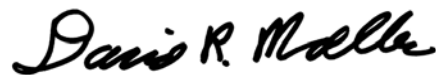
the subject of this Petition is a continuation of an existing 50 MW PPA with Manitoba Hydro which was executed on June 28, 2006, for the period May 1, 2009 through April 30, 2015. On December 6, 2013, Minnesota Power entered into a Letter Agreement with Manitoba Hydro to extend the term of the agreement to May 31, 2015, due to the change in MISO ("Midcontinent Independent Transmission System Operator") planning year dates from May 1st through April 30th to June 1st through May 31st subsequent to the implementation of PPA.

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

Enc.

cc: Minnesota Power's General Service List

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 of Minnesota Power's
Petition for Approval of a 50 MW
Power Purchase Agreement with
Manitoba Hydro

Docket No. E-015/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") with Manitoba Hydro for the purchase of 50 MW of capacity and energy to serve Minnesota Power's customers. This Agreement was executed by Minnesota Power on December 19, 2013, and covers the period from June 1, 2015, through May 31, 2020. The 50 MW contract with Manitoba Hydro supports the path to the Company's Energy *Forward* resource strategy, its long-term action plan to further reduce carbon emissions in its portfolio and diversify its generation mix towards a balance of approximately one-third renewable resources, one-third natural gas, and one-third efficient coal-fired generation. Minnesota Power's long-term action plan includes implementation of the 250 MW Manitoba Hydro PPA and Great Northern Transmission Line in the 2020 timeframe, and investigation of an intermediate natural gas generation resource addition to meet expected capacity and energy needs in the 2020 timeframe as identified in Minnesota Power's 2013 Integrated Resource Plan.

With Commission approval, the Agreement with Manitoba Hydro will provide Minnesota Power's customers with a least cost, predominantly non-carbon emitting energy source that has a combination of base load supply characteristics, price certainty and resource flexibility not available in comparable alternatives. Cost effective energy supplied by the Manitoba Hydro PPA strategically contributes to reducing the percentage of Minnesota Power's energy supply that produces carbon and other types of emissions, thus creating value for its customers by reducing the environmental compliance and carbon risk in Minnesota Power's portfolio.

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STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of Minnesota Power's
Petition for Approval of a 50 MW
Power Purchase Agreement with
Manitoba Hydro

Docket No. E-015/M-14-_____

PETITION FOR APPROVAL

I. Introduction

Minnesota Power (or the "Company") hereby petitions the Minnesota Public Utilities Commission ("Commission") for an Order approving a Power Purchase Agreement¹ (the "PPA" or "Agreement") with Manitoba Hydro for the purchase of 50 MW of capacity and energy that are needed to serve Minnesota Power's customers. This Agreement was executed by Minnesota Power on December 19, 2013, and covers the period from June 1, 2015 through May 31, 2020.

The Agreement will provide Minnesota Power with an economically priced predominantly non-carbon emitting energy source that has a combination of base load supply characteristics, price certainty and resource flexibility not available in comparable alternatives. The Manitoba Hydro PPA is a reasonable cost alternative available to meet Minnesota Power's customers' needs beginning in the 2015 timeframe. The 50 MW contract with Manitoba Hydro supports the path to the Company's *EnergyForward* resource strategy, its long-term action to further reduce carbon emissions in its portfolio and diversify its generation mix towards a balance of approximately one-third renewable resources, one-third natural gas, and one-third efficient coal-fired generation. Minnesota Power's long-term action plan includes implementation of the 250 MW Manitoba Hydro PPA and Great Northern Transmission Line in the 2020 timeframe, and investigation of an intermediate natural gas generation resource addition to meet expected capacity and energy needs in the 2020 timeframe as identified in Minnesota Power's 2013 Integrated Resource Plan ("2013 Plan").

¹The 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.

In the near term, the Company is taking action to: a) preserve competitive base load generating resources while reducing emissions, b) continue implementation of least cost demand side resources including conservation, c) reduce reliance on coal-fired generation, d) reduce the carbon intensity of Minnesota Power's system and e) add renewable energy and transmission infrastructure to the benefit of customers. The 50 MW PPA with Manitoba Hydro is a strategic and necessary step of the 2013 Plan to minimize short-term rate impacts for customers by taking advantage of a lower cost power market to flexibly help bridge energy and capacity requirements in the period between 2015 and 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 Residential Utilities Division of the Office of Attorney General. 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))

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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 October 29, 2014. A condition precedent in the Agreement is approval by the Commission by May 29, 2015.

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 will in and of itself will have no effect on Minnesota Power’s base rates. The energy costs under the Agreement will be assigned through Minnesota Power’s Rider for Fuel and Purchased Energy to customers.

8. Service List (Minn. Rule 7829.0700)

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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 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 100 MW 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. Justification for Excising Trade Secret Information

Minnesota Power provides the Agreement in Exhibit A. This Agreement 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. 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. Moreover, certain contract terms were the subject of intense negotiation, such as the handling of environmental attributes and scheduling. Knowledge of Minnesota Power's and Manitoba Hydro's resolution of these 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.

D. Competitive Bidding

As part of the Commission's approval of the Surplus Agreement in Docket No. E015/M-10-961, the Commission adopted the Department's comments recommending that Minnesota Power utilize a competitive bidding process for future resource selections. While Minnesota Power has utilized a competitive bidding process for recent wind resource selections,² it did not conduct a resource request for proposal for the Manitoba Hydro 50 MW PPA for two primary reasons. First, the 50 MW PPA that is the subject of this Petition is a continuation of an existing 50 MW PPA with Manitoba Hydro. Minnesota Power executed a 50 MW Participation Power Sale Agreement with Manitoba Hydro on June 28, 2006, for the period May 1, 2009 through April 30, 2015.³ Second, as stated in Minnesota Power's short-term action plan (see Section V, page 76 of the 2013 Plan), "Minnesota Power plans to use economical, bilateral market purchases to flexibly help bridge needs in the period between 2014 and 2020, as it continues to

² See Docket No. E015/M-11-234 and Docket No. E015/M-13-907 (Bison 2 Wind Project and Bison 4 Wind Project, respectively).

³ The PPA, approved in an Order dated May 11, 2007, provides for Manitoba Hydro to supply 50 MW 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 December 6, 2013, Minnesota Power entered into a Letter Agreement with Manitoba Hydro to extend the term of the agreement to May 31, 2015, due to the change in MISO ("Midcontinent Independent Transmission System Operator") planning year dates from May 1st through April 30th to June 1st through May 31st subsequent to the implementation of PPA.

examine its load projections and adapts to the ultimate timing of new large industrial loads on its system as well as any significant downward business cycles that may affect demand from existing large industrial customers.” The 50 MW PPA with Manitoba Hydro will minimize short-term rate impacts for customers by taking advantage of the lower cost power market to flexibly help bridge energy and capacity requirements during this interim period.

III. Manitoba Hydro and Its Business History with Minnesota Power

Over the years, Minnesota Power and Manitoba Hydro have capitalized on their proximate geographic location to partner on power transactions and transmission interconnection. 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 addition, on July 16, 2014, Manitoba Hydro began construction of a new 695 MW hydroelectric station on the upper Nelson River near Hudson Bay: the Keeyask Generating Station.

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 using Manitoba Hydro's system 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.

Minnesota Power and Manitoba Hydro executed a Term Sheet in December 2007 to purchase 250 MW of capacity and energy from 2020 to May, 2035. Minnesota Power identified the opportunity with Manitoba Hydro in its 2008 Integrated Resource Plan,⁴ and again in its 2010

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.

Integrated Resource Plan,⁵ 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 250 MW Agreement between Minnesota Power and Manitoba Hydro, the two companies entered into a surplus energy agreement⁶ in 2010 that provides Minnesota Power with a supplemental energy source priced on a market basis. This Manitoba Hydro 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.

On September 16, 2011, Minnesota Power submitted a Petition seeking Commission approval of a PPA with Manitoba Hydro for the purchase of 250 MW of capacity and associated energy that are needed to serve its customers. In an Order dated February 1, 2012, the Commission approved the 250 MW PPA with Manitoba Hydro.

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.

⁵ See Docket No. E015/RP-09-1088. The Commission issued an Order approving Minnesota Power's 2010 Integrated Resource Plan on May 6, 2011.

⁶ 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 50 MW of capacity and 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 December 19, 2013 (the "Effective Date"). Subject to Commission approval, the term begins on June 1, 2015, and extends through May 31, 2020, subject to various other approvals, contingencies, and extension provisions. 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 50 MW of capacity and energy in future years.

Minnesota Power's three conditions precedent are obtaining (1) Commission approval by May 29, 2015, (2) approval from the Midcontinent Independent Transmission System Operator ("MISO") within six months of December 19, 2013,⁷ that the PPA qualifies as a "capacity

⁷Due to the MISO resource adequacy recent changes and on-going related discussions, Minnesota Power has in effect waived the condition precedent to have MISO approval that the PPA qualifies as a "capacity resource" as defined in MISO's tariff and Module E requirements. The Company expects to meet the new External Resource provisions and also be eligible for the grandfather provisions under the proposed changes to External Resource qualification that are planned were filed with FERC in early October 2014.

resource” as defined in MISO’s tariff and (3) arranging Minnesota Power’s Transmission Service required to receive Energy from the Delivery Point within four months of December 19, 2013.⁸

2. Services Provided from the Agreement

Pursuant to the Agreement, Manitoba Hydro provides what is classified as “Use Limited System Capacity” and energy that is made available to Minnesota Power on a firm basis. The energy made available under the Agreement will be from Manitoba Hydro’s system, which is predominantly hydro electric, although a very small portion of the system utilizes thermal and wind-based supplies. Minnesota Power will receive energy seven days per week during sixteen (16) continuous on-peak hours each day. With [TRADE SECRET DATA EXCISED] notice prior to a particular month, Minnesota Power has the option to designate an alternate sixteen (16) continuous hour time period that would apply for each day during that month, optimizing the delivery to meet customer needs.

