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December 4, 2009

The Honorable Kimberly D. Bose
 Secretary
 Federal Energy Regulatory Commission
 888 First Street, N.E.
 Washington, D.C. 20426

EXPEDITED ACTION REQUESTED BY DECEMBER 30, 2009

PUBLIC VERSION:

Re: Compliance Filing
Midwest Independent Transmission System Operator, Inc. and ALLETE, Inc.
Docket Nos. ER09-1727-00___ and ER09-1728-00___

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d, Part 35 of the regulations of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. § 35.1 *et seq.* (2009), and the Commission’s November 24, 2009 order in this proceeding,¹ the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) and ALLETE, Inc. d/b/a Minnesota Power (“ALLETE”) (together, the “Applicants”) submit an original and six (6) copies of this compliance filing.

As explained below, this compliance filing revises the Applicants’ original September 21, 2009, proposal (“Joint Proposal”) in Docket No. ER09-1727-000 to reflect: (1) the modifications proposed in the Applicants’ October 23, 2009 Answer (“Answer”), as those revisions were accepted by the November 24 Order; and (2) the Commission’s additional revisions to the Joint Proposal and associated directives. This compliance filing also includes a public and non-public version of the “wires” interconnection agreement (“Interconnection Agreement”) originally executed between

¹ *Midwest Independent Transmission System Operator, Inc. and ALLETE, Inc.*, 129 FERC ¶ 61,172 (2009) (“November 24 Order”).

Hon. Kimberly D. Bose
December 4, 2009
Page 2

Square Butte Electric Cooperative (“Square Butte”) and ALLETE filed in Docket No. ER09-1728-000, as now revised to include the Midwest ISO as a signatory. As when ALLETE originally filed the Interconnection Agreement, Applicants have designated certain one-line diagrams included in Appendix B of the Interconnection Agreement as Critical Energy Infrastructure Information (CEII) pursuant to 18 C.F.R. § 388.113 (c)(1). Therefore, Applicants have included the requisite number of the non-public version of the Interconnection Agreement in the sealed envelopes included with this compliance filing.

ALLETE anticipates closing on its purchase of facilities subject to this filing on December 31, 2009, subject to the receipt of necessary approvals. The Applicants, therefore, respectfully request that the Commission expedite its review and evaluation of this compliance filing in order to facilitate ALLETE’s ability to meet its closing deadline. Specifically, the Applicants respectfully request that the Commission establish a ten (10) day comment period on this compliance filing so that comments are due December 14, 2009, and that the Commission act on this compliance filing no later than December 30, 2009.

I. BACKGROUND

A. The Joint Proposal

In the Joint Proposal filed in Docket No. ER09-1727-000, among other things, the Applicants proposed an Agency Agreement pursuant to which the Midwest ISO will provide transmission service over certain designated high-voltage direct current (“HVDC”) transmission facilities, including some associated alternating current (“AC”) facilities, which will be acquired by ALLETE from Square Butte (collectively, the “HVDC Facilities”).² In addition, the Midwest ISO submitted a new Section 27A, as well as certain other necessary revisions, to its Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff” or “Midwest ISO Tariff”) that are required to provide point-to-point HVDC service over transmission facilities subject to the Midwest ISO’s administration and to effectuate the Agency Agreement (as well as other potential similar arrangements). ALLETE also proposed revisions to Attachment O of the Tariff to bifurcate ALLETE’s revenue requirement between its AC facilities and the HVDC Facilities and to establish transmission rates for transmission service over the HVDC Facilities. Finally, in the Joint Proposal, ALLETE proposed to charge transmission losses on an incremental basis for firm and non-firm

² ALLETE is purchasing from Square Butte its 465-mile ± 250 kV HVDC transmission line running from Center, North Dakota to ALLETE’s Arrowhead Substation near Duluth, Minnesota (“Arrowhead Substation”). See *ALLETE, Inc.*, 129 FERC ¶ 61,174 (2009). In addition to the HVDC transmission line, this purchase includes the direct-current facilities within Square Butte’s 230 kV Substation near Center, North Dakota (“Square Butte Substation”), as well as certain AC facilities within the Square Butte Substation, tariffs, contracts and existing transmission and interconnection. See Joint Proposal, Direct Testimony of Bradley Oachs, Ex. ATE-1 (“Oachs Testimony”), at 1-3, attached at Tab F. ALLETE and the Midwest ISO entered into the Agency Agreement under Appendix G of the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation (“Midwest ISO TOA”).

Hon. Kimberly D. Bose
December 4, 2009
Page 3

transmission service taken over ALLETE's HVDC Facilities. The two transmission customers currently taking (or that have reserved) all of the firm transmission capacity over ALLETE's HVDC Facilities are the merchant function of ALLETE and Minnkota Power Cooperative ("Minnkota"),³ and neither opposed continuing the incremental loss charge under their existing agreements. With respect to non-firm transmission service, ALLETE proposed a substantially reduced transmission charge of \$1/MWh, which is not based on average embedded costs, in addition to incremental losses.⁴

Concurrent with the submission of the Joint Proposal, ALLETE filed the Interconnection Agreement in Docket No. ER09-1728-000. The Interconnection Agreement moves the existing point of interconnection between ALLETE's and Square Butte's transmission facilities from the Arrowhead Substation to the Square Butte Substation and governs the coordinated operation of the parties' respective systems in light of ALLETE's purchase of the HVDC Facilities from Square Butte. No party protested the Interconnection Agreement.

B. Limited Comments And Protests

On October 13, 2009, the Midwest Transmission Dependent Utilities ("Midwest TDUs") submitted a motion to intervene and a limited protest of the Joint Proposal. On the same day, International Transmission Company d/b/a ITC Transmission, Michigan Electric Transmission Company, LLC and ITC Midwest, LLC ("ITC") submitted comments on the Joint Proposal. On October 23, 2009, the Midwest ISO Transmission Owners ("Midwest ISO TOs") filed an answer in support of the ITC comments.⁵

As relevant to this compliance filing, the Midwest TDUs, while recognizing that ALLETE and Minnkota have historically agreed to assign losses incrementally amongst themselves, protested the continued application of this practice to future transmission customers taking firm transmission service over ALLETE's HVDC Facilities.⁶ ITC made two substantive comments concerning the Joint Proposal that are relevant to this compliance filing. First, ITC commented that the transmission

³ See Joint Proposal, Transmittal Letter at p. 10; Agency Agreement, Appendices C, D; Oachs Testimony at 2:9 - 3:4.

⁴ See Joint Proposal, Transmittal Letter at p. 9-10; Oachs Testimony at p. 6:10 - 8:21.

⁵ See Intervention, Comments and Limited Protest of Midwest TDUs, Midwest Independent Transmission Sys. Operator, Inc., et al., Docket No. ER09-1727 (filed Oct. 13, 2009) ("Midwest TDUs Protest"). The Midwest TDUs participating in this proceeding consist of Madison Gas & Electric Company, Missouri River Energy Services and WPPI Energy; Motion to Intervene and Comments of International Transmission Company d/b/a ITC Transmission, Michigan Electric Transmission Company, LLC and ITC Midwest, LLC, Midwest Independent Transmission Sys. Operator, Inc., et al., Docket No. ER09-1727 (filed Oct. 13, 2009) ("ITC Comments"); Response of the Midwest ISO Transmission Owners In Support of Comments, Midwest Independent Transmission Sys. Operator, Inc., et al., Docket No. ER09-1727 (filed Oct. 23, 2009) ("Midwest ISO TOs Comments").

⁶ See Midwest TDUs Protest at 4-11, Attachments A-C. The Midwest TDUs, however, did not oppose ALLETE's proposal to charge incremental losses for non-firm transmission service taken over the HVDC Facilities.

Hon. Kimberly D. Bose
December 4, 2009
Page 4

service that will be provided over ALLETE's HVDC Facilities is more akin to "partial path" transmission service and not traditional point-to-point transmission service under the Midwest ISO Tariff. Therefore, ITC requested that references to the transmission rate for transmission service over ALLETE's HVDC Facilities be included in their own section in Schedules 7 and 8 of the Midwest ISO Tariff, instead of the sections including the Midwest ISO's traditional zonal rates.⁷ Second, ITC commented that the Agency Agreement's reference to Appendix C, Article III.A.3 of the Midwest ISO TOA when establishing the Midwest ISO's revenue distribution obligations was not appropriate to the extent that service over the HVDC Facilities is considered "partial path" service and that the Agency Agreement should be revised to state the appropriate revenue distribution methodology that the Applicants intend to apply.⁸ The Midwest ISO TOs generally supported ITC's comments concerning Schedule 7 and 8, but suggested that it may be more appropriate for the transmission rate for ALLETE HVDC service to be included in a separate rate schedule of the Midwest ISO Tariff.⁹

On October 28, 2009, the Applicants submitted an Answer to the intervenors' comments and limited protests. In response to the issues and concerns raised by the intervenors, the Applicants agreed to: (1) revise the Joint Proposal to apply average losses to customers taking firm transmission service over ALLETE's HVDC Facilities, subject to ALLETE and Minnkota then re-assigning losses between themselves by contract on an incremental basis; (2) revise Schedules 7 and 8 of the Midwest ISO Tariff to include a separate section to set out transmission rate for service over ALLETE's HVDC Facilities, or if necessary, create a new Schedule 7 ALLETE-HVDC and Schedule 8 ALLETE-HVDC; and (3) revise the Agency Agreement to clearly state that all revenue from transmission service taken over ALLETE's HVDC Facilities will be distributed to ALLETE.¹⁰

C. The November 24 Order

The November 24 Order conditionally accepted the Joint Proposal subject to the Applicants' submission of a compliance filing including the revisions that the Applicants agreed to make in their Answer and several additional revisions required by the Commission. With respect to losses, the Commission accepted ALLETE's offer to submit a "proposal in its compliance filing to charge for losses on an average basis for all existing and new firm HVDC transmission service customers, consistent with suggestions made by Midwest TDUs in their protest."¹¹ The Commission, however, recognized that ALLETE's and Minnkota's existing economic expectations with respect to transmission service taken over the HVDC Facilities should be preserved and found that it would "allow ALLETE and Minnkota, after charging losses on an average basis to all existing and new firm point-to-point customers, to re-assign incremental losses between themselves separately, based on

⁷ See ITC Comments at 3-4.

⁸ See *id.* at 4-5.

⁹ See Midwest ISO TOs Comments at 4-5.

¹⁰ See Answer at 7.

¹¹ See November 24 Order at P 34.

Hon. Kimberly D. Bose
December 4, 2009
Page 5

their pre-existing agreement.”¹² The Commission also determined that ALLETE’s proposal “to charge non-firm HVDC service customers incremental losses plus a nominal \$1/MWh incremental (instead of average) rate to be just and reasonable.”¹³

With respect to Schedules 7 and 8 of the Midwest ISO Tariff, the Commission directed that they be revised to state ALLETE’s HVDC firm and non-firm transmission rates in separate sections of those schedules.¹⁴ The Commission also determined that, “the revenue distribution provisions in the Agency Agreement should be revised because the revenue distribution provision in the [TOA] may not apply to the HVDC Line in all situations.”¹⁵ The Commission, therefore, required the Applicants “to make the changes they propose to section 3.2.9 of the Agency Agreement to remove reference to the [Midwest ISO TOA] and to make clear that Midwest ISO will distribute to ALLETE all the transmission and ancillary service revenue associated with service on [ALLETE’s HVDC Facilities].”¹⁶

The November 24 Order also directed certain additional revisions to the Midwest ISO Tariff, which are discussed in more detail below, and required the Applicants to include their “Transition Plan For Square Butte Electric Cooperative Transmission and Interconnection Service Request Queue” (“Transition Plan”) in the compliance filing. Finally, the Commission conditionally accepted the Interconnection Agreement in Docket No. ER09-1728-000, subject to that agreement being refiled with the Midwest ISO as a signatory.¹⁷

II. COMPLIANCE FILING

A. Agency Agreement

1. Implementation of Average Losses for Firm Transmission Service

In their Answer and as accepted by the November 24 Order, the Applicants agreed to revise the Joint Proposal to charge average losses for firm transmission service taken over the HVDC Facilities with ALLETE and Minnkota agreeing to assign losses to themselves separately on an incremental basis. Thus, the Applicants have revised Section 3.3.4 and Appendix F of the Agency Agreement to reflect the application of averages losses to firm transmission service taken over the HVDC Facilities.

¹² See *id.* at P 35.

¹³ See *id.*

¹⁴ See *id.* at P 45.

¹⁵ See *id.* at P 32.

¹⁶ See *id.*

¹⁷ See *id.* at P 75.

Hon. Kimberly D. Bose
 December 4, 2009
 Page 6

Section 3.3.4 of the Agency Agreement has been revised to read as follows:

3.3.4 Losses

Loss compensation for the HVDC Facilities will be calculated ~~on an incremental basis~~, in accordance with the HVDC Losses Table in Appendix F. ALLETE shall retain the full and exclusive right to submit filings under FPA Section 205 with regard to Appendix F, subject to reasonable prior consultation with the Midwest ISO. Nothing in the preceding sentence shall limit the ability of the Midwest ISO to intervene in or protest any such filing.

Appendix F to the Agency Agreement has been revised to read as follows:

Average losses shall be charged for firm transmission service taken over ALLETE's HVDC Facilities. Pursuant to Section 3.3.4 of the Agency Agreement, incremental losses shall be charged for both firm and non-firm transmission service taken over ALLETE's HVDC Facilities. When calculating incremental losses for non-firm transmission service, the incremental order of transactions will be determined by the date of the reservation and schedules will be "stacked" in accordance with such incremental order and applied to the matrix below. 0% losses will be allocated for deliveries to the Square Butte Substation.

While losses for firm transmission service over the HVDC Facilities will be charged on an average basis to all firm transmission customers taking service over ALLETE's HVDC Facilities, ALLETE and Minnkota will assign losses between themselves by contract on an incremental basis. Under this process, all losses associated with firm transmission reservations will be allocated using an average loss calculation. This average loss calculation will: (1) sum all incremental losses for firm transmission reservations; and then (2) average that sum into an average loss percentage on a per MW basis. That average percentage will be used to assign losses to each firm transmission customer. This average loss calculation will be made part of any schedule required under a transmission service agreement. ALLETE and Minnkota will then separately apply incremental loss calculations to assign losses incrementally between themselves. All losses associated with non-firm transactions, however, will continue to be allocated on an incremental basis as proposed in the Joint Proposal.

2. Revisions To Section 3.2.9 of the Agency Agreement Concerning Revenue Distribution

The November 24 Order accepted the Applicants' commitment to revise Section 3.2.9 of the Agency Agreement.¹⁸ With one clarifying addition,¹⁹ this commitment has been implemented and Section 3.2.9 has been revised as follows:

¹⁸ See November 24 Order at P 32.

¹⁹ The Applicants have added the word "all" to the first sentence of Section 3.2.9 of the Agency Agreement to leave no ambiguity that "the Midwest ISO will distribute to ALLETE all the transmission and ancillary service revenue associated with service on [ALLETE's HVDC Facilities]." See November 24 Order at P 32 (emphasis added).

Hon. Kimberly D. Bose
December 4, 2009
Page 7

The Midwest ISO shall collect and distribute fully to ALLETE ~~the~~ all revenue received in connection with the provision of transmission and ancillary service over the HVDC Facilities, including the transmission and ancillary services provided under Pre-existing HVDC Transmission Agreements. ~~Revenue will be collected and distributed pursuant to Appendix C, Section III.A.3 of the Transmission Owners Agreement.~~ The timing of revenue distribution to ALLETE for the revenue collected from HVDC Customers pursuant to this Agreement shall be as identical to that specified in Section 7 of the Tariff for transmission service revenue distribution.

B. Rates for HVDC Service

1. Depreciation Rates Used for ALLETE's Attachment O

Note Z of the ALLETE Attachment O included in the Joint Proposal states that ALLETE's transmission and general plant depreciation rates are included as an attached schedule. This schedule, however, was inadvertently not included in the Joint Proposal. The November 24 Order required that ALLETE's depreciation rates be included in this compliance filing.²⁰

In accordance with this directive, the Applicants have included the depreciation rates schedule referenced in Note Z as Tab E.

2. Revisions to Schedules 7 and 8 of the Tariff

The November 24 Order conditionally accepted the revisions proposed to Schedules 7 and 8 to indicate that customers in ALLETE's pricing zone would pay separate rates for AC and HVDC service. However, the Commission directed the Applicants "to revise Schedules 7 and 8 so that provisions for ALLETE's HVDC service is in a new, separate section of those schedules."²¹

In compliance with this directive, the Applicants have revised Schedules 7 and 8 of the Tariff to remove the proposed HVDC rates language from the Zonal Rates sections of those schedules. Instead, the Applicants have included a new, separate section (1a) in both Schedules, titled "ALLETE, Inc. - High Voltage Direct Current (HVDC) Rates," which now includes ALLETE's HVDC rate provisions.

3. Zero Rates to Avoid Pancaking

The November 24 Order noted that the business practice manual included for informational purposes in the Joint Proposal provides that point-to-point transmission service requests on the

²⁰ See November 24 Order at P 44.

²¹ See *id.* at P 45.

Hon. Kimberly D. Bose
December 4, 2009
Page 8

Midwest ISO's alternating-current transmission system will be assessed a \$0 rate if the transaction sinks at ALLETE's HVDC Facilities. The Commission stated that the proposed zero rate appeared to apply to three-part transactions on the Midwest ISO system as follows:

“First, a transaction uses the Midwest ISO alternating current system to arrive at the HVDC Line. Second, the transaction traverses the HVDC Line. Third, the transaction leaves the HVDC Line and again enters Midwest ISO's alternating current system. In this scenario, the provision in the business practice manual seems to indicate that Midwest ISO will assess a \$0 rate for the first part of the transaction, but the second and third parts will be assessed the HVDC rate and Midwest ISO alternating current rate, respectively.”²²

The Commission then concluded that “[w]hile it is appropriate for Midwest ISO not to charge pancaked transmission rates for service on its alternating-current system, there is no provision for a \$0 rate in the Midwest ISO Tariff.”²³ Therefore, the Commission directed the Applicants “to explain how it will implement this \$0 charge to avoid rate pancaking on Midwest ISO's alternating-current system and to revise the Midwest ISO Tariff, in the compliance filing . . . , to include the rate, terms and conditions associated with it.”²⁴

The Midwest ISO proposed the zero rate charge to avoid rate pancaking for original “out” transactions that exit the Midwest ISO's AC system, traverse HVDC facilities and then reenter the Midwest ISO's AC system. There is no ground to charge the Midwest ISO's through-and-out rate for such original transactions for both the first leg and the last leg of AC system service. With respect to ALLETE's HVDC Facilities, however, there will not be a direct physical connection between the Midwest ISO's AC transmission system and ALLETE's HVDC Facilities at the Square Butte Substation. Instead, Square Butte will continue to own certain buses within the Square Butte Substation after closing, and transmission service over those facilities will need to be obtained from Square Butte in order to transmit power from the Midwest ISO's AC transmission system to ALLETE's HVDC Facilities. Therefore, at the present time, the complete three-part transaction described in the November 24 Order is not possible with respect to ALLETE's HVDC Facilities unless service is obtained over Square Butte's facilities. As required by the Commission, the Applicants amend the newly-created sections 1(a) of Schedules 7 and 8 to state the proposed non-pancaked rate in the Tariff.

Further, during the pendency of the Joint Proposal, the Commission issued an order in Docket No. ER09-1543, wherein it recognized that the Midwest ISO's non-firm redirect procedure may be abused where zero rate or other low cost interfaces are involved.²⁵ Accordingly, Section 22.3

²² See *id.*, at P 46.

²³ See *id.*

²⁴ See *id.*

²⁵ See *Midwest Independent Transmission System Operator, Inc.*, 129 FERC ¶ 61,018 (2009)

Hon. Kimberly D. Bose
December 4, 2009
Page 9

of the Tariff now provides for the “higher of” pricing for firm redirects to such interfaces. Consistent with the Commission’s directives in Docket No. ER09-1543, proposed section (1a) of Schedule 7 expressly states that redirects to the newly-created zero rate interface to ALLETE’s HVDC Facilities will be subject to the strictures of the “higher of” pricing adopted by the Commission.

C. HVDC Service

1. System Impact Study (“SIS”) Issues

a. *Section 27A.7.1 -- Reference to Attachment D*

The November 24 Order noted that, while new section 27A.7.1 – “Notice for Need for System Impact Study” is modeled on existing section 19.1 of the Tariff, it does not include the provision from existing section 19.1 that “a description of [Midwest ISO]’s . . . methodology for completing a System Impact Study is provided in Attachment D.”²⁶ The Commission directed the Midwest ISO “to revise section 27A.7.1, as part of the compliance filing [...] to provide the same access to system impact study methodology for HVDC service that Midwest ISO provides for standard point-to-point service.”²⁷

The instant compliance filing revises Section 27A.7.1 as directed.

b. *Section 27A.7.3 -- 270-Day Timeframe*

The November 24 Order also noted that new section 27A.7.3 – “System Impact Study Procedures” is modeled on existing section 19.3 of the Tariff and that both sections require the Midwest ISO to “use due diligence to complete the required System Impact Study in coordination with the relevant Transmission Owners within sixty (60) days or as soon as practicable.” However, new section 27A.7.3 adds the following additional language: “If the request for service is such that the Transmission Provider determines, before the start of the study, that the only way to accommodate the request is to build new HVDC facilities, then the Transmission Provider will use due diligence to complete the required System Impact Study in coordination with the relevant Transmission Owners within two hundred seventy (270) days or as soon as practicable.”²⁸ The November 24 Order directs the Midwest ISO “to revise section 27A.7.3 . . . to remove the new 270 day deadline or to provide justification as to why the additional time is appropriate.”²⁹

²⁶ November 24 Order, at P 56.

²⁷ *See id.*

²⁸ *See id.* at P 57.

²⁹ *See id.*

Hon. Kimberly D. Bose
December 4, 2009
Page 10

The Midwest ISO requests to retain the proposed 270-day deadline. The proposed deadline is a narrow exception to the *pro forma* OATT's 60-day deadline that is required based on the nature of HVDC facilities when a transmission request far exceeds available transmission capacity and can only be granted by building significant transmission upgrades or an entirely new HVDC circuit (and associated converter stations). Unlike the AC transmission system, service over HVDC facilities is completely controlled and devoid of loop flows, counterflows, effects of dispatch permutations, etc. There is a fixed amount of current-carrying capacity, and once this capacity is reserved, the only option in granting a new transmission service request is to build an upgrade or a new circuit.

Under the Midwest ISO proposal, HVDC transmission service requests will be subject to either: (1) the *pro forma* OATT's 60 day study window, or (2) the Midwest ISO's proposed 270 day study window. Requests for service between the current firm limit and the conductor limit may be accommodated by upgrading equipment at either end of the circuit, and those requests would fall under the standard 60-day timeframe. In contrast, requests that are above that limit, as determined by adding the request amount to the confirmed service sold, plus any higher queued study requests, would result in the Midwest ISO informing the customer concurrent with the tendering of the SIS Agreement that the request is over and above what can be accommodated without the construction of an upgrade or a new circuit. In such circumstances, the customer will be informed that the study will be completed in 270 days or as soon as practicable, and the customer then can make the business decision of whether to proceed and indicate their choice by executing the agreement or not.

The proposed alternative 270-day timeframe is necessary for HVDC facilities because an upgrade or a new circuit will almost always be necessary once an existing HVDC line is already fully subscribed. Practically, the construction of an upgrade or a new circuit will require the relevant customer to obtain the necessary funding, permitting, and routing to construct. These additional steps require information that would not be possible to gain within the standard 60-day SIS timeframe. Thus, if held to the *pro forma* OATT's standard 60 day window, the Midwest ISO could become subject to SIS timing violations or be forced to provide customers incomplete SISs. The result for the customer is that its request for service is put into a state of limbo while the regulatory process plays out, and the customer will not know what it is funding until the process is over. After consulting with ALLETE, the Midwest ISO believes that the proposed 270-day timeframe in such circumstances allows a reasonable amount of time to meet the additional requirements necessary to conduct a study over a HVDC facility and provides better service to the customer. While there is still the chance that a regulatory body could order further work, the proposed timeframe allows for more questions to be answered ahead of time, improving the overall progress through the approval process.³⁰

³⁰ Should the Commission determine that the standard 60-day timeframe provides better customer service than the proposed 270-day timeframe, then the alternative would be for the Midwest ISO and ALLETE to collaborate on a set of higher-level cost-and-time estimates for new facilities than would normally be provided under a traditional SIS, and provide those results to the customer within the standard 60-day timeframe. The Midwest ISO and ALLETE believe that this alternative is inferior to the original proposal and customers might object to this "one-size-fits-all" approach, but it would meet the nominal timing requirements.

Hon. Kimberly D. Bose
December 4, 2009
Page 11

2. Reversion Language

The November 24 Order noted that “the *pro forma* HVDC service agreements include a provision not in the existing *pro forma* service agreements, stating that if the relevant Agency Agreement terminates, any HVDC service offered by Midwest ISO under the HVDC service agreements will be provided by the relevant Transmission Owner, and Midwest ISO shall be released from any obligations and responsibilities under the service agreement upon such reversion to the Transmission Owner.”³¹ The Commission concluded that because such reversion cannot occur without a further filing to the Commission, the *pro forma* HVDC service agreements should be revised to state that “the Midwest ISO must make a filing under section 205 of the Federal Power Act before any release from obligations and responsibilities under the service agreements can take effect.”³²

As directed by the Commission, the Midwest ISO has revised the *pro forma* HVDC Service Agreements and Section 27A.1.3 of the Tariff to provide for a filing under section 205 of the FPA before any release from obligations and responsibilities under the service agreements can take effect.

3. Conditional Firm Service

The November 24 Order directed the Midwest ISO to revise its Tariff to provide for conditional firm transmission service on ALLETE’s HVDC Facilities.³³ The Commission explained that “while the Midwest ISO generally is not required to offer conditional firm transmission service because it operates an energy market, the HVDC Line will not be part of the energy market, and, therefore, customers should have access to conditional firm service on the HVDC Line.”³⁴

As recognized by the November 24 Order, the Midwest ISO is currently exempt from the provision of conditional firm service because it is an RTO administering real-time energy and operating reserve markets. In Order No. 890, the Commission explained that:

[I]t would be inappropriate to require RTOs and ISOs with real-time energy markets to adopt the provisions for conditional firm point-to-point service. Customers transacting in RTOs and ISOs are able to buy through transmission congestion in the RTOs’ real-time energy markets and need no prior reservation in order to access transmission. Voluntary curtailment in order to access transmission is thus not an attractive option given the range of options available for customers transacting in RTOs and ISOs. Further, in RTOs and

³¹ November 24 Order, at P 58.

³² *See id.*

³³ *See id.*, at P 59.

³⁴ *See id.*

Hon. Kimberly D. Bose
December 4, 2009
Page 12

ISOs with financial transmission rights, conditional firm service may disrupt the distribution of these rights.³⁵

As a result of this exemption, the Midwest ISO currently has no experience with providing conditional firm service and its software and systems do not include such an option. Further, an HVDC facility does not experience the same dynamics as the AC system. Current flow on the AC system is not fixed as it is on a HVDC line. Therefore, a product such as “conditional firm” is more appropriate for the AC system where loop flows can impact flows in real time. In contrast, flows on the HVDC system are fixed, regardless of time of day or season and therefore do not lend themselves well to utilization of conditional firm service.

With respect to the Joint Proposal, ALLETE’s HVDC Facilities are currently fully subscribed with long-term firm service under the preexisting agreements until the year 2013 (at the earliest). For this reason, there is no ability to offer conditional firm service until 2013 or until additional firm capacity becomes available on ALLETE’s HVDC Facilities (or any other HVDC facility subject to Section 27A). Therefore, even if conditional firm service is included in Section 27A, it cannot be offered at the present or in the foreseeable future over ALLETE’s HVDC Facilities.

While conditional firm service cannot be offered on ALLETE’s HVDC Facilities in the immediate future because those facilities are already fully subscribed, and the Midwest ISO certainly would be unable to implement such an option by the Closing Date even if those facilities were not already fully subscribed, the Midwest ISO does not want this issue to become an obstacle to the Joint Proposal and, in particular ALLETE’s desire to close on its purchase of the HVDC Facilities by December 31, 2009. Accordingly, the Midwest ISO agrees to supplement Section 27A and related provisions of the Tariff, at this time, to provide for the standard *pro forma* conditional firm service language, provided that its effectiveness is delayed until firm capacity becomes available to provide such service on the ALLETE facility (or any other future facility that may become subject to Section 27A). Therefore, the Midwest ISO requests that the Commission accept the following new Section 27A.16:³⁶

³⁵ *Preventing Undue Discrimination and Preference in Transmission Service*, 72 Fed. Reg. 12266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241 at P 992 (2007) (“Order No. 890”), *order on reh’g*, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2008) (“Order No. 890-A”), *order on reh’g*, 73 Fed. Reg. 39,092 (Sept. 8, 2008), 123 FERC ¶ 61,299 (2008) (“Order No. 890-B”), *order on reh’g*, 74 Fed. Reg. 12540 (Mar. 25, 2009), 126 FERC ¶ 61,228 (2009) (“Order No. 890-C”), *order on reh’g*, 129 FERC ¶ 61,126 (2009) (“Order No. 890-D”), *appeal docketed sub nom. Nat’l Rural Elec. Cooperative Assoc., et al. v. FERC*, No. 08-1278 (D.C. Cir. 2008).

³⁶ If deemed necessary by the Commission, the Midwest ISO requests that its conditional firm implementation proposal be deemed a motion for clarification of the November 24 Order. To the extent that the Commission considers the Midwest ISO’s request a limited clarification of the November 24 Order and needs additional time beyond December 30, 2009, to resolve the appropriateness of the Midwest ISO’s proposed implementation of conditional firm service under Section 27A, Applicants respectfully request the Commission accept the remainder of this compliance filing subject to any future determination on the Midwest ISO’s requested clarification on the implementation of conditional firm service under Section 27A in order to permit ALLETE to close of the transaction by December 31, 2009.

Hon. Kimberly D. Bose
December 4, 2009
Page 13

27A.16 Availability of Conditional Firm Service

Conditional firm service provided pursuant to this Section 27A with respect to any HVDC facility shall not become effective until long-term firm transmission capacity becomes available on that HVDC facility.

Finally, the Midwest ISO's proposal to adopt conditional firm service, as set forth above, is for the limited purpose of providing HVDC Service under Section 27A of the Midwest ISO Tariff, and should not be construed as an indication of the Midwest ISO's ability or consent to provide such service on its AC system.

D. Generator Interconnection Issues

1. Section 15.1 of Generator Interconnection Procedures

The November 24 Order found that the "Midwest ISO has not supported new section 15.1 of its Generator Interconnection Procedures, which states that Base Cases in the HVDC Interconnection Feasibility Study and Interconnection System Impact Study will include the modeling of the output of the proposed Generating Facility across the HVDC facilities only if (and to the extent that) long term firm HVDC service is pending or confirmed on Midwest ISO's Open Access Same-Time Information System."³⁷ According to the November 24 Order, "the Commission treats interconnection and delivery as separate aspects of transmission service, and an interconnection customer may request interconnection service separately from transmission service" and "as such, it is unclear why it is appropriate for the Midwest ISO to limit its interconnection studies to only requests that have associated pending or firm long-term firm service request on the HVDC facility."³⁸ Therefore, the Commission directed the Midwest ISO to remove section 15.1 from its Generator Interconnection Procedures ("GIP").³⁹

As directed by the Commission, the Midwest ISO will remove section 15.1 from its GIP. The intent of the section was to obtain information from the customer that would allow the Midwest ISO to determine which end of the HVDC line to study the energy injection. If the intent of the customer is to connect to the west end of the HVDC line, transmit power across the line and inject into the AC grid at the east end of the line, that will produce significantly different study results than if the customer connects to the AC facilities at the west end of the line and inject into the AC grid on the west end. Because the HVDC line "picks up" energy at one end and "drops it off" at the other, with no loop flow involved, the Midwest ISO will need to obtain this information from the customer to properly perform the study. The proposed Tariff language was intended to formalize the gathering

³⁷ November 24 Order., at P 71.

³⁸ *See id.*

³⁹ *See id.*

Hon. Kimberly D. Bose
December 4, 2009
Page 14

of such information and provide for validation. It was not, however, an attempt to link the interconnection and transmission service processes. If the Commission finds the Midwest ISO's justification persuasive, the Midwest ISO stands ready to reinstate the language to ensure better service to interconnection customers, as may be directed by the Commission.

2. Transition Plan for Square Butte Electric Cooperative Transmission and Interconnection Service Queue

The November 24 Order required that the Applicants include their Transition Plan for the transfer of pending transmission and generator interconnection requests to the Midwest ISO upon the implementation of the Agency Agreement.⁴⁰ Accordingly, the Applicants have included their Transition Plan as Tab F to this compliance filing.