Capacity

Manitoba Hydro has agreed to make available and sell to Minnesota Power 50 MW of Use Limited System Installed Capacity. This capacity contract will meet the current MISO tariff and Module E requirements and is expected to meet the new External Resource provisions and also be eligible for the grandfather provisions under the proposed changes to External Resource qualification that were filed on October 3, 2014,⁹ with the Federal Energy Regulatory Commission (“FERC”)

Energy

Manitoba Hydro has agreed to sell and Minnesota Power has agreed to purchase the following quantities of ‘Must Offer Energy’ and ‘Firm Energy’ during the Contract Term:

⁸ Minnesota Power has arranged transmission service to receive energy from the delivery point.

⁹ FERC (Federal Energy Regulatory Commission) Docket No. ER15-35-000. MISO submitted proposed revisions to the External Resource provisions found in Module E-1 of its Tariff. The proposed Tariff amendments revise the current requirements for External Resources, such as power purchase agreements, to qualify as a Capacity Resource for inclusion in MISO’s Resource Adequacy Requirements (“RAR”). These amendments are needed to ensure External Resources qualified to meet RAR will be available when called upon, if necessary.

- **Must Offer Energy** - 50 MWh per hour of energy for the MISO Peak Load each day during the Contract Term;
- **Firm Energy** - 50 MWh per hour for the Fixed Price Schedule Hours¹⁰ each day during the Contract Term less any Must Offer Energy offered in those Fixed Price Schedule Hours.

3. Agreement Pricing

Capacity Pricing

The Parties to the Agreement have agreed that the monthly capacity price will be [TRADE SECRET DATA EXCISED] per MW-month for the first year of the contract term. The Monthly Capacity Price will then escalate each contract year using the following formula:

[TRADE SECRET DATA EXCISED]

The Monthly Capacity Price for a Contract Year shall remain fixed during that Contract Year. Additionally, the Monthly Capacity Price will never be less than the Monthly Capacity Price of [TRADE SECRET DATA EXCISED] per MW-month during the contract term.

Energy Pricing

Minnesota Power will pay the Fixed Energy Price of [TRADE SECRET DATA EXCISED] per MWh for Firm Energy and Must Offer Energy for each applicable hour scheduled in any hour during the Fixed Price Schedule Hours in a Contract Year. The Firm Energy and Must Offer Energy price will escalate using the following formula, which is similar to the formula used for the Monthly Capacity Price:

[TRADE SECRET DATA EXCISED]

¹⁰ “Fixed Price Schedule Hours” is a designated sixteen (16) continuous hour period of each day during the Contract Term.

Unless otherwise agreed, Minnesota Power will pay the Day-Ahead Energy Price which is equivalent to the [TRADE SECRET DATA EXCISED] in the Day-Ahead Market for Must Offer Energy scheduled in any hour which is not an hour during the Fixed Price Schedule Hours.

4. Energy Curtailments

Manitoba Hydro has certain limited ability to curtail the firm energy scheduled to be delivered daily to Minnesota Power. The certain conditions, defined as a Curtailment Event, are as follows:

- 1) due to a loss or reduction of transfer capability along the firm transmission path or by transmission service curtailments imposed on Manitoba Hydro;
- 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, low water flow, or unavailability of the HVDC system to transmit power from Manitoba Hydro's generation facilities to the AC (alternating current) 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 the prices in this Agreement. (See Definition Section for definition of Force Majeure.)

When curtailment conditions occur, Section 3.5(1) 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. Minnesota

Power's purchase would be curtailed on a pro rata basis with the other Manitoba Hydro firm energy sale obligations.

5. Environmental Attributes

Under Article 9 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 9.4(1) that the transfer will occur annually around March 31. This is a similar formula to the formula approved in the 250 MW PPA in Docket No. E015/M-11-938.

6. Adverse Water Conditions

Manitoba Hydro must have enough water to serve its retail and export customers since it relies so predominantly on its hydro system. Thus, it insists upon specialized provisions to address the contingency of "Adverse Water" – those circumstances where Manitoba Hydro does not have enough water to run its system and meet all of its commitments. To Minnesota Power's knowledge, this provision has not been invoked in any of Manitoba Hydro's agreements with United States utilities.

Under Section 3.10 of the Agreement, Manitoba Hydro can declare an Adverse Water Condition and reduce Weekend Energy deliveries to Minnesota Power. However, Manitoba Hydro cannot reduce Weekday Energy which are part of Must Offer Energy (required for capacity accreditation by MISO). Since during these times Manitoba Hydro will not be paid for energy not delivered under the PPA, Manitoba Hydro has every economic incentive to limit the use of this mechanism to extreme circumstances.

In the event an Adverse Water Condition is invoked, [TRADE SECRET DATA EXCISED]

7. Other Provisions of the Agreement

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

- Article 6 contains standard billing terms between the parties.
- Article 10 addresses the establishment of an operating committee designed to address issues that arise pursuant to the Agreement.
- Article 11 contains general terms and conditions standard in a power purchase agreement related to representations and warranties.
- Article 12 addresses the confidentiality of the Agreement, allowing for Minnesota Power to provide the Agreement in its regulatory proceedings.
- Article 15 provides procedures to be taken should a price disruption or market disruption occur.
- Article 16 provides creditworthiness procedures and performance assurances under the Agreement.
- Article 17 is the standard arbitration clause historically used by the parties to address disputes arising under the Agreement.
- Article 18 defines events of default and the termination of the Agreement.
- Article 19 addresses the limitation of liability.
- Article 20 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

The 50 MW PPA with Manitoba Hydro is in the public interest because it serves as an important and strategic component of Minnesota Power's overall 2013 Plan, in that it captures the benefit of the lower market trends for customers and provides a cost effective bridge to the Company's long-term resource strategy. Minnesota Power's 2013 Plan is focused on a balanced approach to delivering safe, reliable service at the lowest possible cost to customers while protecting and improving the region and state's quality of life through continued environmental stewardship. It continues the transformation of the Company's resource base by investing in renewable generation, adding natural gas to its fuels portfolio, installing more emissions-control technology at its core, baseload generating facilities, and maintaining its strong energy conservation and demand side management programs. The Company's Energy**Forward** resource strategy is focused on further reducing carbon emissions in its portfolio and reshaping its generation mix towards a balance of approximately one-third renewable resources, one-third efficient coal-fired generation and one-third natural gas/other sources. This long-term strategy will position Minnesota Power to be able to successfully adapt to a range of economic and environmental futures while maintaining service to its customers at a competitive cost.

Existing resources, additional renewables recently placed in service and currently under construction, and cost-effective, bilateral market purchases, such as the 50 MW PPA, will provide a stable, cost effective resource mix for a defined period between now and 2020 as a bridge to implementation of a natural gas resource. The natural gas combined cycle resource identified in the 2013 Plan was identified as a 200 – 250 MW resource that would be beneficial for customers after 2020.

Bi-lateral market purchases (also referred to as bilateral transactions) are contracted purchases and sales conducted within the industry to optimize the power surpluses and deficits that occur due to industry load and supply changes. A bilateral transaction is functionally different than the day-ahead regional energy and capacity markets represented by the MISO tariff construct. Bilateral transactions are typically forward, medium to longer-term contracts with defined pricing terms, while day-ahead markets operate in the 24-hour to 48-hour time frame with spot market prices (see Appendix H of the 2013 Plan). 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. Since 2009, the nationwide recession and the onset of natural gas supply surpluses have created a significant shift in the regional energy markets. Prices have shifted lower to create a new normal for markets unparalleled in recent history. Minnesota Power has worked to secure extensions of existing key bilateral purchase contracts for energy and capacity totaling 150 MW¹¹ during the 2015-2020 timeframe. With load growth projected in northeastern Minnesota, 100 MW¹² of additional short-term bilateral purchase transactions were initiated to capture the benefit of the lower market trends for customers and bridge to the approved 250 MW power purchase from Manitoba Hydro that starts in the 2020 time period. In addition to providing a cost effective bridge to Minnesota Power's long-term resource strategy, these transactions also help customers avoid costly generation expense as new large industrial loads transition onto the system.

Bilateral purchases have a distinct role in meeting customers' energy needs between now and 2020 and are not a standing supply approach for the long term. Rather, they provide a particular opportunity for very economical, shorter term (two to five year) energy supply given the low demand for power in the current wholesale energy market. Using stably priced, bilateral purchases with strong counterparties from existing assets for some shorter term supply helps mitigate rate impacts on Minnesota Power customers by deferring the addition of capital costs for a gas resource between now and 2020. They also allow for flexibility as large new customer loads ultimately materialize, given the wide range of load growth projections illustrated in Minnesota Power's 2014 Annual Forecast Report.

A. The Pricing in the Agreement is Economic

As described in Section IV.B.3. of this filing, the pricing structure identified in the Agreement is reasonable and similar to the structure used for the current power purchase agreement with Manitoba Hydro for 50 MW of capacity and energy approved by the Commission in an Order dated May 11, 2007.¹³ The Agreement provides price certainty for

¹¹ These transactions include the current 50 MW [TRADE SECRET DATA EXCISED] and 100 MW [TRADE SECRET DATA EXCISED] contracts. Minnesota Power will be seeking regulatory approval of transactions that span five years or greater once terms are finalized.

¹² These market surplus transactions include the current 50 MW [TRADE SECRET DATA EXCISED] and 50 MW [TRADE SECRET DATA EXCISED] agreements.

¹³ See Docket No. E015/M-07-98.

Minnesota Power customers and environmental beneficial attributes to the Company's power supply.

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 for the continuation of an existing 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 in place prior to the start of the PPA. Once the contract term begins on June 1, 2015, Manitoba Hydro is required under the PPA to provide:

- capacity and energy as specified in the Agreement;
- **[TRADE SECRET DATA EXCISED]**;
- limited energy curtailment and adverse water condition provisions;
- substantial beneficial environmental attributes; and
- scheduling and billing that mutually benefits both parties.

C. The Agreement Offers a Highly Reliable Resource

The Agreement provides power sourced from Manitoba Hydro's reliable hydro system. Furthermore, Manitoba Hydro operates as a MISO market participant thereby the Company has continued assurance that Manitoba Hydro's resources can obtain accreditation from MISO under current and pending Tariff language. The PPA specifies that Manitoba Hydro will be providing Must Offer Energy (as a condition of the accreditation of the accredited capacity). MISO's accreditation will be based on the terms of the PPA. MISO's accreditation is also based on its review of Manitoba Hydro's overall reliable system. Therefore, the Must Offer Energy provision provides Minnesota Power the assurance that the Manitoba Hydro 50 MW purchase will be accepted by MISO as a qualifying capacity resource.

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 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. Minnesota Power discussed in its 2013 Plan that it needs to transform its resource mix in order to meet long-term environmental compliance requirements in the face of anticipated tighter controls on carbon emissions in particular. 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 carbon penalty. As well, other types of more restrictive coal-fired unit environmental regulations are forthcoming, increasing the projected cost burden on supply portfolios weighted heavily with coal based supplies.

Minnesota Power has already begun to respond to these policy signals with its economical Bison wind projects and the 250 MW PPA with Manitoba Hydro. The Agreement is consistent with action already taken by Minnesota Power and the Company's strategic vision for making economic, carbon minimizing resource additions as needed while diversifying its portfolio.

VI. Execution and Delivery Risk Factors

Minnesota Power recognizes that since both parties to the PPA must obtain related approvals and/or arrange transmission service as set forth in the PPA, 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 V of this Petition. 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 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. Minnesota Power's three conditions precedent are obtaining (1) Commission approval by May 29, 2015, (2) approval from MISO within six months of December 19, 2013 (by June 19, 2014), that the PPA qualifies as a "capacity resource" as defined in MISO's tariff, and (3) arranging Minnesota Power's Transmission Service required to receive Energy from the Delivery Point within four months of December 19, 2013 (by April 19, 2014).

Due to MISO resource adequacy recent changes and on-going related discussions, Minnesota Power has in effect waived the condition precedent to have MISO approval that the PPA qualifies as a "capacity resource" as defined in MISO's tariff and Module E requirements. The Company expects that the PPA will meet the new External Resource provisions and also be eligible for the grandfather provisions under the proposed changes to External Resource qualification that was filed this fall with FERC.

Under Section 13.1, Manitoba Hydro must obtain the final non-appealable order of the National Energy Board by May 29, 2015, authorizing the export by Manitoba Hydro of the Capacity and Energy to the United States; and arrange Manitoba Hydro's Transmission Service

to supply Energy to the Delivery Point within four (4) months of the Effective Date (by April 19, 2014).

The condition precedent for both Parties related to Transmission Service has been met. Manitoba Hydro has arranged transmission service to supply energy to the delivery point. Likewise, Minnesota Power has arranged transmission service to receive energy from the delivery point.

B. Reliability and Delivery Curtailment

Once Minnesota Power begins receiving energy and capacity under the PPA, the execution risk shifts to operating and maintaining the facilities effectively to limit customer risks. Minnesota Power acknowledges there remains a 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 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 adverse 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 "Must Offer Energy" as defined in the PPA available to Minnesota Power. Otherwise, the curtailment provisions are limited to the components of weekday energy and weekend energy that are not "Must Offer Energy" weekend and additional energy deliveries. Under Section 3.10 of the PPA, Manitoba Hydro can declare an Adverse Water Condition and reduce Weekend Energy and Additional Energy deliveries to Minnesota Power. However, Manitoba Hydro cannot, based on the Adverse Water provisions,

reduce Weekday Energy and any other deliveries which are part of Must Offer Energy (required for capacity accreditation by MISO).

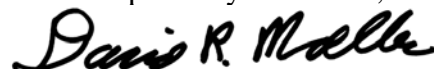
The PPA contains sufficient provisions to provide reliable power to be delivered by Manitoba Hydro to Minnesota Power and appropriately protects customers from the operational risks of Manitoba Hydro's system.

VII. Conclusion

Minnesota Power firmly believes that the Agreement is in the public interest and respectfully requests that the Commission approve the Agreement. The Manitoba Hydro 50 MW purchase will provide Minnesota Power's customers with capacity and a reasonably priced, predominantly emission free energy supply that has a combination of base load supply characteristics, price certainty and resource optimization flexibility. The PPA directly aligns with the Company's Energy**Forward** strategy: to further reduce carbon emissions in its portfolio and reshape its generation mix towards a balance of approximately one-third renewable resources, one-third efficient coal-fired generation and one-third natural gas/other sources. The addition of the Manitoba Hydro 50 MW PPA reduces Minnesota Power's carbon emitting generation as a percentage of its energy supply portfolio, achieves fuel diversity in the near term, and furthers the Company's progress in incorporating more non-coal resources into its mix.

Dated: October 29, 2014

Respectfully submitted,

A handwritten signature in black ink, reading "David R. Moeller". The signature is written in a cursive style with a large, stylized "D" and "M".

David R. Moeller
Senior Attorney
Minnesota Power
30 West Superior Street
Duluth, MN 55802
218-723-3963

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50 MW SYSTEM POWER

SALE AGREEMENT

between

THE MANITOBA HYDRO-ELECTRIC BOARD

- and -

MINNESOTA POWER, an operating division of ALLETE, Inc.

DATED December 19, 2013

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50 MW SYSTEM POWER SALE AGREEMENT

DATED the 19th day of December, 2013

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 agrees to purchase and MH agrees to sell 50 MW of System Power 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:

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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:

“50 MW System Power” shall have the meaning set forth in Section 2.1.

“Additional Energy” shall have the meaning set forth in Section 2.3(1)(c).

“Adverse Water Conditions” shall mean [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” shall mean this 50 MW System Power Sale Agreement and all amendments thereto.

[TRADE SECRET DATA EXCISED] **Environmental Attributes** shall have the meaning set forth in Section 9.1(1).

“Ancillary Services” shall mean those Ancillary Services (as defined under the Tariff) and other reasonably similar services and products that may be included under the Tariff or an applicable OATT from time to time, which are associated, directly or indirectly, with the transmission of the energy but for greater certainty does not include Environmental Attributes.

“Bankruptcy Code” shall have the meaning set forth in Section 11.1(1)(k).

“BEA” shall mean the US Department of Commerce’s Bureau of Economic Analysis or any successor agency.

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“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).

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

“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.

“Confidential Information” shall have the meaning set forth in Section 12.1(a).

“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 June 1, 2015, through May 31, 2020.

“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.

“CPT” shall mean Central Prevailing Time.

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“Credit Support Provider” shall mean a Person approved by MH in its commercially reasonable exercised discretion who provides Performance Assurance on behalf of MP.

“Day-Ahead Market” shall mean the day-ahead market established pursuant to and defined by the Tariff.

[TRADE SECRET DATA EXCISED]

“DBRS” shall mean DBRS Limited or its successor.

“Defaulting Party” shall have the meaning set forth in Section 18.3(1).

“Delivery Point” shall mean 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.

“Discloser” shall have the meaning set forth in Section 12.1.

“Early Termination Date” shall have the meaning set forth in Section 18.3(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” shall have the meaning set forth in Section 2.3(1).

“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 18.1.

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“Executive Officers” shall be, in the case of MH the Vice-President of Generation Operations, and in the case of MP the Vice-President MP Strategy & 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 Energy” shall have the meaning set forth in Section 2.3(1)(b).

“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.

[TRADE SECRET DATA EXCISED]

“[TRADE SECRET DATA EXCISED]Schedule Hours” shall mean the sixteen (16) continuous hours of each day during the Contract Term comprised of HE 7 CPT to HE 22 CPT provided that, subject to MP providing a minimum of forty-five (45) days notice to MH prior to

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any particular month, MP shall have the right to designate an alternate sixteen (16) continuous hour time period that would apply for each day during that month.

“Force Majeure” shall mean an event or circumstances that prevents or delays one 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, the claiming Party 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 a 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 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 Party’s obligations hereunder.

“GADS Data” shall mean the information provided by MH to MISO through the NERC generating availability data system.

[TRADE SECRET DATA EXCISED]

“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 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 Utility Practice is not intended to be limited to the optimum

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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.

“Guarantee Agreement” shall mean a guarantee provided to MH by a Credit Support Provider with an Investment Grade Credit Rating as Performance Assurance pursuant to Section 16.2 in a form acceptable to MH acting with commercially reasonable discretion.

“HE” shall mean hour ending.

“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.

“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

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“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 then assigned to its unsecured, senior long-term debt obligations (unenhanced by unaffiliated third party support) provided, however, that, in any case where the Person is rated at the minimum required rating level, such Person shall not be placed on “credit watch” or “negative outlook” by the rating agency; and, provided further, that in the event that if either of S&P or Moody’s have issued a rating below the required level or has placed the Person on “credit watch” or “negative outlook”, the lowest such rating shall apply for the purposes of this definition.

“Letter(s) of Credit” shall mean one or more irrevocable, non-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 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; (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 18.1(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

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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
- (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).

“MH Termination Event” shall have the meaning set forth in Section 18.4.

“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 Capacity Resources” shall mean those resources listed in Appendix “A” as may be modified from time to time by MH giving notice to MP.

“MH’s Conditions Precedent” shall have the meaning set forth in Section 13.1.