The proposed Transition Plan is similar to the one used by the Midwest ISO when MidAmerican Energy Company joined the Midwest ISO. Under this plan, ALLETE will transfer the existing Square Butte transmission and generator interconnection queues to the Midwest ISO on 10 am CST on the closing date of ALLETE's purchase of the HVDC Facilities. Pending transmission or generator interconnection requests for which neither a System Impact Study Agreement ("SIS Agreement") nor Generator Interconnection System Impact Study Agreement ("ISIS Agreement") has been executed with Square Butte will be automatically transferred to the Midwest ISO's administration under the Agency Agreement. In the event of such a transfer, the applicable Midwest ISO Tariff provisions will apply with regard to study deposits, queue processing procedures, service agreements, etc.

If a customer has signed an SIS Agreement or ISIS agreement with Square Butte as of the closing date and the relevant study has commenced, the customer will be provided the choice of having: (1) ALLETE (in coordination with the Midwest ISO) complete the processing of the customer's transmission or generator interconnection request under FERC's *pro forma* transmission or interconnection procedures; or (2) the Midwest ISO complete the processing of the customer's transmission or generator interconnection request under the Midwest ISO Tariff and associated business practices. Any service agreement for transmission or generator interconnection service executed with a customer electing Option (1) above will be under the Midwest ISO Tariff pursuant to the Agency Agreement. If the processing of a customer's transmission or generator interconnection request transitions to the Midwest ISO, any unused portions of study deposits collected by ALLETE, as Square Butte's agent, for studies that are transferred to the Midwest ISO, shall be returned to the Transmission Customer by ALLETE. Any service agreement for transmission or generator interconnection service executed with a customer electing Option 2 above will be under the Midwest ISO Tariff pursuant to the Agency Agreement.

⁴⁰ See *id.*

Hon. Kimberly D. Bose
December 4, 2009
Page 15

If the Customer has executed a SIS Agreement or ISIS Agreement, and the relevant study has not yet begun as of the closing date, the customer will be given the choice of transitioning the processing of its transmission or interconnection request to the Midwest ISO under the applicable Midwest ISO Tariff provisions. In this case, ALLETE will provide the customer a refund of the unused portion of any study deposits that have already been collected, and the Midwest ISO will advise the customer of any necessary revisions to the relevant SIS or ISIS cost estimates. The Midwest ISO will provide the Customer a new study agreement for execution and the Midwest ISO will collect any necessary deposits from the customer. Any service agreements for transmission or generator interconnection service executed with a customer, regardless of whether it elects to transition the processing of its transmission or generator interconnection service request to the Midwest ISO, will be under the Midwest ISO Tariff pursuant to the Agency Agreement.

The Applicants believe that their transition plan allows the Midwest ISO to assume administration of the Square Butte transmission and interconnection queues without disrupting any customer's expectations with respect to the processing of their transmission or generator interconnection request. In the end, the Applicants believe that the fairest approach was to ensure that the customer's interests were protected upon the transfer of the Square Butte queues to the Midwest ISO and that the customers be able to choose how their requests were handled. The Applicants' Transition Plan achieves these objectives.

E. ALLETE/Square Butte "Wires" Interconnection Agreement

The November 24 Order conditionally accepted the proposed Interconnection Agreement, but stated as follows:

While the Interconnection Agreement provides the requisite terms and conditions that ALLETE and Square Butte will follow to coordinate their interconnected systems, and requires the parties to comply with Midwest ISO's directives in emergency situations and to meet Midwest ISO's outage scheduling process, Commission precedent dictates that Midwest ISO should also be a signatory to the Interconnection Agreement. Although the Interconnection Agreement is not subject to Midwest ISO's delegated authority under the Agency Agreement and the HVDC Line is considered a non-transferred facility, the Interconnection Agreement nonetheless contains provisions that necessarily impact the operation of transmission facilities that are under Midwest ISO's functional control.⁴¹

Accordingly, the Commission required that the Midwest ISO "be a signatory to the Interconnection Agreement and for Midwest ISO and ALLETE to include the revised Interconnection Agreement, as executed by Midwest ISO, in the compliance filing . . ."⁴² The Commission further stated that "this will ensure that Midwest ISO is fully apprised of the matters

⁴¹ See *id.* at P 75.

⁴² See *id.*

Hon. Kimberly D. Bose
December 4, 2009
Page 16

addressed and that Midwest ISO has had the opportunity to raise any reliability concerns it might have” and that “this requirement will best ensure that Midwest ISO can continue to plan and operate the facilities under its control in a safe and reliable manner.”⁴³

Pursuant to the Commission’s directive, the Applicants submit a public and non-public version of the Interconnection Agreement that includes the Midwest ISO as a signatory.⁴⁴ As explained below, Applicants are seeking CEII treatment for the non-public version of the Interconnection Agreement in the same way that ALLETE did when originally submitting that agreement in Docket No. ER09-1728. Additional changes have been made to account for the Midwest ISO’s role under the Interconnection Agreement. These changes are consistent with those implemented in *American Electric Power Service Corp.*, 112 FERC ¶ 61,128 (2005), as cited in the November 24 Order.⁴⁵

F. Further Compliance Filings

The November 24 Order required two additional compliance filings. First, because the requested effective date for the Joint Proposal is not fixed, the Commission required the Applicants to submit a compliance filing that will list the actual closing date as the effective date for the agreements and tariff revisions proposed in the respective filings. The Commission directed that compliance filing to be submitted within ten days from the date of the closing of the HVDC acquisition. Additionally, if the HVDC acquisition does not close, ALLETE and Midwest ISO (as applicable) must submit a filing in the above referenced dockets informing the Commission that the HVDC acquisition did not close and, therefore, the agreements and tariff revisions submitted in those dockets will not go into effect.⁴⁶ Second, the Commission directed that ALLETE’s and Minnkota’s pre-existing transmission service agreements be filed, along with notices of succession, under section 205 of the FPA.⁴⁷

The Applicants will submit these additional compliance filings as directed, after ALLETE has closed on its purchase of the HVDC Facilities.

⁴³ *See id.*

⁴⁴ The Applicants are in the process of having the relevant Midwest ISO, ALLETE and Square Butte corporate officers execute the amended Interconnection Agreement and will submit executed copies of the Interconnection Agreement’s signature pages in the very near future.

⁴⁵ *See* Amended Interconnection Agreement between Indiana Michigan Power Company d/b/a American Electric Power and Northern Indiana Public Service Company, as filed in Docket Nos. ER05-31 and EL05-70 (August 25, 2005).

⁴⁶ November 24 Order, at n. 1.

⁴⁷ *See id.* at P 66. Under 18 C.F.R. § 35.16, this filing is due within thirty days of the effective date.

Hon. Kimberly D. Bose
 December 4, 2009
 Page 17

III. REQUEST FOR SHORTENED COMMENT PERIOD AND EXPEDITED ACTION ON COMPLIANCE FILING BY DECEMBER 30, 2009

ALLETE anticipates closing on its purchase of facilities subject to this filing on December 31, 2009. The Applicants respectfully request that the Commission review and evaluate this compliance filing expeditiously in order to facilitate ALLETE’s ability to meet its closing deadline.

The Applicants further request a shortened comment period of ten (10) days (i.e., December 14, 2009) to allow the Commission to act on this compliance filing no later than December 30, 2009, to allow a December 31, 2009 closing of ALLETE’s purchase of the HVDC Facilities, as discussed in the Joint Proposal. The proposed shortened comment period will not prejudice any party and provides a sufficient period for all parties to review this compliance filing.

IV. **CRITICAL ENERGY INFRASTRUCTURE INFORMATION**

Appendix B to the Interconnection Agreement includes one-line diagrams that constitute CEII as defined in Section 388.113(c)(1) of the Commission’s regulations.⁴⁸ Accordingly, the requisite number of copies of the non-public version of the Interconnection Agreement are being filed in a sealed envelope included with this letter that is marked: “NON-PUBLIC VERSION” and “CONTAINS CRITICAL ENERGY INFRASTRUCTURE INFORMATION – DO NOT RELEASE.”

V. SUPPORTING DOCUMENTS

In addition to this Transmittal Letter, this compliance filing includes the following attachments:

- Tab A Revised clean Agency Agreement for Open Access Transmission Service Over Non-Transferred HVDC Facilities, Midwest ISO Rate Schedule No. 25, ALLETE Rate Schedule No. 199
- Tab B Redlined Agency Agreement Sheets
- Tab C Clean Midwest ISO Tariff Sheets
- Tab D Redlined Midwest ISO Tariff Sheets
- Tab E ALLETE’s Depreciation Rates Schedule
- Tab F Transition Plan for Square Butte Electric Cooperative Transmission and Interconnection Service Queue

⁴⁸ See 5 U.S.C. § 552.

Hon. Kimberly D. Bose
December 4, 2009
Page 18

- Tab G Clean revised Interconnection and Operating Agreement Between the Midwest ISO, ALLETE, and Square Butte, Midwest ISO Rate Schedule No. 26, ALLETE Rate Schedule No. 200 (public version with CEII removed)
- Tab H Redlined revised Interconnection and Operating Agreement Between the Midwest ISO, ALLETE, and Square Butte (public version with CEII removed)

VI. SERVICE AND NOTICE

The Midwest ISO has served all parties provided in the Commission's eService list for the above-referenced dockets. In addition, the Midwest ISO notes that it has served a copy of this filing electronically, including attachments, upon all Tariff Customers under the Tariff, Midwest ISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, the Midwest ISO Advisory Committee participants, as well as all state commissions within the Region. In addition, the filing has been posted electronically on the Midwest ISO's website at www.midwestmarket.org under the heading "Filings to FERC" for other interested parties in this matter.

VII. CONCLUSION

WHEREFORE, for all the reasons stated above, the Midwest ISO and ALLETE respectfully request that the Commission accept the revised Agency Agreement, Interconnection Agreement, and the proposed Tariff revisions, as set forth herein, to be effective as requested.

Respectfully submitted,

Ilia Levitine
Counsel for the Midwest Independent Transmission
System Operator, Inc.

cc: Jeffrey Hitchings, FERC
 Patrick Clarey, FERC
 Christopher Miller, FERC
 Penny Murrell, FERC
 Melissa Lord, FERC
 Michael Donnini, FERC
 Natalie Tingle-Stewart, FERC
 Zeny Magos, FERC

TAB A

**AGENCY AGREEMENT FOR OPEN ACCESS TRANSMISSION SERVICE
OVER NON-TRANSFERRED HVDC FACILITIES**

This Agency Agreement For Open Access Transmission Service Over Non-Transferred HVDC Facilities (“Agreement”) is entered into this 17th day of September, 2009, between ALLETE, Inc., d/b/a Minnesota Power (“ALLETE”), and the Midwest Independent Transmission System Operator Inc., (“Midwest ISO”), each referred to herein as a “Party” and collectively as “Parties.”

WHEREAS, the Midwest ISO is a non-stock Delaware corporation and a FERC-certified regional transmission organization that administers organized electricity markets in the Midwest and provides transmission service over certain designated transmission facilities that the Owners committed to the Midwest ISO’s functional control pursuant to the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation (“Transmission Owners Agreement”); and

WHEREAS, ALLETE is a Minnesota corporation and a signatory to the Transmission Owners Agreement; and

WHEREAS, the Transmission Owners Agreement contemplates that an Owner may execute an agency agreement with the Midwest ISO to permit the Midwest ISO to provide transmission service on behalf of the Owner over the Owner’s Non-Transferred Facilities; and

WHEREAS, ALLETE has acquired, or will have acquired, from third parties certain high-voltage direct current transmission facilities and other associated facilities (“HVDC Facilities”), which are described in Appendix A of this Agreement and which shall be Non-Transferred Facilities; and

WHEREAS, ALLETE desires to delegate to the Midwest ISO, as ALLETE’s agent, the authority to provide certain transmission services with respect to the HVDC Facilities and perform certain specified functions, as set forth in this Agreement; and

WHEREAS, this Agreement pertains only to the HVDC Facilities and has no effect or bearing on service over any other transmission or other facilities.

NOW THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

<i>Confidential Information</i>	Any proprietary or commercially or competitively sensitive information, trade secret or information regarding a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Midwest ISO transmission customer, market participant, Owner, or other user, which is designated as confidential by the entity supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise, that is received by the Midwest ISO and is not disclosed except under the terms of a confidential information policy.
<i>Delegated Authority</i>	The functions and responsibilities delegated by ALLETE to the Midwest ISO pursuant to this Agreement, as described in Section 3 hereof.
<i>Effective Date</i>	The effective date of this Agreement, as set forth in Section 2.1 hereof.
<i>ERO</i>	Electric Reliability Organization, or the organization certified as ERO by the FERC pursuant to part 39 of its regulations, 18 C.F.R § 39.1, <i>et seq.</i>
<i>FERC</i>	Federal Energy Regulatory Commission.
<i>FPA</i>	Federal Power Act, 16 U.S.C. § 796, <i>et seq.</i>
<i>Good Utility Practice</i>	Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry 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 the decision is made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather, intended to include acceptable practices, methods, or acts generally accepted in the region, including those practices required by FPA Section 215(a)(4).

<i>HVDC Customer</i>	Any customer taking Point-to-Point Transmission Service over the HVDC Facilities on or subsequent to the Effective Date.
<i>HVDC Facilities</i>	The high voltage direct current transmission facilities and certain related alternating current facilities that are the subject of this Agreement, as described in Appendix A hereof.
<i>HVDC Interconnection Queue</i>	The generator interconnection requests for generator interconnection service to the HVDC Facilities submitted to Square Butte prior to ALLETE's acquisition of the HVDC Facilities, as specified in Appendix E.
<i>HVDC Transmission Queue</i>	The transmission service requests for transmission service over the HVDC Facilities, including those submitted to Square Butte for the HVDC Facilities prior to ALLETE's acquisition of the HVDC Facilities, as specified in Appendix D.
<i>Midwest ISO Transmission System</i>	The Midwest ISO's Transmission System, as defined in Section 1.679 of the Tariff.
<i>Non-Transferred Facilities</i>	The transmission facilities of an Owner that have not been transferred to the Midwest ISO's functional control pursuant to the Transmission Owners Agreement, including the HVDC Facilities.
<i>OASIS</i>	The Midwest ISO's Open Access Same-time Information System.
<i>Owner</i>	A signatory to the Transmission Owners Agreement.
<i>Point-to-Point Transmission Service</i>	Firm and non-firm point-to-point transmission service provided by the Midwest ISO pursuant to Section 27A of the Tariff.
<i>Pre-Existing HVDC Interconnection Agreement(s)</i>	Any agreement(s) with respect to the HVDC Facilities between Square Butte (or ALLETE as agent for Square Butte) and a third party for the provision of interconnection services prior to the Effective Date. All of the Pre-Existing HVDC Interconnection Agreements are listed in Appendix B to this Agreement.
<i>Pre-Existing HVDC Transmission Agreement(s)</i>	Any agreement(s) with respect to the HVDC Facilities between Square Butte (or ALLETE as agent for Square Butte) and a third party (including ALLETE's marketing function or unit) for the provision of transmission services over the HVDC Facilities executed prior to the Effective Date. The Pre-Existing HVDC Transmission Agreements are listed in Appendix C to this Agreement.

<i>Reliability Coordinator</i>	The entity certified as such by the ERO.
<i>Square Butte</i>	Square Butte Electric Cooperative.
<i>Square Butte Study Queue Transition Plan</i>	The transition plan executed by ALLETE and the Midwest ISO with respect to the integration of applications pending in the HVDC Interconnection Queue into the Midwest ISO's generator interconnection queue.
<i>Tariff</i>	Open Access Transmission, Energy and Operating Reserve Markets Tariff for the Midwest Independent Transmission System Operator, Inc., or its successor tariff, as amended.
<i>Transmission Owners Agreement</i>	Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-stock Corporation, as amended and modified by subsequent orders.

2. EFFECTIVE DATE AND TERM

2.1 Effective Date

This Agreement shall become effective on the later of: (i) the effective date of the FERC's acceptance for filing of the Agreement; or (ii) the date of transfer of ownership of the HVDC Facilities to ALLETE. The Agreement shall not become effective and the Parties shall be released from their respective obligations thereunder in the event FERC, or any other government authority whose consent or approval is required to transfer ownership of the HVDC Facilities to ALLETE, declines to grant or issue such consent or approval.

2.2 Term

The initial term of the Agreement shall be five (5) years after the Effective Date. The Agreement shall automatically renew thereafter for successive one (1) year terms unless terminated as set forth in Article 7.

3. DELEGATED AUTHORITY

3.1 Appointment of Midwest ISO as Agent and Grant of Delegated Authority

ALLETE appoints the Midwest ISO as its agent to provide transmission service on the HVDC Facilities, as set forth herein, and perform other functions specified in the Agreement and, to that effect, delegates to the Midwest ISO certain specified rights and responsibilities, as set forth in Section 3.2 ("Delegated Authority"). ALLETE retains all other rights and responsibilities with respect to the HVDC Facilities, as set forth in Section 3.3.

3.2 Rights and Responsibilities Delegated to Midwest ISO

3.2.1 Transmission Provider Authority

Except as specifically reserved in Section 3.3 of the Agreement, the Midwest ISO shall provide Point-to-Point Transmission Service on the HVDC Facilities and perform other functions and responsibilities of the transmission provider with respect to the HVDC Facilities, as set forth in Section 27A of the Tariff and other related provisions of the Tariff, including administration of transmission service under the Pre-existing HVDC Transmission Agreements. Service Agreements for the provision of transmission service on the HVDC Facilities entered into in violation of the terms of this Agreement or the Tariff shall be null and void.

As set forth in the Tariff, and without limitation, the Midwest ISO's transmission provider responsibilities with respect to the HVDC Facilities shall include:

- (i) receiving, evaluating and processing transmission service requests, including rollover requests, and receiving and processing applications (and application deposits) for Point-to-Point Transmission Service and administering the HVDC Transmission Queue, including the accepted applications in the HVDC Transmission Queue as of the Effective Date, as listed in Appendix D hereto;
- (ii) scheduling and curtailing Point-to-Point Transmission Service;
- (iii) executing service agreements for Point-to-Point Transmission Service with eligible customers, provided that any service agreement in effect with respect to the HVDC Facilities will revert to ALLETE as the transmission provider upon the expiration or termination of this Agreement and provided further that the Midwest ISO shall be released from any obligations and responsibilities thereunder upon such reversion to ALLETE;
- (iv) invoicing and billing transmission customers for transmission and ancillary service provided on the HVDC Facilities (including service provided under the Pre-existing HVDC Transmission Agreements);
- (v) granting extensions for commencement of service;
- (vi) determining available transmission capability and total transmission capability over the HVDC Facilities in accordance with Attachment C of the Tariff;
- (vii) conducting transmission system impact studies and facilities studies;
- (viii) maintaining and administering the OASIS in accordance with applicable regulations; and
- (ix) approval of all planned outages or other maintenance of the HVDC Facilities and coordination of emergency transmission maintenance.

3.2.2 Ancillary Services

The Midwest ISO shall provide Scheduling, System Control and Dispatch Service for service over the HVDC Facilities, as set forth in Schedule 1-HVDC of the Tariff. Reactive power and voltage support shall be provided by ALLETE or self-provided by the relevant HVDC Customer. Because no load is directly served over the HVDC Facilities, the Parties agree that Schedules 3-6 of the Tariff (Regulating Reserve, Energy Imbalance Service, Spinning Reserve Service, and Supplemental Reserve Service) are not applicable and these services shall not be provided by the Midwest ISO with respect to the HVDC Facilities.

3.2.3 Generator Interconnection

The Midwest ISO shall process requests for interconnection of generating facilities to the HVDC Facilities in accordance with the generation interconnection procedures set forth in the Tariff. Any application in the HVDC Interconnection Queue, as listed in Appendix E to this Agreement, that remains pending as of the Effective Date shall be included in the Midwest ISO's generator interconnection queue in accordance with the generation interconnection procedures set forth in the Tariff and the Square Butte Study Queue Transition Plan.

3.2.4 Reliability Coordination

The Midwest ISO shall act as the Reliability Coordinator with respect to the HVDC Facilities in accordance with applicable operating guides, ERO and Regional Entity standards and requirements, and laws and FERC regulations. The Midwest ISO's responsibilities under this Section 3.2.4 shall consist of the specific tasks and functions required of Reliability Coordinators by the ERO and applicable Regional Entities and shall include the reliability coordination tasks performed by the Midwest ISO for the Owners pursuant to the Transmission Owners Agreement.

3.2.5 Seams Coordination

At the time that this Agreement is being executed, the HVDC Facilities are located within the Midwest ISO control area and there is presently no need for the HVDC Facilities to be subject to a seams agreement. In the future, however, the Parties may determine that preservation of reliability requires that the HVDC Facilities be subject to a seams agreement. Accordingly, subject to this Agreement and ALLETE's written consent, which shall not be unreasonably withheld, the Midwest ISO shall have the authority to enter into coordination arrangements with the control areas adjacent to the HVDC Facilities and coordinate system operation and emergency as may be necessary.

3.2.6 Transmission Expansion Planning

The existing HVDC Facilities, as described in Appendix A hereto, shall be treated as any other Non-Transferred Facility under the Transmission Owners Agreement and the Tariff with respect to planning. The Midwest ISO and ALLETE shall conduct collaborative and coordinated transmission planning as applicable with respect to the HVDC Facilities in accordance with the Transmission Owners Agreement, the Midwest ISO's Transmission Expansion Planning Protocol (Attachment FF of the Tariff), and applicable regulations.

With respect to any upgrade of the HVDC Facilities, to the extent such an upgrade is determined to be a baseline reliability project, as defined in the Tariff, the Midwest ISO's Transmission Expansion Planning Protocol (Attachment FF of the Tariff), including its cost allocation provisions, shall apply to any such upgrade of the HVDC Facilities. As a controllable facility, the HVDC Facilities shall not be assigned any line outage distribution factor ("LODF") associated with any Baseline Reliability Project under the cost sharing provisions of Attachment FF of the Tariff. ALLETE reserves the right to contest the appropriateness and applicability of the LODF methodology for cost allocation for any upgrade to the HVDC Facilities.

3.2.7 Development of Business Practices and Operating Procedures

ALLETE and the Midwest ISO shall develop mutually agreeable business practices and operating procedures applicable to the HVDC Facilities. Such business practices and operating procedures shall govern, among other things: (1) scheduling transmission service; (2) losses compensation; (3) curtailments; (4) treatment of Pre-existing HVDC Transmission Agreements; (5) de-icing procedures; and (6) reliability.

3.2.8 Billing for Transmission Service

The Midwest ISO shall include in the monthly transmission service invoices it issues pursuant to Section 7 of the Tariff the charges for transmission service pursuant to this Agreement.

3.2.9 Revenue Collection and Distribution

The Midwest ISO shall collect and distribute fully to ALLETE all revenue received in connection with the provision of transmission and ancillary service over the HVDC Facilities, including the transmission and ancillary services provided under Pre-existing HVDC Transmission Agreements. The timing of revenue distribution to ALLETE for the revenue collected from HVDC Customers pursuant to this Agreement shall be identical to that specified in Section 7 of the Tariff for transmission service revenue distribution.

3.3 Rights and Responsibilities Retained by ALLETE

3.3.1 Physical Operation of the HVDC Facilities

ALLETE shall physically operate, repair and maintain the HVDC Facilities, subject to the Midwest ISO's direction as set forth in the Agreement and the applicable provisions of the Tariff incorporated into this Agreement.

3.3.2 Revenue Requirements and Rate Design

- (i) ALLETE shall retain the full and exclusive right to determine its transmission revenue requirements for the HVDC Facilities and to submit filings under FPA section 205 with regard to such transmission revenue requirements. This full and exclusive right shall include the right to propose a new rate formula or any change to any component of any rate formula used to calculate its revenue requirements for the HVDC Facilities, if applicable.
- (ii) ALLETE shall retain the full and exclusive right to submit filings under FPA section 205 with regard to the transmission rate design for the HVDC Facilities, provided that any such filing made does not in any way affect the rates charged or revenues collected in any Midwest ISO zone, except the ALLETE zone.

3.3.3 Allocation of Costs for Transmission Upgrades

Except as may be limited by Section 3.2.6 hereof, ALLETE shall retain the full and exclusive right under FPA section 205 to submit filings with regard to transmission upgrades of the HVDC Facilities, including with regard to the allocation of costs for such upgrades. In entering into transmission service agreements relating to upgrades to the HVDC Facilities, the Midwest ISO shall assess the costs of any upgrade to the customers requesting service that requires such upgrades.

3.3.4 Losses

Loss compensation for the HVDC Facilities will be calculated in accordance with the HVDC Losses Table in Appendix F. ALLETE shall retain the full and exclusive right to submit filings under FPA Section 205 with regard to Appendix F, subject to reasonable prior consultation with the Midwest ISO. Nothing in the preceding sentence shall limit the ability of the Midwest ISO to intervene in or protest any such filing.

3.4 Compliance with Midwest ISO's Directives

ALLETE shall comply, without delay, with all directives issued by the Midwest ISO pursuant to Delegated Authority. ALLETE shall provide the Midwest ISO with reasonable notice of any material change that impacts the ability of the Midwest ISO to exercise its responsibilities under this Agreement and shall coordinate with the Midwest ISO in an attempt to ensure that such a change will not adversely affect the reliable operation of the Midwest ISO Transmission System.

3.5 Performance by ALLETE and Access to Data

ALLETE shall provide all services necessary or appropriate to support performance by the Midwest ISO under the Tariff and service agreements thereunder with regard to service involving the HVDC Facilities. ALLETE further agrees to provide the Midwest ISO (and/or grant the Midwest ISO access) from the Effective Date and throughout the term of the Agreement, to all data relating to the HVDC Facilities that the Midwest ISO deems reasonably necessary to perform its functions under this Agreement, the Tariff and the service agreements pertaining to the HVDC Facilities. The Parties shall agree upon the initial format and manner in which such data shall be provided, and shall cooperate with each other to revise the format and the manner in which such data shall be provided as may be necessary. The Midwest ISO shall provide to ALLETE all data necessary for ALLETE to perform its responsibilities in accordance with Good Utility Practice and business practices agreed-to by the Parties.

3.6 Compliance with Applicable Requirements

The Parties shall perform their respective obligations under the Agreement in accordance with Good Utility Practice and the Tariff, and shall conform to: (i) all applicable operating guides; (ii) all applicable reliability criteria policies, standards, rules, regulations and other requirements

Issued by: Stephen G. Kozey, Issuing Officer, Midwest ISO
Bradley Oachs, Issuing Officer, ALLETE, Inc.

Effective: December 31, 2009

Issued on: December 4, 2009

Filed to comply with *Midwest Independent Transmission System Operator, Inc.*, 129 FERC ¶ 61,172 (2009) issued on November 24, 2009 in Docket Nos. ER09-1727, *et al.*

of the ERO and any applicable Regional Entity, and their successors; and (iii) all applicable requirements of federal and state regulatory authorities. Without limiting the applicability of the foregoing, pursuant to applicable ERO reliability standards, ALLETE will review with the Midwest ISO interchange schedules, as communicated to ALLETE, and will acknowledge that communication for proof of the Midwest ISO's compliance as the balancing authority.

3.7 Subcontractors

The Parties shall have the right to retain one or more subcontractors to perform any or all of their respective obligations under the Agreement. Retention of subcontractors shall not relieve either Party from its primary liability for the performance of its obligations under the Agreement.

4. INCORPORATION OF THE TARIFF

To the extent not inconsistent with this Agreement, the Tariff is incorporated in and made part of this Agreement.

5. PRE-EXISTING HVDC TRANSMISSION AND INTERCONNECTION AGREEMENTS

Nothing in the Agreement should require modification or abrogation of any non-rate term or condition of any Pre-Existing HVDC Transmission or Interconnection Agreement, and they will continue to be effective through their terms. This Agreement shall not alter any rule or provision applicable to the modification of such Pre-Existing HVDC Transmission or Interconnection Agreements. Notwithstanding the foregoing, the rates for transmission services provided under the Pre-existing HVDC Transmission Agreements shall be as set forth in Section 6.1 of the Agreement.

6. COMPENSATION AND PAYMENT

6.1 Charges and Payment for HVDC Customers

HVDC Customers taking Point-to-Point Transmission Service over the HVDC Facilities shall pay the following charges:

- (i) ALLETE's applicable firm or non-firm HVDC transmission charges, as set forth in Schedules 7 or 8 of the Tariff,
- (ii) any applicable ancillary services charges, as provided in Section 3.2.2 of the Agreement; and
- (iii) the Midwest ISO's HVDC agreement cost recovery charges, as set forth in Schedule 35 of the Tariff.

6.2 ALLETE's Payment Guarantee

- (i) In the event that Midwest ISO issues an invoice for Schedule 35 fees associated with its services provided under this Agency Agreement and payment from the HVDC Customer is not received on the payment due date, the Midwest ISO shall, after exhausting the collection remedies available to the Midwest ISO under the Tariff and Midwest ISO manuals and business practices, promptly notify ALLETE in writing of the non-payment status of the Schedule 35 invoice. Upon notification of non-payment of the Schedule 35 fees, ALLETE shall promptly make payment in full to Midwest ISO for the unpaid amount of the Schedule 35 fees that are past due.
- (ii) In the event the past due amount of Schedule 35 fees is received from the HVDC Customer by Midwest ISO, whether from collection actions, use of financial security provided by the HVDC Customer or other actions that result in payment of the past due amount owed for Schedule 35 fees, the Midwest ISO shall promptly reimburse ALLETE the amount of funds received from the HVDC Customer associated with the past due amount including interest payable at the rate earned by the Midwest ISO on funds held in its investment account during the period of time between when ALLETE paid the past due Schedule 35 fee and when Midwest ISO returns to ALLETE any past due portion of the Schedule 35 fee received by Midwest ISO from the delinquent HVDC Customer.

7. TERMINATION

7.1 Termination by Mutual Consent

The Parties may terminate the Agreement by mutual consent, in writing.

7.2 Unilateral Termination by a Party

Either Party may terminate this Agreement at any time upon written notice provided not less than one (1) year prior to the end of the initial or any subsequent term.

7.3 Termination Due to Governmental Action

- 7.3.1** The Agreement shall terminate if so directed by the FERC or a court of competent jurisdiction.
- 7.3.2** A Party may terminate the Agreement upon 30-day written notice if any governmental body takes an action (or fails to take a necessary action) that materially and adversely affects that Party's ability to perform under the Agreement. In such event, the Parties shall negotiate in good faith to determine whether changes should be made to this Agreement to address the reasons for such Party's termination.

7.4 Termination for Cause

The Agreement may be terminated immediately upon written notice by either Party:

- 7.4.1** If the other Party makes a general assignment of the Agreement for the benefit of its creditors, institutes a proceeding in bankruptcy, has appointed a receiver, trustee, custodian or assignee on account of its insolvency, which is not dismissed in sixty (60) days, or if a proceeding in bankruptcy is instituted against the other Party and not dismissed within (60) days;
- 7.4.2** if the other Party dissolves or is dissolved or its legal existence is otherwise terminated;
- 7.4.3** if the other Party fails to make any payment required by this Agreement or any applicable Tariff provision, and such non-payment is not cured within thirty (30) days after a written notice of non-payment is given by the non-breaching party;
- 7.4.4** upon a material breach by the other Party of any of its obligations, representations or warranties under this Agreement that is not adequately cured within sixty (60) days after a written notice of breach is given by the non-breaching Party; or
- 7.4.5** in the event of gross negligence, willful misconduct or fraud by the other Party in the performance of its obligations under the Agreement.

7.5 Termination Due To Force Majeure

If an event of Force Majeure, as defined in Section 12.1 hereof, continues for more than one hundred eighty (180) days, a Party affected by such event of Force Majeure may terminate this Agreement immediately upon written notice to the other Party.

8. DISPUTE RESOLUTION

8.1 Dispute Resolution

Any dispute, claim or controversy between ALLETE and the Midwest ISO arising out of, or relating to, this Agreement shall be considered in accordance with the dispute resolution procedures set forth in Attachment HH of the Tariff or the successor provision.

9. FERC APPROVAL AND FPA RIGHTS

9.1 FERC Approval and Modification

9.1.1 This Agreement and the participation of the signatories to this Agreement are subject to acceptance or approval by the FERC.

9.1.2 In the event the FERC disapproves or refuses, in whole or in part, to accept this Agreement, then this Agreement shall not be effective except that the Parties shall be obligated to attempt, expeditiously and in good faith, to negotiate a substitute agreement which addresses the reasons for such FERC action. If despite such good faith negotiation, the Parties are unable to produce such a substitute agreement, then the Parties shall have no further obligations under this Agreement, or any filing associated herewith.

9.1.3 In the event the FERC by order imposes conditions on approval of this Agreement which adversely affect any Party in the sole judgment of that Party, each such Party may, no later than thirty (30) days after the date of such order and upon notice to the other Party, withdraw from this Agreement. In such event, the Parties shall in good faith, negotiate to determine whether changes should be made to this Agreement to address the reasons for such Party's withdrawal.

9.2 FPA Rights

Except as set forth in Section 16.1 hereof, nothing in the Agreement shall be construed to affect any right or responsibility that either Party may have under the FPA, including its rights under FPA Sections 205 and 206.

10. WARRANTIES AND REPRESENTATIONS

Each Party represents and warrants to the other Party that, as of the date it executes this Agreement and for the duration thereof:

- 10.1** It is duly organized, validly existing, and in good standing under the laws of the jurisdiction where organized.
- 10.2** Subject to any necessary approvals by federal or state regulatory authorities, the execution and delivery by it, and the performance of its obligations hereunder, have been duly and validly authorized by all requisite action on the part of such Party. This Agreement has been duly executed and delivered by it, and, subject to the conditions set forth in this Agreement, constitutes the legal, valid, and binding obligation on the part of it, enforceable against it in accordance with its terms.
- 10.3** There are no actions at law, suits in equity, proceedings, or claims pending or, to the knowledge of such Party, threatened against such Party before or by any federal, state, foreign, or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by such entity of its obligations hereunder.
- 10.4** ALLETE represents that the HVDC Facilities are as described in Appendix A.

11. INDEMNIFICATION AND LIMITATION OF LIABILITY

11.1 Indemnification by ALLETE

Subject to the terms and limitations in this Agreement, ALLETE shall indemnify, release, defend, reimburse and hold harmless the Midwest ISO and its affiliates and their respective directors, officers, employees, principals, representatives and agents (collectively, the “Midwest ISO Parties”) from and against any and all claims, demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees (each an “Indemnifiable Loss”) asserted against or incurred by any of the Midwest ISO Parties arising out of, resulting from, or based upon: (a) any breach of ALLETE’s obligations under this Agreement; or (b) related to ALLETE’s acts or omissions that give rise to an Indemnifiable Loss.

11.2 Indemnification by the Midwest ISO

Subject to the terms and limitations in this Agreement, the Midwest ISO shall indemnify, release, defend, reimburse and hold harmless ALLETE and its affiliates and their respective directors, officers, employees, principals, representatives and agents (collectively, the “ALLETE Parties”) from and against any and all claims, demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees (each an “Indemnifiable Loss”) asserted against or incurred by any of ALLETE Parties arising out of, resulting from, or based upon: (a) any breach of the Midwest ISO’s obligations under this Agreement; or (b) related to the Midwest ISO’s acts or omissions that give rise to an Indemnifiable Loss.

11.3 Indemnification by the Midwest ISO and ALLETE

ALLETE shall indemnify, defend, reimburse and hold harmless the Midwest ISO Parties, and the Midwest ISO shall indemnify, defend, reimburse and hold harmless ALLETE Parties, from and against any losses arising from or relating to claims of bodily injury or death of any person or damage to real and/or tangible personal property caused by the gross negligence or willful misconduct of the indemnifying Party, its directors, officers, personnel, employees, agents, representatives or contractors (collectively, the “Indemnifying Party”) during the term of this Agreement.

11.4 Treatment of Indemnification Claims

A Party making a claim for indemnification pursuant to this Agreement shall be referred to herein as the “Indemnified Party” and the Party against whom such indemnification claims are asserted pursuant to this Agreement shall be referred to herein as the “Indemnifying Party.” In the event of a claim for indemnification, the Indemnified Party shall promptly furnish written notice to the Indemnifying Party (a “Claim Notice”) specifying the nature of the direct claim or third party claim giving rise to indemnification. The failure of the Indemnified Party to deliver promptly a Claim Notice shall not affect the indemnity obligations of the Indemnifying Party hereunder except to the extent the Indemnifying Party was actually prejudiced by such delay in delivery of such Claim.

11.5 Limitation of Liability

Neither Party shall be liable to the other Party for, nor will the measure of damages include, any indirect, incidental, exemplary, punitive, special or consequential damages arising out of or related to the performance of such Party’s obligations under this Agreement. The Parties further agree that their liability to each other and to third parties shall be limited as set forth in Section 10.3 of the Tariff.

12. FORCE MAJEURE

12.1 Force Majeure

An event of force majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, or any other cause beyond a Party’s control. A Force Majeure event does not include an act of negligence or intentional wrongdoing.

12.2 Performance under Force Majeure

Except for the obligation to pay any amount when due, neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to an event of Force Majeure, provided that the affected Party: (i) gives notice to the other Party of the event or circumstance giving rise to the event of Force Majeure; (ii) affords the other Party reasonable access for obtaining information about the event or circumstances alleged to constitute a Force Majeure; (iii) takes all commercially reasonable steps required to restore its ability to perform its obligations hereunder as soon as reasonably practicable provided that the affected Party shall not be obligated to take any steps that are not otherwise in accordance with Good Utility Practice, and (iv) makes commercially reasonable efforts to perform its obligations hereunder.

13. CONFIDENTIAL INFORMATION

The treatment of Confidential Information shall be in accordance with the applicable policies set forth in Section 38.9 of the Tariff and Appendix A (Standards of Conduct) of the Transmission Owners Agreement.

14. TAXES

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added, or other transaction taxes. Any tax incurred by the Midwest ISO in connection with the exercise of the Delegated Authority shall be recovered from ALLETE, provided that the Midwest ISO shall exert reasonable efforts to minimize the amount of taxes incurred in support of the exercise of the Delegated Authority. The Midwest ISO shall promptly notify ALLETE of any tax assessments relating to its performance hereunder, and ALLETE shall be entitled to request the Midwest ISO to protest, defend or appeal any such tax assessments. The Midwest ISO shall reasonably cooperate and assist as necessary with such protest or appeal. Such protest or appeal shall be controlled by ALLETE, including choice of counsel, with ALLETE bearing all costs, fees and expenses in furtherance of the protest or appeal. Any recoveries or refunds of such taxes plus interest resulting from such protest or appeal which were previously reimbursed by ALLETE to the Midwest ISO shall be for the account of ALLETE. ALLETE agrees to provide full indemnification to the Midwest ISO for any additional liabilities resulting from such protest or appeal.

15. NOTICES

15.1 Notices

Except as otherwise provided expressly herein, all notices, requests, consents and other communications required under this Agreement shall be in writing and shall be dispatched to a Party by U.S. mail, overnight courier, hand delivery, telefacsimile, or other reliable electronic means. Any notice required under this Agreement shall be deemed to have been given either upon delivery, if by U.S. mail, overnight courier, or hand delivery, or upon confirmation, if given by telefacsimile or other reliable electronic means.

All notices shall be addressed to the parties as follows:

If to ALLETE:

Vice President, Power Delivery and Transmission
30 West Superior Street
Duluth, Minnesota 55802
and

Vice President and General Counsel
30 West Superior Street
Duluth, Minnesota 55802
Facsimile: 218-723-3960

If to the Midwest ISO:

Vice President, General Counsel & Secretary
P.O. Box 4202
Carmel, Indiana 46082-4202
Overnight Delivery to:
701 City Center Drive
Carmel, Indiana 46032
Facsimile: 317-249-5912

15.2 Date

Notices under this Agreement shall be deemed given upon the earlier of the date of delivery or the date upon which delivery is refused.

15.3 Changes

Any changes in the names or addresses set out in Section 15.1 shall be through notice in conformity with the requirements of Section 15.1.

16. MISCELLANEOUS

16.1 Amendments

This Agreement shall not be varied or amended unless such variation or amendment is agreed in writing by a duly authorized representative of ALLETE on behalf of ALLETE and by a duly authorized representative of the Midwest ISO on behalf of the Midwest ISO. The Parties expressly agree that neither Party shall unilaterally petition FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act to amend this Agreement or request that FERC initiate its own proceeding to amend this Agreement.

16.2 Entire Agreement

This Agreement, including the Appendices hereto, sets forth the entire agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements, whether oral or written, related to the subject matter of this Agreement.

16.3 Waivers

No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the Party against which it is sought to be enforced. The delay or failure by either Party to exercise or enforce any of its rights under this Agreement or to insist upon or enforce strict performance of any of the specific provisions of this Agreement shall not constitute or be deemed a waiver of that Party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

16.4 Successors and Assigns

This Agreement shall inure to the benefit of, and be binding upon the Parties, their respective successors and assigns permitted hereunder. Any assignment of this Agreement or any interest herein, or delegation of all or any portion of a Party's obligations, by operation of law or otherwise, by either Party without the other Party's written consent having first been obtained shall be void and of no effect, provided that the Midwest ISO's consent will not be required for ALLETE to assign this Agreement to a successor entity that acquires all or substantially all of ALLETE's transmission system whether by merger, consolidation, reorganization, sale, spin-off, or foreclosure and provided further that such successor entity agrees to assume all of ALLETE's obligations hereunder from and after the date of such assignment. As a condition to the effectiveness of such assignment, (a) ALLETE shall promptly notify the Midwest ISO of such assignment, (b) the successor entity shall provide a written confirmation to the Midwest ISO of its assumption of ALLETE's obligations hereunder, and (c) ALLETE shall promptly reimburse the Midwest ISO, upon receipt of an invoice from the Midwest ISO, for any one-time incremental costs reasonably incurred by the Midwest ISO as a result of such assignment. Nothing herein shall preclude ALLETE from transferring any or all of its transmission facilities to another entity or disposing of or acquiring any other transmission assets.

16.5 Survival

All provisions of this Agreement which are by their nature or terms intended to survive the termination of this Agreement, including any indemnification and confidentiality obligations, shall survive termination of this Agreement.

16.6 No Third-Party Beneficiaries

This Agreement is made solely for the benefit of the Parties hereto and their successors and permitted assigns and no other person shall have any rights, interest or claims hereunder or otherwise be entitled to any benefits under or on account of this Agreement as third party beneficiary or otherwise.

16.7 No Joint Venture

The Parties do not intend that this Agreement constitute a partnership or joint venture.

16.8 Governing Law

This Agreement and the rights and obligations of the Parties under this Agreement shall be interpreted, construed, and governed by the laws of Delaware, except to the extent preempted by the laws of the United States of America, and without giving effect to its conflicts of law rules.

16.9 Consent to Jurisdiction

All disputes by any Party in connection with or relating to this Agreement or any matters described or contemplated in this Agreement, to the extent not subject to the jurisdiction of the FERC, shall be instituted in: (1) the courts of the State of Minnesota or of the United States in the State of Minnesota if such dispute is brought by the Midwest ISO, or (2) the courts of the State of Indiana or of the United States in the State of Indiana if such dispute is brought by Minnesota Power. Each Party irrevocably submits, for itself and its properties, to the exclusive jurisdiction of the courts of the State of Minnesota or Indiana, as applicable, and of the United States sitting in the State of Minnesota or Indiana, as applicable, in connection with any such dispute arising out of or relating to this Agreement. Each Party hereby irrevocably and unconditionally waives any objection or defense that it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such courts.

16.10 Further Assurances

Each Party agrees that it shall hereafter execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the provisions of this Agreement.

16.11 Good Faith Efforts

Each Party agrees that it shall in good faith take all reasonable actions necessary to permit it and other Parties to fulfill their obligations under this Agreement. Where the consent, agreement, or approval of any Party must be obtained hereunder, such consent, agreement, or approval shall not be unreasonably withheld, conditioned, or delayed. Where any Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state regulatory authority applies to any part of this Agreement or the transactions or actions covered by this Agreement, each Party shall cooperate with all other Parties to secure any necessary or desirable approval or acceptance of such regulatory authorities of such part of this Agreement or such transactions or actions.

16.12 Severability

The invalidity or unenforceability of any portion or provision of this Agreement shall in no way affect the validity or enforceability of any other portion or provision herein. If any provision of this Agreement is found to be invalid, illegal, or otherwise unenforceable, the same shall not affect the other provisions hereof or the whole of this Agreement and shall not render invalid, illegal or unenforceable this Agreement or any of the remaining provisions of this Agreement.

16.13 Interpretation

Unless the context of this Agreement otherwise clearly requires, (a) the terms “include,” “includes” and “including” are not limiting and shall be deemed to be followed by the phrase “without limitation,” and (b) the term “or” has the inclusive meaning represented by the phrase “and/or.” All Section and Appendix references herein are to Sections and Appendix of this Agreement, unless otherwise specified. This Agreement shall not be construed as if prepared by one Party, but rather according to its fair meaning as a whole, as if all Parties had prepared it.

16.14 Counterparts; Headings

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon ALLETE and the Midwest ISO, notwithstanding that ALLETE and the Midwest ISO may not have executed the same counterpart. The descriptive headings of Articles, Sections, paragraphs, subparagraphs, and other provisions of this Agreement are inserted for convenience of reference only and shall not define, modify, restrict, construe, or otherwise affect the construction or interpretation of any of the provisions of this Agreement.

The Parties have caused this Agreement to be executed by their duly authorized representatives of the Parties as of the dates shown below.

MIDWEST INDEPENDENT TRANSMISSION
SYSTEM OPERATOR, INC.

By: Michael P. Holstein
Name: Michael P. Holstein
Title: Vice President & Chief
Financial Officer
Date: 9-17-09
Phone: 317-249-5525
Fax: 317-249-5899

ALLETE, INC. D/B/A
MINNESOTA POWER

By: Bradley W. Oachs
Name: Bradley W. Oachs
Title: Vice President Power
Delivery and Transmission
Date: September 16, 2009
Phone: 218-720-2662
Fax: 218-720-2685

APPENDIX A
HVDC FACILITIES

The HVDC Facilities are described in Article II (and corresponding schedules) of the August 11, 2008 "Asset Purchase Agreement Between Square Butte Electric Cooperative and ALLETE, Inc. doing business as Minnesota Power" included as Exhibit I.1 to ALLETE's September 4, 2009 Federal Power Act Section 203 application to acquire the HVDC Facilities, submitted in Docket No. EC09-108.

APPENDIX B
PRE-EXISTING HVDC INTERCONNECTION AGREEMENTS

<u>Customer</u>	<u>Queue ID</u>	<u>Date of LGIA</u>	<u>In-Service Date</u>	<u>Capacity (megawatts)</u>
NextEra Energy Resources, LLC	OC-1	November 2, 2006	December 22, 2006	50.0
NextEra Energy Resources, LLC	OC-2	November 12, 2007	December 31, 2007	50.0

APPENDIX C
PRE-EXISTING HVDC TRANSMISSION AGREEMENTS

Customer	Date of Service Agreement	Capacity (megawatts)	Transmission Service Reservation Number
ALLETE, Inc. d/b/a Minnesota Power	May 29, 1998	227.5	n/a
Minnkota Power Cooperative, Inc.	May 29, 1998	227.5	n/a
ALLETE, Inc. d/b/a Minnesota Power	July 29, 2005	10.0	986459 / 76416916 76664868 (2008-13)
ALLETE, Inc. d/b/a Minnesota Power	July 29, 2005	10.0	986460 / 76416920 76664864 (2008-13)
ALLETE, Inc. d/b/a Minnesota Power	July 29, 2005	10.0	986461 / 76416922 76664871 (2008-13)
ALLETE, Inc. d/b/a Minnesota Power	February 6, 2007 February 28, 2008	65.0 ¹	76465814 76664872 (2008-13)

¹ 65 MW represents 15 MW granted pursuant to the February 6, 2007 Transmission Service Agreement, plus 50 MW granted pursuant to the February 28, 2008 Transmission Service Agreement and contingent on upgrades associated with November 25, 2008 Facilities Construction Agreement.

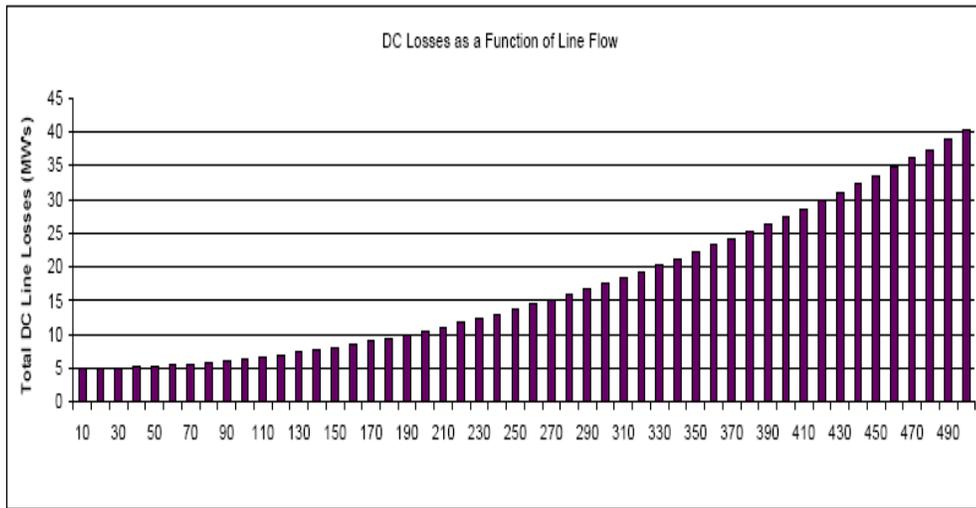
APPENDIX D
APPLICATIONS INCLUDED IN HVDC TRANSMISSION QUEUE AS OF
EFFECTIVE DATE

Customer	Anticipated Commencement of Service	Capacity (megawatts)	Transmission Service Reservation Number
ALLETE, Inc. d/b/a Minnesota Power	January 1, 2015	100.0	76693473
ALLETE, Inc. d/b/a Minnesota Power	January 1, 2016	100.0	76693476
ALLETE, Inc. d/b/a Minnesota Power	January 1, 2015	300.0	76693463

APPENDIX E
APPLICATIONS INCLUDED IN HVDC INTERCONNECTION QUEUE AS OF
EFFECTIVE DATE

Date	Requesting Entity	Requested In-Service Date	Size (MW)	Designation Reference
October 8, 2007	ALLETE, Inc. d/b/a Minnesota Power (Bison 1)	December 31, 2010	75.9 MW	GS-660
December 4, 2007	NextEra Energy Resources, LLC (Oliver County 3)	December 31, 2009	48 MW	GS-661
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 2)	January 1, 2012	101.2 MW	GS-662
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 3)	January 1, 2013	101.2 MW	GS-663
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 4)	January 1, 2014	101.2 MW	GS-664
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 5)	January 1, 2015	101.2 MW	GS-665
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 6)	January 1, 2016	101.2 MW	GS-666
May 13, 2008	ALLETE, Inc. d/b/a Minnesota Power (Minnesota Power Wind 1)	January 1, 2013	200.1 MW	GS-667
June 6, 2008	ALLETE, Inc. d/b/a Minnesota Power (Minnesota Power Wind 2)	January 1, 2015	301.3 MW	GS-668
June 30, 2008	NextEra Energy Resources, LLC (Oliver County 4)	December 31, 2010	500 MW	GS-669
June 2, 2009	NextEra Energy Resources, LLC (Oliver County 7)	December 31, 2011	1000 MW	GS-670

APPENDIX F
HVDC LOSSES TABLE



HVDC Loss Calculation Table

Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses	Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses	Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses	Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses	Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses
10	5.0	5.000	50.00%	110	6.7	0.293	2.93%	210	11.2	0.577	5.77%	310	18.5	0.860	8.60%	410	28.6	1.144	11.44%
20	5.0	0.037	0.37%	120	7.0	0.321	3.21%	220	11.8	0.605	6.05%	320	19.4	0.869	8.89%	420	29.8	1.172	11.72%
30	5.1	0.066	0.66%	130	7.3	0.350	3.50%	230	12.4	0.633	6.33%	330	20.3	0.917	9.17%	430	31.0	1.201	12.01%
40	5.2	0.094	0.94%	140	7.7	0.378	3.78%	240	13.1	0.682	6.82%	340	21.2	0.945	9.45%	440	32.2	1.229	12.29%
50	5.3	0.123	1.23%	150	8.1	0.408	4.08%	250	13.7	0.690	6.90%	350	22.2	0.974	9.74%	450	33.5	1.258	12.58%
	5.1		10.64%		7.4		3.50%		12.4		6.33%		20.3		9.17%		31.0		12.01%
60	5.5	0.151	1.51%	160	8.6	0.435	4.35%	260	14.5	0.718	7.18%	360	23.2	1.002	10.02%	460	34.8	1.288	12.88%
70	5.7	0.179	1.78%	170	9.0	0.463	4.63%	270	15.2	0.747	7.47%	370	24.2	1.031	10.31%	470	36.1	1.314	13.14%
80	5.9	0.208	2.08%	180	9.5	0.491	4.91%	280	16.0	0.776	7.75%	380	25.3	1.059	10.59%	480	37.4	1.343	13.43%
90	6.1	0.236	2.36%	190	10.0	0.520	5.20%	290	16.8	0.804	8.04%	390	26.4	1.087	10.87%	490	38.8	1.371	13.71%
100	6.4	0.264	2.64%	200	10.6	0.548	5.48%	300	17.6	0.832	8.32%	400	27.5	1.116	11.16%	500	40.2	1.399	13.99%
	5.9		2.08%		9.5		4.91%		16.0		7.75%		25.3		10.59%		37.5		13.43%

ALLETE HVDC Losses

A. Average losses shall be charged for firm transmission service taken over ALLETE's HVDC Facilities. Incremental losses shall be charged for non-firm transmission service taken over ALLETE's HVDC Facilities. When calculating incremental losses for non-firm transmission service, the incremental order of transactions will be determined by the date of the reservation and schedules will be "stacked" in accordance with such incremental order and applied to the matrix below. 0% losses will be allocated for deliveries to the Square Butte Substation.

Line Flow (MW)	Scheduled Power	DC Losses Percentage
0-50	0-45	10.64%
51-100	46-94	2.08%
101-150	95-142	3.50%
151-200	143-189	4.91%
201-250	190-236	6.33%
251-300	237-282	7.75%
301-350	283-328	9.17%
351-400	329-373	10.59%
401-450	374-416	12.01%
451-500	417-460	13.43%

B. For transmission reservation purposes, average losses shall be used, and shall be 8% for deliveries at the Arrowhead Substation and 0% for deliveries at the Square Butte Substation.

TAB B

**AGENCY AGREEMENT FOR OPEN ACCESS TRANSMISSION SERVICE
OVER NON-TRANSFERRED HVDC FACILITIES**

This Agency Agreement For Open Access Transmission Service Over Non-Transferred HVDC Facilities (“Agreement”) is entered into this 17th day of September, 2009, between ALLETE, Inc., d/b/a Minnesota Power (“ALLETE”), and the Midwest Independent Transmission System Operator Inc., (“Midwest ISO”), each referred to herein as a “Party” and collectively as “Parties.”

WHEREAS, the Midwest ISO is a non-stock Delaware corporation and a FERC-certified regional transmission organization that administers organized electricity markets in the Midwest and provides transmission service over certain designated transmission facilities that the Owners committed to the Midwest ISO’s functional control pursuant to the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation (“Transmission Owners Agreement”); and

WHEREAS, ALLETE is a Minnesota corporation and a signatory to the Transmission Owners Agreement; and

WHEREAS, the Transmission Owners Agreement contemplates that an Owner may execute an agency agreement with the Midwest ISO to permit the Midwest ISO to provide transmission service on behalf of the Owner over the Owner’s Non-Transferred Facilities; and

WHEREAS, ALLETE has acquired, or will have acquired, from third parties certain high-voltage direct current transmission facilities and other associated facilities (“HVDC Facilities”), which are described in Appendix A of this Agreement and which shall be Non-Transferred Facilities; and

WHEREAS, ALLETE desires to delegate to the Midwest ISO, as ALLETE’s agent, the authority to provide certain transmission services with respect to the HVDC Facilities and perform certain specified functions, as set forth in this Agreement; and

WHEREAS, this Agreement pertains only to the HVDC Facilities and has no effect or bearing on service over any other transmission or other facilities.

NOW THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

<i>Confidential Information</i>	Any proprietary or commercially or competitively sensitive information, trade secret or information regarding a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Midwest ISO transmission customer, market participant, Owner, or other user, which is designated as confidential by the entity supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise, that is received by the Midwest ISO and is not disclosed except under the terms of a confidential information policy.
<i>Delegated Authority</i>	The functions and responsibilities delegated by ALLETE to the Midwest ISO pursuant to this Agreement, as described in Section 3 hereof.
<i>Effective Date</i>	The effective date of this Agreement, as set forth in Section 2.1 hereof.
<i>ERO</i>	Electric Reliability Organization, or the organization certified as ERO by the FERC pursuant to part 39 of its regulations, 18 C.F.R § 39.1, <i>et seq.</i>
<i>FERC</i>	Federal Energy Regulatory Commission.
<i>FPA</i>	Federal Power Act, 16 U.S.C. § 796, <i>et seq.</i>
<i>Good Utility Practice</i>	Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry 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 the decision is made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather, intended to include acceptable practices, methods, or acts generally accepted in the region, including those practices required by FPA Section 215(a)(4).

<i>HVDC Customer</i>	Any customer taking Point-to-Point Transmission Service over the HVDC Facilities on or subsequent to the Effective Date.
<i>HVDC Facilities</i>	The high voltage direct current transmission facilities and certain related alternating current facilities that are the subject of this Agreement, as described in Appendix A hereof.
<i>HVDC Interconnection Queue</i>	The generator interconnection requests for generator interconnection service to the HVDC Facilities submitted to Square Butte prior to ALLETE's acquisition of the HVDC Facilities, as specified in Appendix E.
<i>HVDC Transmission Queue</i>	The transmission service requests for transmission service over the HVDC Facilities, including those submitted to Square Butte for the HVDC Facilities prior to ALLETE's acquisition of the HVDC Facilities, as specified in Appendix D.
<i>Midwest ISO Transmission System</i>	The Midwest ISO's Transmission System, as defined in Section 1.679 of the Tariff.
<i>Non-Transferred Facilities</i>	The transmission facilities of an Owner that have not been transferred to the Midwest ISO's functional control pursuant to the Transmission Owners Agreement, including the HVDC Facilities.
<i>OASIS</i>	The Midwest ISO's Open Access Same-time Information System.
<i>Owner</i>	A signatory to the Transmission Owners Agreement.
<i>Point-to-Point Transmission Service</i>	Firm and non-firm point-to-point transmission service provided by the Midwest ISO pursuant to Section 27A of the Tariff.
<i>Pre-Existing HVDC Interconnection Agreement(s)</i>	Any agreement(s) with respect to the HVDC Facilities between Square Butte (or ALLETE as agent for Square Butte) and a third party for the provision of interconnection services prior to the Effective Date. All of the Pre-Existing HVDC Interconnection Agreements are listed in Appendix B to this Agreement.
<i>Pre-Existing HVDC Transmission Agreement(s)</i>	Any agreement(s) with respect to the HVDC Facilities between Square Butte (or ALLETE as agent for Square Butte) and a third party (including ALLETE's marketing function or unit) for the provision of transmission services over the HVDC Facilities executed prior to the Effective Date. The Pre-Existing HVDC Transmission Agreements are listed in Appendix C to this Agreement.

<i>Reliability Coordinator</i>	The entity certified as such by the ERO.
<i>Square Butte</i>	Square Butte Electric Cooperative.
<i>Square Butte Study Queue Transition Plan</i>	The transition plan executed by ALLETE and the Midwest ISO with respect to the integration of applications pending in the HVDC Interconnection Queue into the Midwest ISO's generator interconnection queue.
<i>Tariff</i>	Open Access Transmission, Energy and Operating Reserve Markets Tariff for the Midwest Independent Transmission System Operator, Inc., or its successor tariff, as amended.
<i>Transmission Owners Agreement</i>	Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-stock Corporation, as amended and modified by subsequent orders.

2. EFFECTIVE DATE AND TERM

2.1 Effective Date

This Agreement shall become effective on the later of: (i) the effective date of the FERC's acceptance for filing of the Agreement; or (ii) the date of transfer of ownership of the HVDC Facilities to ALLETE. The Agreement shall not become effective and the Parties shall be released from their respective obligations thereunder in the event FERC, or any other government authority whose consent or approval is required to transfer ownership of the HVDC Facilities to ALLETE, declines to grant or issue such consent or approval.

2.2 Term

The initial term of the Agreement shall be five (5) years after the Effective Date. The Agreement shall automatically renew thereafter for successive one (1) year terms unless terminated as set forth in Article 7.

3. DELEGATED AUTHORITY

3.1 Appointment of Midwest ISO as Agent and Grant of Delegated Authority

ALLETE appoints the Midwest ISO as its agent to provide transmission service on the HVDC Facilities, as set forth herein, and perform other functions specified in the Agreement and, to that effect, delegates to the Midwest ISO certain specified rights and responsibilities, as set forth in Section 3.2 ("Delegated Authority"). ALLETE retains all other rights and responsibilities with respect to the HVDC Facilities, as set forth in Section 3.3.

3.2 Rights and Responsibilities Delegated to Midwest ISO

3.2.1 Transmission Provider Authority

Except as specifically reserved in Section 3.3 of the Agreement, the Midwest ISO shall provide Point-to-Point Transmission Service on the HVDC Facilities and perform other functions and responsibilities of the transmission provider with respect to the HVDC Facilities, as set forth in Section 27A of the Tariff and other related provisions of the Tariff, including administration of transmission service under the Pre-existing HVDC Transmission Agreements. Service Agreements for the provision of transmission service on the HVDC Facilities entered into in violation of the terms of this Agreement or the Tariff shall be null and void.

As set forth in the Tariff, and without limitation, the Midwest ISO's transmission provider responsibilities with respect to the HVDC Facilities shall include:

- (i) receiving, evaluating and processing transmission service requests, including rollover requests, and receiving and processing applications (and application deposits) for Point-to-Point Transmission Service and administering the HVDC Transmission Queue, including the accepted applications in the HVDC Transmission Queue as of the Effective Date, as listed in Appendix D hereto;
- (ii) scheduling and curtailing Point-to-Point Transmission Service;
- (iii) executing service agreements for Point-to-Point Transmission Service with eligible customers, provided that any service agreement in effect with respect to the HVDC Facilities will revert to ALLETE as the transmission provider upon the expiration or termination of this Agreement and provided further that the Midwest ISO shall be released from any obligations and responsibilities thereunder upon such reversion to ALLETE;
- (iv) invoicing and billing transmission customers for transmission and ancillary service provided on the HVDC Facilities (including service provided under the Pre-existing HVDC Transmission Agreements);
- (v) granting extensions for commencement of service;
- (vi) determining available transmission capability and total transmission capability over the HVDC Facilities in accordance with Attachment C of the Tariff;
- (vii) conducting transmission system impact studies and facilities studies;
- (viii) maintaining and administering the OASIS in accordance with applicable regulations; and
- (ix) approval of all planned outages or other maintenance of the HVDC Facilities and coordination of emergency transmission maintenance.

3.2.2 Ancillary Services

The Midwest ISO shall provide Scheduling, System Control and Dispatch Service for service over the HVDC Facilities, as set forth in Schedule 1-HVDC of the Tariff. Reactive power and voltage support shall be provided by ALLETE or self-provided by the relevant HVDC Customer. Because no load is directly served over the HVDC Facilities, the Parties agree that Schedules 3-6 of the Tariff (Regulating Reserve, Energy Imbalance Service, Spinning Reserve Service, and Supplemental Reserve Service) are not applicable and these services shall not be provided by the Midwest ISO with respect to the HVDC Facilities.

3.2.3 Generator Interconnection

The Midwest ISO shall process requests for interconnection of generating facilities to the HVDC Facilities in accordance with the generation interconnection procedures set forth in the Tariff. Any application in the HVDC Interconnection Queue, as listed in Appendix E to this Agreement, that remains pending as of the Effective Date shall be included in the Midwest ISO's generator interconnection queue in accordance with the generation interconnection procedures set forth in the Tariff and the Square Butte Study Queue Transition Plan.

3.2.4 Reliability Coordination

The Midwest ISO shall act as the Reliability Coordinator with respect to the HVDC Facilities in accordance with applicable operating guides, ERO and Regional Entity standards and requirements, and laws and FERC regulations. The Midwest ISO's responsibilities under this Section 3.2.4 shall consist of the specific tasks and functions required of Reliability Coordinators by the ERO and applicable Regional Entities and shall include the reliability coordination tasks performed by the Midwest ISO for the Owners pursuant to the Transmission Owners Agreement.

3.2.5 Seams Coordination

At the time that this Agreement is being executed, the HVDC Facilities are located within the Midwest ISO control area and there is presently no need for the HVDC Facilities to be subject to a seams agreement. In the future, however, the Parties may determine that preservation of reliability requires that the HVDC Facilities be subject to a seams agreement. Accordingly, subject to this Agreement and ALLETE's written consent, which shall not be unreasonably withheld, the Midwest ISO shall have the authority to enter into coordination arrangements with the control areas adjacent to the HVDC Facilities and coordinate system operation and emergency as may be necessary.