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

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“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 any of the following obligations of MH: (a) MH’s End-Use Load; or (b) MH’s End Use Load and all energy sales by MH that are associated with planning capacity; or (c) MH’s End Use Load, all energy sales by MH that are associated with planning capacity, and 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 [TRADE SECRET DATA EXCISED]

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

“MH’s Firm LD Energy Sales” shall mean those sales 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 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 requires electric service to be provided by MH until electric service is restored.

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“MH’s Transmission Service” shall have the meaning set forth in Section 3.1(1).

[TRADE SECRET DATA EXCISED]

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

“MISO Peak” shall mean that hour on any given day determined by MISO to be the hour in which load within the MISO footprint is expected to peak.

“MISO Peak Load” shall mean on any given day, the four (4) continuous hours during that day representing the two (2) continuous hours prior to the MISO Peak, the MISO Peak, and the hour following the MISO Peak.

“Monthly Capacity Price” shall have the meaning set forth in Section 4.1.

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

“MP Termination Event” shall have the meaning set forth in Section 18.5.

“MP’s Conditions Precedent” shall have the meaning set forth in Section 13.2.

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

“MP’s Transmission Service” shall have the meaning set forth in Section 3.1(2).

“Must Offer Energy” shall have the meaning set forth in Section 2.3(1)(a).

“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.

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“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 18.3(1).

“Non-Disclosure Agreement” shall mean that certain non-disclosure agreement between the Parties, effective November 10, 2011, as amended.

“Non-Firm Energy Sale Agreement” shall mean the agreement entered into between the Parties dated April 30, 2010.

“Off-Peak Hours” shall mean the HE 1:00 to HE 6:00 CPT and HE 23:00 and HE 24:00 CPT Monday to Friday and HE 1:00 CPT to HE 24:00 CPT Saturday and Sunday.

“On-Peak Hours” shall mean the hours in a week that are not Off-Peak Hours.

“OATT” shall mean the Open Access Transmission Tariff as 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 10.1(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 16.2(1).

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“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 16.3.

[TRADE SECRET DATA EXCISED]

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

“Real-Time Energy” shall have the meaning set forth in Section 2.3(1)(d).

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

[TRADE SECRET DATA EXCISED]

“Recipient” shall have the meaning set forth in Section 12.1.

“Representative” shall have the meaning set forth in Section 12.1(b)(i).

“Requesting Party” shall have the meaning set forth in Section 16.2.

“Required Approvals” shall have the meaning set forth in Section 13.3.

[TRADE SECRET DATA EXCISED]

“RRO” shall mean a regional reliability organization, including the Midwest Reliability Organization or successor regional reliability organization, or any committee or subcommittee thereof, if applicable.

“S&P” shall mean Standard & Poors Rating Group (a division of McGraw-Hill Inc.) or its successor.

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“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 Energy and/or Ancillary Services respectively that the Parties attempt to deliver 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.

“Second Party” shall have the meaning set forth in Section 16.2.

“Secured Party” shall have the meaning set forth in Section 16.3.

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

“System Power” shall mean: (a) Use Limited System Installed Capacity which was contracted to be made available by a seller to a purchaser (and for greater certainty does not include any generation reserves established or required by the RRO to which the purchaser belongs); and (b) energy which was contracted to be sold to a purchaser.

“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 Transmission System Operator, Inc. issued on July 28, 2010, as amended, supplemented, or replaced from time to time.

“Transfer System” shall have the meaning set forth in Section 9.4(2).

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“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 MH’s Transmission Service and MP’s Transmission Service.

“Unavailability of MH’s Purchased Power” shall mean: (a) when all or a portion of the energy purchased by MH 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 power purchase agreements or (b) where MH does not have access on commercially reasonable terms to Markets in the 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.

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

“Use Limited System” shall mean an electrical generating capacity resource, 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, 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 does not include any generation reserves.

[TRADE SECRET DATA EXCISED]

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

1.3 No Presumption

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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 MH System Power Sale

Subject to the provisions of this Agreement, during the Contract Term MH shall sell to MP and MP shall purchase from MH 50 MW of System Power (the “**50 MW System Power**”).

2.2 Capacity

- (1) MH shall make available and sell to MP and MP shall purchase from MH during the Contract Term 50 MW of Use Limited System Installed Capacity (the “**Capacity**”) at the Delivery Point. The Capacity is acknowledged by the Parties to be the generating capacity component of the 50 MW System Power that is being purchased and sold herein.
- (2) MH covenants and agrees that during the Contract Term it:
 - (a) shall not sell the Capacity at any time to any Person other than MP;
 - (b) shall make available the Capacity from MH’s Capacity Resources;
 - (c) shall make available the Capacity for the MISO Peak Load each day for the duration of the Contract Term;
 - (d) shall forward to MISO all of its GADS Data;
 - (e) shall ensure that MISO is notified of any outages (including partial outages) that affect the Capacity and the expected return date from such outages; and
 - (f) shall demonstrate in accordance with the generator testing requirements set forth in Appendix J of the MISO Business Practices Manual for Resource Adequacy, in effect as at the Effective Date, the claimed capability of the Capacity and it shall forward the results to the MISO.

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2.3 Energy

- (1) MH shall offer and make available to the Delivery Point and MP shall accept delivery and pay for the following quantities of energy to be sold by MH and purchased by MP during the Contract Term:
 - (a) 50 MWh per hour of energy for the MISO Peak Load each day during the Contract Term offered in accordance with Section 3.2(1)(a)(i) (the total quantity of energy to be purchased and sold for all of the hours during all of the days during the Contract Term referred to in this Section 2.3(1)(a), shall be collectively referred to as the “**Must Offer Energy**”);
 - (b) 50 MWh per hour for the [TRADE SECRET DATA EXCISED] Schedule Hours each day during the Contract Term offered in accordance with Section 3.2(1)(a)(ii) less any Must Offer Energy offered in those [TRADE SECRET DATA EXCISED] Schedule Hours (the total quantity of energy to be purchased and sold for all of the hours during all of the days during the Contract Term referred to in this Section 2.3(1)(b), shall be collectively referred to as the “**Firm Energy**”);
 - (c) such amounts of additional energy that are not Must Offer Energy nor Firm Energy that MH determines, in its sole discretion, for any day of the Contract Term that it has available for sale to MP and is offered in accordance with Section 3.2(1)(a)(iii), (the total quantity of energy to be purchased and sold for all of the days during the Contract Term referred to in this Section 2.3(1)(c), shall be collectively referred to as “**Additional Energy**”); and
 - (d) such amounts of energy that are not Must Offer Energy, Firm Energy nor Additional Energy that MH determines, in its sole discretion, for any day of the Contract Term that it has energy available for sale to MP and is submitted by MH in accordance with Section 3.2(1)(a)(iv) in the Real-Time Market, (the total quantity of energy to be purchased and sold for all of the days during the Contract Term referred to in this Section 2.3(1)(d), shall be collectively referred to as “**Real-Time Energy**”) [TRADE SECRET DATA EXCISED];

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(collectively referred to as “**Energy**”);

provided however, the Energy shall not exceed 50 MWh per hour at any given time within any hour during the Contract Term.

- (2) The Parties acknowledge that the Energy is the energy component of the 50 MW System Power that is being purchased and sold herein.
- (3) Subject to the requirement that Must Offer Energy that is sold and supplied by MH to MP shall be supplied from MH’s Capacity Resources, MH, in its sole discretion, has the right, but not the obligation, to source and/or supply and/or sell the Energy from third party purchases and/or Markets available to MH.
- (4) MH has the right but not the obligation to utilize any Market mechanisms that are available to MH throughout the Contract Term to satisfy its obligations hereunder.
- (5) The Parties acknowledge that the MISO Peak Load may change from day to day and as a result, Must Offer Energy may, on any given day, be Scheduled during the [**TRADE SECRET DATA EXCISED**] Schedule Hours, partially during and partially not during the [**TRADE SECRET DATA EXCISED**] Schedule Hours, or entirely not during the [**TRADE SECRET DATA EXCISED**] Schedule Hours.

2.4 Title and Risk of Loss

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

2.5 Ancillary Services

- (1) The Parties acknowledge and agree 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

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- foregoing, MH has the right to offer and/or Schedule the Ancillary Services into the MISO Market utilizing MP's Transmission Service;
- (c) the amount paid or to be paid by MP pursuant to this Agreement does not include any value in respect of or related to the Ancillary Services; and
 - (d) MP shall receive no payments from MH for such Ancillary Services and shall, subject to Section 2.5(5), have no responsibility to MH or MISO for any such Ancillary Services.
- (2) If MH makes an offer of Ancillary Services providing for delivery of the said Ancillary Services during the **[TRADE SECRET DATA EXCISED]** Schedule Hours which offer clears the Day-Ahead Market the Parties acknowledge that MH shall be obligated to submit a Financial Schedule in accordance with Section 3.2(2)(C) into the Day-Ahead Market for the quantity of Firm Energy and Must Offer Energy which clears the Day-Ahead Market in the **[TRADE SECRET DATA EXCISED]** Schedule Hour. For greater certainty MH shall have no obligation to make available such quantity of energy to MP.
 - (3) If MH makes an offer of Ancillary Services providing for delivery of the said Ancillary Services during an hour which is not within the **[TRADE SECRET DATA EXCISED]** Schedule Hours which offer clears the Day-Ahead Market or Real-Time Market the Parties acknowledge that MH shall have no obligation to make available to MP the energy associated with such offer and MP shall have no obligation to pay for such quantity of energy.
 - (4) MP shall, pursuant to the Market mechanisms in effect at the applicable time, approve any valid NERC E-Tag (as that term is used in the MISO Business Practices Manuals) 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 either the Day-Ahead Energy Market or the Real-Time Market as applicable and MP shall take such other actions as may be reasonably required pursuant to the Market mechanisms in effect at the applicable time in respect of such offers.
 - (5) 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

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compensation or payment to MH or MP shall request MISO redirect any such compensation or payments to MH.