3.2.6 Transmission Expansion Planning

The existing HVDC Facilities, as described in Appendix A hereto, shall be treated as any other Non-Transferred Facility under the Transmission Owners Agreement and the Tariff with respect to planning. The Midwest ISO and ALLETE shall conduct collaborative and coordinated transmission planning as applicable with respect to the HVDC Facilities in accordance with the Transmission Owners Agreement, the Midwest ISO's Transmission Expansion Planning Protocol (Attachment FF of the Tariff), and applicable regulations.

With respect to any upgrade of the HVDC Facilities, to the extent such an upgrade is determined to be a baseline reliability project, as defined in the Tariff, the Midwest ISO's Transmission Expansion Planning Protocol (Attachment FF of the Tariff), including its cost allocation provisions, shall apply to any such upgrade of the HVDC Facilities. As a controllable facility, the HVDC Facilities shall not be assigned any line outage distribution factor ("LODF") associated with any Baseline Reliability Project under the cost sharing provisions of Attachment FF of the Tariff. ALLETE reserves the right to contest the appropriateness and applicability of the LODF methodology for cost allocation for any upgrade to the HVDC Facilities.

3.2.7 Development of Business Practices and Operating Procedures

ALLETE and the Midwest ISO shall develop mutually agreeable business practices and operating procedures applicable to the HVDC Facilities. Such business practices and operating procedures shall govern, among other things: (1) scheduling transmission service; (2) losses compensation; (3) curtailments; (4) treatment of Pre-existing HVDC Transmission Agreements; (5) de-icing procedures; and (6) reliability.

3.2.8 Billing for Transmission Service

The Midwest ISO shall include in the monthly transmission service invoices it issues pursuant to Section 7 of the Tariff the charges for transmission service pursuant to this Agreement.

3.2.9 Revenue Collection and Distribution

The Midwest ISO shall collect and distribute fully to ALLETE ~~the~~all revenue received in connection with the provision of transmission and ancillary service over the HVDC Facilities, including the transmission and ancillary services provided under Pre-existing HVDC Transmission Agreements. ~~Revenue will be collected and distributed pursuant to Appendix C, Section III.A.3 of the Transmission Owners Agreement.~~ The timing of revenue distribution to ALLETE for the revenue collected from HVDC Customers pursuant to this Agreement shall be as identical to that specified in Section 7 of the Tariff for transmission service revenue distribution.

3.3 Rights and Responsibilities Retained by ALLETE

3.3.1 Physical Operation of the HVDC Facilities

ALLETE shall physically operate, repair and maintain the HVDC Facilities, subject to the Midwest ISO's direction as set forth in the Agreement and the applicable provisions of the Tariff incorporated into this Agreement.

3.3.2 Revenue Requirements and Rate Design

- (i) ALLETE shall retain the full and exclusive right to determine its transmission revenue requirements for the HVDC Facilities and to submit filings under FPA section 205 with regard to such transmission revenue requirements. This full and exclusive right shall include the right to propose a new rate formula or any change to any component of any rate formula used to calculate its revenue requirements for the HVDC Facilities, if applicable.
- (ii) ALLETE shall retain the full and exclusive right to submit filings under FPA section 205 with regard to the transmission rate design for the HVDC Facilities, provided that any such filing made does not in any way affect the rates charged or revenues collected in any Midwest ISO zone, except the ALLETE zone.

3.3.3 Allocation of Costs for Transmission Upgrades

Except as may be limited by Section 3.2.6 hereof, ALLETE shall retain the full and exclusive right under FPA section 205 to submit filings with regard to transmission upgrades of the HVDC Facilities, including with regard to the allocation of costs for such upgrades. In entering into transmission service agreements relating to upgrades to the HVDC Facilities, the Midwest ISO shall assess the costs of any upgrade to the customers requesting service that requires such upgrades.

3.3.4 Losses

Loss compensation for the HVDC Facilities will be calculated ~~on an incremental basis~~, in accordance with the HVDC Losses Table in Appendix F. ALLETE shall retain the full and exclusive right to submit filings under FPA Section 205 with regard to Appendix F, subject to reasonable prior consultation with the Midwest ISO. Nothing in the preceding sentence shall limit the ability of the Midwest ISO to intervene in or protest any such filing.

3.4 Compliance with Midwest ISO's Directives

ALLETE shall comply, without delay, with all directives issued by the Midwest ISO pursuant to Delegated Authority. ALLETE shall provide the Midwest ISO with reasonable notice of any material change that impacts the ability of the Midwest ISO to exercise its responsibilities under this Agreement and shall coordinate with the Midwest ISO in an attempt to ensure that such a change will not adversely affect the reliable operation of the Midwest ISO Transmission System.

3.5 Performance by ALLETE and Access to Data

ALLETE shall provide all services necessary or appropriate to support performance by the Midwest ISO under the Tariff and service agreements thereunder with regard to service involving the HVDC Facilities. ALLETE further agrees to provide the Midwest ISO (and/or grant the Midwest ISO access) from the Effective Date and throughout the term of the Agreement, to all data relating to the HVDC Facilities that the Midwest ISO deems reasonably necessary to perform its functions under this Agreement, the Tariff and the service agreements pertaining to the HVDC Facilities. The Parties shall agree upon the initial format and manner in which such data shall be provided, and shall cooperate with each other to revise the format and the manner in which such data shall be provided as may be necessary. The Midwest ISO shall provide to ALLETE all data necessary for ALLETE to perform its responsibilities in accordance with Good Utility Practice and business practices agreed-to by the Parties.

3.6 Compliance with Applicable Requirements

Midwest ISO
Rate Schedule FERC No. 25
ALLETE, Inc.
Rate Schedule FERC No. 199

Substitute Original Sheet No. 10
Superseding Original Sheet No. 10

The Parties shall perform their respective obligations under the Agreement in accordance with Good Utility Practice and the Tariff, and shall conform to: (i) all applicable operating guides; (ii) all applicable reliability criteria policies, standards, rules, regulations and other requirements

Issued by: Stephen G. Kozey, Issuing Officer, Midwest ISO
Bradley Oachs, Issuing Officer, ALLETE, Inc.

Effective: December 31, 2009

Issued on: ~~September 21~~ December 4, 2009

Filed to comply with *Midwest Independent Transmission System Operator, Inc.*, 129 FERC ¶ 61,172 (2009) issued on November 24, 2009 in Docket Nos. ER09-1727, et al.

of the ERO and any applicable Regional Entity, and their successors; and (iii) all applicable requirements of federal and state regulatory authorities. Without limiting the applicability of the foregoing, pursuant to applicable ERO reliability standards, ALLETE will review with the Midwest ISO interchange schedules, as communicated to ALLETE, and will acknowledge that communication for proof of the Midwest ISO's compliance as the balancing authority.

3.7 Subcontractors

The Parties shall have the right to retain one or more subcontractors to perform any or all of their respective obligations under the Agreement. Retention of subcontractors shall not relieve either Party from its primary liability for the performance of its obligations under the Agreement.

4. INCORPORATION OF THE TARIFF

To the extent not inconsistent with this Agreement, the Tariff is incorporated in and made part of this Agreement.

5. PRE-EXISTING HVDC TRANSMISSION AND INTERCONNECTION AGREEMENTS

Nothing in the Agreement should require modification or abrogation of any non-rate term or condition of any Pre-Existing HVDC Transmission or Interconnection Agreement, and they will continue to be effective through their terms. This Agreement shall not alter any rule or provision applicable to the modification of such Pre-Existing HVDC Transmission or Interconnection Agreements. Notwithstanding the foregoing, the rates for transmission services provided under the Pre-existing HVDC Transmission Agreements shall be as set forth in Section 6.1 of the Agreement.

6. COMPENSATION AND PAYMENT

6.1 Charges and Payment for HVDC Customers

HVDC Customers taking Point-to-Point Transmission Service over the HVDC Facilities shall pay the following charges:

- (i) ALLETE's applicable firm or non-firm HVDC transmission charges, as set forth in Schedules 7 or 8 of the Tariff,
- (ii) any applicable ancillary services charges, as provided in Section 3.2.2 of the Agreement; and
- (iii) the Midwest ISO's HVDC agreement cost recovery charges, as set forth in Schedule 35 of the Tariff.

6.2 ALLETE's Payment Guarantee

- (i) In the event that Midwest ISO issues an invoice for Schedule 35 fees associated with its services provided under this Agency Agreement and payment from the HVDC Customer is not received on the payment due date, the Midwest ISO shall, after exhausting the collection remedies available to the Midwest ISO under the Tariff and Midwest ISO manuals and business practices, promptly notify ALLETE in writing of the non-payment status of the Schedule 35 invoice. Upon notification of non-payment of the Schedule 35 fees, ALLETE shall promptly make payment in full to Midwest ISO for the unpaid amount of the Schedule 35 fees that are past due.
- (ii) In the event the past due amount of Schedule 35 fees is received from the HVDC Customer by Midwest ISO, whether from collection actions, use of financial security provided by the HVDC Customer or other actions that result in payment of the past due amount owed for Schedule 35 fees, the Midwest ISO shall promptly reimburse ALLETE the amount of funds received from the HVDC Customer associated with the past due amount including interest payable at the rate earned by the Midwest ISO on funds held in its investment account during the period of time between when ALLETE paid the past due Schedule 35 fee and when Midwest ISO returns to ALLETE any past due portion of the Schedule 35 fee received by Midwest ISO from the delinquent HVDC Customer.

7. TERMINATION

7.1 Termination by Mutual Consent

The Parties may terminate the Agreement by mutual consent, in writing.

7.2 Unilateral Termination by a Party

Either Party may terminate this Agreement at any time upon written notice provided not less than one (1) year prior to the end of the initial or any subsequent term.

7.3 Termination Due to Governmental Action

- 7.3.1** The Agreement shall terminate if so directed by the FERC or a court of competent jurisdiction.
- 7.3.2** A Party may terminate the Agreement upon 30-day written notice if any governmental body takes an action (or fails to take a necessary action) that materially and adversely affects that Party's ability to perform under the Agreement. In such event, the Parties shall negotiate in good faith to determine whether changes should be made to this Agreement to address the reasons for such Party's termination.

7.4 Termination for Cause

The Agreement may be terminated immediately upon written notice by either Party:

- 7.4.1** If the other Party makes a general assignment of the Agreement for the benefit of its creditors, institutes a proceeding in bankruptcy, has appointed a receiver, trustee, custodian or assignee on account of its insolvency, which is not dismissed in sixty (60) days, or if a proceeding in bankruptcy is instituted against the other Party and not dismissed within (60) days;
- 7.4.2** if the other Party dissolves or is dissolved or its legal existence is otherwise terminated;
- 7.4.3** if the other Party fails to make any payment required by this Agreement or any applicable Tariff provision, and such non-payment is not cured within thirty (30) days after a written notice of non-payment is given by the non-breaching party;
- 7.4.4** upon a material breach by the other Party of any of its obligations, representations or warranties under this Agreement that is not adequately cured within sixty (60) days after a written notice of breach is given by the non-breaching Party; or
- 7.4.5** in the event of gross negligence, willful misconduct or fraud by the other Party in the performance of its obligations under the Agreement.

7.5 Termination Due To Force Majeure

If an event of Force Majeure, as defined in Section 12.1 hereof, continues for more than one hundred eighty (180) days, a Party affected by such event of Force Majeure may terminate this Agreement immediately upon written notice to the other Party.

8. DISPUTE RESOLUTION

8.1 Dispute Resolution

Any dispute, claim or controversy between ALLETE and the Midwest ISO arising out of, or relating to, this Agreement shall be considered in accordance with the dispute resolution procedures set forth in Attachment HH of the Tariff or the successor provision.

9. FERC APPROVAL AND FPA RIGHTS

9.1 FERC Approval and Modification

9.1.1 This Agreement and the participation of the signatories to this Agreement are subject to acceptance or approval by the FERC.

9.1.2 In the event the FERC disapproves or refuses, in whole or in part, to accept this Agreement, then this Agreement shall not be effective except that the Parties shall be obligated to attempt, expeditiously and in good faith, to negotiate a substitute agreement which addresses the reasons for such FERC action. If despite such good faith negotiation, the Parties are unable to produce such a substitute agreement, then the Parties shall have no further obligations under this Agreement, or any filing associated herewith.

9.1.3 In the event the FERC by order imposes conditions on approval of this Agreement which adversely affect any Party in the sole judgment of that Party, each such Party may, no later than thirty (30) days after the date of such order and upon notice to the other Party, withdraw from this Agreement. In such event, the Parties shall in good faith, negotiate to determine whether changes should be made to this Agreement to address the reasons for such Party's withdrawal.

9.2 FPA Rights

Except as set forth in Section 16.1 hereof, nothing in the Agreement shall be construed to affect any right or responsibility that either Party may have under the FPA, including its rights under FPA Sections 205 and 206.

10. WARRANTIES AND REPRESENTATIONS

Each Party represents and warrants to the other Party that, as of the date it executes this Agreement and for the duration thereof:

- 10.1** It is duly organized, validly existing, and in good standing under the laws of the jurisdiction where organized.
- 10.2** Subject to any necessary approvals by federal or state regulatory authorities, the execution and delivery by it, and the performance of its obligations hereunder, have been duly and validly authorized by all requisite action on the part of such Party. This Agreement has been duly executed and delivered by it, and, subject to the conditions set forth in this Agreement, constitutes the legal, valid, and binding obligation on the part of it, enforceable against it in accordance with its terms.
- 10.3** There are no actions at law, suits in equity, proceedings, or claims pending or, to the knowledge of such Party, threatened against such Party before or by any federal, state, foreign, or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by such entity of its obligations hereunder.
- 10.4** ALLETE represents that the HVDC Facilities are as described in Appendix A.

11. INDEMNIFICATION AND LIMITATION OF LIABILITY

11.1 Indemnification by ALLETE

Subject to the terms and limitations in this Agreement, ALLETE shall indemnify, release, defend, reimburse and hold harmless the Midwest ISO and its affiliates and their respective directors, officers, employees, principals, representatives and agents (collectively, the “Midwest ISO Parties”) from and against any and all claims, demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees (each an “Indemnifiable Loss”) asserted against or incurred by any of the Midwest ISO Parties arising out of, resulting from, or based upon: (a) any breach of ALLETE’s obligations under this Agreement; or (b) related to ALLETE’s acts or omissions that give rise to an Indemnifiable Loss.

11.2 Indemnification by the Midwest ISO

Subject to the terms and limitations in this Agreement, the Midwest ISO shall indemnify, release, defend, reimburse and hold harmless ALLETE and its affiliates and their respective directors, officers, employees, principals, representatives and agents (collectively, the “ALLETE Parties”) from and against any and all claims, demands, liabilities, losses, causes of action, awards, fines, penalties, litigation, administrative proceedings and investigations, costs and expenses, and attorney fees (each an “Indemnifiable Loss”) asserted against or incurred by any of ALLETE Parties arising out of, resulting from, or based upon: (a) any breach of the Midwest ISO’s obligations under this Agreement; or (b) related to the Midwest ISO’s acts or omissions that give rise to an Indemnifiable Loss.

11.3 Indemnification by the Midwest ISO and ALLETE

ALLETE shall indemnify, defend, reimburse and hold harmless the Midwest ISO Parties, and the Midwest ISO shall indemnify, defend, reimburse and hold harmless ALLETE Parties, from and against any losses arising from or relating to claims of bodily injury or death of any person or damage to real and/or tangible personal property caused by the gross negligence or willful misconduct of the indemnifying Party, its directors, officers, personnel, employees, agents, representatives or contractors (collectively, the “Indemnifying Party”) during the term of this Agreement.

11.4 Treatment of Indemnification Claims

A Party making a claim for indemnification pursuant to this Agreement shall be referred to herein as the “Indemnified Party” and the Party against whom such indemnification claims are asserted pursuant to this Agreement shall be referred to herein as the “Indemnifying Party.” In the event of a claim for indemnification, the Indemnified Party shall promptly furnish written notice to the Indemnifying Party (a “Claim Notice”) specifying the nature of the direct claim or third party claim giving rise to indemnification. The failure of the Indemnified Party to deliver promptly a Claim Notice shall not affect the indemnity obligations of the Indemnifying Party hereunder except to the extent the Indemnifying Party was actually prejudiced by such delay in delivery of such Claim.

11.5 Limitation of Liability

Neither Party shall be liable to the other Party for, nor will the measure of damages include, any indirect, incidental, exemplary, punitive, special or consequential damages arising out of or related to the performance of such Party’s obligations under this Agreement. The Parties further agree that their liability to each other and to third parties shall be limited as set forth in Section 10.3 of the Tariff.

12. FORCE MAJEURE

12.1 Force Majeure

An event of force majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, or any other cause beyond a Party’s control. A Force Majeure event does not include an act of negligence or intentional wrongdoing.

12.2 Performance under Force Majeure

Except for the obligation to pay any amount when due, neither Party shall be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to an event of Force Majeure, provided that the affected Party: (i) gives notice to the other Party of the event or circumstance giving rise to the event of Force Majeure; (ii) affords the other Party reasonable access for obtaining information about the event or circumstances alleged to constitute a Force Majeure; (iii) takes all commercially reasonable steps required to restore its ability to perform its obligations hereunder as soon as reasonably practicable provided that the affected Party shall not be obligated to take any steps that are not otherwise in accordance with Good Utility Practice, and (iv) makes commercially reasonable efforts to perform its obligations hereunder.

13. CONFIDENTIAL INFORMATION

The treatment of Confidential Information shall be in accordance with the applicable policies set forth in Section 38.9 of the Tariff and Appendix A (Standards of Conduct) of the Transmission Owners Agreement.

14. TAXES

Each Party shall be responsible for the payment of its own taxes, including taxes based on its net income, employment taxes of its employees, taxes on any property it owns or leases, and sales, use, gross receipts, excise, value-added, or other transaction taxes. Any tax incurred by the Midwest ISO in connection with the exercise of the Delegated Authority shall be recovered from ALLETE, provided that the Midwest ISO shall exert reasonable efforts to minimize the amount of taxes incurred in support of the exercise of the Delegated Authority. The Midwest ISO shall promptly notify ALLETE of any tax assessments relating to its performance hereunder, and ALLETE shall be entitled to request the Midwest ISO to protest, defend or appeal any such tax assessments. The Midwest ISO shall reasonably cooperate and assist as necessary with such protest or appeal. Such protest or appeal shall be controlled by ALLETE, including choice of counsel, with ALLETE bearing all costs, fees and expenses in furtherance of the protest or appeal. Any recoveries or refunds of such taxes plus interest resulting from such protest or appeal which were previously reimbursed by ALLETE to the Midwest ISO shall be for the account of ALLETE. ALLETE agrees to provide full indemnification to the Midwest ISO for any additional liabilities resulting from such protest or appeal.

15. NOTICES

15.1 Notices

Except as otherwise provided expressly herein, all notices, requests, consents and other communications required under this Agreement shall be in writing and shall be dispatched to a Party by U.S. mail, overnight courier, hand delivery, telefacsimile, or other reliable electronic means. Any notice required under this Agreement shall be deemed to have been given either upon delivery, if by U.S. mail, overnight courier, or hand delivery, or upon confirmation, if given by telefacsimile or other reliable electronic means.

All notices shall be addressed to the parties as follows:

If to ALLETE:

Vice President, Power Delivery and Transmission
30 West Superior Street
Duluth, Minnesota 55802
and

Vice President and General Counsel
30 West Superior Street
Duluth, Minnesota 55802
Facsimile: 218-723-3960

If to the Midwest ISO:

Vice President, General Counsel & Secretary
P.O. Box 4202
Carmel, Indiana 46082-4202
Overnight Delivery to:
701 City Center Drive
Carmel, Indiana 46032
Facsimile: 317-249-5912

15.2 Date

Notices under this Agreement shall be deemed given upon the earlier of the date of delivery or the date upon which delivery is refused.

15.3 Changes

Any changes in the names or addresses set out in Section 15.1 shall be through notice in conformity with the requirements of Section 15.1.

16. MISCELLANEOUS

16.1 Amendments

This Agreement shall not be varied or amended unless such variation or amendment is agreed in writing by a duly authorized representative of ALLETE on behalf of ALLETE and by a duly authorized representative of the Midwest ISO on behalf of the Midwest ISO. The Parties expressly agree that neither Party shall unilaterally petition FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act to amend this Agreement or request that FERC initiate its own proceeding to amend this Agreement.

16.2 Entire Agreement

This Agreement, including the Appendices hereto, sets forth the entire agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements, whether oral or written, related to the subject matter of this Agreement.

16.3 Waivers

No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the Party against which it is sought to be enforced. The delay or failure by either Party to exercise or enforce any of its rights under this Agreement or to insist upon or enforce strict performance of any of the specific provisions of this Agreement shall not constitute or be deemed a waiver of that Party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

16.4 Successors and Assigns

This Agreement shall inure to the benefit of, and be binding upon the Parties, their respective successors and assigns permitted hereunder. Any assignment of this Agreement or any interest herein, or delegation of all or any portion of a Party's obligations, by operation of law or otherwise, by either Party without the other Party's written consent having first been obtained shall be void and of no effect, provided that the Midwest ISO's consent will not be required for ALLETE to assign this Agreement to a successor entity that acquires all or substantially all of ALLETE's transmission system whether by merger, consolidation, reorganization, sale, spin-off, or foreclosure and provided further that such successor entity agrees to assume all of ALLETE's obligations hereunder from and after the date of such assignment. As a condition to the effectiveness of such assignment, (a) ALLETE shall promptly notify the Midwest ISO of such assignment, (b) the successor entity shall provide a written confirmation to the Midwest ISO of its assumption of ALLETE's obligations hereunder, and (c) ALLETE shall promptly reimburse the Midwest ISO, upon receipt of an invoice from the Midwest ISO, for any one-time incremental costs reasonably incurred by the Midwest ISO as a result of such assignment. Nothing herein shall preclude ALLETE from transferring any or all of its transmission facilities to another entity or disposing of or acquiring any other transmission assets.

16.5 Survival

All provisions of this Agreement which are by their nature or terms intended to survive the termination of this Agreement, including any indemnification and confidentiality obligations, shall survive termination of this Agreement.

16.6 No Third-Party Beneficiaries

This Agreement is made solely for the benefit of the Parties hereto and their successors and permitted assigns and no other person shall have any rights, interest or claims hereunder or otherwise be entitled to any benefits under or on account of this Agreement as third party beneficiary or otherwise.

16.7 No Joint Venture

The Parties do not intend that this Agreement constitute a partnership or joint venture.

16.8 Governing Law

This Agreement and the rights and obligations of the Parties under this Agreement shall be interpreted, construed, and governed by the laws of Delaware, except to the extent preempted by the laws of the United States of America, and without giving effect to its conflicts of law rules.

16.9 Consent to Jurisdiction

All disputes by any Party in connection with or relating to this Agreement or any matters described or contemplated in this Agreement, to the extent not subject to the jurisdiction of the FERC, shall be instituted in: (1) the courts of the State of Minnesota or of the United States in the State of Minnesota if such dispute is brought by the Midwest ISO, or (2) the courts of the State of Indiana or of the United States in the State of Indiana if such dispute is brought by Minnesota Power. Each Party irrevocably submits, for itself and its properties, to the exclusive jurisdiction of the courts of the State of Minnesota or Indiana, as applicable, and of the United States sitting in the State of Minnesota or Indiana, as applicable, in connection with any such dispute arising out of or relating to this Agreement. Each Party hereby irrevocably and unconditionally waives any objection or defense that it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such courts.

16.10 Further Assurances

Each Party agrees that it shall hereafter execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the provisions of this Agreement.

16.11 Good Faith Efforts

Each Party agrees that it shall in good faith take all reasonable actions necessary to permit it and other Parties to fulfill their obligations under this Agreement. Where the consent, agreement, or approval of any Party must be obtained hereunder, such consent, agreement, or approval shall not be unreasonably withheld, conditioned, or delayed. Where any Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state regulatory authority applies to any part of this Agreement or the transactions or actions covered by this Agreement, each Party shall cooperate with all other Parties to secure any necessary or desirable approval or acceptance of such regulatory authorities of such part of this Agreement or such transactions or actions.

16.12 Severability

The invalidity or unenforceability of any portion or provision of this Agreement shall in no way affect the validity or enforceability of any other portion or provision herein. If any provision of this Agreement is found to be invalid, illegal, or otherwise unenforceable, the same shall not affect the other provisions hereof or the whole of this Agreement and shall not render invalid, illegal or unenforceable this Agreement or any of the remaining provisions of this Agreement.

16.13 Interpretation

Unless the context of this Agreement otherwise clearly requires, (a) the terms “include,” “includes” and “including” are not limiting and shall be deemed to be followed by the phrase “without limitation,” and (b) the term “or” has the inclusive meaning represented by the phrase “and/or.” All Section and Appendix references herein are to Sections and Appendix of this Agreement, unless otherwise specified. This Agreement shall not be construed as if prepared by one Party, but rather according to its fair meaning as a whole, as if all Parties had prepared it.

16.14 Counterparts; Headings

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon ALLETE and the Midwest ISO, notwithstanding that ALLETE and the Midwest ISO may not have executed the same counterpart. The descriptive headings of Articles, Sections, paragraphs, subparagraphs, and other provisions of this Agreement are inserted for convenience of reference only and shall not define, modify, restrict, construe, or otherwise affect the construction or interpretation of any of the provisions of this Agreement.

The Parties have caused this Agreement to be executed by their duly authorized representatives of the Parties as of the dates shown below.

MIDWEST INDEPENDENT TRANSMISSION
SYSTEM OPERATOR, INC.

By: Michael P. Holstein

Name: Michael P. Holstein

Title: Vice President & Chief
Financial Officer

Date: 9-17-09

Phone: 317-249-5525

Fax: 317-249-5899

ALLETE, INC. D/B/A
MINNESOTA POWER

By: Bradley W. Oachs

Name: Bradley W. Oachs

Title: Vice President Power
Delivery and Transmission

Date: September 16, 2009

Phone: 218-720-2662

Fax: 218-720-2685

APPENDIX A
HVDC FACILITIES

The HVDC Facilities are described in Article II (and corresponding schedules) of the August 11, 2008 "Asset Purchase Agreement Between Square Butte Electric Cooperative and ALLETE, Inc. doing business as Minnesota Power" included as Exhibit I.1 to ALLETE's September 4, 2009 Federal Power Act Section 203 application to acquire the HVDC Facilities, submitted in Docket No. EC09-108.

APPENDIX B
PRE-EXISTING HVDC INTERCONNECTION AGREEMENTS

<u>Customer</u>	<u>Queue ID</u>	<u>Date of LGIA</u>	<u>In-Service Date</u>	<u>Capacity (megawatts)</u>
NextEra Energy Resources, LLC	OC-1	November 2, 2006	December 22, 2006	50.0
NextEra Energy Resources, LLC	OC-2	November 12, 2007	December 31, 2007	50.0

APPENDIX C
PRE-EXISTING HVDC TRANSMISSION AGREEMENTS

Customer	Date of Service Agreement	Capacity (megawatts)	Transmission Service Reservation Number
ALLETE, Inc. d/b/a Minnesota Power	May 29, 1998	227.5	n/a
Minnkota Power Cooperative, Inc.	May 29, 1998	227.5	n/a
ALLETE, Inc. d/b/a Minnesota Power	July 29, 2005	10.0	986459 / 76416916 76664868 (2008-13)
ALLETE, Inc. d/b/a Minnesota Power	July 29, 2005	10.0	986460 / 76416920 76664864 (2008-13)
ALLETE, Inc. d/b/a Minnesota Power	July 29, 2005	10.0	986461 / 76416922 76664871 (2008-13)
ALLETE, Inc. d/b/a Minnesota Power	February 6, 2007 February 28, 2008	65.0 ¹	76465814 76664872 (2008-13)

¹ 65 MW represents 15 MW granted pursuant to the February 6, 2007 Transmission Service Agreement, plus 50 MW granted pursuant to the February 28, 2008 Transmission Service Agreement and contingent on upgrades associated with November 25, 2008 Facilities Construction Agreement.

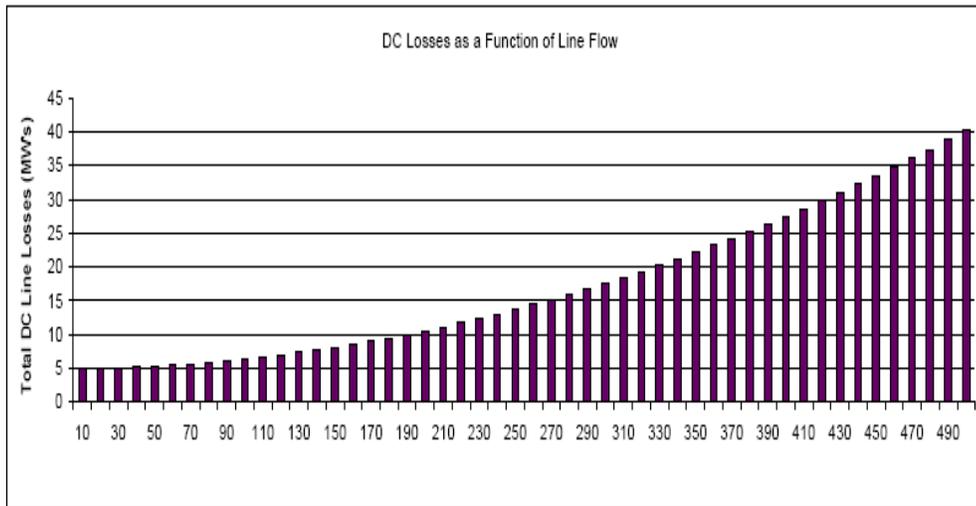
APPENDIX D
APPLICATIONS INCLUDED IN HVDC TRANSMISSION QUEUE AS OF
EFFECTIVE DATE

Customer	Anticipated Commencement of Service	Capacity (megawatts)	Transmission Service Reservation Number
ALLETE, Inc. d/b/a Minnesota Power	January 1, 2015	100.0	76693473
ALLETE, Inc. d/b/a Minnesota Power	January 1, 2016	100.0	76693476
ALLETE, Inc. d/b/a Minnesota Power	January 1, 2015	300.0	76693463

APPENDIX E
APPLICATIONS INCLUDED IN HVDC INTERCONNECTION QUEUE AS OF
EFFECTIVE DATE

Date	Requesting Entity	Requested In-Service Date	Size (MW)	Designation Reference
October 8, 2007	ALLETE, Inc. d/b/a Minnesota Power (Bison 1)	December 31, 2010	75.9 MW	GS-660
December 4, 2007	NextEra Energy Resources, LLC (Oliver County 3)	December 31, 2009	48 MW	GS-661
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 2)	January 1, 2012	101.2 MW	GS-662
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 3)	January 1, 2013	101.2 MW	GS-663
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 4)	January 1, 2014	101.2 MW	GS-664
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 5)	January 1, 2015	101.2 MW	GS-665
February 28, 2008	ALLETE, Inc. d/b/a Minnesota Power (Bison 6)	January 1, 2016	101.2 MW	GS-666
May 13, 2008	ALLETE, Inc. d/b/a Minnesota Power (Minnesota Power Wind 1)	January 1, 2013	200.1 MW	GS-667
June 6, 2008	ALLETE, Inc. d/b/a Minnesota Power (Minnesota Power Wind 2)	January 1, 2015	301.3 MW	GS-668
June 30, 2008	NextEra Energy Resources, LLC (Oliver County 4)	December 31, 2010	500 MW	GS-669
June 2, 2009	NextEra Energy Resources, LLC (Oliver County 7)	December 31, 2011	1000 MW	GS-670

APPENDIX F
HVDC LOSSES TABLE



HVDC Loss Calculation Table

Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses	Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses	Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses	Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses	Line Flow (MW)	DC Losses (MW)	Incremental Losses	Percentage of Losses
10	5.0	5.000	50.00%	110	6.7	0.293	2.93%	210	11.2	0.577	5.77%	310	18.5	0.860	8.80%	410	28.6	1.144	11.44%
20	5.0	0.037	0.37%	120	7.0	0.321	3.21%	220	11.8	0.605	6.05%	320	19.4	0.889	8.89%	420	29.8	1.172	11.72%
30	5.1	0.066	0.66%	130	7.3	0.350	3.50%	230	12.4	0.633	6.33%	330	20.3	0.917	9.17%	430	31.0	1.201	12.01%
40	5.2	0.094	0.94%	140	7.7	0.378	3.78%	240	13.1	0.682	6.82%	340	21.2	0.945	9.45%	440	32.2	1.229	12.29%
50	5.3	0.123	1.23%	150	8.1	0.408	4.08%	250	13.7	0.690	6.90%	350	22.2	0.974	9.74%	450	33.5	1.258	12.58%
	5.1		10.64%		7.4		3.50%		12.4		6.33%		20.3		9.17%		31.0		12.01%
60	5.5	0.151	1.51%	160	8.6	0.435	4.35%	260	14.5	0.718	7.18%	360	23.2	1.002	10.02%	460	34.8	1.288	12.88%
70	5.7	0.179	1.78%	170	9.0	0.463	4.63%	270	15.2	0.747	7.47%	370	24.2	1.031	10.31%	470	36.1	1.314	13.14%
80	5.9	0.208	2.08%	180	9.5	0.491	4.91%	280	16.0	0.776	7.75%	380	25.3	1.059	10.59%	480	37.4	1.343	13.43%
90	6.1	0.236	2.36%	190	10.0	0.520	5.20%	290	16.8	0.804	8.04%	390	26.4	1.087	10.87%	490	38.8	1.371	13.71%
100	6.4	0.264	2.64%	200	10.6	0.548	5.48%	300	17.6	0.832	8.32%	400	27.5	1.116	11.16%	500	40.2	1.399	13.99%
	5.9		2.08%		9.5		4.91%		16.0		7.75%		25.3		10.59%		37.5		13.43%

ALLETE HVDC Losses

A. Average losses shall be charged for firm transmission service taken over ALLETE's HVDC Facilities. ~~Pursuant to Section 3.3.4 of the Agency Agreement, i~~ Incremental losses shall be charged for ~~both firm and~~ non-firm transmission service taken over ALLETE's HVDC Facilities. When calculating incremental losses for non-firm transmission service, ~~the~~ incremental order of transactions will be determined by the date of the reservation and schedules will be "stacked" in accordance with such incremental order and applied to the matrix below. 0% losses will be allocated for deliveries to the Square Butte Substation.

Line Flow (MW)	Scheduled Power	DC Losses Percentage
0-50	0-45	10.64%
51-100	46-94	2.08%
101-150	95-142	3.50%
151-200	143-189	4.91%
201-250	190-236	6.33%
251-300	237-282	7.75%
301-350	283-328	9.17%
351-400	329-373	10.59%
401-450	374-416	12.01%
451-500	417-460	13.43%

B. For transmission reservation purposes, average losses shall be used, and shall be 8% for deliveries at the Arrowhead Substation and 0% for deliveries at the Square Butte Substation.

TAB C

- 1.634 Supplemental Reserve Offer:** The price at which a Demand Response Resource-Type I or an External Asynchronous Resource that is a Supplemental Reserve Qualified Resource has agreed to sell Supplemental Reserve in dollars per MW.
- 1.635 Synchronous Condensator Unit (SCU):** A facility that can be synchronized to the Transmission Provider's Transmission System without producing Energy.
- 1.636 System Condition:** A specified condition on the Transmission System or on a neighboring transmission system, such as a constrained transmission element or flowgate, that may trigger Curtailment of Long-Term Firm Point-To-Point Transmission Service or Long-Term Firm HVDC Service using the curtailment priority pursuant to Section 13.6 or 27A.1.5 of this Tariff, respectively. Such conditions must be identified in the Transmission Customer's Service Agreement or HVDC Service Agreement.

27A.1.3 Firm HVDC Service Agreements:

The Transmission Provider shall offer a standard form Firm HVDC Service Agreement to an Eligible Customer when it submits a Completed Application for Long-Term HVDC Service pursuant to this Tariff. The Transmission Provider shall offer a standard form Firm HVDC Service Agreement to an Eligible Customer when it first submits a Completed Application for Short-Term Firm HVDC Service pursuant to this Tariff. Executed HVDC Service Agreements that contain the information required under this Tariff will be reported and/or filed by the Transmission Provider with the Commission in compliance with applicable Commission regulations. The standard form of Service Agreements for Firm HVDC Service is provided in Attachment A-3 of the Tariff. An Eligible Customer that uses HVDC Service at a Point of Receipt or Point of Delivery that it has not reserved and that has not executed a HVDC Service Agreement will be deemed, for purposes of assessing any appropriate charges and penalties, to have executed the appropriate Service Agreement. The HVDC Service Agreement shall, when applicable, specify any conditional curtailment options selected by the Transmission Customer. Where the HVDC Service Agreement contains conditional curtailment options and is subject to a biennial reassessment as described in Section 27A.3.4, the Transmission Provider shall provide the Transmission Customer notice of any changes to the curtailment conditions no less than 90 days prior to the date for imposition

of new curtailment conditions. Concurrent with such notice, the Transmission Provider shall provide the Transmission Customer with the reassessment study and a narrative description of the study, including the reasons for changes to the number of hours per year or System Conditions under which conditional curtailment may occur.

If offered pursuant to an Agency Agreement, a Service Agreement shall be executed by the Transmission Provider as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Transmission Provider under such a Service Agreement revert to the relevant Transmission Owner and the Transmission Provider be released from all obligations and responsibilities under such Service Agreement.

27A.1.4 Transmission Customer Obligations for Facility Additions or Redispatch Costs

In cases where the Transmission Provider determines that the HVDC Facilities are not capable of providing Firm HVDC Service without: (1) degrading or impairing the reliability of service to Transmission Customers taking Firm HVDC Service; or (2) interfering with the Transmission Provider's ability to meet prior firm contractual commitments to others, the relevant Transmission Owner(s) will be obligated to expand or upgrade its (their) HVDC Facilities pursuant to the terms of Section 27A.3.4 of this Tariff.

27A.1.5 Curtailment of Firm HVDC Service

In the event that a Curtailment on the HVDC Facilities, or a portion thereof, is required to maintain reliable operation of such system, and the systems directly and indirectly interconnected with the HVDC Facilities, Curtailments will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint. The Transmission Provider may elect to implement such Curtailments pursuant to the Transmission Loading Relief Procedures specified in Attachment Q of this Tariff. If multiple transactions require Curtailment, to the extent practicable and consistent with Good Utility Practice, the Transmission Provider will curtail service on a non-discriminatory basis.

All Curtailments will be made on a non-discriminatory basis; however, Non-Firm HVDC Service shall be subordinate to Firm HVDC Service. Long-Term Firm HVDC Service subject to conditions described in Section 27A.3.4 shall be curtailed with secondary service in cases where the conditions apply, but otherwise will be curtailed on a pro rata basis with other Firm HVDC Service.

27A.2.6 Curtailment or Interruption of Non-Firm HVDC Service:

The Transmission Provider reserves the right to curtail, in whole or in part, Non-Firm HVDC Service provided under this Tariff for reliability reasons when, an Emergency or other unforeseen condition threatens to impair or degrade the reliability of the HVDC Facilities or the systems directly and indirectly interconnected with the HVDC Facilities. The Transmission Provider may elect to implement such Curtailments pursuant to the Transmission Loading Relief Procedures specified in Attachment Q. The Transmission Provider reserves the right to interrupt, in whole or in part, Non-Firm HVDC Service provided under this Tariff for economic reasons in order to accommodate (i) a request for Firm HVDC Service; (ii) a request for Non-Firm HVDC Service of greater duration; (iii) a request for Non-Firm HVDC Service of equal duration with a higher price; or (iv) transmission service for Firm HVDC Service during conditional curtailment periods as described in Section 27A.3.4.

The Transmission Provider also will discontinue or reduce service to the Transmission Customer to the extent that deliveries for transmission are discontinued or reduced at the Point(s) of Receipt.

**27A.3.4 Obligation to Provide HVDC Service that Requires
Expansion or Modification of the HVDC Facilities or
Redispatch, or Conditional Curtailment:**

- a. If the Transmission Provider determines that it cannot accommodate a Completed Application for Firm HVDC Service because of insufficient capability on the HVDC Facilities, the Transmission Provider and the affected Transmission Owner(s) will use due diligence to expand or modify the HVDC Facilities to provide the requested Firm HVDC Service, consistent with its planning obligations in Attachment FF of this Tariff, provided the Transmission Customer agrees to compensate the Transmission Provider and Transmission Owner(s) for such costs pursuant to the terms of Section 27A.14 of this Tariff. The Transmission Provider and the affected Transmission Owner(s) will conform to Good Utility Practice and its planning obligations in Attachment FF of this Tariff, in determining the need for new facilities and in the design and construction of such facilities. The obligation applies only to those facilities that the affected Transmission Owner(s) have the right to expand or modify.

- b. If the Transmission Provider determines that it cannot accommodate a Completed Application for Long-Term Firm HVDC Service because of insufficient capability on the HVDC Facilities, the Transmission Provider will offer the Firm HVDC

Service with the condition that the Transmission Provider may curtail the service prior to the curtailment of other Firm HVDC Service for a specified number of hours per year or during System Condition(s). If the Transmission Customer accepts the service, the Transmission Provider will use due diligence to provide the service until (i) HVDC Facility Upgrade are completed for the Transmission Customer, (ii) the Transmission Provider determines through a biennial reassessment that it can no longer reliably provide such service, or (iii) the Transmission Customer terminates the service because the reassessment increased the number of hours per year of conditional curtailment or changed the System Conditions.

27A.7 Additional Study Procedures For Firm HVDC Service Requests

27A.7.1 Notice of Need for System Impact Study:

After receiving a request for HVDC Service, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is needed. A description of the Transmission Provider's methodology for completing a System Impact Study is provided in Attachment D. If the Transmission Provider determines that a System Impact Study is necessary to accommodate the requested service, the Transmission Provider shall so inform the Eligible Customer within the times specified in Attachment J. Once informed, the Eligible Customer shall timely notify the Transmission Provider if it elects to have the Transmission Provider study conditional curtailment as part of the System Impact Study. If notification is provided prior to tender of the System Impact Study Agreement, the Eligible Customer can avoid the costs associated with the study of these options. The Transmission Provider shall within thirty (30) days of receipt of a Completed Application, tender a System Impact Study Agreement in the form of Attachment D-1 of this Tariff, pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider for performing the required System Impact Study including any costs of the Transmission Owner. For a service request to remain a Completed Application, the Eligible Customer shall execute the System Impact Study Agreement and return it to the

Transmission Provider within the time provided for in Attachment J. If the Eligible Customer elects not to execute the System Impact Study Agreement, its application shall be deemed withdrawn and any deposit shall be returned with interest.

27A.7.3 System Impact Study Procedures:

Upon receipt of an executed System Impact Study Agreement in the form of Attachment D-1 of this Tariff, the Transmission Provider will use due diligence to complete the required System Impact Study in coordination with the relevant Transmission Owners within sixty (60) days or as soon as practicable. If the request for service is such that the Transmission Provider determines, before the start of the study, that the only way to accommodate the request is to build new HVDC facilities, then the Transmission Provider will use due diligence to complete the required System Impact Study in coordination with the relevant Transmission Owners within two hundred seventy (270) days or as soon as practicable. The System Impact Study shall identify (1) any system constraints, identified with specificity by transmission element or flowgate, (2) redispatch options (when requested by the Eligible Customer), (3) conditional curtailment options (when requested by an Eligible Customer) including the number of hours per year and the System Conditions during which conditional curtailment may occur, and (4) additional Direct Assignment Facilities or Network Upgrades required to provide the requested service.

27A.13 Compensation for HVDC Service:

Rates for Firm and Non-Firm HVDC Service are provided in the Schedules appended to this Tariff: Firm Point-To-Point Transmission Service (Schedule 7); and Non-Firm Point-To-Point Transmission Service (Schedule 8). In addition to paying any applicable Ancillary Service costs, the Transmission Customer also shall pay applicable charges under Schedule 35.

27A.14 Stranded Cost Recovery:

The Transmission Provider may seek to recover stranded costs from the Transmission Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Provider must separately file any specific proposed stranded cost charge under Section 205 of the Federal Power Act.

27A.15 Compensation for New Facilities and Redispatch Costs:

Whenever a System Impact Study performed by the Transmission Provider in connection with the provision of Firm HVDC Service identifies the need for new facilities, the costs of such facilities shall be recovered from the Transmission Customer, as provided in the appropriate section of Attachment FF.

27A.16 Availability of Conditional Firm Service:

Conditional firm service provided pursuant to this Section 27A with respect to any HVDC facility shall not become effective until long-term firm transmission capacity becomes available on that HVDC facility.

- 6.0 The Tariff and any applicable Transaction Specification Sheet are incorporated herein and made a part hereof.
- 7.0 If the HVDC Service subject to this Service Agreement is being offered under an Agency Agreement, then the Midwest ISO is executing this Service Agreement as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Midwest ISO under this Service Agreement be provided by the relevant Transmission Owner, and the Midwest ISO be released from any obligations and responsibilities under this Service Agreement upon such reversion to the Transmission Owner.

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

Midwest ISO

Transmission Customer

By: _____
Name: _____
Title: _____
Date: _____
As Agent
for (if applicable): _____

By: _____

7.0 If the HVDC Service subject to this Service Agreement is being offered under an Agency Agreement, then the Midwest ISO is executing this Service Agreement as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Midwest ISO under this Service Agreement be provided by the relevant Transmission Owner, and the Midwest ISO be released from any obligations and responsibilities under this Service Agreement upon such reversion to the Transmission Owner.

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

Midwest ISO
By: _____
Name: _____
Title: _____
Date: _____
As Agent
for (if applicable): _____

Transmission Customer
By: _____

- 6.0 The Tariff is incorporated herein and made a part hereof.
- 7.0 If the HVDC Service subject to this Service Agreement is being offered under an Agency Agreement, then the Midwest ISO is executing this Service Agreement as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Transmission Provider under this Service Agreement be provided by the relevant Transmission Owner, and the Midwest ISO be released from any obligations and responsibilities under this Service Agreement upon such reversion to the Transmission Owner.

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

Transmission Provider (As agent for _____ (if applicable)):

By: _____
Name Title Date

Assignee:

By: _____
Name Title Date

ATTACHMENT B-1
Form Of Service Agreement For Non-Firm HVDC Service

- 1.0 This Service Agreement, dated as of _____, is entered into, by and between the Midwest ISO and _____ (Transmission Customer).
- 2.0 The Transmission Customer has been determined by the Midwest ISO to be a Transmission Customer under the Non-Firm HVDC Service Provisions of the Tariff and has filed a Completed Application for Non-Firm HVDC Service in accordance with Section 27A of the Tariff.
- 3.0 Service under this Agreement shall be provided by the Midwest ISO upon request by an authorized representative of the Transmission Customer.
- 4.0 The Transmission Customer agrees to supply information the Midwest ISO deems reasonably necessary in accordance with Good Utility Practice in order to provide the requested service and agrees to take and pay for the requested service in accordance with the provisions of the Tariff and this Service Agreement.
- 5.0 Service under this Service Agreement shall commence on the later of: (1) the requested service commencement date, or (2) such other date as it is permitted to become effective by the Commission. Service under this Service Agreement shall terminate on such date as mutually agreed upon by the Parties.
- 6.0 Any Wholesale Distribution Service necessary to effectuate a specific transaction under this Service Agreement shall be in accordance with Exhibit WDS.
- 7.0 If the HVDC Service subject to this Service Agreement is being offered under an Agency Agreement, then the Midwest ISO is executing this Service Agreement as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Midwest ISO under this Service Agreement be provided by the relevant Transmission Owner, and the Midwest ISO be released from any obligations and responsibilities under this Service Agreement upon such reversion to the Transmission Owner.
- 8.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

	<u>Midwest ISO</u>	<u>Transmission Customer</u>
Title:	Contract Administrator	_____
Address:	701 City Center Drive	_____
	Carmel, IN 46032	_____

14.4.1.3 If so, and minor modifications to the Transmission System are required to allow the Small Generating Facility to be interconnected consistent with safety, reliability, and power quality standards under the Fast Track Process, the Transmission Provider shall forward an executable interconnection agreement to the Interconnection Customer within ten (10) Business Days that requires the Interconnection Customer to pay the costs of such system modifications prior to interconnection.

14.4.1.4 If not, the Interconnection Request will continue to be evaluated under the Attachment X Generator Interconnection Procedures.

SECTION 15. PROVISIONS FOR CONNECTION TO HVDC FACILITIES SUBJECT TO SECTION 27A OF THE TARIFF.

Interconnection Requests to HVDC Facilities that are subject to Section 27A of the Tariff shall follow the same process as detailed in Sections 2 through 13 of the GIP, except as specified in this Section 15.

15.1 Availability of ER Interconnection Service and NR Interconnection Service for HVDC Facilities subject to Section 27A of this Tariff.

ER Interconnection Service and NR Interconnection Service are both available for HVDC Facilities subject to Section 27A of this Tariff. In the case where the Interconnection Customer identified a point-to-point transmission service request under Section 27A of this Tariff, NR Interconnection Service will qualify the Generating Facility to be designated as a Network Resource so long as (and to the extent that) HVDC Service is confirmed across the HVDC Facilities. NR Interconnection Service will be limited to the confirmed megawatts in the transmission service request. When applicable, the HVDC Service requirement will be listed in Appendix A of the GIA, and such listing will be added during the negotiation phase of the document, as set forth in Section 11.2 of the GIP.

(1) **Zonal Rates:**^{1/} The Transmission Customer shall pay the zonal rate (per KW of reserved capacity) based upon the zone where the load is located for (1) Firm Point-To-Point Transmission Service where the generation source is outside the Transmission System Region and the load is located within the Transmission System Region and (2) Firm Point-To-Point Transmission Service where both the generation source and the load are located within the Transmission System Region. Further, Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall pay rates differentiated by voltage service. Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall pay the 138 kV and above transmission service rate. Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall also pay the below 138 kV transmission service rate for its load that is served or deemed to be served by transmission facilities below 138 kV as determined in accordance with Sections 34.1, and 34.2.

^{1/} After the Transition Period, the zonal rate structure may be revised in accordance with Appendix C, Section II, Paragraph A.1 of the ISO Agreement pursuant to a filing made by the ISO and Transmission Owners.

The zonal rates shall be calculated in accordance with Attachment O, p. 2 of 2, lines 2-16, except as otherwise provided for by the Transmission Owner or provided for in an applicable Attachment O of such ITC. The zonal rates shall be adjusted by the Transmission Provider to reflect those charges collected under Schedule 26 of this Tariff.

An additional ITC zone may be added only if consistent with the requirements of Appendix C, Section II, Paragraph A.1 of the ISO Agreement.

(1)(a) Allete, Inc. - High Voltage Direct Current (HVDC) Rates

Transmission Customers taking Firm HVDC Service shall pay the Firm HVDC Service rate (per KW of reserved capacity) for their load that is served or deemed to be served pursuant to Section 27A of the Tariff by Allete's HVDC transmission facilities as defined in the Agency Agreement for Open Access Transmission Service over Non-Transferred HVDC Facilities between Allete, Inc. d/b/a Minnesota Power and the Midwest Independent Transmission System Operator, Inc. ("Agency Agreement"). The Allete, Inc. Firm HVDC rates will be calculated in accordance with the Allete, Inc. Attachment O approved by the Commission and will be adjusted to reflect those charges collected under Schedule 26 of this Tariff. Revenue requirements and load deemed to be served by the HVDC facilities subject to the Agency Agreement will not be included in the calculation of the Single System-Wide Rates discussed below. Revenue collected under this provision shall be distributed in accordance with the Agency Agreement.

To eliminate rate pancaking, any new original request for Firm Point-to-Point Transmission Service on the Midwest ISO alternating-current (AC) system that sinks at the HVDC facility subject to the Agency Agreement will receive a \$0 rate. AC transmission service that is redirected to a sink at such HVDC facility will be subject to applicable "higher-of" pricing, as set forth in Section 22.3 of the Tariff.

(2) Single System-Wide Rates: The Transmission Customer shall pay the applicable single system-wide rate for (1) Firm Point-To-Point Transmission Service where the generation source is located within the Transmission System Region and the load is located outside of the Transmission System Region; and (2) Firm Point-To-Point Transmission Service where both the

generation source and the load are located outside of the Transmission System Region. The single system-wide rate shall be adjusted by the Transmission Provider to reflect those charges collected under Schedule 26 of this Tariff.

Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall pay the 138 kV and above transmission service rate. Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall also pay the below 138 kV transmission service rate for its load that is served or deemed to be served by transmission facilities below 138 kV as determined in accordance with Sections 34.1, and 34.2.

The zonal rates shall be calculated in accordance with Attachment O, p. 2 of 2, lines 2-16, except as otherwise provided for by the Transmission Owner or provided for in an applicable Attachment O of an ITC. The zonal rates shall be adjusted by the Transmission Provider to reflect those charges collected under Schedule 26 of this Tariff.

Additional zones may be added if a) additional Transmission Owners transfer control of their facilities to the Transmission Provider. Such additional zones may be added only if consistent with the requirements of Appendix C, Section II, Paragraph A.1 of the ISO Agreement, or b) an Independent Transmission Company (“ITC”) transfers control of their facilities to the Transmission Provider and files with the Commission a proposal to form an ITC consistent with the framework provided under Appendix I of the ISO Agreement. An additional ITC zone may be added only if consistent with the requirements of Appendix C, Section II, Paragraph A.1 of the ISO Agreement.

(1)(a) Allete, Inc. - High Voltage Direct Current (HVDC) Rates

Transmission Customers taking Non-Firm HVDC Service shall pay the Non-Firm HVDC Service rate (per KW of reserved capacity) for their load that is served or deemed to be served pursuant to Section 27A of the Tariff by Allete’s HVDC transmission facilities as defined in the Agency Agreement for Open Access Transmission Service over Non-Transferred HVDC Facilities between Allete, Inc. d/b/a Minnesota Power and the Midwest Independent Transmission System Operator, Inc. (“Agency Agreement”). The Allete, Inc. Non-Firm HVDC rates will be calculated in accordance with the Allete, Inc. Attachment O approved by the Commission and will be adjusted to reflect those charges collected under Schedule 26 of this Tariff. Revenue requirements and load deemed to be served by the HVDC facilities subject to the Agency Agreement will not be included in the calculation of the Single System-Wide Rates discussed below. Revenue collected under this provision shall be distributed in accordance with the Agency Agreement.

To eliminate rate pancaking, any new original request for Non-Firm Point-to-Point Transmission Service on the Midwest ISO alternating-current (AC) system that sinks at the HVDC facility subject to the Agency Agreement will receive a \$0 rate.

(2) Single System-Wide Rates: The Transmission Customer shall pay the applicable single system-wide rate for (1) Non-Firm Point-To-Point Transmission Service where the generation source is located within the Transmission Provider Region and the load is located outside of the Transmission Provider Region; and (2) Non-Firm Point-To-Point Transmission Service where both the generation source and the load are located outside of the Transmission Provider Region. The single system-wide rates shall be calculated in accordance with Attachment O, p. 2 of 2, lines 23-44. The single system-wide rate shall be adjusted by the Transmission Provider to reflect those charges collected under Schedule 26 of this Tariff.

TAB D

1.634 Supplemental Reserve Offer: The price at which a Demand Response Resource-Type I or an External Asynchronous Resource that is a Supplemental Reserve Qualified Resource has agreed to sell Supplemental Reserve in dollars per MW.

1.635 Synchronous Condenser Unit (SCU): A facility that can be synchronized to the Transmission Provider's Transmission System without producing Energy.

1.636 System Condition: A specified condition on the Transmission System or on a neighboring transmission system, such as a constrained transmission element or flowgate, that may trigger Curtailment of Long-Term Firm Point-To-Point Transmission Service [or Long-Term Firm HVDC Service](#) using the curtailment priority pursuant to Section 13.6 [or 27A.1.5](#) of this Tariff, [respectively](#). Such conditions must be identified in the Transmission Customer's Service Agreement [or HVDC Service Agreement](#).

27A.1.3 Firm HVDC Service Agreements:

The Transmission Provider shall offer a standard form Firm HVDC Service Agreement to an Eligible Customer when it submits a Completed Application for Long-Term HVDC Service pursuant to this Tariff. The Transmission Provider shall offer a standard form Firm HVDC Service Agreement to an Eligible Customer when it first submits a Completed Application for Short-Term Firm HVDC Service pursuant to this Tariff. Executed HVDC Service Agreements that contain the information required under this Tariff will be reported and/or filed by the Transmission Provider with the Commission in compliance with applicable Commission regulations. The standard form of Service Agreements for Firm HVDC Service is provided in Attachment A-3 of the Tariff. An Eligible Customer that uses HVDC Service at a Point of Receipt or Point of Delivery that it has not reserved and that has not executed a HVDC Service Agreement will be deemed, for purposes of assessing any appropriate charges and penalties, to have executed the appropriate Service Agreement. [The HVDC Service Agreement shall, when applicable, specify any conditional curtailment options selected by the Transmission Customer. Where the HVDC Service Agreement contains conditional curtailment options and is subject to a biennial reassessment as described in Section 27A.3.4, the Transmission Provider shall provide the Transmission Customer notice of any changes to the curtailment conditions no less than 90 days prior to the date for imposition](#)

of new curtailment conditions. Concurrent with such notice, the Transmission Provider shall provide the Transmission Customer with the reassessment study and a narrative description of the study, including the reasons for changes to the number of hours per year or System Conditions under which conditional curtailment may occur.

If offered pursuant to an Agency Agreement, a Service Agreement shall be executed by the Transmission Provider as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, [the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that](#) any HVDC Service offered by the Transmission Provider under such a Service Agreement ~~shall~~ revert to the relevant Transmission Owner and the Transmission Provider ~~shall~~ be released from all obligations and responsibilities under such Service Agreement.

27A.1.4 Transmission Customer Obligations for Facility Additions or Redispatch Costs

In cases where the Transmission Provider determines that the HVDC Facilities are not capable of providing Firm HVDC Service without: (1) degrading or impairing the reliability of service to Transmission Customers taking Firm HVDC Service; or (2) interfering with the Transmission Provider's ability to meet prior firm contractual commitments to others, the relevant Transmission Owner(s) will be obligated to expand or upgrade its (their) HVDC Facilities pursuant to the terms of Section 27A.3.4 of this Tariff.

27A.1.5 Curtailment of Firm HVDC Service

In the event that a Curtailment on the HVDC Facilities, or a portion thereof, is required to maintain reliable operation of such system, and the systems directly and indirectly interconnected with the HVDC Facilities, Curtailments will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint. The Transmission Provider may elect to implement such Curtailments pursuant to the Transmission Loading Relief Procedures specified in Attachment Q of this Tariff. If multiple transactions require Curtailment, to the extent practicable and consistent with Good Utility Practice, the Transmission Provider will curtail service on a non-discriminatory basis.

All Curtailments will be made on a non-discriminatory basis; however, Non-Firm HVDC Service shall be subordinate to Firm HVDC Service. [Long-Term Firm HVDC Service subject to conditions described in Section 27A.3.4 shall be curtailed with secondary service in cases where the conditions apply, but otherwise will be curtailed on a pro rata basis with other Firm HVDC Service.](#)

27A.2.6 Curtailment or Interruption of Non-Firm HVDC Service:

The Transmission Provider reserves the right to curtail, in whole or in part, Non-Firm HVDC Service provided under this Tariff for reliability reasons when, an Emergency or other unforeseen condition threatens to impair or degrade the reliability of the HVDC Facilities or the systems directly and indirectly interconnected with the HVDC Facilities. The Transmission Provider may elect to implement such Curtailments pursuant to the Transmission Loading Relief Procedures specified in Attachment Q. The Transmission Provider reserves the right to interrupt, in whole or in part, Non-Firm HVDC Service provided under this Tariff for economic reasons in order to accommodate (i) a request for Firm HVDC Service; (ii) a request for Non-Firm HVDC Service of greater duration; ~~or~~ (iii) a request for Non-Firm HVDC Service of equal duration with a higher price; or (iv) transmission service for Firm HVDC Service during conditional curtailment periods as described in Section 27A.3.4.

The Transmission Provider also will discontinue or reduce service to the Transmission Customer to the extent that deliveries for transmission are discontinued or reduced at the Point(s) of Receipt.

**27A.3.4 Obligation to Provide HVDC Service that Requires
Expansion or Modification of the HVDC Facilities or
Redispatch, or Conditional Curtailment:**

a. If the Transmission Provider determines that it cannot accommodate a Completed Application for Firm HVDC Service because of insufficient capability on the HVDC Facilities, the Transmission Provider and the affected Transmission Owner(s) will use due diligence to expand or modify the HVDC Facilities to provide the requested Firm HVDC Service, consistent with its planning obligations in Attachment FF of this Tariff, provided the Transmission Customer agrees to compensate the Transmission Provider and Transmission Owner(s) for such costs pursuant to the terms of Section 27A.14 of this Tariff. The Transmission Provider and the affected Transmission Owner(s) will conform to Good Utility Practice and its planning obligations in Attachment FF of this Tariff, in determining the need for new facilities and in the design and construction of such facilities. The obligation applies only to those facilities that the affected Transmission Owner(s) have the right to expand or modify.

b. If the Transmission Provider determines that it cannot accommodate a Completed Application for Long-Term Firm HVDC Service because of insufficient capability on the HVDC Facilities, the Transmission Provider will offer the Firm HVDC

Service with the condition that the Transmission Provider may curtail the service prior to the curtailment of other Firm HVDC Service for a specified number of hours per year or during System Condition(s). If the Transmission Customer accepts the service, the Transmission Provider will use due diligence to provide the service until (i) HVDC Facility Upgrade are completed for the Transmission Customer, (ii) the Transmission Provider determines through a biennial reassessment that it can no longer reliably provide such service, or (iii) the Transmission Customer terminates the service because the reassessment increased the number of hours per year of conditional curtailment or changed the System Conditions.

27A.7 Additional Study Procedures For Firm HVDC Service Requests

27A.7.1 Notice of Need for System Impact Study:

After receiving a request for HVDC Service, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is needed. [A description of the Transmission Provider's methodology for completing a System Impact Study is provided in Attachment D.](#) If the Transmission Provider determines that a System Impact Study is necessary to accommodate the requested service, the Transmission Provider shall so inform the Eligible Customer within the times specified in Attachment J. [Once informed, the Eligible Customer shall timely notify the Transmission Provider if it elects to have the Transmission Provider study conditional curtailment as part of the System Impact Study. If notification is provided prior to tender of the System Impact Study Agreement, the Eligible Customer can avoid the costs associated with the study of these options.](#) The Transmission Provider shall within thirty (30) days of receipt of a Completed Application, tender a System Impact Study Agreement in the form of Attachment D-1 of this Tariff, pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider for performing the required System Impact Study including any costs of the Transmission Owner. For a service request to remain a Completed Application, the Eligible Customer shall execute the System Impact Study Agreement and return it to the

Transmission Provider within the time provided for in Attachment J. If the Eligible Customer elects not to execute the System Impact Study Agreement, its application shall be deemed withdrawn and any deposit shall be returned with interest.

27A.7.3 System Impact Study Procedures:

Upon receipt of an executed System Impact Study Agreement in the form of Attachment D-1 of this Tariff, the Transmission Provider will use due diligence to complete the required System Impact Study in coordination with the relevant Transmission Owners within sixty (60) days or as soon as practicable. If the request for service is such that the Transmission Provider determines, before the start of the study, that the only way to accommodate the request is to build new HVDC facilities, then the Transmission Provider will use due diligence to complete the required System Impact Study in coordination with the relevant Transmission Owners within two hundred seventy (270) days or as soon as practicable. The System Impact Study shall identify (1) any system constraints, identified with specificity by transmission element or flowgate, (2) redispatch options (when requested by the Eligible Customer), (3) conditional curtailment options (when requested by an Eligible Customer) including the number of hours per year and the System Conditions during which conditional curtailment may occur, and ~~(34)~~ additional Direct Assignment Facilities or Network Upgrades required to provide the requested service.

27A.13 Compensation for HVDC Service:

Rates for Firm and Non-Firm HVDC Service are provided in the Schedules appended to this Tariff: Firm Point-To-Point Transmission Service (Schedule 7); and Non-Firm Point-To-Point Transmission Service (Schedule 8). In addition to paying any applicable Ancillary Service costs, the Transmission Customer also shall pay applicable charges under Schedule 35.

27A.14 Stranded Cost Recovery:

The Transmission Provider may seek to recover stranded costs from the Transmission Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Provider must separately file any specific proposed stranded cost charge under Section 205 of the Federal Power Act.

27A.15 Compensation for New Facilities and Redispatch Costs:

Whenever a System Impact Study performed by the Transmission Provider in connection with the provision of Firm HVDC Service identifies the need for new facilities, the costs of such facilities shall be recovered from the Transmission Customer, as provided in the appropriate section of Attachment FF.

27A.16 Availability of Conditional Firm Service:

Conditional firm service provided pursuant to this Section 27A with respect to any HVDC facility shall not become effective until long-term firm transmission capacity becomes available on that HVDC facility.

- 6.0 The Tariff and any applicable Transaction Specification Sheet are incorporated herein and made a part hereof.
- 7.0 If the HVDC Service subject to this Service Agreement is being offered under an Agency Agreement, then the Midwest ISO is executing this Service Agreement as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Midwest ISO under this Service Agreement ~~will~~ be provided by the relevant Transmission Owner, and the Midwest ISO ~~shall~~ be released from any obligations and responsibilities under this Service Agreement upon such reversion to the Transmission Owner.