- (6) MP shall use Commercially Reasonable Efforts to comply with all reasonable requests of MH concerning MH's participation in the Market in respect of or related to Ancillary Services.

ARTICLE III

SCHEDULING AND DELIVERY

3.1 Transmission

(1) MH's Transmission Obligations

MH shall arrange for Firm Transmission Service for the delivery of Energy and making available Capacity that is sold by MH and purchased by MP pursuant to this Agreement to the Delivery Point ("**MH's Transmission Service**"). MH shall be responsible for the payment of any and all charges (including transmission charges assessed by a Transmission Provider) for the delivery of Energy and making available Capacity to the Delivery Point.

(2) MP's Transmission Obligations

MP shall arrange for Firm Transmission Service for receiving Capacity and accepting delivery of Energy that is sold by MH and purchased by MP pursuant to this Agreement from the Delivery Point ("**MP's Transmission Service**"). MP shall be responsible for the payment of any and all charges (including transmission charges assessed by a Transmission Provider) for accepting the delivery of Energy and receiving Capacity from the Delivery Point.

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3.2 Offers and Scheduling

(1) MH's Offers

- (a) Subject to as hereinafter provided, MH shall on each day of the Contract Term:
 - (i) offer the daily quantity of Must Offer Energy into the Day-Ahead Market;
 - (ii) have the right, but not the obligation, subject to 3.2(2)(C) to offer the daily quantity of Firm Energy into the Day-Ahead Market;
 - (iii) have the right, but not the obligation, to offer a daily quantity of Additional Energy into the Day-Ahead Market; and
 - (iv) have the right, but not the obligation, to submit schedules for an hourly quantity of Real-Time Energy into the Real-Time Market.
- (b) The price at which MH offers Energy into the Day-Ahead Market shall be at the sole discretion of MH.
- (c) MH shall not be required to offer all or the applicable portion of Must Offer Energy into the Day-Ahead Market:
 - (i) during an event of Force Majeure; or
 - (ii) in order to avoid curtailing, restricting or reducing service to MH's End-Use Load, to the extent that Capacity is unavailable due to a full or partial forced, or scheduled outage, in accordance with the MISO Business Practices Manual for Resource Adequacy and the MISO Business Practices Manual for Outage Operations.

(2) Scheduling

- (A) Scheduling of Must Offer Energy, Firm Energy, and Additional Energy
Subject to Section 3.2(2)(C), MH shall Schedule Must Offer Energy, Firm Energy and Additional Energy in accordance with the Scheduling practices of the Tariff which, as of the Effective Date, requires the use of a Dispatchable Interchange

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Schedule with an Offer in the Day-Ahead Market. MH shall submit such Dispatchable Interchange Schedule with an Offer in accordance with the timing requirements of the MISO Business Practices Manual. 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.

(B) Scheduling of Real-Time Energy

MH shall Schedule Real-Time Energy in accordance with the Scheduling practices and procedures of the Tariff which as of the Effective Date requires the use of a Fixed Interchange Schedule in the Real-Time Market. MH shall submit such Fixed Interchange Schedule in accordance with the timing requirements of the MISO Business Practices Manual. MP shall approve, if required pursuant to the Market mechanisms in effect at the applicable time, the Fixed Interchange Schedule submitted by MH pursuant to this Agreement and take such other actions pursuant to the Market mechanisms in effect at the applicable time in the respect of such Fixed Interchange Schedule as may be reasonably requested by MH.

(C) Financial Scheduling

(1) Subject to Section 3.2(C)(3) in the event that during an hour which is within the [TRADE SECRET DATA EXCISED] Schedule Hours:

- (a) MH's offer in respect of any amount of the Must Offer Energy does not clear the Day-Ahead Market;
- (b) MH's offer in respect of any amount of the Firm Energy does not clear the Day-Ahead Market;
- (c) MH does not make an offer in respect of an amount of Firm Energy; or
- (d) MH elects to offer any amount of Must Offer Energy or any amount of Firm Energy into the Market Portal,

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then MH shall submit a Financial Schedule in the Day-Ahead Market, for that quantity of Must Offer Energy and/or Firm Energy referred to in this Section 3.2(2)(C)(1)(a), (b), (c) or (d) above, specifying MH as the seller and MP as the buyer and specifying the MHEB Node as the source, sink, and delivery point. MP shall: (i) approve, if required pursuant to the Market mechanisms in effect at the applicable time, any Financial Schedule 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 Financial Schedule; and (ii) MP shall pay MH for that quantity of Must Offer Energy and/or Firm Energy referred to in this Section 3.2(2)(C)(1)(a), (b), (c) or (d) at the **[TRADE SECRET DATA EXCISED]**.

The Parties acknowledge that pursuant to the Tariff, MISO will charge MH and pay MP the **[TRADE SECRET DATA EXCISED]** for that quantity of the Must Offer Energy and/or Firm Energy Scheduled under the Financial Schedule submitted by MH in accordance with this Section 3.2(2)(C)(1).

The Parties further acknowledge that:

- (i) in respect of that quantity of Must Offer Energy and/or Firm Energy referred to in Sections 3.2(2)(C)(1)(a), (b) or (c) above, the submitting of the Financial Schedule and MISO charging MH and paying MP the **[TRADE SECRET DATA EXCISED]** for such quantity of the Must Offer Energy and/or Firm Energy under the Financial Schedule shall, together with MP's obligation to pay for such quantity of Must Offer Energy and/or Firm Energy at the **[TRADE SECRET DATA EXCISED]**, satisfy MH's obligation(s) to sell and MP's obligation(s) to purchase such quantity of Must Offer Energy and/or Firm Energy pursuant to Section 2.3; and
- (ii) in respect of any quantity of Must Offer Energy and/or Firm Energy referred to in this Section 3.2(2)(C)(1)(d) above that, when offered into

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the Market Portal, cleared the Day-Ahead Market, and notwithstanding the submitting of the Financial Schedule and MISO charging MH and paying MP the **[TRADE SECRET DATA EXCISED]** for such quantity of the Must Offer Energy and/or Firm Energy under the Financial Schedule, MH shall continue to have the obligation to sell and deliver such quantity of Must Offer Energy and/or Firm Energy that was offered into the Market Portal and cleared the Day-Ahead Market and MP shall continue to have the obligation to accept and purchase such quantity of Must Offer Energy and/or Firm Energy pursuant to Section 2.3 and MP shall continue to have the obligation to pay for such quantity of Must Offer Energy and/or Firm Energy at the **[TRADE SECRET DATA EXCISED]**.

(2) In the event that during an hour which is not within the **[TRADE SECRET DATA EXCISED]** Schedule Hours MH's offer in respect of any amount of Energy does not clear the Day-Ahead Market or Real-Time Market MH shall have no obligation to sell and deliver and MP shall have no obligation to purchase and receive such Energy.

(3) In the event that:

- (a) no offer was made by MH into the Day-Ahead Market for Must Offer Energy and/or Firm Energy during any curtailment time period as a result of a curtailment referred to in Sections 3.2(1)(c), 3.4, 3.7 or 3.8 or Article XIV as applicable;
- (b) any portion of the Energy was curtailed, restricted or reduced pursuant to Sections 3.4, 3.7 or 3.8 or Article XIV; or
- (c) MH gives notice in accordance with Section 3.10(a),

MH shall have no obligation to sell and MP shall have no obligation to purchase the applicable quantity of energy.

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(3) General Offering and Scheduling Provisions

- (a) Subject to the requirement that Must Offer Energy that is sold and supplied by MH to MP shall be supplied from MH's Capacity Resources, the Parties shall, during the Contract Term, Schedule the 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 Schedule into the MISO market. The Parties further agree that if: (i) MH offers and Schedules Must Offer Energy during an hour which is not within the [TRADE SECRET DATA EXCISED] Schedule Hours and/or offers and Schedules a quantity of Additional Energy through the Market Portal into the Day-Ahead Market and any amount of the said Must Offer Energy or any amount of the said Additional Energy clears the Day-Ahead Market; and MH receives payment from MISO for the said Must Offer Energy, and/or the said Additional Energy; and/or (ii) MH submits a Schedule of Real-Time Energy through the Market Portal into the Real-Time Market and MH receives payment from MISO for the said Real-Time Energy; MP shall not be required to make a separate or additional payment to MH for the said energy. For greater certainty this shall not apply to Must Offer Energy offered and Scheduled during the [TRADE SECRET DATA EXCISED] Schedule Hours and Firm Energy and MP shall remain obligated to pay for the said Must Offer Energy and the said Firm Energy at the [TRADE SECRET DATA EXCISED].
- (b) Each Party shall be responsible for and pay its own costs and expenses associated with the purchase and sale of the Energy under the applicable OATT and or Tariff including, without limitation, any Market Settlement Amounts. MH shall be responsible for any Market Settlement Amounts charged to MP that are directly

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related to the purchase and sale of the Additional Energy and Real-Time Energy under the applicable OATT and/or Tariff.

- (d) 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.
- (e) The provisions of this Section 3.2 reflect the Scheduling practices and procedures of the Tariff as of the Effective Date.

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. 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 allocate sufficient transmission capacity for delivery of the applicable amount of the Energy to/from the Delivery Point.