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

Midwest ISO

Transmission Customer

By: _____
Name: _____
Title: _____
Date: _____
As Agent
for (if applicable): _____

By: _____

7.0 If the HVDC Service subject to this Service Agreement is being offered under an Agency Agreement, then the Midwest ISO is executing this Service Agreement as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Midwest ISO under this Service Agreement ~~will~~ be provided by the relevant Transmission Owner, and the Midwest ISO ~~shall~~ be released from any obligations and responsibilities under this Service Agreement upon such reversion to the Transmission Owner.

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

Midwest ISO
By: _____
Name: _____
Title: _____
Date: _____
As Agent
for (if applicable): _____

Transmission Customer
By: _____

- 6.0 The Tariff is incorporated herein and made a part hereof.
- 7.0 If the HVDC Service subject to this Service Agreement is being offered under an Agency Agreement, then the Midwest ISO is executing this Service Agreement as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Transmission Provider under this Service Agreement ~~will~~ be provided by the relevant Transmission Owner, and the Midwest ISO ~~shall~~ be released from any obligations and responsibilities under this Service Agreement upon such reversion to the Transmission Owner.

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

Transmission Provider (As agent for _____ (if applicable)):

By: _____
Name Title Date

Assignee:

By: _____
Name Title Date

ATTACHMENT B-1
Form Of Service Agreement For Non-Firm HVDC Service

- 1.0 This Service Agreement, dated as of _____, is entered into, by and between the Midwest ISO and _____ (Transmission Customer).
- 2.0 The Transmission Customer has been determined by the Midwest ISO to be a Transmission Customer under the Non-Firm HVDC Service Provisions of the Tariff and has filed a Completed Application for Non-Firm HVDC Service in accordance with Section 27A of the Tariff.
- 3.0 Service under this Agreement shall be provided by the Midwest ISO upon request by an authorized representative of the Transmission Customer.
- 4.0 The Transmission Customer agrees to supply information the Midwest ISO deems reasonably necessary in accordance with Good Utility Practice in order to provide the requested service and agrees to take and pay for the requested service in accordance with the provisions of the Tariff and this Service Agreement.
- 5.0 Service under this Service Agreement shall commence on the later of: (1) the requested service commencement date, or (2) such other date as it is permitted to become effective by the Commission. Service under this Service Agreement shall terminate on such date as mutually agreed upon by the Parties.
- 6.0 Any Wholesale Distribution Service necessary to effectuate a specific transaction under this Service Agreement shall be in accordance with Exhibit WDS.
- 7.0 If the HVDC Service subject to this Service Agreement is being offered under an Agency Agreement, then the Midwest ISO is executing this Service Agreement as agent for the relevant Transmission Owner. In the event that the relevant Agency Agreement _____terminates, the Transmission Provider will make a filing under section 205 of the Federal Power Act requesting that any HVDC Service offered by the Midwest ISO under this Service Agreement ~~will~~ be provided by the relevant Transmission Owner, and the Midwest ISO ~~shall~~ be released from any obligations and responsibilities under this Service Agreement upon such reversion to the Transmission Owner.
- 8.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

	<u>Midwest ISO</u>	<u>Transmission Customer</u>
Title:	Contract Administrator	_____
Address:	701 City Center Drive	_____
	Carmel, IN 46032	_____

14.4.1.3 If so, and minor modifications to the Transmission System are required to allow the Small Generating Facility to be interconnected consistent with safety, reliability, and power quality standards under the Fast Track Process, the Transmission Provider shall forward an executable interconnection agreement to the Interconnection Customer within ten (10) Business Days that requires the Interconnection Customer to pay the costs of such system modifications prior to interconnection.

14.4.1.4 If not, the Interconnection Request will continue to be evaluated under the Attachment X Generator Interconnection Procedures.

SECTION 15. PROVISIONS FOR CONNECTION TO HVDC FACILITIES SUBJECT TO SECTION 27A OF THE TARIFF.

Interconnection Requests to HVDC Facilities that are subject to Section 27A of the Tariff shall follow the same process as detailed in Sections 2 through 13 of the GIP, except as specified in this Section 15.

~~**15.1—Interconnection Feasibility Study and Interconnection System Impact Study**~~

~~Base Cases in the Interconnection Feasibility Study and Interconnection System Impact Study will include the modeling of the output of the proposed Generating Facility across the HVDC Facilities only if (and to the extent that) long-term firm HVDC Service is pending or confirmed on the Transmission Provider's OASIS.~~

15.21 Availability of ER Interconnection Service and NR Interconnection Service for HVDC Facilities subject to Section 27A of this Tariff.

ER Interconnection Service and NR Interconnection Service are both available for HVDC Facilities subject to Section 27A of this Tariff. In the case where the Interconnection Customer identified a point-to-point transmission service request under Section 27A of this Tariff, NR Interconnection Service will qualify the Generating Facility to be designated as a Network Resource so long as (and to the extent that) HVDC Service is confirmed across the HVDC Facilities. NR Interconnection Service will be limited to the confirmed megawatts in the transmission service request. When applicable, the HVDC Service requirement will be listed in Appendix A of the GIA, and such listing will be added during the negotiation phase of the document, as set forth in Section 11.2 of the GIP.

(1) **Zonal Rates:**^{1/} The Transmission Customer shall pay the zonal rate (per KW of reserved capacity) based upon the zone where the load is located for (1) Firm Point-To-Point Transmission Service where the generation source is outside the Transmission System Region and the load is located within the Transmission System Region and (2) Firm Point-To-Point Transmission Service where both the generation source and the load are located within the Transmission System Region. Further, Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall pay rates differentiated by voltage service. Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall pay the 138 kV and above transmission service rate. Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall also pay the below 138 kV transmission service rate for its load that is served or deemed to be served by transmission facilities below 138 kV as determined in accordance with Sections 34.1, and 34.2. ~~In addition, Transmission Customers in Minnesota Power Zone 14 shall pay rates differentiated by transmission service (alternating current service (AC) or HVDC Service). Transmission Customers with load in Minnesota Power Zone 14 taking Firm Point to Point AC service shall pay the AC Firm Point to Point Transmission Service rate for their load that is served or deemed to be served by AC transmission facilities pursuant to Sections 13-27.~~

^{1/} After the Transition Period, the zonal rate structure may be revised in accordance with Appendix C, Section II, Paragraph A.1 of the ISO Agreement pursuant to a filing made by the ISO and Transmission Owners.

~~Transmission Customers taking Firm HVDC Service shall pay the Firm HVDC Service rate for their load that is served or deemed to be served by HVDC transmission facilities (as defined in the Agency Agreement for Open Access Transmission Service over Non-Transferred HVDC Facilities between Allete, Inc. d/b/a Minnesota Power and the Midwest Independent Transmission System Operator, Inc.) pursuant to Section 27A.~~ The zonal rates shall be calculated in accordance with Attachment O, p. 2 of 2, lines 2-16, except as otherwise provided for by the Transmission Owner or provided for in an applicable Attachment O of such ITC. The zonal rates shall be adjusted by the Transmission Provider to reflect those charges collected under Schedule 26 of this Tariff.

An additional ITC zone may be added only if consistent with the requirements of Appendix C, Section II, Paragraph A.1 of the ISO Agreement.

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To eliminate rate pancaking, any new original request for Firm Point-to-Point Transmission Service on the Midwest ISO alternating-current (AC) system that sinks at the HVDC facility subject to the Agency Agreement will receive a \$0 rate. AC transmission service that is redirected to a sink at such HVDC facility will be subject to applicable "higher-of" pricing, as set forth in Section 22.3 of the Tariff.

(2) Single System-Wide Rates: The Transmission Customer shall pay the applicable single system-wide rate for (1) Firm Point-To-Point Transmission Service where the generation source is located within the Transmission System Region and the load is located outside of the

Transmission System Region; and (2) Firm Point-To-Point Transmission Service where both the

generation source and the load are located outside of the Transmission System Region. The single system-wide rate shall be adjusted by the Transmission Provider to reflect those charges collected under Schedule 26 of this Tariff.

Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall pay the 138 kV and above transmission service rate. Transmission Customers with load in American Transmission Systems, Incorporated Zone 4 shall also pay the below 138 kV transmission service rate for its load that is served or deemed to be served by transmission facilities below 138 kV as determined in accordance with Sections 34.1, and 34.2. ~~In addition, Transmission Customers in Minnesota Power Zone 14 shall pay rates differentiated by transmission service (alternating current service (AC) or HVDC Service). Transmission Customers with load in Minnesota Power Zone 14 taking Non-Firm Point-to-Point AC service shall pay the AC Non-Firm Point-to-Point Transmission Service rate for their load that is served or deemed to be served by AC transmission facilities pursuant to Sections 13-27. Transmission Customers taking Non-Firm HVDC Service shall pay the Non-Firm HVDC Service rate for their load that is served or deemed to be served by DC transmission facilities (as defined in the Agency Agreement for Open Access Transmission Service over Non-Transferred HVDC Facilities between Allete, Inc., d/b/a Minnesota Power and the Midwest Independent Transmission System Operator, Inc.) pursuant to Section 27A.~~

The zonal rates shall be calculated in accordance with Attachment O, p. 2 of 2, lines 2-16, except as otherwise provided for by the Transmission Owner or provided for in an applicable Attachment O of an ITC. The zonal rates shall be adjusted by the Transmission Provider to reflect those charges collected under Schedule 26 of this Tariff.

Additional zones may be added if a) additional Transmission Owners transfer control of their facilities to the Transmission Provider. Such additional zones may be added only if consistent with the requirements of Appendix C, Section II, Paragraph A.1 of the ISO Agreement, or b) an Independent Transmission Company (“ITC”) transfers control of their facilities to the Transmission Provider and files with the Commission a proposal to form an ITC consistent with the framework provided under Appendix I of the ISO Agreement. An additional ITC zone may be added only if consistent with the requirements of Appendix C, Section II, Paragraph A.1 of the ISO Agreement.

(1)(a) Allete, Inc. - High Voltage Direct Current (HVDC) Rates

Transmission Customers taking Non-Firm HVDC Service shall pay the Non-Firm HVDC Service rate (per KW of reserved capacity) for their load that is served or deemed to be served pursuant to Section 27A of the Tariff by Allete’s HVDC transmission facilities as defined in the Agency Agreement for Open Access Transmission Service over Non-Transferred HVDC Facilities between Allete, Inc. d/b/a Minnesota Power and the Midwest Independent Transmission System Operator, Inc. (“Agency Agreement”). The Allete, Inc. Non-Firm HVDC rates will be calculated in accordance with the Allete, Inc. Attachment O approved by the Commission and will be adjusted to reflect those charges collected under Schedule 26 of this Tariff. Revenue requirements and load deemed to be served by the HVDC facilities subject to the Agency Agreement will not be included in the calculation of the Single System-Wide Rates discussed below. Revenue collected under this provision shall be distributed in accordance with the Agency Agreement.

To eliminate rate pancaking, any new original request for Non-Firm Point-to-Point Transmission Service on the Midwest ISO alternating-current (AC) system that sinks at the HVDC facility subject to the Agency Agreement will receive a \$0 rate.

(2) Single System-Wide Rates: The Transmission Customer shall pay the applicable single system-wide rate for (1) Non-Firm Point-To-Point Transmission Service where the generation source is located within the Transmission Provider Region and the load is located outside of the Transmission Provider Region; and (2) Non-Firm Point-To-Point Transmission Service where both the generation source and the load are located outside of the Transmission Provider Region. The single system-wide rates shall be calculated in accordance with Attachment O, p. 2 of 2, lines 23-44. The single system-wide rate shall be adjusted by the Transmission Provider to reflect those charges collected under Schedule 26 of this Tariff.

TAB E

Minnesota Power
 Depreciation Rates-Transmission
 As filed with MISO Attachment O DC Tariff
 As found on page 337 (column e) of the 2008 FERC Form 1

Plant Account	Applied Depreciation Rate
Intangible Plant	3
303	3.33%
303	20.00%
353	2.86%
Transmission Plant	1
352	2.20%
353	2.69%
353	2.08%
354	1.60%
355	2.41%
356	2.61%
356	1.48%
359	1.72%
General Plant	2
390	3.45%
391	4.50%
391	13.57%
391	19.00%
392	4.00%
392	14.29%
392	12.50%
392	10.00%
392	7.69%
393	5.00%
394	4.75%
395	5.00%
396	6.67%
397	6.67%
397	5.00%
397	10.00%
397	8.33%
397	10.00%
397	4.00%
398	6.00%

Note 1: Depreciation rates for Transmission Plant assets have been approved by Minnesota Public Utilities Commission (MPUC) in Docket No. E-015/D-08-422 by order dated 02/20/09.

Note 2: Depreciation rates for General Plant assets have been approved by Minnesota Public Utilities Commission (MPUC) in Docket No. E-015/D-07-432 by order dated 06/25/07.

Note 3: Relicensing of five (5) FERC hydro projects is being amortized over the life of the license (typical 30 year Amortization of computer software is over a 5 year period.
 Cost of facilities at Ontario Hydro is being amortized over 35 years.

TAB F

Transition Plan For Square Butte Electric Cooperative Transmission and Interconnection Service Request Queue

Version 1.0

December 4, 2009

1. Overview

Square Butte Electric Cooperative (“Square Butte”) currently owns a 465-mile \pm 250 kV HVDC transmission line running from Center, North Dakota to ALLETE, Inc. d/b/a Minnesota Power’s (“ALLETE”) Arrowhead Substation near Duluth, Minnesota (“Arrowhead Substation”), as well as related facilities in Square Butte’s 230 kV Substation near Center, North Dakota and ALLETE’s Arrowhead Substation (“HVDC Facilities”). Square Butte maintains queues for both transmission service requests and generator interconnection requests (“Service Request Queues”) for services over the HVDC Facilities. ALLETE is purchasing the HVDC Facilities, including the Service Request Queues, with an anticipated closing date of December 31, 2009 (“Closing Date”). Once the HVDC Facilities are purchased by ALLETE, ALLETE is delegating certain authority to the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) to administer the Service Request Queues based on an Agency Agreement entered into pursuant to Appendix G of the Agreement of Transmission Facility Owners to Organize the Midwest Independent Transmission System Operator, Inc. (respectively, “Agency Agreement” and “TOA”). Once the HVDC Facilities are acquired by ALLETE, the Midwest ISO will administer the Service Request Queues separate and apart from the transmission and generator interconnection queues maintained by the Midwest ISO for transmission and generator interconnection services offered over the alternating-current (“AC”) transmission facilities for which functional control has been transferred to the Midwest ISO under the TOA. Under the Agency Agreement, all transmission and generator interconnection requests in the Service Request Queues will maintain the queue priority currently identified in Appendices D and E of the Agency Agreement once administration of the Service Request Queues are transferred to the Midwest ISO. The queue priority established in Appendices D and E of the Agency Agreement applies regardless of whether ALLETE or the Midwest ISO is processing a Customer’s transmission or generator interconnection request.

This document sets forth procedures for the transfer of responsibility for the Square Butte Service Request Queues from ALLETE to the Midwest ISO once those queues are acquired by ALLETE. This document also sets forth the procedures for the transfer of responsibility for the studies that are performed in the processing of the Service Request Queues, including Interconnection Feasibility Studies (IFeS), Interconnection System Impact Studies (ISIS), Interconnection Facilities Studies (ISIS), System Impact Studies (SIS), and Facilities Studies (FS), from Square Butte to the Midwest ISO.

2. Objective

To provide procedures for the transfer by ALLETE of responsibility for the administration of the Service Request Queues, IFeS, ISIS, IFS, SIS, and FS to Midwest ISO.

3. Applicability

This document implements the intent of both ALLETE and the Midwest ISO with respect to the transition of the Service Request Queues to the Midwest ISO pursuant to the Agency Agreement.

4. Procedure Details

4.1 Transition Procedure for Study Queues

4.1.1 For the period leading up to the Closing Date:

- a. ALLETE, as Square Butte's agent, will continue to process Square Butte's Service Request Queues, including SIS, IFeS and ISIS as specified in Square Butte's OATT, and any relevant generator interconnection procedures.
- b. ALLETE, as Square Butte's agent, will continue to negotiate generator Interconnection Agreements with customers requesting generator interconnection service over the HVDC Facilities.

4.1.2 On, or after, the Closing Date:

- a. ALLETE will transfer the Service Request Queues to the Midwest ISO as of 10 AM CST on the date that the Agency Agreement becomes effective (i.e., the Closing Date).
- b. ALLETE, as Square Butte's agent, shall provide notice to all Customers ("Customer" includes Transmission Customer and/or Interconnection Customer as used herein) with requests in the Service Request Queues that do not have an executed SIS or ISIS agreement with Square Butte as of the Closing Date that study responsibility is being transferred to the Midwest ISO. Further, the notice will explain that the relevant Midwest ISO Tariff provisions will then apply with regard to study deposits, tariff provisions, business practices, queue processing approaches, etc., except as provided below. If the Transmission Customer has a signed an SIS agreement or ISIS agreement with Square Butte as of the Closing Date and ALLETE (as Square Butte's agent) has begun the relevant study, the Customer will be provided the choice of having: (1) ALLETE (in coordination with the Midwest ISO) complete the processing of the Customer's transmission or generator interconnection request under FERC's *pro forma* transmission or interconnection procedures;¹ or (2) the Midwest ISO complete the processing of the Customer's transmission or generator interconnection request under the Midwest ISO Tariff and associated business practices. Any service agreement for transmission or generator interconnection service executed with a Customer electing Option (1) above will be under the Midwest ISO Tariff pursuant to the Agency Agreement. If the processing of a Customer's transmission or generator interconnection

¹ FERC's *pro forma* Large Generator Interconnection Procedures ("LGIP") are attached hereto as Exhibit 1. The *pro forma* Large Generator Interconnection Agreement that is normally found in Appendix 6 of the LGIP has been removed because all service agreements for transmission or generator interconnection requests subject to this transition plan will be under the Midwest ISO Tariff.

request transitions to the Midwest ISO under Option (2) above, any unused portions of study deposits collected by ALLETE, as Square Butte's agent, for studies that are transferred to the Midwest ISO, shall be returned to the Customer by ALLETE, and the Midwest ISO shall collect the appropriate study deposit(s) from the Customer. Any service agreement for transmission or generator interconnection service executed with a Customer electing Option 2 above will be under the Midwest ISO Tariff pursuant to the Agency Agreement.

- c. ALLETE shall provide notice to all Customers with service requests queued on or before 5 pm CDT on the Closing Date that have an executed SIS Agreement or ISIS Agreement with Square Butte and for which ALLETE (as Square Butte's agent) has not started the relevant study, that the Customer shall have a choice for ALLETE to perform the study or have the study transferred to and performed by the Midwest ISO under the Midwest ISO Tariff. For the cases where the Customer chooses to have the study transferred to the Midwest ISO, the following shall apply:
 1. ALLETE shall provide each such Customer a refund of the unused portion of any study deposits collected by ALLETE.
 2. Midwest ISO shall advise the Customer of any revision to the study agreement cost estimate(s) that will be incurred in the transfer of responsibility of the study to the Midwest ISO. ALLETE shall provide Midwest ISO a cost estimate of ALLETE's study work related to local distribution impacts as appropriate prior to Midwest ISO advising the Customer of any revisions to the study agreement cost estimate(s).
 3. Midwest ISO shall issue a new study agreement for the Customer to execute. This agreement shall become effective only upon (a) termination of the Square Butte study agreement, and (b) payment of the deposit required under the new agreement. The Customer shall have 15 days after receipt to execute the study agreement. If the Customer fails to execute the study agreement or fails to make the required deposit within the 15 days, then the request for service shall be terminated.
 4. If deposits are required by Midwest ISO for Midwest ISO study work, and such deposits are not made within the appropriate time period, the request for service shall be denied. The Midwest ISO shall advise the Customer of the consequences if they fail to provide the funds within the appropriate time period identified in the study agreement.

5. Any service agreements for transmission or generator interconnection service executed with a Customer electing to transition the processing of its transmission or generator interconnection service request to the Midwest ISO under this Section 4.1.2(c) will be under the Midwest ISO Tariff pursuant to the Agency Agreement.

EXHIBIT 1

**STANDARD LARGE GENERATOR
INTERCONNECTION PROCEDURES (LGIP)**

omitting

**STANDARD LARGE GENERATOR
INTERCONNECTION AGREEMENT (LGIA)**

Standard Large Generator

Interconnection Procedures (LGIP)

(Applicable to Generating Facilities that exceed 20 MW)

TABLE OF CONTENTS

	Page No.
Section 1. Definitions	1
Section 2. Scope and Application.....	10
2.1 Application of Standard Large Generator Interconnection Procedures	10
2.2 Comparability	11
2.3 Base Case Data.....	11
2.4 No Applicability to Transmission Service.....	11
Section 3. Interconnection Requests.....	11
3.1 General	11
3.2 Identification of Types of Interconnection Services.....	12
3.2.1 Energy Resource Interconnection Service.....	12
3.2.1.1 The Product	12
3.2.1.2 The Study	12
3.2.2 Network Resource Interconnection Service	13
3.2.2.1 The Product	13
3.2.2.2 The Study	13
3.3 Valid Interconnection Request.....	14
3.3.1 Initiating an Interconnection Request	14
3.3.2 Acknowledgment of Interconnection Request	14
3.3.3 Deficiencies in Interconnection Request.....	15
3.3.4 Scoping Meeting.....	15
3.4 OASIS Posting	16
3.5 Coordination with Affected Systems	16
3.6 Withdrawal	17
Section 4. Queue Position.....	18
4.1 General	18
4.2 Clustering.....	18
4.3 Transferability of Queue Position.....	19
4.4 Modifications	19
Section 5. Procedures for Interconnection Requests Submitted Prior to Effective Date of Standard Large Generator Interconnection Procedures	21
5.1 Queue Position for Pending Requests.....	21
5.2 New Transmission Provider	22

Section 6.	Interconnection Feasibility Study	23
6.1	Interconnection Feasibility Study Agreement	23
6.2	Scope of Interconnection Feasibility Study	24
6.3	Interconnection Feasibility Study Procedures.....	24
6.4	Re-Study	25
Section 7.	Interconnection System Impact Study	25
7.1	Interconnection System Impact Study Agreement	25
7.2	Execution of Interconnection System Impact Study Agreement.....	25
7.3	Scope of Interconnection System Impact Study	26
7.4	Interconnection System Impact Study Procedures	27
7.5	Meeting with Transmission Provider	27
7.6	Re-Study	28
Section 8.	Interconnection Facilities Study	28
8.1	Interconnection Facilities Study Agreement.....	28
8.2	Scope of Interconnection Facilities Study	28
8.3	Interconnection Facilities Study Procedures	29
8.4	Meeting with Transmission Provider	30
8.5	Re-Study	30
Section 9.	Engineering & Procurement ('E&P') Agreement	30
Section 10.	Optional Interconnection Study.....	31
10.1	Optional Interconnection Study Agreement.....	31
10.2	Scope of Optional Interconnection Study	32
10.3	Optional Interconnection Study Procedures	32
Section 11.	Standard Large Generator Interconnection Agreement (LGIA)	32
11.1	Tender.....	32
11.2	Negotiation	33
11.3	Execution and Filing	33
11.4	Commencement of Interconnection Activities.....	34
Section 12.	Construction of Transmission Provider's Interconnection Facilities and Network Upgrades.....	34
12.1	Schedule.....	34
12.2	Construction Sequencing.....	35
12.2.1	General.....	35
12.2.2	Advance Construction of Network Upgrades that are an Obligation of an Entity other than Interconnection Customer	35

12.2.3	Advancing Construction of Network Upgrades that are Part of an Expansion Plan of the Transmission Provider	36
12.2.4	Amended Interconnection System Impact Study	36
Section 13.	Miscellaneous	36
13.1	Confidentiality	36
13.1.1	Scope	37
13.1.2	Release of Confidential Information	37
13.1.3	Rights	38
13.1.4	No Warranties	38
13.1.5	Standard of Care.....	38
13.1.6	Order of Disclosure.....	38
13.1.7	Remedies	39
13.1.8	Disclosure to FERC or its Staff	39
13.2	Delegation of Responsibility	41
13.3	Obligation for Study Costs	41
13.4	Third Parties Conducting Studies	41
13.5	Disputes	42
13.5.1	Submission	42
13.5.2	External Arbitration Procedures	43
13.5.3	Arbitration Decisions.....	43
13.5.4	Costs	44
13.6	Local Furnishing Bonds.....	44
13.6.1	Transmission Providers That Own Facilities Financed by Local Furnishing Bonds	44
13.6.2	Alternative Procedures for Requesting Interconnection Service	44

Appendix 1 – Interconnection Request for a Large Generating Facility

Appendix 2 – Interconnection Feasibility Study Agreement

Appendix 3 – Interconnection System Impact Study Agreement

Appendix 4 – Interconnection Facilities Study Agreement

Appendix 5 – Optional Interconnection Study Agreement

Appendix 6 – OMITTED

Appendix 7 – Interconnection Procedures for a Wind Generating Plant

Section 1. Definitions

Adverse System Impact shall mean the negative effects due to technical or operational limits on conductors or equipment being exceeded that may compromise the safety and reliability of the electric system.

Affected System shall mean an electric system other than the Transmission Provider's Transmission System that may be affected by the proposed interconnection.

Affected System Operator shall mean the entity that operates an Affected System.

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

Ancillary Services shall mean those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

Applicable Reliability Council shall mean the reliability council applicable to the Transmission System to which the Generating Facility is directly interconnected.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Control Area of the Transmission System to which the Generating Facility is directly interconnected.

Base Case shall mean the base case power flow, short circuit, and stability data bases used for the Interconnection Studies by the Transmission Provider or Interconnection Customer.

Breach shall mean the failure of a Party to perform or observe any material term or condition of the Standard Large Generator Interconnection Agreement.

Breaching Party shall mean a Party that is in Breach of the Standard Large Generator Interconnection Agreement.

Business Day shall mean Monday through Friday, excluding Federal Holidays.

Calendar Day shall mean any day including Saturday, Sunday or a Federal Holiday.

Clustering shall mean the process whereby a group of Interconnection Requests is studied together, instead of serially, for the purpose of conducting the Interconnection System Impact Study.

Commercial Operation shall mean the status of a Generating Facility that has commenced generating electricity for sale, excluding electricity generated during Trial Operation.

Commercial Operation Date of a unit shall mean the date on which the Generating Facility commences Commercial Operation as agreed to by the Parties pursuant to Appendix E to the Standard Large Generator Interconnection Agreement.

Confidential Information shall mean any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise.

Control Area shall mean an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the interconnection. A Control Area must be certified by an Applicable Reliability Council.

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with Article 17 of the Standard Large Generator Interconnection Agreement.

Dispute Resolution shall mean the procedure for resolution of a dispute between the Parties in which they will first attempt to resolve the dispute on an informal basis.

Distribution System shall mean the Transmission Provider's facilities and equipment used to transmit electricity to ultimate usage points such as homes and industries directly from nearby generators or from interchanges with higher voltage

transmission networks which transport bulk power over longer distances. The voltage levels at which distribution systems operate differ among areas.

Distribution Upgrades shall mean the additions, modifications, and upgrades to the Transmission Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Generating Facility and render the transmission service necessary to effect Interconnection Customer's wholesale sale of electricity in interstate commerce. Distribution Upgrades do not include Interconnection Facilities.

Effective Date shall mean the date on which the Standard Large Generator Interconnection Agreement becomes effective upon execution by the Parties subject to acceptance by FERC, or if filed unexecuted, upon the date specified by FERC.

Emergency Condition shall mean a condition or situation: (1) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (2) that, in the case of a Transmission Provider, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to Transmission Provider's Transmission System, Transmission Provider's Interconnection Facilities or the electric systems of others to which the Transmission Provider's Transmission System is directly connected; or (3) that, in the case of Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Generating Facility or Interconnection Customer's Interconnection Facilities. System restoration and black start shall be considered Emergency Conditions; provided that Interconnection Customer is not obligated by the Standard Large Generator Interconnection Agreement to possess black start capability.

Energy Resource Interconnection Service shall mean an Interconnection Service that allows the Interconnection Customer to connect its Generating Facility to the Transmission Provider's Transmission System to be eligible to deliver the Generating Facility's electric output using the existing firm or nonfirm capacity of the Transmission Provider's Transmission System on an as available basis. Energy Resource Interconnection Service in and of itself does not convey transmission service.

Engineering & Procurement (E&P) Agreement shall mean an agreement that authorizes the Transmission Provider to begin engineering and procurement of long lead-time items necessary for the establishment of the interconnection in order to advance the implementation of the Interconnection Request.

Environmental Law shall mean Applicable Laws or Regulations relating to pollution or protection of the environment or natural resources.

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a et seq.

FERC shall mean the Federal Energy Regulatory Commission (Commission) or its successor.

Force Majeure shall mean any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include acts of negligence or intentional wrongdoing by the Party claiming Force Majeure.

Generating Facility shall mean Interconnection Customer's device for the production of electricity identified in the Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities.

Generating Facility Capacity shall mean the net capacity of the Generating Facility and the aggregate net capacity of the Generating Facility where it includes multiple energy production devices.

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry 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 the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Governmental Authority shall mean any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include Interconnection Customer, Transmission Provider, or any Affiliate thereof.

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "radioactive substances," "contaminants," "pollutants," "toxic pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

Initial Synchronization Date shall mean the date upon which the Generating Facility is initially synchronized and upon which Trial Operation begins.

In-Service Date shall mean the date upon which the Interconnection Customer reasonably expects it will be ready to begin use of the Transmission Provider's Interconnection Facilities to obtain back feed power.

Interconnection Customer shall mean any entity, including the Transmission Provider, Transmission Owner or any of the Affiliates or subsidiaries of either, that proposes to interconnect its Generating Facility with the Transmission Provider's Transmission System.

Interconnection Customer's Interconnection Facilities shall mean all facilities and equipment, as identified in Appendix A of the Standard Large Generator Interconnection Agreement, that are located between the Generating Facility and the Point of Change of Ownership, including any modification, addition, or upgrades to such facilities and equipment necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. Interconnection Customer's Interconnection Facilities are sole use facilities.

Interconnection Facilities shall mean the Transmission Provider's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.

Interconnection Facilities Study shall mean a study conducted by the Transmission Provider or a third party consultant for the Interconnection Customer to determine a list of facilities (including Transmission Provider's Interconnection Facilities and Network Upgrades as identified in the Interconnection System Impact Study), the

cost of those facilities, and the time required to interconnect the Generating Facility with the Transmission Provider's Transmission System. The scope of the study is defined in Section 8 of the Standard Large Generator Interconnection Procedures.

Interconnection Facilities Study Agreement shall mean the form of agreement contained in Appendix 4 of the Standard Large Generator Interconnection Procedures for conducting the Interconnection Facilities Study.

Interconnection Feasibility Study shall mean a preliminary evaluation of the system impact and cost of interconnecting the Generating Facility to the Transmission Provider's Transmission System, the scope of which is described in Section 6 of the Standard Large Generator Interconnection Procedures.

Interconnection Feasibility Study Agreement shall mean the form of agreement contained in Appendix 2 of the Standard Large Generator Interconnection Procedures for conducting the Interconnection Feasibility Study.

Interconnection Request shall mean an Interconnection Customer's request, in the form of Appendix 1 to the Standard Large Generator Interconnection Procedures, in accordance with the Tariff, to interconnect a new Generating Facility, or to increase the capacity of, or make a Material Modification to the operating characteristics of, an existing Generating Facility that is interconnected with the Transmission Provider's Transmission System.

Interconnection Service shall mean the service provided by the Transmission Provider associated with interconnecting the Interconnection Customer's Generating Facility to the Transmission Provider's Transmission System and enabling it to receive electric energy and capacity from the Generating Facility at the Point of Interconnection, pursuant to the terms of the Standard Large Generator Interconnection Agreement and, if applicable, the Transmission Provider's Tariff.

Interconnection Study shall mean any of the following studies: the Interconnection Feasibility Study, the Interconnection System Impact Study, and the Interconnection Facilities Study described in the Standard Large Generator Interconnection Procedures.

Interconnection System Impact Study shall mean an engineering study that evaluates the impact of the proposed interconnection on the safety and reliability of Transmission Provider's Transmission System and, if applicable, an Affected System. The study shall identify and detail the system impacts that would result if the Generating Facility were interconnected without project modifications or system modifications, focusing on the Adverse System Impacts identified in the Interconnection Feasibility

Study, or to study potential impacts, including but not limited to those identified in the Scoping Meeting as described in the Standard Large Generator Interconnection Procedures.

Interconnection System Impact Study Agreement shall mean the form of agreement contained in Appendix 3 of the Standard Large Generator Interconnection Procedures for conducting the Interconnection System Impact Study.

IRS shall mean the Internal Revenue Service.