3.4 MH's Energy Curtailments

(1) Must Offer Energy

MH shall have the right to curtail, restrict, or reduce the sale and supply of any of the Must Offer Energy, in accordance with either of the following provisions:

- (a) a Force Majeure event; or
- (b) 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".\

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(2) **Firm Energy, Additional Energy and Real-Time Energy**

MH shall have the right to curtail, restrict, or reduce the sale and supply of any of Firm Energy, Additional Energy and Real-Time 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 Utility Practice, 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, Additional Energy and Real-Time Energy may be curtailed, restricted or reduced by MH by the amount determined after application of the Priority Criteria; or
- (b) during any period(s) of time during the Contract Term to the extent an event of Force Majeure otherwise precludes MH's ability to make available, or to continue to make available any of the Firm Energy, Additional Energy and Real-Time Energy in accordance with this Agreement, the Firm Energy, Additional Energy and Real-Time Energy may be curtailed, restricted or reduced by MH by the amount determined after application of the Priority Criteria; or
- (c) to the extent necessary to avoid curtailing, restricting or reducing service to MH's End-Use Load.

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(3) **Limitations on Curtailments**

In the event of the exercise by MH of the right pursuant to Section 3.4(2) to curtail, restrict or reduce any of the Firm Energy, Additional Energy and Real-Time Energy, MH shall:

- (a) subject to Section 3.4(3)(b), exercise that right only for an amount and for the applicable time period(s), as determined through 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, Additional Energy and Real-Time Energy;
- (b) **[TRADE SECRET DATA EXCISED]**
- (c) exercise Good Utility Practice to overcome the circumstances giving rise to this right, provided however that MP hereby acknowledges and agrees that the exercise of Good Utility Practice would not obligate MH to make additional purchases of energy from a third party and/or the Markets.

(4) **MH's Curtailment of Cleared Market Energy**

In the event MH curtails, restricts, or reduces the supply of any of the Additional Energy and Real-Time Energy that has already been accepted into the MISO Market or cleared the Day-Ahead Market, as applicable (“**MH's Curtailment of Cleared Market Energy**”), MH shall be responsible for any and all costs charged to MP that were directly related to the curtailment, restriction or reduction in the supply of Additional Energy and Real-Time Energy or, if applicable, due to MH's Curtailment of Cleared Market Energy under the applicable OATT and/or Tariff and MH shall receive any benefits that were directly related to MH's Curtailment of Cleared Market Energy under the applicable OATT and/or Tariff.

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(5) **Offering Energy Prior to End of Curtailment Notice Period**

MH agrees that if a curtailment event that MH had provided notice of pursuant to Section 3.9 ended prior to the anticipated duration of such curtailment event MH shall not, without the consent of MP, be entitled to offer that quantity of Firm Energy that was subject to such curtailment until the original notice time period has expired.

3.5 Curtailment Priority Criteria

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

- (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 (a), (b) and (c) above; and
- (e) in the event that more than one power or energy sale of the same types referred to in categories (b), (c) and (d) of this Section 3.5 exists, curtailment with respect to such power or energy sales shall be determined on a pro rata basis.

The Parties acknowledge that the Energy to be sold pursuant to the Agreement is energy described in Section 3.5(b).

(2) In the event that Real-Time Energy is accepted into the Real-Time Market during an hour in which a quantity of either Must Offer Energy, Firm Energy or Additional Energy has also cleared the Day-Ahead Market, any reduction in any Energy quantity occurring as a

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result of a curtailment in the said hour shall first be applied to the quantity of Real-Time Energy accepted into the Real-Time Market and thereafter to any quantity of either Must Offer Energy, Firm Energy or Additional Energy in the said hour.

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) or 3.4(2) to curtail, restrict or reduce the Energy; (b) MH retains the right to supply the applicable amount of the Energy, under conditions which give rise to the right to curtail, restrict or reduce the applicable amount of the Firm Energy, Additional Energy and Real-Time Energy under Section 3.4(2), from any of MH's 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(2) to curtail, restrict or reduce the applicable amount of the Firm Energy, Additional Energy and Real-Time Energy to be supplied and does not selectively assert the right to provide the applicable amount of the Firm Energy, Additional Energy and Real-Time 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, Additional Energy and Real-Time Energy; and (c) in conjunction with the implementation of the right granted pursuant to Section 3.4(2) to curtail, restrict or reduce any of the applicable amount of Firm Energy, Additional Energy and Real-Time 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, for that 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

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limit MH's right granted pursuant to Section 3.4(2) to curtail, restrict or reduce the applicable amount of the Firm Energy, Additional Energy and Real-Time Energy.

3.7 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 the Energy, the 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.
- (2) In the event that 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 Market, the quantity of the Energy that did not clear the said market shall be deemed to have been curtailed pursuant to this Section 3.7(2).
- (3) Subject to Section 20.3, 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 3.7(3). Curtailment of energy deliveries under this Section 3.7(3) 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 Scheduling 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(3) 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

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

3.8 MP's Curtailments

- (1) Prior to Scheduling, MP shall have the right to refuse to accept MH's offer and not Schedule and purchase a quantity of the Energy to the extent a Force Majeure precludes MP's ability to accept such quantity of the Energy under this Agreement.
- (2) In the event MP refuses to accept any of the Energy that has already been accepted into the MISO Market or cleared the Day-Ahead Market or Real-Time Market, as applicable ("**MP's Curtailment of MH's Cleared Energy**"), MP shall be responsible for any and all costs charged to MH that are directly related to the curtailment, restriction or reduction in the supply of MP's Curtailment of MH's Cleared Energy under the applicable OATT and/or Tariff and MP shall receive any benefits that were directly related MP's Curtailment of Cleared Market Energy under the applicable OATT and/or Tariff.

3.9 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 the Energy pursuant to Sections 3.4(1), 3.4(2) and 3.8. This shall include the anticipated duration of the curtailment, restriction, or reduction or refusal of the supply or acceptance, as applicable, of the Energy and where practicable daily updates.

3.10 Adverse Water Conditions

- (1) MP agrees that for such time period during which Adverse Water Conditions exist, MH shall have the right, but not the obligation, to cease the sale and delivery of Firm Energy for Saturdays and Sundays, provided:

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- (a) MH gives a minimum of thirty (30) days notice that MH will be ceasing the sale and delivery of Firm Energy for Saturdays and Sundays during the Adverse Water Conditions;
 - (b) MH shall provide weekly progress reports on the status of the Adverse Water Conditions; and
 - (c) MH shall provide MP with notice once the Adverse Water Conditions end.
- (2) Notwithstanding the provisions of Section 3.10(1), after giving notice pursuant to Section 3.10(1)(a) but prior to Adverse Water Conditions ending, MH shall be entitled upon providing a minimum of thirty (30) days notice to MP, or lesser notice with the consent of MP, to recommence sale and delivery of Firm Energy on Saturdays and Sundays as if the Adverse Water Conditions did not exist.
- (3) **[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 Energy;
- (b) Emergency Energy made available by MH to MISO during the Contract Term shall not be considered to be 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

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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 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

CAPACITY PRICING

4.1 Capacity Pricing

The Parties agree that the monthly price for the Capacity (the “**Monthly Capacity Price**”) required to be made available pursuant to Section 2.2(1) shall for each Contract Year during the Contract Term be US [TRADE SECRET DATA EXCISED] per MW-month, escalated [TRADE SECRET DATA EXCISED]

The Monthly Capacity Price for a Contract Year as determined using the foregoing formula [TRADE SECRET DATA EXCISED]

ARTICLE V

ENERGY PRICING

5.1 Energy Pricing

- (1) Firm Energy and Must Offer Energy Scheduled in any hour during the [TRADE SECRET DATA EXCISED] Schedule Hours

The price per MWh for [TRADE SECRET DATA EXCISED]

- (2) Must Offer Energy Scheduled in any hour which is not an hour during the [TRADE SECRET DATA EXCISED] Schedule Hours and Additional Energy
[TRADE SECRET DATA EXCISED]

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(3) Real-Time Energy
[TRADE SECRET DATA EXCISED]

(4) Market Price Proxy
[TRADE SECRET DATA EXCISED]

ARTICLE VI

BILLING AND PAYMENT

6.1 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.

6.2 Payment in U.S. Dollars

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

6.3 Method of Payment of Invoices

Payment of all invoices pursuant to this Agreement shall be made by MP to MH 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 20.1 hereof. Payment shall be deemed to be made when received by the bank designated in Appendix C.

6.4 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

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after the end of each calendar month, MH shall render to MP an invoice for the payment obligations, if any, incurred hereunder during the preceding month.

6.5 Payment Amounts

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

- (a) the Monthly Capacity Price applicable for that month determined in accordance with Section 4.1, multiplied by the Capacity; plus
- (b) the sum of the amount determined for each applicable hour that a quantity of Energy was Scheduled for that month that MP is obligated to pay for that month determined for each applicable hour as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each applicable day in that month, determined in accordance with Section 5.1(1), multiplied by the quantity of Must Offer Energy in MWh Scheduled in any hour during the **[TRADE SECRET DATA EXCISED]** Schedule Hours for the corresponding hour of the applicable day for that month, determined in accordance with Section 3.2; plus
 - (ii) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each applicable day in that month, determined in accordance with Section 5.1(2), multiplied by the quantity of Must Offer Energy in MWh Scheduled in any hour which is not an hour during the **[TRADE SECRET DATA EXCISED]** Schedule Hours for the corresponding hour of the applicable day for that month, determined in accordance with Section 3.2; plus
 - (iii) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each applicable day in that month, determined in accordance with Section 5.1(1), multiplied by the quantity of Firm Energy in MWh Scheduled for the corresponding hour of the applicable day for that month, determined in accordance with Section 3.2; plus

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- (iv) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each applicable day in that month multiplied by the quantity of Additional Energy in MWh Scheduled for the corresponding hour of the applicable day for that month, determined in accordance with Section 3.2; plus
- (v) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each applicable day in that month multiplied by the quantity of Real-Time Energy in MWh Scheduled for the corresponding hour of the applicable day for that month, determined in accordance with Section 3.2; plus
- (c) the sum of the amount determined for each applicable hour that a quantity of Must Offer Energy did not clear the Day-Ahead Market for that month but that MP is otherwise obligated to pay for as part of the financial settlement for that quantity of Must Offer Energy pursuant to Sections 3.2(2)(C)(1)(b) for that month determined as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour determined in accordance with Section 5.1(1); multiplied by the quantity of Must Offer Energy that did not clear but that MP is obligated to pay for pursuant to Section 3.2(2)(C)(1)(b) for that hour of that day for that month, determined in accordance with Section 3.2(2)(C); plus
- (d) the sum of the amount determined for each applicable hour that a quantity of Must Offer Energy was offered by MH into the Market Portal for that month but that MP is otherwise obligated to pay for as part of the financial settlement for that quantity of Must Offer Energy pursuant to Section 3.2(2)(C)(1)(d) for that month determined as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour determined in accordance with Section 5.1(1) multiplied by the quantity of Must Offer Energy that was offered by MH into the Market Portal and that MP is obligated to pay for pursuant to Section

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- 3.2(2)(C)(1)(d) for that hour of that day for that month, determined in accordance with Section 3.2(2)(C); plus
- (e) the sum of the amount determined for each applicable hour that a quantity of Firm Energy was either (i) not offered, (ii) does not clear the Day-Ahead Market or (iii) was offered by MH into the Market Portal for that month but that MP is otherwise obligated to pay for as part of the financial settlement for that quantity of Firm Energy pursuant to Sections 3.2(2)(C)(1)(a), (c) or (d) respectively for that month determined as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour determined in accordance with Section 5.1(1) multiplied by the quantity of Firm Energy that MP is obligated to pay for pursuant to Section 3.2(2)(C)(1)(a), (c) or (d) for that hour of that day for that month, determined in accordance with Section 3.2(2)(C); less
 - (f) the sum of the amount determined for each applicable hour that a quantity of Must Offer Energy that had been Scheduled in any hour during the **[TRADE SECRET DATA EXCISED]** Schedule Hours during any day for that month was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each day in that month, determined in accordance with section 5.1(1) multiplied by the applicable quantity of Must Offer Energy that had been Scheduled for that hour of that day for that month that was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV; less
 - (g) the sum of the amount determined for each applicable hour that a quantity of Must Offer Energy that had been Scheduled in any hour which is not an hour during the **[TRADE SECRET DATA EXCISED]** Schedule Hours during any day for that month was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each day in that month multiplied by the applicable quantity of Must Offer Energy that had been Scheduled for that hour of that day for

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that month that was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV; less

- (h) 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 or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** for each applicable hour of each applicable day in that month, determined in accordance with Section 5.1(1) multiplied by the applicable quantity of Firm Energy that had been Scheduled for that hour of that day for that month that was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV; less
- (i) the sum of the amount determined for each applicable hour that a quantity of Additional Energy that had been Scheduled during any day for that month was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each applicable day in that month multiplied by the quantity of Additional Energy that had been Scheduled for the corresponding applicable hour of the applicable day for that month that was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV; less
- (j) the sum of the amount determined for each applicable hour that a quantity of Real-Time Energy that had been Scheduled during any day for that month was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV as follows:
 - (i) the **[TRADE SECRET DATA EXCISED]** applicable for each applicable hour of each applicable day in that month multiplied by the quantity of Real-Time Energy that had been Scheduled for the corresponding applicable hour of the applicable day for that month that was curtailed or reduced pursuant to Sections 3.4, 3.7, 3.8 or 3.11 or Article XIV; plus

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- (k) 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 as provided in Section 3.11(d); plus
- (l) costs associated with Contingency Reserves, Contingency Reserves Emergency Energy and/or Emergency Energy charged to MH by MISO attributable to MP as provided in Section 3.11(e); plus
- (m) any costs and expenses associated with the supply and receipt of the Energy under the applicable OATT that were billed to and paid by MH but were amounts that were required to be paid by MP pursuant to Section 3.2(3)(b) and 3.8(2); less
- (n) any costs and expenses associated with the supply and receipt of the 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(3)(b) and 3.4(4).

6.6 Payment Date

Unless otherwise agreed by the Parties, all invoices under this Agreement shall be due and payable in accordance with MH'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.

6.7 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, MH shall charge or credit MP for the change in such third

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party invoice within sixty (60) Business Days of MH's receipt of such adjusted third party invoice.

6.8 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 6.8 within twelve (12) months after the invoice is rendered or any specific adjustment to the invoice is made.

6.9 Payment in Full

If 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.

6.10 Impact of Performance Assurance

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

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6.11 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 VI.

6.12 Preliminary Billing Information

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

ARTICLE VII

GOVERNMENTAL CHARGES

7.1 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.

7.2 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,

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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 VIII

METERING

8.1 Metering

All applicable matters relating to the metering of the 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 IX

ENVIRONMENTAL ATTRIBUTES

9.1 Environmental Attributes of Energy

- (1) The Parties acknowledge and agree that MH shall allocate to MP that amount of Environmental Attributes (the “[**TRADE SECRET DATA EXCISED**] **Environmental Attributes**”) determined by MH, only for the purposes of allocating Environmental Attributes pursuant to Section 9.2 from that portion of the MWh of the Energy that was:
 - (a) Supplied Energy; and
 - (b) allocated by MH as being sourced from those [**TRADE SECRET DATA EXCISED**]
- (2) For environmental reporting purposes:
 - (a) the Environmental Attributes of that component of the Energy, that is Supplied Energy and is not allocated by MH as having been sourced from [**TRADE SECRET DATA EXCISED**]
 - (b) the Environmental Attributes of that component of the Energy that is not Supplied Energy [**TRADE SECRET DATA EXCISED**] and shall be reported by each of

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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 Energy pursuant to this Agreement.

- (3) For the purposes of this Article IX, MH shall not be obligated to manage the supply of the 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 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 Energy is supplied from a particular generating resource, including renewable resources.
- (4) Without limiting the reporting requirements referred to in Section 9.1(2), the Parties further acknowledge and agree that MH has retained all Environmental Attributes for the Energy allocated by MH for the purposes of this Article IX to be sourced from those **[TRADE SECRET DATA EXCISED]**
- (5) **[TRADE SECRET DATA EXCISED]**
- (6) 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]**

9.2 Calculation of Environmental Attributes for Supplied Energy

- (1) MH shall calculate the **[TRADE SECRET DATA EXCISED]**

9.3 Reporting of Environmental Attributes Calculation

- (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 that identifies the MWh of Energy that was supplied from **[TRADE SECRET DATA EXCISED]**
- (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 Energy.

9.4 Transfer of Environmental Attributes

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- (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 [TRADE SECRET DATA EXCISED] and 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) [TRADE SECRET DATA EXCISED]

9.5 [TRADE SECRET DATA EXCISED]

9.6 Use

MP may use any 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.

9.7 Rights Conferred by Law

[TRADE SECRET DATA EXCISED]

9.8 MP Qualification

To the extent allowed by applicable law, MP may have the transferred [TRADE SECRET DATA EXCISED] Environmental Attributes qualified and recognized as environmental credits or offsets, if any. MH shall cooperate in such qualification and recognition of [TRADE SECRET DATA EXCISED]. Without limiting the generality of Sections 9.9 and 19.1, 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

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respect of the allocation and transfer of the transferred [TRADE SECRET DATA EXCISED] Environmental Attributes.

9.9 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 X

OPERATING COMMITTEE

10.1 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 Director of Energy Supply and Asset Optimization 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.

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- (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 6.11 and Section 6.12;
 - (b) make and implement decisions and procedures as directed by the Parties in accordance with Article XV and other matters from time to time as necessary to implement the terms and conditions of this Agreement;
 - (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) attempt to 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 17.1; and
 - (g) make and implement decisions concerning Section 20.1 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.

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ARTICLE XI

REPRESENTATIONS, WARRANTIES AND COVENANTS

11.1 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 XIII, it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
 - (c) subject to Article XIII, 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 XIII, 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;
 - (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;

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- (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 the 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 agreements” 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 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;

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- (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

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(“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 record keeping 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

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- (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.

11.2 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.

11.3 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.

11.4 MH's National Energy Board Covenant

MH agrees to file the application with the NEB referred to in Section 13.1(a) for an order of the NEB authorizing the export by MH of the 50 MW System Power to the United States within one-hundred and eighty (180) days after the Effective Date.

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11.5 MP's Minnesota Public Utilities Commission Covenant

MP agrees to timely file the application referred to in Section 13.2(a) for approval of this Agreement with the Minnesota Public Utilities Commission.

ARTICLE XII CONFIDENTIALITY

12.1 Confidentiality

The Parties confirm that Proprietary Information (as defined in the “**Non-Disclosure Agreement**”) has 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 Proprietary 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 this Agreement and 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

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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 12.1(c).
- (d) Notwithstanding the foregoing, the Parties acknowledge that (i) MP is required pursuant to Section 11.5 to file this Agreement for approval with the Minnesota Public Utilities Commission accompanied by an application; and (ii) MH is

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required to pursuant to Section 11.4 to file an application (including a copy of this Agreement) with the NEB for an order authorizing the export of the 50 MW System Power to the United States. MP agrees to seek protection of the Confidential Information under the Minnesota Public Utilities Commission's Minnesota Rule 7829.0500. MH agrees to seek protection of the Confidential Information under the *National Energy Board Act*, R.S.C., 1985, c. N-7 Section 16.1. 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 and the NEB. 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 and Canadian 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.

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- (h) This Section 12.1 shall survive any termination of this Agreement for a period of three (3) years.

ARTICLE XIII

CONDITIONS

13.1 MH's Conditions Precedent

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 final non-appealable order of the NEB, on conditions acceptable to MH, in its sole and absolute discretion by the Business Day before the start of the Contract Term authorizing the export by MH of the Capacity and Energy to the United States; and
- (b) MH arranging MH's Transmission Service to supply Energy to the Delivery Point within four (4) months of the Effective Date.