Joint Operating Committee shall be a group made up of representatives from Interconnection Customers and the Transmission Provider to coordinate operating and technical considerations of Interconnection Service.

Large Generating Facility shall mean a Generating Facility having a Generating Facility Capacity of more than 20 MW.

Loss shall mean any and all losses relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's performance, or non-performance of its obligations under the Standard Large Generator Interconnection Agreement on behalf of the indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnifying Party.

Material Modification shall mean those modifications that have a material impact on the cost or timing of any Interconnection Request with a later queue priority date.

Metering Equipment shall mean all metering equipment installed or to be installed at the Generating Facility pursuant to the Standard Large Generator Interconnection Agreement at the metering points, including but not limited to instrument transformers, MWh-meters, data acquisition equipment, transducers, remote terminal unit, communications equipment, phone lines, and fiber optics.

NERC shall mean the North American Electric Reliability Council or its successor organization.

Network Resource shall mean any designated generating resource owned, purchased, or leased by a Network Customer under the Network Integration Transmission Service Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis.

Network Resource Interconnection Service shall mean an Interconnection Service that allows the Interconnection Customer to integrate its Large Generating Facility with the Transmission Provider's Transmission System (1) in a manner comparable to that in which the Transmission Provider integrates its generating facilities to serve native load customers; or (2) in an RTO or ISO with market based congestion management, in the same manner as Network Resources. Network Resource Interconnection Service in and of itself does not convey transmission service.

Network Upgrades shall mean the additions, modifications, and upgrades to the Transmission Provider's Transmission System required at or beyond the point at which the Interconnection Facilities connect to the Transmission Provider's Transmission System to accommodate the interconnection of the Large Generating Facility to the Transmission Provider's Transmission System.

Notice of Dispute shall mean a written notice of a dispute or claim that arises out of or in connection with the Standard Large Generator Interconnection Agreement or its performance.

Optional Interconnection Study shall mean a sensitivity analysis based on assumptions specified by the Interconnection Customer in the Optional Interconnection Study Agreement.

Optional Interconnection Study Agreement shall mean the form of agreement contained in Appendix 5 of the Standard Large Generator Interconnection Procedures for conducting the Optional Interconnection Study.

Party or Parties shall mean Transmission Provider, Transmission Owner, Interconnection Customer or any combination of the above.

Point of Change of Ownership shall mean the point, as set forth in Appendix A to the Standard Large Generator Interconnection Agreement, where the Interconnection Customer's Interconnection Facilities connect to the Transmission Provider's Interconnection Facilities.

Point of Interconnection shall mean the point, as set forth in Appendix A to the Standard Large Generator Interconnection Agreement, where the Interconnection Facilities connect to the Transmission Provider's Transmission System.

Queue Position shall mean the order of a valid Interconnection Request, relative to all other pending valid Interconnection Requests, that is established based upon the date and time of receipt of the valid Interconnection Request by the Transmission Provider.

Reasonable Efforts shall mean, with respect to an action required to be attempted or taken by a Party under the Standard Large Generator Interconnection Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

Scoping Meeting shall mean the meeting between representatives of the Interconnection Customer and Transmission Provider conducted for the purpose of discussing alternative interconnection options, to exchange information including any transmission data and earlier study evaluations that would be reasonably expected to impact such interconnection options, to analyze such information, and to determine the potential feasible Points of Interconnection.

Site Control shall mean documentation reasonably demonstrating: (1) ownership of, a leasehold interest in, or a right to develop a site for the purpose of constructing the Generating Facility; (2) an option to purchase or acquire a leasehold site for such purpose; or (3) an exclusivity or other business relationship between Interconnection Customer and the entity having the right to sell, lease or grant Interconnection Customer the right to possess or occupy a site for such purpose.

Small Generating Facility shall mean a Generating Facility that has a Generating Facility Capacity of no more than 20 MW.

Stand Alone Network Upgrades shall mean Network Upgrades that an Interconnection Customer may construct without affecting day-to-day operations of the Transmission System during their construction. Both the Transmission Provider and the Interconnection Customer must agree as to what constitutes Stand Alone Network Upgrades and identify them in Appendix A to the Standard Large Generator Interconnection Agreement.

Standard Large Generator Interconnection Agreement (LGIA) shall mean the form of interconnection agreement applicable to an Interconnection Request pertaining to a Large Generating Facility that is included in the Transmission Provider's Tariff.

Standard Large Generator Interconnection Procedures (LGIP) shall mean the interconnection procedures applicable to an Interconnection Request pertaining to a Large Generating Facility that are included in the Transmission Provider's Tariff.

System Protection Facilities shall mean the equipment, including necessary protection signal communications equipment, required to protect (1) the Transmission Provider's Transmission System from faults or other electrical disturbances occurring at the Generating Facility and (2) the Generating Facility from faults or other electrical

system disturbances occurring on the Transmission Provider's Transmission System or on other delivery systems or other generating systems to which the Transmission Provider's Transmission System is directly connected.

Tariff shall mean the Transmission Provider's Tariff through which open access transmission service and Interconnection Service are offered, as filed with FERC, and as amended or supplemented from time to time, or any successor tariff.

Transmission Owner shall mean an entity that owns, leases or otherwise possesses an interest in the portion of the Transmission System at the Point of Interconnection and may be a Party to the Standard Large Generator Interconnection Agreement to the extent necessary.

Transmission Provider shall mean the public utility (or its designated agent) that owns, controls, or operates transmission or distribution facilities used for the transmission of electricity in interstate commerce and provides transmission service under the Tariff. The term Transmission Provider should be read to include the Transmission Owner when the Transmission Owner is separate from the Transmission Provider.

Transmission Provider's Interconnection Facilities shall mean all facilities and equipment owned, controlled, or operated by the Transmission Provider from the Point of Change of Ownership to the Point of Interconnection as identified in Appendix A to the Standard Large Generator Interconnection Agreement, including any modifications, additions or upgrades to such facilities and equipment. Transmission Provider's Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.

Transmission System shall mean the facilities owned, controlled or operated by the Transmission Provider or Transmission Owner that are used to provide transmission service under the Tariff.

Trial Operation shall mean the period during which Interconnection Customer is engaged in on-site test operations and commissioning of the Generating Facility prior to Commercial Operation.

Section 2. Scope and Application

2.1 Application of Standard Large Generator Interconnection Procedures. Sections 2 through 13 apply to processing an Interconnection Request pertaining to a Large Generating Facility.

2.2 Comparability.

Transmission Provider shall receive, process and analyze all Interconnection Requests in a timely manner as set forth in this LGIP. Transmission Provider will use the same Reasonable Efforts in processing and analyzing Interconnection Requests from all Interconnection Customers, whether the Generating Facilities are owned by Transmission Provider, its subsidiaries or Affiliates or others.

2.3 Base Case Data.

Transmission Provider shall provide base power flow, short circuit and stability databases, including all underlying assumptions, and contingency list upon request subject to confidentiality provisions in LGIP Section 13.1. Transmission Provider is permitted to require that Interconnection Customer sign a confidentiality agreement before the release of commercially sensitive information or Critical Energy Infrastructure Information in the Base Case data. Such databases and lists, hereinafter referred to as Base Cases, shall include all (1) generation projects and (ii) transmission projects, including merchant transmission projects that are proposed for the Transmission System for which a transmission expansion plan has been submitted and approved by the applicable authority.

2.4 No Applicability to Transmission Service.

Nothing in this LGIP shall constitute a request for transmission service or confer upon an Interconnection Customer any right to receive transmission service.

Section 3. Interconnection Requests

3.1 General.

An Interconnection Customer shall submit to Transmission Provider an Interconnection Request in the form of Appendix 1 to this LGIP and a refundable deposit of \$10,000. Transmission Provider shall apply the deposit toward the cost of an Interconnection Feasibility Study. Interconnection Customer shall submit a separate Interconnection Request for each site and may submit multiple Interconnection Requests for a single site. Interconnection Customer must submit a deposit with each Interconnection Request even when more than one request is submitted for a single site. An Interconnection Request to evaluate one site at two different voltage levels shall be treated as two Interconnection Requests.

At Interconnection Customer's option, Transmission Provider and Interconnection Customer will identify alternative Point(s) of

Interconnection and configurations at the Scoping Meeting to evaluate in this process and attempt to eliminate alternatives in a reasonable fashion given resources and information available. Interconnection Customer will select the definitive Point(s) of Interconnection to be studied no later than the execution of the Interconnection Feasibility Study Agreement.

3.2 Identification of Types of Interconnection Services.

At the time the Interconnection Request is submitted, Interconnection Customer must request either Energy Resource Interconnection Service or Network Resource Interconnection Service, as described; provided, however, any Interconnection Customer requesting Network Resource Interconnection Service may also request that it be concurrently studied for Energy Resource Interconnection Service, up to the point when an Interconnection Facility Study Agreement is executed. Interconnection Customer may then elect to proceed with Network Resource Interconnection Service or to proceed under a lower level of interconnection service to the extent that only certain upgrades will be completed.

3.2.1 Energy Resource Interconnection Service.

3.2.1.1 The Product. Energy Resource Interconnection Service allows Interconnection Customer to connect the Large Generating Facility to the Transmission System and be eligible to deliver the Large Generating Facility's output using the existing firm or non-firm capacity of the Transmission System on an "as available" basis. Energy Resource Interconnection Service does not in and of itself convey any right to deliver electricity to any specific customer or Point of Delivery.

3.2.1.2 The Study. The study consists of short circuit/fault duty, steady state (thermal and voltage) and stability analyses. The short circuit/fault duty analysis would identify direct Interconnection Facilities required and the Network Upgrades necessary to address short circuit issues associated with the Interconnection Facilities. The stability and steady state studies would identify necessary upgrades to allow full output of the proposed Large Generating Facility and would also identify the maximum allowed output, at the time the

study is performed, of the interconnecting Large Generating Facility without requiring additional Network Upgrades.

3.2.2 Network Resource Interconnection Service.

3.2.2.1 The Product. Transmission Provider must conduct the necessary studies and construct the Network Upgrades needed to integrate the Large Generating Facility (1) in a manner comparable to that in which Transmission Provider integrates its generating facilities to serve native load customers; or (2) in an ISO or RTO with market based congestion management, in the same manner as Network Resources. Network Resource Interconnection Service Allows Interconnection Customer's Large Generating Facility to be designated as a Network Resource, up to the Large Generating Facility's full output, on the same basis as existing Network Resources interconnected to Transmission Provider's Transmission System, and to be studied as a Network Resource on the assumption that such a designation will occur.

3.2.2.2 The Study. The Interconnection Study for Network Resource Interconnection Service shall assure that Interconnection Customer's Large Generating Facility meets the requirements for Network Resource Interconnection Service and as a general matter, that such Large Generating Facility's interconnection is also studied with Transmission Provider's Transmission System at peak load, under a variety of severely stressed conditions, to determine whether, with the Large Generating Facility at full output, the aggregate of generation in the local area can be delivered to the aggregate of load on Transmission Provider's Transmission System, consistent with Transmission Provider's reliability criteria and procedures. This approach assumes that some portion of existing Network Resources are displaced by the output of Interconnection Customer's Large Generating Facility. Network Resource Interconnection Service in and of itself does not convey any right to deliver

electricity to any specific customer or Point of Delivery. The Transmission Provider may also study the Transmission System under non-peak load conditions. However, upon request by the Interconnection Customer, the Transmission Provider must explain in writing to the Interconnection Customer why the study of non-peak load conditions is required for reliability purposes.

3.3 Valid Interconnection Request.

3.3.1 Initiating an Interconnection Request.

To initiate an Interconnection Request, Interconnection Customer must submit all of the following: (i) a \$10,000 deposit, (ii) a completed application in the form of Appendix 1, and (iii) demonstration of Site Control or a posting of an additional deposit of \$10,000. Such deposits shall be applied toward any Interconnection Studies pursuant to the Interconnection Request. If Interconnection Customer demonstrates Site Control within the cure period specified in Section 3.3.3 after submitting its Interconnection Request, the additional deposit shall be refundable; otherwise, all such deposit(s), additional and initial, become non-refundable.

The expected In-Service Date of the new Large Generating Facility or increase in capacity of the existing Generating Facility shall be no more than the process window for the regional expansion planning period (or in the absence of a regional planning process, the process window for Transmission Provider's expansion planning period) not to exceed seven years from the date the Interconnection Request is received by Transmission Provider, unless Interconnection Customer demonstrates that engineering, permitting and construction of the new Large Generating Facility or increase in capacity of the existing Generating Facility will take longer than the regional expansion planning period. The In-Service Date may succeed the date the Interconnection Request is received by Transmission Provider by a period up to ten years, or longer where Interconnection Customer and Transmission Provider agree, such agreement not to be unreasonably withheld.

3.3.2 Acknowledgment of Interconnection Request.

Transmission Provider shall acknowledge receipt of the Interconnection Request within five (5) Business Days of receipt of

the request and attach a copy of the received Interconnection Request to the acknowledgement.

3.3.3 Deficiencies in Interconnection Request.

An Interconnection Request will not be considered to be a valid request until all items in Section 3.3.1 have been received by Transmission Provider. If an Interconnection Request fails to meet the requirements set forth in Section 3.3.1, Transmission Provider shall notify Interconnection Customer within five (5) Business Days of receipt of the initial Interconnection Request of the reasons for such failure and that the Interconnection Request does not constitute a valid request. Interconnection Customer shall provide Transmission Provider the additional requested information needed to constitute a valid request within ten (10) Business Days after receipt of such notice. Failure by Interconnection Customer to comply with this Section 3.3.3 shall be treated in accordance with Section 3.6.

3.3.4 Scoping Meeting.

Within ten (10) Business Days after receipt of a valid Interconnection Request, Transmission Provider shall establish a date agreeable to Interconnection Customer for the Scoping Meeting, and such date shall be no later than thirty (30) Calendar Days from receipt of the valid Interconnection Request, unless otherwise mutually agreed upon by the Parties.

The purpose of the Scoping Meeting shall be to discuss alternative interconnection options, to exchange information including any transmission data that would reasonably be expected to impact such interconnection options, to analyze such information and to determine the potential feasible Points of Interconnection. Transmission Provider and Interconnection Customer will bring to the meeting such technical data, including, but not limited to: (i) general facility loadings, (ii) general instability issues, (iii) general short circuit issues, (iv) general voltage issues, and (v) general reliability issues as may be reasonably required to accomplish the purpose of the meeting. Transmission Provider and Interconnection Customer will also bring to the meeting personnel and other resources as may be reasonably required to accomplish the purpose of the meeting in the time allocated for the meeting. On the basis of the meeting, Interconnection Customer shall designate its Point of Interconnection, pursuant to Section 6.1, and one or more available

alternative Point(s) of Interconnection. The duration of the meeting shall be sufficient to accomplish its purpose.

3.4 OASIS Posting.

Transmission Provider will maintain on its OASIS a list of all Interconnection Requests. The list will identify, for each Interconnection Request: (i) the maximum summer and winter megawatt electrical output; (ii) the location by county and state; (iii) the station or transmission line or lines where the interconnection will be made; (iv) the projected In-Service Date; (v) the status of the Interconnection Request, including Queue Position; (vi) the type of Interconnection Service being requested; and (vii) the availability of any studies related to the Interconnection Request; (viii) the date of the Interconnection Request; (ix) the type of Generating Facility to be constructed (combined cycle, base load or combustion turbine and fuel type); and (x) for Interconnection Requests that have not resulted in a completed interconnection, an explanation as to why it was not completed. Except in the case of an Affiliate, the list will not disclose the identity of Interconnection Customer until Interconnection Customer executes an LGIA or requests that Transmission Provider file an unexecuted LGIA with FERC. Before holding a Scoping Meeting with its Affiliate, Transmission Provider shall post on OASIS an advance notice of its intent to do so. Transmission Provider shall post to its OASIS site any deviations from the study timelines set forth herein. Interconnection Study reports and Optional Interconnection Study reports shall be posted to Transmission Provider's OASIS site subsequent to the meeting between Interconnection Customer and Transmission Provider to discuss the applicable study results. Transmission Provider shall also post any known deviations in the Large Generating Facility's In-Service Date.

3.5 Coordination with Affected Systems.

Transmission Provider will coordinate the conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System Operators and, if possible, include those results (if available) in its applicable Interconnection Study within the time frame specified in this LGIP. Transmission Provider will include such Affected System Operators in all meetings held with Interconnection Customer as required by this LGIP. Interconnection Customer will cooperate with Transmission Provider in all matters related to the conduct of studies and the determination of modifications to Affected Systems. A Transmission Provider which may be an Affected System shall cooperate with Transmission Provider with whom interconnection has been requested

in all matters related to the conduct of studies and the determination of modifications to Affected Systems.

3.6 Withdrawal.

Interconnection Customer may withdraw its Interconnection Request at any time by written notice of such withdrawal to Transmission Provider. In addition, if Interconnection Customer fails to adhere to all requirements of this LGIP, except as provided in Section 13.5 (Disputes), Transmission Provider shall deem the Interconnection Request to be withdrawn and shall provide written notice to Interconnection Customer of the deemed withdrawal and an explanation of the reasons for such deemed withdrawal. Upon receipt of such written notice, Interconnection Customer shall have fifteen (15) Business Days in which to either respond with information or actions that cures the deficiency or to notify Transmission Provider of its intent to pursue Dispute Resolution.

Withdrawal shall result in the loss of Interconnection Customer's Queue Position. If an Interconnection Customer disputes the withdrawal and loss of its Queue Position, then during Dispute Resolution, Interconnection Customer's Interconnection Request is eliminated from the queue until such time that the outcome of Dispute Resolution would restore its Queue Position. An Interconnection Customer that withdraws or is deemed to have withdrawn its Interconnection Request shall pay to Transmission Provider all costs that Transmission Provider prudently incurs with respect to that Interconnection Request prior to Transmission Provider's receipt of notice described above. Interconnection Customer must pay all monies due to Transmission Provider before it is allowed to obtain any Interconnection Study data or results.

Transmission Provider shall (i) update the OASIS Queue Position posting and (ii) refund to Interconnection Customer any portion of Interconnection Customer's deposit or study payments that exceeds the costs that Transmission Provider has incurred, including interest calculated in accordance with section 35.19a(a)(2) of FERC's regulations. In the event of such withdrawal, Transmission Provider, subject to the confidentiality provisions of Section 13.1, shall provide, at Interconnection Customer's request, all information that Transmission Provider developed for any completed study conducted up to the date of withdrawal of the Interconnection Request.

Section 4. Queue Position

4.1 General.

Transmission Provider shall assign a Queue Position based upon the date and time of receipt of the valid Interconnection Request; provided that, if the sole reason an Interconnection Request is not valid is the lack of required information on the application form, and Interconnection Customer provides such information in accordance with Section 3.3.3, then Transmission Provider shall assign Interconnection Customer a Queue Position based on the date the application form was originally filed. Moving a Point of Interconnection shall result in a lowering of Queue Position if it is deemed a Material Modification under Section 4.4.3.

The Queue Position of each Interconnection Request will be used to determine the order of performing the Interconnection Studies and determination of cost responsibility for the facilities necessary to accommodate the Interconnection Request. A higher queued Interconnection Request is one that has been placed "earlier" in the queue in relation to another Interconnection Request that is lower queued.

Transmission Provider may allocate the cost of the common upgrades for clustered Interconnection Requests without regard to Queue Position.

4.2 Clustering.

At Transmission Provider's option, Interconnection Requests may be studied serially or in clusters for the purpose of the Interconnection System Impact Study.

Clustering shall be implemented on the basis of Queue Position. If Transmission Provider elects to study Interconnection Requests using Clustering, all Interconnection Requests received within a period not to exceed one hundred and eighty (180) Calendar Days, hereinafter referred to as the "Queue Cluster Window" shall be studied together without regard to the nature of the underlying Interconnection Service, whether Energy Resource Interconnection Service or Network Resource Interconnection Service. The deadline for completing all Interconnection System Impact Studies for which an Interconnection System Impact Study Agreement has been executed during a Queue Cluster Window shall be in accordance with Section 7.4, for all Interconnection Requests assigned to the same Queue Cluster Window. Transmission Provider may study an Interconnection

Request separately to the extent warranted by Good Utility Practice based upon the electrical remoteness of the proposed Large Generating Facility.

Clustering Interconnection System Impact Studies shall be conducted in such a manner to ensure the efficient implementation of the applicable regional transmission expansion plan in light of the Transmission System's capabilities at the time of each study.

The Queue Cluster Window shall have a fixed time interval based on fixed annual opening and closing dates. Any changes to the established Queue Cluster Window interval and opening or closing dates shall be announced with a posting on Transmission Provider's OASIS beginning at least one hundred and eighty (180) Calendar Days in advance of the change and continuing thereafter through the end date of the first Queue Cluster Window that is to be modified.

4.3 Transferability of Queue Position.

An Interconnection Customer may transfer its Queue Position to another entity only if such entity acquires the specific Generating Facility identified in the Interconnection Request and the Point of Interconnection does not change.

4.4 Modifications.

Interconnection Customer shall submit to Transmission Provider, in writing, modifications to any information provided in the Interconnection Request. Interconnection Customer shall retain its Queue Position if the modifications are in accordance with Sections 4.4.1, 4.4.2 or 4.4.5, or are determined not to be Material Modifications pursuant to Section 4.4.3.

Notwithstanding the above, during the course of the Interconnection Studies, either Interconnection Customer or Transmission Provider may identify changes to the planned interconnection that may improve the costs and benefits (including reliability) of the interconnection, and the ability of the proposed change to accommodate the Interconnection Request. To the extent the identified changes are acceptable to Transmission Provider and Interconnection Customer, such acceptance not to be unreasonably withheld, Transmission Provider shall modify the Point of Interconnection and/or configuration in accordance with such changes and proceed with any re-studies necessary to do so in accordance with Section 6.4, Section 7.6 and Section 8.5 as applicable and Interconnection Customer shall retain its Queue Position.

- 4.4.1** Prior to the return of the executed Interconnection System Impact Study Agreement to Transmission Provider, modifications permitted under this Section shall include specifically: (a) a decrease of up to 60 percent of electrical output (MW) of the proposed project; (b) modifying the technical parameters associated with the Large Generating Facility technology or the Large Generating Facility step-up transformer impedance characteristics; and (c) modifying the interconnection configuration. For plant increases, the incremental increase in plant output will go to the end of the queue for the purposes of cost allocation and study analysis.
- 4.4.2** Prior to the return of the executed Interconnection Facility Study Agreement to Transmission Provider, the modifications permitted under this Section shall include specifically: (a) additional 15 percent decrease of electrical output (MW), and (b) Large Generating Facility technical parameters associated with modifications to Large Generating Facility technology and transformer impedances; provided, however, the incremental costs associated with those modifications are the responsibility of the requesting Interconnection Customer.
- 4.4.3** Prior to making any modification other than those specifically permitted by Sections 4.4.1, 4.4.2, and 4.4.5, Interconnection Customer may first request that Transmission Provider evaluate whether such modification is a Material Modification. In response to Interconnection Customer's request, Transmission Provider shall evaluate the proposed modifications prior to making them and inform Interconnection Customer in writing of whether the modifications would constitute a Material Modification. Any change to the Point of Interconnection, except those deemed acceptable under Sections 4.4.1, 6.1, 7.2 or so allowed elsewhere, shall constitute a Material Modification. Interconnection Customer may then withdraw the proposed modification or proceed with a new Interconnection Request for such modification.
- 4.4.4** Upon receipt of Interconnection Customer's request for modification permitted under this Section 4.4, Transmission Provider shall commence and perform any necessary additional studies as soon as practicable, but in no event shall Transmission Provider commence such studies later than thirty (30) Calendar Days after receiving

notice of Interconnection Customer's request. Any additional studies resulting from such modification shall be done at Interconnection Customer's cost.

4.4.5 Extensions of less than three (3) cumulative years in the Commercial Operation Date of the Large Generating Facility to which the Interconnection Request relates are not material and should be handled through construction sequencing.

Section 5. Procedures for Interconnection Requests Submitted Prior to Effective Date of Standard Large Generator Interconnection Procedures

5.1 Queue Position for Pending Requests.

5.1.1 Any Interconnection Customer assigned a Queue Position prior to the effective date of this LGIP shall retain that Queue Position.

5.1.1.1 If an Interconnection Study Agreement has not been executed as of the effective date of this LGIP, then such Interconnection Study, and any subsequent Interconnection Studies, shall be processed in accordance with this LGIP.

5.1.1.2 If an Interconnection Study Agreement has been executed prior to the effective date of this LGIP, such Interconnection Study shall be completed in accordance with the terms of such agreement. With respect to any remaining studies for which an Interconnection Customer has not signed an Interconnection Study Agreement prior to the effective date of the LGIP, Transmission Provider must offer Interconnection Customer the option of either continuing under Transmission Provider's existing interconnection study process or going forward with the completion of the necessary Interconnection Studies (for which it does not have a signed Interconnection Studies Agreement) in accordance with this LGIP.

5.1.1.3 If an LGIA has been submitted to FERC for approval before the effective date of the LGIP, then the LGIA would be grandfathered.

5.1.2 Transition Period.

To the extent necessary, Transmission Provider and Interconnection Customers with an outstanding request (i.e., an Interconnection Request for which an LGIA has not been submitted to FERC for approval as of the effective date of this LGIP) shall transition to this LGIP within a reasonable period of time not to exceed sixty (60) Calendar Days. The use of the term "outstanding request" herein shall mean any Interconnection Request, on the effective date of this LGIP: (i) that has been submitted but not yet accepted by Transmission Provider; (ii) where the related interconnection agreement has not yet been submitted to FERC for approval in executed or unexecuted form, (iii) where the relevant Interconnection Study Agreements have not yet been executed, or (iv) where any of the relevant Interconnection Studies are in process but not yet completed. Any Interconnection Customer with an outstanding request as of the effective date of this LGIP may request a reasonable extension of any deadline, otherwise applicable, if necessary to avoid undue hardship or prejudice to its Interconnection Request. A reasonable extension shall be granted by Transmission Provider to the extent consistent with the intent and process provided for under this LGIP.

5.2 New Transmission Provider.

If Transmission Provider transfers control of its Transmission System to a successor Transmission Provider during the period when an Interconnection Request is pending, the original Transmission Provider shall transfer to the successor Transmission Provider any amount of the deposit or payment with interest thereon that exceeds the cost that it incurred to evaluate the request for interconnection. Any difference between such net amount and the deposit or payment required by this LGIP shall be paid by or refunded to the Interconnection Provider, as appropriate. The original Transmission Provider shall coordinate with the successor Transmission Provider to complete any Interconnection Study, as appropriate, that the original Transmission Provider has begun but has not completed. If Transmission Provider has tendered a draft LGIA to Interconnection Customer but Interconnection Customer has not either executed the LGIA or requested the filing of an unexecuted LGIA with FERC, unless otherwise provided, Interconnection Customer must complete negotiations with the successor Transmission Provider.

Section 6. Interconnection Feasibility Study

6.1 Interconnection Feasibility Study Agreement.

Simultaneously with the acknowledgement of a valid Interconnection Request Transmission Provider shall provide to Interconnection Customer an Interconnection Feasibility Study Agreement in the form of Appendix 2. The Interconnection Feasibility Study Agreement shall specify that Interconnection Customer is responsible for the actual cost of the Interconnection Feasibility Study. Within five (5) Business Days following the Scoping Meeting Interconnection Customer shall specify for inclusion in the attachment to the Interconnection Feasibility Study Agreement the Point(s) of Interconnection and any reasonable alternative Point(s) of Interconnection. Within five (5) Business Days following Transmission Provider's receipt of such designation, Transmission Provider shall tender to Interconnection Customer the Interconnection Feasibility Study Agreement signed by Transmission Provider, which includes a good faith estimate of the cost for completing the Interconnection Feasibility Study. Interconnection Customer shall execute and deliver to Transmission Provider the Interconnection Feasibility Study Agreement along with a \$10,000 deposit no later than thirty (30) Calendar Days after its receipt.

On or before the return of the executed Interconnection Feasibility Study Agreement to Transmission Provider, Interconnection Customer shall provide the technical data called for in Appendix 1, Attachment A.

If the Interconnection Feasibility Study uncovers any unexpected result(s) not contemplated during the Scoping Meeting, a substitute Point of Interconnection identified by either Interconnection Customer or Transmission Provider, and acceptable to the other, such acceptance not to be unreasonably withheld, will be substituted for the designated Point of Interconnection specified above without loss of Queue Position, and Re-studies shall be completed pursuant to Section 6.4 as applicable. For the purpose of this Section 6.1, if Transmission Provider and Interconnection

Customer cannot agree on the substituted Point of Interconnection, then Interconnection Customer may direct that one of the alternatives as specified in the Interconnection Feasibility Study Agreement, as specified pursuant to Section 3.3.4, shall be the substitute.

If Interconnection Customer and Transmission Provider agree to forgo the Interconnection Feasibility Study, Transmission Provider will initiate an Interconnection System Impact Study under Section 7 of this LGIP and

apply the \$10,000 deposit towards the Interconnection System Impact Study.

6.2 Scope of Interconnection Feasibility Study.

The Interconnection Feasibility Study shall preliminarily evaluate the feasibility of the proposed interconnection to the Transmission System.

The Interconnection Feasibility Study will consider the Base Case as well as all generating facilities (and with respect to (iii), any identified Network Upgrades) that, on the date the Interconnection Feasibility Study is commenced: (i) are directly interconnected to the Transmission System; (ii) are interconnected to Affected Systems and may have an impact on the Interconnection Request; (iii) have a pending higher queued Interconnection Request to interconnect to the Transmission System; and (iv) have no Queue Position but have executed an LGIA or requested that an unexecuted LGIA be filed with FERC. The Interconnection Feasibility Study will consist of a power flow and short circuit analysis. The Interconnection Feasibility Study will provide a list of facilities and a non-binding good faith estimate of cost responsibility and a non-binding good faith estimated time to construct.

6.3 Interconnection Feasibility Study Procedures.

Transmission Provider shall utilize existing studies to the extent practicable when it performs the study. Transmission Provider shall use Reasonable Efforts to complete the Interconnection Feasibility Study no later than forty-five (45) Calendar Days after Transmission Provider receives the fully executed Interconnection Feasibility Study Agreement. At the request of Interconnection Customer or at any time Transmission Provider determines that it will not meet the required time frame for completing the Interconnection Feasibility Study, Transmission Provider shall notify Interconnection Customer as to the schedule status of the Interconnection Feasibility Study. If Transmission Provider is unable to complete the Interconnection Feasibility Study within that time period, it shall notify Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required. Upon request, Transmission Provider shall provide Interconnection Customer supporting documentation, workpapers and relevant power flow, short circuit and stability databases for the Interconnection Feasibility Study, subject to confidentiality arrangements consistent with Section 13.1.

6.3.1 Meeting with Transmission Provider.

Within ten (10) Business Days of providing an Interconnection Feasibility Study report to Interconnection Customer, Transmission Provider and Interconnection Customer shall meet to discuss the results of the Interconnection Feasibility Study.

6.4 Re-Study.

If Re-Study of the Interconnection Feasibility Study is required due to a higher queued project dropping out of the queue, or a modification of a higher queued project subject to Section 4.4, or re-designation of the Point of Interconnection pursuant to Section 6.1 Transmission Provider shall notify Interconnection Customer in writing. Such Re-Study shall take not longer than forty-five (45) Calendar Days from the date of the notice. Any cost of Re-Study shall be borne by the Interconnection Customer being re-studied.

Section 7. Interconnection System Impact Study

7.1 Interconnection System Impact Study Agreement.

Unless otherwise agreed, pursuant to the Scoping Meeting provided in Section 3.3.4, simultaneously with the delivery of the Interconnection Feasibility Study to Interconnection Customer, Transmission Provider shall provide to Interconnection Customer an Interconnection System Impact Study Agreement in the form of Appendix 3 to this LGIP. The Interconnection System Impact Study Agreement shall provide that Interconnection Customer shall compensate Transmission Provider for the actual cost of the Interconnection System Impact Study. Within three (3) Business Days following the Interconnection Feasibility Study results meeting, Transmission Provider shall provide to Interconnection Customer a non-binding good faith estimate of the cost and timeframe for completing the Interconnection System Impact Study.

7.2 Execution of Interconnection System Impact Study Agreement.

Interconnection Customer shall execute the Interconnection System Impact Study Agreement and deliver the executed Interconnection System Impact Study Agreement to Transmission Provider no later than thirty (30) Calendar Days after its receipt along with demonstration of Site Control, and a \$50,000 deposit.

If Interconnection Customer does not provide all such technical data when it delivers the Interconnection System Impact Study Agreement, Transmission Provider shall notify Interconnection Customer of the

deficiency within five (5) Business Days of the receipt of the executed Interconnection System Impact Study Agreement and Interconnection Customer shall cure the deficiency within ten (10) Business Days of receipt of the notice, provided, however, such deficiency does not include failure to deliver the executed Interconnection System Impact Study Agreement or deposit.