13.2 MP's Conditions Precedent

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 final approval of this Agreement by the Minnesota Public Utilities Commission on conditions acceptable to MP by the Business Day before the start of the Contract Term; and
- (b) approval by MISO that the Capacity qualifies as a “capacity resource” as that term is defined under the Tariff as in effect as of the date of the approval, within six (6) months after the Effective Date; and

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- (c) MP arranging MP's Transmission Service required to receive Energy from the Delivery Point within four (4) months of the Effective Date.

13.3 Required Approvals

MH shall use Commercially Reasonable Efforts to secure only the approvals listed in Section 13.1 and MP shall use Commercially Reasonable Efforts to secure only the approvals listed in Sections 13.2 (these approvals for each Party collectively referred to as the “**Required Approvals**”). The Parties agree to provide reasonable assistance to the other Party, if requested, in order to assist that Party in obtaining the Required Approvals.

13.4 Conditions Precedent Notices

Each Party shall notify the other Party as soon as practicable following the satisfaction or waiver or the failure to satisfy or to waive MH's Conditions Precedent or MP's Conditions Precedent, as applicable, including the failure to obtain any of the Required Approvals. This Agreement shall, subject to the obligations of the Parties in Section 13.3, terminate on the date notice has been received by one Party from the other Party that any of MH's Conditions Precedent or MP's Conditions Precedent have not been satisfied and will not be waived.

ARTICLE XIV

FORCE MAJEURE

14.1 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

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- 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.
- (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 or the 50 MW System Power, including MP's ability to purchase 50 MW System Power at a price less than the prices provided for in this Agreement; and (c) MH's ability to sell 50 MW System Power at a price greater than the prices provided for in this Agreement.

ARTICLE XV

[TRADE SECRET DATA EXCISED]

15.1 [TRADE SECRET DATA EXCISED]

15.2 [TRADE SECRET DATA EXCISED]

15.3 Transmission Seams Costs

The Parties 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

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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.

ARTICLE XVI

CREDITWORTHINESS

16.1 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 other 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.

16.2 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

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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's 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 16.2(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

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- (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 XVIII of this Agreement and the Requesting Party shall have the right to exercise any of the remedies provided for under that Article XVIII. Nothing contained in this Article XVI shall affect any other credit agreement or arrangement, if any, between the Parties.
- (4) If the Second Party provides a Letter of Credit, MP 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.

16.3 Grant of Security Interest

To secure its obligations under this Agreement and to the extent that either or both Parties (or its Credit Support Provider, if applicable) delivers 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 the Secured Party and all proceeds of such Performance Assurance (subject to any secured interest held or maintained by the Pledgor's lender), and the 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. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default by the Pledgor, or an uncured event of default by the Pledgor under the Non-Firm Energy Sale Agreement, the Secured Party may do any one or more of the following: (a) exercise any of the rights and remedies of the Secured Party with respect to all Performance Assurance delivered by the Pledgor, including any such rights and remedies under law then in

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effect; (b) exercise its rights of setoff against any and all Performance Assurance of the Pledgor in the possession of the Secured Party or its agent up to the amount then owed to it by the Pledgor; (c) draw on any outstanding Letter of Credit issued for its benefit up to the amount then owed to it by the Pledgor; 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 Pledgor, including any equity or right of purchase or redemption by the Pledgor. 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.

ARTICLE XVII

DISPUTE RESOLUTION

17.1 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.

17.2 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

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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.

17.3 Arbitration Proceedings

Subject to Section 17.1 above and Section 10.1(3)(f), 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

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argument that the other Party has an adequate remedy at law. All arbitrations shall be held in Winnipeg, Manitoba.

17.4 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.

17.5 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.

17.6 Continuation of Performance

Pending the final decision of the arbitrators, the Parties agree, subject to Section 17.2, 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.

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17.7 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.

17.8 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.

17.9 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

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if necessary, the period of time within which it shall make a correction, interpretation or an additional award.

ARTICLE XVIII

DEFAULT/TERMINATION

18.1 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;
- (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;

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- (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 16.2;
- (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;
- (h) the occurrence of a Letter of Credit Default that remains uncured for five (5) Business Days;
- (i) the occurrence of either an uncured MP Event of Default or an uncured MH Event of Default (as such terms are defined in the Non-Firm Energy Sale Agreement) pursuant to the Non-Firm 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

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(j) 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 18.3.

18.2 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 18.3; 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.

18.3 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

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amounts that the Defaulting Party may owe it under the Non-Firm Energy 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 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.

18.4 MH Termination Events

MH has the right, but not the obligation, to terminate this Agreement in the manner described below following any of the events, conditions or circumstances specified below (each a “**MH Termination Event**”):

- (a) immediately upon providing written notice to MP, if after giving effect to any applicable provisions in this Agreement, due to an event or circumstance (other than any action taken by MH) it becomes unlawful under any applicable law for MH: (i) to perform any absolute or contingent obligation under this Agreement; (ii) to make a delivery in respect of this Agreement; (iii) to receive a payment or delivery in respect of this Agreement; or (iv) to comply with any other material provision of this Agreement;
- (b) immediately upon providing written notice to MP if, after giving effect to any applicable provisions in this Agreement, either Party is by reason of Force Majeure prevented from complying with any material provision of this Agreement for a period of 180 consecutive calendar days; or
- (c) immediately upon notice to MP upon the termination of the Non-Firm Energy Sale Agreement prior to the expiry of the term of that agreement, unless the termination occurred due to occurrence of an uncured Event of Default (as such term is defined in the Non-Firm Energy Sale Agreement) by MH.

18.5 MP Termination Events

MP has the right, but not the obligation, to terminate this Agreement in the manner described below following any of the events, conditions or circumstances specified below (each a “**MP Termination Event**”):

- (a) immediately upon providing written notice to MH, if after giving effect to any applicable provisions in this Agreement, due to an event or circumstance (other than any action taken by MP) it becomes unlawful under any applicable law for MP: (i) to perform any absolute or contingent obligation under this Agreement, (ii) to make a payment or delivery in respect of this Agreement, (iii) to receive a payment or delivery in respect of this Agreement or (iv) to comply with any other material provision of this Agreement;
- (b) immediately upon providing written notice to MH if, after giving effect to any applicable provisions in this Agreement, either Party is by reason of Force Majeure prevented from complying with any material provision of this Agreement for a period of 180 consecutive calendar days; or
- (c) immediately upon notice to MH upon the termination of the Non-Firm Energy Sale Agreement prior to the expiry of the term of that agreement, unless the termination occurred due to occurrence of an uncured Event of Default (as such term is defined in the Non-Firm Energy Sale Agreement) by MP.

18.6 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 VI.

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ARTICLE XIX

LIMITATION OF LIABILITY

19.1 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

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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 XX

GENERAL

20.1 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

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if to Minnesota Power:

Vice-President MP 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.

20.2 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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20.3 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.

20.4 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.

20.5 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,

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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 50 MW System Power prior to the delivery by MH and receipt by MP of the 50 MW System Power 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 50 MW System Power from and after delivery by MH and receipt by MP of the 50 MW System Power 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 20.5(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

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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.

20.6 Governing Law

This Agreement shall be governed and construed in accordance with the laws of the Province of Manitoba and Canada. Any disputes arising under this Agreement 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.

20.7 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.

20.8 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.

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20.9 No Representation or Warranty for Injury

It is acknowledged and agreed that the 50 MW System Power and related services are inherently dangerous, and MH offers no warranty, or representation, express or implied, that the 50 MW System Power or related services will not cause injury to Person, property or business.

20.10 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 50 MW System Power; (b) the transfer of the [TRADE SECRET DATA EXCISED] Environmental Attributes; (c) the confidentiality provisions pursuant to Article XII of this Agreement; (d) Section 20.5, 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.

20.11 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.

20.12 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) days advance notice to the other Party provided that:

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- (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. 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 20.12, includes the interest granted pursuant to Article IX to have the [**TRADE SECRET DATA EXCISED**] Environmental Attributes transferred to MP.

EXHIBIT A

PUBLIC DOCUMENT
TRADE SECRET DATA HAS BEEN EXCISED

20.13 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.

20.14 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.

20.15 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.

20.16 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.

20.17 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

EXHIBIT A

**PUBLIC DOCUMENT
TRADE SECRET DATA HAS BEEN EXCISED**

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.

20.18 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 entered into by the Parties on May 29, 2013. 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 CEO

I HAVE AUTHORITY TO BIND ALLETE, INC.

EXHIBIT A

PUBLIC DOCUMENT

TRADE SECRET DATA HAS BEEN EXCISED

APPENDIX A

**to the 50 MW System Power Sale Agreement made between the Manitoba Hydro-Electric
Board and Minnesota Power Effective December 19, 2013**

[TRADE SECRET DATA EXCISED]

EXHIBIT A

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TRADE SECRET DATA HAS BEEN EXCISED

APPENDIX B

**to the 50 MW System Power Sale Agreement made between the Manitoba Hydro-Electric
Board and Minnesota Power Effective December 19, 2013**

[TRADE SECRET DATA EXCISED]

EXHIBIT A

PUBLIC DOCUMENT

TRADE SECRET DATA HAS BEEN EXCISED

APPENDIX C

to the 50 MW System Power Sale Agreement made between the Manitoba Hydro-Electric
Board and Minnesota Power Effective December 19, 2013

INTERBANK TRANSFER OF FUNDS ACCOUNT DESIGNATIONS

For THE MANITOBA HYDRO-ELECTRIC BOARD:

[TRADE SECRET DATA EXCISED]

EXHIBIT A

PUBLIC DOCUMENT
TRADE SECRET DATA HAS BEEN EXCISED

APPENDIX D

[TRADE SECRET DATA EXCISED]

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 29th day of October, 2011, she served Minnesota Power's Petition for Approval of a 50 MW 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
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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