If the Interconnection System Impact Study uncovers any unexpected result(s) not contemplated during the Scoping Meeting and the Interconnection Feasibility Study, a substitute Point of Interconnection identified by either Interconnection Customer or Transmission Provider, and acceptable to the other, such acceptance not to be unreasonably withheld, will be substituted for the designated Point of Interconnection specified above without loss of Queue Position, and restudies shall be completed pursuant to Section 7.6 as applicable. For the purpose of this Section 7.2, if Transmission Provider and Interconnection Customer cannot agree on the substituted Point of Interconnection, then Interconnection Customer may direct that one of the alternatives as specified in the Interconnection Feasibility Study Agreement, as specified pursuant to Section 3.3.4, shall be the substitute.

7.3 Scope of Interconnection System Impact Study.

The Interconnection System Impact Study shall evaluate the impact of the proposed interconnection on the reliability of the Transmission System. The Interconnection System Impact Study will consider the Base Case as well as all generating facilities (and with respect to (iii) below, any identified Network Upgrades associated with such higher queued interconnection) that, on the date the Interconnection System Impact Study is commenced: (i) are directly interconnected to the Transmission System; (ii) are interconnected to Affected Systems and may have an impact on the Interconnection Request; (iii) have a pending higher queued Interconnection Request to interconnect to the Transmission System; and (iv) have no Queue Position but have executed an LGIA or requested that an unexecuted LGIA be filed with FERC.

The Interconnection System Impact Study will consist of a short circuit analysis, a stability analysis, and a power flow analysis. The Interconnection System Impact Study will state the assumptions upon which it is based; state the results of the analyses; and provide the requirements or potential impediments to providing the requested interconnection service, including a preliminary indication of the cost and length of time that would be necessary to correct any problems identified in

those analyses and implement the interconnection. The Interconnection System Impact Study will provide a list of facilities that are required as a result of the Interconnection Request and a non-binding good faith estimate of cost responsibility and a non-binding good faith estimated time to construct.

7.4 Interconnection System Impact Study Procedures

Transmission Provider shall coordinate the Interconnection System Impact Study with any Affected System that is affected by the Interconnection Request pursuant to Section 3.5 above. Transmission Provider shall utilize existing studies to the extent practicable when it performs the study. Transmission Provider shall use Reasonable Efforts to complete the Interconnection System Impact Study within ninety (90) Calendar Days after the receipt of the Interconnection System Impact Study Agreement or notification to proceed, study payment, and technical data. If Transmission Provider uses Clustering, Transmission Provider shall use Reasonable Efforts to deliver a completed Interconnection System Impact Study within ninety (90) Calendar Days after the close of the Queue Cluster Window.

At the request of Interconnection Customer or at any time Transmission Provider determines that it will not meet the required time frame for completing the Interconnection System Impact Study, Transmission Provider shall notify Interconnection Customer as to the schedule status of the Interconnection System Impact Study. If Transmission Provider is unable to complete the Interconnection System Impact Study within the time period, it shall notify Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required. Upon request, Transmission Provider shall provide Interconnection Customer all supporting documentation, workpapers and relevant pre-Interconnection Request and post-Interconnection Request power flow, short circuit and stability databases for the Interconnection System Impact Study, subject to confidentiality arrangements consistent with Section 13.1.

7.5 Meeting with Transmission Provider.

Within ten (10) Business Days of providing an Interconnection System Impact Study report to Interconnection Customer, Transmission Provider and Interconnection Customer shall meet to discuss the results of the Interconnection System Impact Study.

7.6 Re-Study.

If Re-Study of the Interconnection System Impact Study is required due to a higher queued project dropping out of the queue, or a modification of a higher queued project subject to Section 4.4, or re-designation of the Point of Interconnection pursuant to Section 7.2 Transmission Provider shall notify Interconnection Customer in writing. Such Re-Study shall take no longer than sixty (60) Calendar Days from the date of notice. Any cost of Re-Study shall be borne by the Interconnection Customer being re-studied.

Section 8. Interconnection Facilities Study

8.1 Interconnection Facilities Study Agreement.

Simultaneously with the delivery of the Interconnection System Impact Study to Interconnection Customer, Transmission Provider shall provide to Interconnection Customer an Interconnection Facilities Study Agreement in the form of Appendix 4 to this LGIP. The Interconnection Facilities Study Agreement shall provide that Interconnection Customer shall compensate Transmission Provider for the actual cost of the Interconnection Facilities Study. Within three (3) Business Days following the Interconnection System Impact Study results meeting, Transmission Provider shall provide to Interconnection Customer a non-binding good faith estimate of the cost and timeframe for completing the Interconnection Facilities Study. Interconnection Customer shall execute the Interconnection Facilities Study Agreement and deliver the executed Interconnection Facilities Study Agreement to Transmission Provider within thirty (30) Calendar Days after its receipt, together with the required technical data and the greater of \$100,000 or Interconnection Customer's portion of the estimated monthly cost of conducting the Interconnection Facilities Study.

8.1.1 Transmission Provider shall invoice Interconnection Customer on a monthly basis for the work to be conducted on the Interconnection Facilities Study each month. Interconnection Customer shall pay invoiced amounts within thirty (30) Calendar Days of receipt of invoice. Transmission Provider shall continue to hold the amounts on deposit until settlement of the final invoice.

8.2 Scope of Interconnection Facilities Study.

The Interconnection Facilities Study shall specify and estimate the cost of the equipment, engineering, procurement and construction work needed to implement the conclusions of the Interconnection System Impact Study in accordance with Good Utility Practice to physically and electrically connect the Interconnection Facility to the Transmission System. The

Interconnection Facilities Study shall also identify the electrical switching configuration of the connection equipment, including, without limitation: the transformer, switchgear, meters, and other station equipment; the nature and estimated cost of any Transmission Provider's Interconnection Facilities and Network Upgrades necessary to accomplish the interconnection; and an estimate of the time required to complete the construction and installation of such facilities.

8.3 Interconnection Facilities Study Procedures.

Transmission Provider shall coordinate the Interconnection Facilities Study with any Affected System pursuant to Section 3.5 above. Transmission Provider shall utilize existing studies to the extent practicable in performing the Interconnection Facilities Study. Transmission Provider shall use Reasonable Efforts to complete the study and issue a draft Interconnection Facilities Study report to Interconnection Customer within the following number of days after receipt of an executed Interconnection Facilities Study Agreement: ninety (90) Calendar Days, with no more than a +/- 20 percent cost estimate contained in the report; or one hundred eighty (180) Calendar Days, if Interconnection Customer requests a +/- 10 percent cost estimate.

At the request of Interconnection Customer or at any time Transmission Provider determines that it will not meet the required time frame for completing the Interconnection Facilities Study, Transmission Provider shall notify Interconnection Customer as to the schedule status of the Interconnection Facilities Study. If Transmission Provider is unable to complete the Interconnection Facilities Study and issue a draft Interconnection Facilities Study report within the time required, it shall notify Interconnection Customer and provide an estimated completion date and an explanation of the reasons why additional time is required.

Interconnection Customer may, within thirty (30) Calendar Days after receipt of the draft report, provide written comments to Transmission Provider, which Transmission Provider shall include in the final report. Transmission Provider shall issue the final Interconnection Facilities Study report within fifteen (15) Business Days of receiving Interconnection Customer's comments or promptly upon receiving Interconnection Customer's statement that it will not provide comments. Transmission Provider may reasonably extend such fifteen-day period upon notice to Interconnection Customer if Interconnection Customer's comments require Transmission Provider to perform additional analyses or make other significant modifications prior to the issuance of the final Interconnection Facilities Report. Upon request, Transmission Provider shall provide

Interconnection Customer supporting documentation, workpapers, and databases or data developed in the preparation of the Interconnection Facilities Study, subject to confidentiality arrangements consistent with Section 13.1.

8.4 Meeting with Transmission Provider.

Within ten (10) Business Days of providing a draft Interconnection Facilities Study report to Interconnection Customer, Transmission Provider and Interconnection Customer shall meet to discuss the results of the Interconnection Facilities Study.

8.5 Re-Study.

If Re-Study of the Interconnection Facilities Study is required due to a higher queued project dropping out of the queue or a modification of a higher queued project pursuant to Section 4.4, Transmission Provider shall so notify Interconnection Customer in writing. Such Re-Study shall take no longer than sixty (60) Calendar Days from the date of notice. Any cost of Re-Study shall be borne by the Interconnection Customer being re-studied.

Section 9. Engineering & Procurement ('E&P') Agreement.

Prior to executing an LGIA, an Interconnection Customer may, in order to advance the implementation of its interconnection, request and Transmission Provider shall offer the Interconnection Customer, an E&P Agreement that authorizes Transmission Provider to begin engineering and procurement of long lead-time items necessary for the establishment of the interconnection. However, Transmission Provider shall not be obligated to offer an E&P Agreement if Interconnection Customer is in Dispute Resolution as a result of an allegation that Interconnection Customer has failed to meet any milestones or comply with any prerequisites specified in other parts of the LGIP. The E&P Agreement is an optional procedure and it will not alter the Interconnection Customer's Queue Position or In-Service Date. The E&P Agreement shall provide for Interconnection Customer to pay the cost of all activities authorized by Interconnection Customer and to make advance payments or provide other satisfactory security for such costs.

Interconnection Customer shall pay the cost of such authorized activities and any cancellation costs for equipment that is already ordered for its interconnection, which cannot be mitigated as hereafter described, whether or not such items or equipment later become unnecessary. If Interconnection Customer withdraws its application for interconnection or either Party terminates the E&P Agreement, to the extent the equipment

ordered can be canceled under reasonable terms, Interconnection Customer shall be obligated to pay the associated cancellation costs. To the extent that the equipment cannot be reasonably canceled, Transmission Provider may elect: (i) to take title to the equipment, in which event Transmission Provider shall refund Interconnection Customer any amounts paid by Interconnection Customer for such equipment and shall pay the cost of delivery of such equipment, or (ii) to transfer title to and deliver such equipment to Interconnection Customer, in which event Interconnection Customer shall pay any unpaid balance and cost of delivery of such equipment.

Section 10. Optional Interconnection Study

10.1 Optional Interconnection Study Agreement.

On or after the date when Interconnection Customer receives Interconnection System Impact Study results, Interconnection Customer may request, and Transmission Provider shall perform a reasonable number of Optional Studies. The request shall describe the assumptions that Interconnection Customer wishes Transmission Provider to study within the scope described in Section 10.2. Within five (5) Business Days after receipt of a request for an Optional Interconnection Study, Transmission Provider shall provide to Interconnection Customer an Optional Interconnection Study Agreement in the form of Appendix 5.

The Optional Interconnection Study Agreement shall: (i) specify the technical data that Interconnection Customer must provide for each phase of the Optional Interconnection Study, (ii) specify Interconnection Customer's assumptions as to which Interconnection Requests with earlier queue priority dates will be excluded from the Optional Interconnection Study case and assumptions as to the type of interconnection service for Interconnection Requests remaining in the Optional Interconnection Study case, and (iii) Transmission Provider's estimate of the cost of the Optional Interconnection Study. To the extent known by Transmission Provider, such estimate shall include any costs expected to be incurred by any Affected System whose participation is necessary to complete the Optional Interconnection Study. Notwithstanding the above, Transmission Provider shall not be required as a result of an Optional Interconnection Study request to conduct any additional Interconnection Studies with respect to any other Interconnection Request.

Interconnection Customer shall execute the Optional Interconnection Study Agreement within ten (10) Business Days of receipt and deliver the

Optional Interconnection Study Agreement, the technical data and a \$10,000 deposit to Transmission Provider.

10.2 Scope of Optional Interconnection Study.

The Optional Interconnection Study will consist of a sensitivity analysis based on the assumptions specified by Interconnection Customer in the Optional Interconnection Study Agreement. The Optional Interconnection Study will also identify Transmission Provider's Interconnection Facilities and the Network Upgrades, and the estimated cost thereof, that may be required to provide transmission service or Interconnection Service based upon the results of the Optional Interconnection Study. The Optional Interconnection Study shall be performed solely for informational purposes. Transmission Provider shall use Reasonable Efforts to coordinate the study with any Affected Systems that may be affected by the types of Interconnection Services that are being studied. Transmission Provider shall utilize existing studies to the extent practicable in conducting the Optional Interconnection Study.

10.3 Optional Interconnection Study Procedures.

The executed Optional Interconnection Study Agreement, the prepayment, and technical and other data called for therein must be provided to Transmission Provider within ten (10) Business Days of Interconnection Customer receipt of the Optional Interconnection Study Agreement. Transmission Provider shall use Reasonable Efforts to complete the Optional Interconnection Study within a mutually agreed upon time period specified within the Optional Interconnection Study Agreement. If Transmission Provider is unable to complete the Optional Interconnection Study within such time period, it shall notify Interconnection Customer and provide an estimated completion date and an explanation of the reasons why additional time is required. Any difference between the study payment and the actual cost of the study shall be paid to Transmission Provider or refunded to Interconnection Customer, as appropriate. Upon request, Transmission Provider shall provide Interconnection Customer supporting documentation and workpapers and databases or data developed in the preparation of the Optional Interconnection Study, subject to confidentiality arrangements consistent with Section 13.1.

Section 11. Standard Large Generator Interconnection Agreement (LGIA)

11.1 Tender.

Interconnection Customer shall tender comments on the draft Interconnection Facilities Study Report within thirty (30) Calendar Days of

receipt of the report. Within thirty (30) Calendar Days after the comments are submitted, Transmission Provider shall tender a draft LGIA, together with draft appendices completed to the extent practicable. The draft LGIA shall be in the form of Transmission Provider's FERC-approved standard form LGIA, which is in Appendix 6. Interconnection Customer shall execute and return the completed draft appendices within thirty (30) Calendar Days.

11.2 Negotiation.

Notwithstanding Section 11.1, at the request of Interconnection Customer Transmission Provider shall begin negotiations with Interconnection Customer concerning the appendices to the LGIA at any time after Interconnection Customer executes the Interconnection Facilities Study Agreement. Transmission Provider and Interconnection Customer shall negotiate concerning any disputed provisions of the appendices to the draft LGIA for not more than sixty (60) Calendar Days after tender of the final Interconnection Facilities Study Report. If Interconnection Customer determines that negotiations are at an impasse, it may request termination of the negotiations at any time after tender of the draft LGIA pursuant to Section 11.1 and request submission of the unexecuted LGIA with FERC or initiate Dispute Resolution procedures pursuant to Section 13.5. If Interconnection Customer requests termination of the negotiations, but within sixty (60) Calendar Days thereafter fails to request either the filing of the unexecuted LGIA or initiate Dispute Resolution, it shall be deemed to have withdrawn its Interconnection Request. Unless otherwise agreed by the Parties, if Interconnection Customer has not executed the LGIA, requested filing of an unexecuted LGIA, or initiated Dispute Resolution procedures pursuant to Section 13.5 within sixty (60) Calendar Days of tender of draft LGIA, it shall be deemed to have withdrawn its Interconnection Request. Transmission Provider shall provide to Interconnection Customer a final LGIA within fifteen (15) Business Days after the completion of the negotiation process.

11.3 Execution and Filing.

Within fifteen (15) Business Days after receipt of the final LGIA, Interconnection Customer shall provide Transmission Provider (A) reasonable evidence that continued Site Control or (B) posting of \$250,000, non-refundable additional security, which shall be applied toward future construction costs. At the same time, Interconnection Customer also shall provide reasonable evidence that one or more of the following milestones in the development of the Large Generating Facility, at Interconnection Customer election, has been achieved: (i) the execution of a contract for

the supply or transportation of fuel to the Large Generating Facility; (ii) the execution of a contract for the supply of cooling water to the Large Generating Facility; (iii) execution of a contract for the engineering for, procurement of major equipment for, or construction of, the Large Generating Facility; (iv) execution of a contract for the sale of electric energy or capacity from the Large Generating Facility; or (v) application for an air, water, or land use permit.

Interconnection Customer shall either: (i) execute two originals of the tendered LGIA and return them to Transmission Provider; or (ii) request in writing that Transmission Provider file with FERC an LGIA in unexecuted form. As soon as practicable, but not later than ten (10) Business Days after receiving either the two executed originals of the tendered LGIA (if it does not conform with a FERC-approved standard form of interconnection agreement) or the request to file an unexecuted LGIA, Transmission Provider shall file the LGIA with FERC, together with its explanation of any matters as to which Interconnection Customer and Transmission Provider disagree and support for the costs that Transmission Provider proposes to charge to Interconnection Customer under the LGIA. An unexecuted LGIA should contain terms and conditions deemed appropriate by Transmission Provider for the Interconnection Request. If the Parties agree to proceed with design, procurement, and construction of facilities and upgrades under the agreed-upon terms of the unexecuted LGIA, they may proceed pending FERC action.

11.4 Commencement of Interconnection Activities.

If Interconnection Customer executes the final LGIA, Transmission Provider and Interconnection Customer shall perform their respective obligations in accordance with the terms of the LGIA, subject to modification by FERC. Upon submission of an unexecuted LGIA, Interconnection Customer and Transmission Provider shall promptly comply with the unexecuted LGIA, subject to modification by FERC.

Section 12. Construction of Transmission Provider's Interconnection Facilities and Network Upgrades

12.1 Schedule.

Transmission Provider and Interconnection Customer shall negotiate in good faith concerning a schedule for the construction of Transmission Provider's Interconnection Facilities and the Network Upgrades.

12.2 Construction Sequencing.

12.2.1 General.

In general, the In-Service Date of an Interconnection Customers seeking interconnection to the Transmission System will determine the sequence of construction of Network Upgrades.

12.2.2 Advance Construction of Network Upgrades that are an Obligation of an Entity other than Interconnection Customer.

An Interconnection Customer with an LGIA, in order to maintain its In-Service Date, may request that Transmission Provider advance to the extent necessary the completion of Network Upgrades that: (i) were assumed in the Interconnection Studies for such Interconnection Customer, (ii) are necessary to support such In-Service Date, and (iii) would otherwise not be completed, pursuant to a contractual obligation of an entity other than Interconnection Customer that is seeking interconnection to the Transmission System, in time to support such In-Service Date. Upon such request, Transmission Provider will use Reasonable Efforts to advance the construction of such Network Upgrades to accommodate such request; provided that Interconnection Customer commits to pay Transmission Provider: (i) any associated expediting costs and (ii) the cost of such Network Upgrades.

Transmission Provider will refund to Interconnection Customer both the expediting costs and the cost of Network Upgrades, in accordance with Article 11.4 of the LGIA. Consequently, the entity with a contractual obligation to construct such Network Upgrades shall be obligated to pay only that portion of the costs of the Network Upgrades that Transmission Provider has not refunded to Interconnection Customer. Payment by that entity shall be due on the date that it would have been due had there been no request for advance construction. Transmission Provider shall forward to Interconnection Customer the amount paid by the entity with a contractual obligation to construct the Network Upgrades as payment in full for the outstanding balance owed to Interconnection Customer. Transmission Provider then shall

refund to that entity the amount that it paid for the Network Upgrades, in accordance with Article 11.4 of the LGIA.

12.2.3 Advancing Construction of Network Upgrades that are Part of an Expansion Plan of the Transmission Provider.

An Interconnection Customer with an LGIA, in order to maintain its In-Service Date, may request that Transmission Provider advance to the extent necessary the completion of Network Upgrades that: (i) are necessary to support such In-Service Date and (ii) would otherwise not be completed, pursuant to an expansion plan of Transmission Provider, in time to support such In-Service Date. Upon such request, Transmission Provider will use Reasonable Efforts to advance the construction of such Network Upgrades to accommodate such request; provided that Interconnection Customer commits to pay Transmission Provider any associated expediting costs. Interconnection Customer shall be entitled to transmission credits, if any, for any expediting costs paid.

12.2.4 Amended Interconnection System Impact Study.

An Interconnection System Impact Study will be amended to determine the facilities necessary to support the requested In-Service Date. This amended study will include those transmission and Large Generating Facilities that are expected to be in service on or before the requested In-Service Date.

Section 13. Miscellaneous

13.1 Confidentiality.

Confidential Information shall include, without limitation, all information relating to a Party's technology, research and development, business affairs, and pricing, and any information supplied by either of the Parties to the other prior to the execution of an LGIA.

Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential.

If requested by either Party, the other Party shall provide in writing, the basis for asserting that the information referred to in this Article warrants confidential treatment, and the requesting Party may disclose such writing to the appropriate Governmental Authority. Each Party shall be responsible for the costs associated with affording confidential treatment to its information.

13.1.1 Scope.

Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of a disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (3) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party after due inquiry, was under no obligation to the disclosing Party to keep such information confidential; (4) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (5) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or Breach of the LGIA; or (6) is required, in accordance with Section 13.1.6, Order of Disclosure, to be disclosed by any Governmental Authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under the

LGIA. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the other Party that it no longer is confidential.

13.1.2 Release of Confidential Information.

Neither Party shall release or disclose Confidential Information to any other person, except to its Affiliates (limited by the Standards of Conduct requirements), employees, consultants, or to parties who may be or considering providing financing to or equity participation with Interconnection Customer, or to potential purchasers or assignees of Interconnection Customer, on a need-to-know basis in connection with these procedures, unless such person has first been advised of the confidentiality provisions of this

Section 13.1 and has agreed to comply with such provisions. Notwithstanding the foregoing, a Party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this Section 13.1.

13.1.3 Rights.

Each Party retains all rights, title, and interest in the Confidential Information that each Party discloses to the other Party. The disclosure by each Party to the other Party of Confidential Information shall not be deemed a waiver by either Party or any other person or entity of the right to protect the Confidential Information from public disclosure.

13.1.4 No Warranties.

By providing Confidential Information, neither Party makes any warranties or representations as to its accuracy or completeness. In addition, by supplying Confidential Information, neither Party obligates itself to provide any particular information or Confidential Information to the other Party nor to enter into any further agreements or proceed with any other relationship or joint venture.

13.1.5 Standard of Care.

Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination. Each Party may use Confidential Information solely to fulfill its obligations to the other Party under these procedures or its regulatory requirements.

13.1.6 Order of Disclosure.

If a court or a Government Authority or entity with the right, power, and apparent authority to do so requests or requires either Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the other Party with prompt notice of such request(s) or requirement(s) so that the other Party may seek an appropriate protective order or waive compliance with the terms of the LGIA. Notwithstanding the absence of a

protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

13.1.7 Remedies.

The Parties agree that monetary damages would be inadequate to compensate a Party for the other Party's Breach of its obligations under this Section 13.1. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the first Party Breaches or threatens to Breach its obligations under this Section 13.1, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law. Such remedy shall not be deemed an exclusive remedy for the Breach of this Section 13.1, but shall be in addition to all other remedies available at law or in equity. The Parties further acknowledge and agree that the covenants contained herein are necessary for the protection of legitimate business interests and are reasonable in scope. No Party, however, shall be liable for indirect, incidental, or consequential or punitive damages of any nature or kind resulting from or arising in connection with this Section 13.1.

13.1.8 Disclosure to FERC, its Staff, or a State.

Notwithstanding anything in this Section 13.1 to the contrary, and pursuant to 18 CFR section 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to the LGIP, the Party shall provide the requested information to FERC or its staff, within the time provided for in the request for information. In providing the information to FERC or its staff, the Party must, consistent with 18 CFR section 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Party prior to the release of the Confidential Information to FERC or its staff. The Party shall

notify the other Party to the LGIA when its is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time either of the Parties may respond before such information would be made public, pursuant to 18 CFR section 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner, consistent with applicable state rules and regulations.

13.1.9

Subject to the exception in Section 13.1.8, any information that a Party claims is competitively sensitive, commercial or financial information ("Confidential Information") shall not be disclosed by the other Party to any person not employed or retained by the other Party, except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the disclosing Party to be required to be disclosed in connection with a dispute between or among the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the other Party, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this LGIP or as a transmission service provider or a Control Area operator including disclosing the Confidential Information to an RTO or ISO or to a subregional, regional or national reliability organization or planning group. The Party asserting confidentiality shall notify the other Party in writing of the information it claims is confidential. Prior to any disclosures of the other Party's Confidential Information under this subparagraph, or if any third party or Governmental Authority makes any request or demand for any of the information described in this subparagraph, the disclosing Party agrees to promptly notify the other Party in writing and agrees to assert confidentiality and cooperate with the other Party in seeking to protect the Confidential Information from public disclosure by confidentiality agreement, protective order or other reasonable measures.

13.1.10

This provision shall not apply to any information that was or is hereafter in the public domain (except as a result of a Breach of this provision).

13.1.11

Transmission Provider shall, at Interconnection Customer's election, destroy, in a confidential manner, or return the

Confidential Information provided at the time of Confidential Information is no longer needed.

13.2 Delegation of Responsibility.

Transmission Provider may use the services of subcontractors as it deems appropriate to perform its obligations under this LGIP. Transmission Provider shall remain primarily liable to Interconnection Customer for the performance of such subcontractors and compliance with its obligations of this LGIP. The subcontractor shall keep all information provided confidential and shall use such information solely for the performance of such obligation for which it was provided and no other purpose.

13.3 Obligation for Study Costs.

Transmission Provider shall charge and Interconnection Customer shall pay the actual costs of the Interconnection Studies. Any difference between the study deposit and the actual cost of the applicable Interconnection Study shall be paid by or refunded, except as otherwise provided herein, to Interconnection Customer or offset against the cost of any future Interconnection Studies associated with the applicable Interconnection Request prior to beginning of any such future Interconnection Studies. Any invoices for Interconnection Studies shall include a detailed and itemized accounting of the cost of each Interconnection Study. Interconnection Customer shall pay any such undisputed costs within thirty (30) Calendar Days of receipt of an invoice therefor. Transmission Provider shall not be obligated to perform or continue to perform any studies unless Interconnection Customer has paid all undisputed amounts in compliance herewith.

13.4 Third Parties Conducting Studies.

If (i) at the time of the signing of an Interconnection Study Agreement there is disagreement as to the estimated time to complete an Interconnection Study, (ii) Interconnection Customer receives notice pursuant to Sections 6.3, 7.4 or 8.3 that Transmission Provider will not complete an Interconnection Study within the applicable timeframe for such Interconnection Study, or (iii) Interconnection Customer receives neither the Interconnection Study nor a notice under Sections 6.3, 7.4 or 8.3 within the applicable timeframe for such Interconnection Study, then Interconnection Customer may require Transmission Provider to utilize a third party consultant reasonably acceptable to Interconnection Customer and Transmission Provider to perform such Interconnection Study under the direction of Transmission Provider. At other times, Transmission Provider may also utilize a third party consultant to perform such

Interconnection Study, either in response to a general request of Interconnection Customer, or on its own volition.

In all cases, use of a third party consultant shall be in accord with Article 26 of the LGIA (Subcontractors) and limited to situations where Transmission Provider determines that doing so will help maintain or accelerate the study process for Interconnection Customer's pending Interconnection Request and not interfere with Transmission Provider's progress on Interconnection Studies for other pending Interconnection Requests. In cases where Interconnection Customer requests use of a third party consultant to perform such Interconnection Study, Interconnection Customer and Transmission Provider shall negotiate all of the pertinent terms and conditions, including reimbursement arrangements and the estimated study completion date and study review deadline. Transmission Provider shall convey all workpapers, data bases, study results and all other supporting documentation prepared to date with respect to the Interconnection Request as soon as soon as practicable upon Interconnection Customer's request subject to the confidentiality provision in Section 13.1. In any case, such third party contract may be entered into with either Interconnection Customer or Transmission Provider at Transmission Provider's discretion. In the case of (iii) Interconnection Customer maintains its right to submit a claim to Dispute Resolution to recover the costs of such third party study. Such third party consultant shall be required to comply with this LGIP, Article 26 of the LGIA (Subcontractors), and the relevant Tariff procedures and protocols as would apply if Transmission Provider were to conduct the Interconnection Study and shall use the information provided to it solely for purposes of performing such services and for no other purposes. Transmission Provider shall cooperate with such third party consultant and Interconnection Customer to complete and issue the Interconnection Study in the shortest reasonable time.

13.5 Disputes.

13.5.1 Submission.

In the event either Party has a dispute, or asserts a claim, that arises out of or in connection with the LGIA, the LGIP, or their performance, such Party (the "disputing Party") shall provide the other Party with written notice of the dispute or claim ("Notice of Dispute"). Such dispute or claim shall be referred to a designated senior representative of each Party for resolution on an informal basis as promptly as practicable after receipt of the Notice of Dispute by the other Party. In

the event the designated representatives are unable to resolve the claim or dispute through unassisted or assisted negotiations within thirty (30) Calendar Days of the other Party's receipt of the Notice of Dispute, such claim or dispute may, upon mutual agreement of the Parties, be submitted to arbitration and resolved in accordance with the arbitration procedures set forth below. In the event the Parties do not agree to submit such claim or dispute to arbitration, each Party may exercise whatever rights and remedies it may have in equity or at law consistent with the terms of this LGIA.

13.5.2 External Arbitration Procedures.

Any arbitration initiated under these procedures shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) Calendar Days of the submission of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) Calendar Days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("Arbitration Rules") and any applicable FERC regulations or RTO rules; provided, however, in the event of a conflict between the Arbitration Rules and the terms of this Section 13, the terms of this Section 13 shall prevail.

13.5.3 Arbitration Decisions.

Unless otherwise agreed by the Parties, the arbitrator(s) shall render a decision within ninety (90) Calendar Days of appointment and shall notify the Parties in writing of such decision and the reasons therefor. The arbitrator(s) shall be authorized only to interpret and apply the provisions of the LGIA and LGIP and shall have no power to modify or change any provision of the LGIA and LGIP in any manner. The

decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act or the Administrative Dispute Resolution Act. The final decision of the arbitrator must also be filed with FERC if it affects jurisdictional rates, terms and conditions of service, Interconnection Facilities, or Network Upgrades.

13.5.4 Costs.

Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable: (1) the cost of the arbitrator chosen by the Party to sit on the three member panel and one half of the cost of the third arbitrator chosen; or (2) one half the cost of the single arbitrator jointly chosen by the Parties.

13.6 Local Furnishing Bonds.

13.6.1 Transmission Providers That Own Facilities Financed by Local Furnishing Bonds.

This provision is applicable only to a Transmission Provider that has financed facilities for the local furnishing of electric energy with tax-exempt bonds, as described in Section 142(f) of the Internal Revenue Code ("local furnishing bonds"). Notwithstanding any other provision of this LGIA and LGIP, Transmission Provider shall not be required to provide Interconnection Service to Interconnection Customer pursuant to this LGIA and LGIP if the provision of such Transmission Service would jeopardize the tax-exempt status of any local furnishing bond(s) used to finance Transmission Provider's facilities that would be used in providing such Interconnection Service.

13.6.2 Alternative Procedures for Requesting Interconnection Service.

If Transmission Provider determines that the provision of Interconnection Service requested by Interconnection Customer would jeopardize the tax-exempt status of any local furnishing bond(s) used to finance its facilities that would be

used in providing such Interconnection Service, it shall advise the Interconnection Customer within thirty (30) Calendar Days of receipt of the Interconnection Request.

Interconnection Customer thereafter may renew its request for interconnection using the process specified in Article 5.2(ii) of the Transmission Provider's Tariff.

**APPENDIX 1 to LGIP
INTERCONNECTION REQUEST FOR A
LARGE GENERATING FACILITY**

1. The undersigned Interconnection Customer submits this request to interconnect its Large Generating Facility with Transmission Provider's Transmission System pursuant to a Tariff.
2. This Interconnection Request is for (check one):
 A proposed new Large Generating Facility.
 An increase in the generating capacity or a Material Modification of an existing Generating Facility.
3. The type of interconnection service requested (check one):
 Energy Resource Interconnection Service
 Network Resource Interconnection Service
4. Check here only if Interconnection Customer requesting Network Resource Interconnection Service also seeks to have its Generating Facility studied for Energy Resource Interconnection Service
5. Interconnection Customer provides the following information:
 - a. Address or location of the proposed new Large Generating Facility site (to the extent known) or, in the case of an existing Generating Facility, the name and specific location of the existing Generating Facility;
 - b. Maximum summer at ____ degrees C and winter at ____ degrees C megawatt electrical output of the proposed new Large Generating Facility or the amount of megawatt increase in the generating capacity of an existing Generating Facility;
 - c. General description of the equipment configuration;
 - d. Commercial Operation Date (Day, Month, and Year);
 - e. Name, address, telephone number, and e-mail address of Interconnection Customer's contact person;

- f. Approximate location of the proposed Point of Interconnection (optional);
and
 - g. Interconnection Customer Data (set forth in Attachment A)
6. Applicable deposit amount as specified in the LGIP.
7. Evidence of Site Control as specified in the LGIP (check one)
 Is attached to this Interconnection Request
 Will be provided at a later date in accordance with this LGIP
8. This Interconnection Request shall be submitted to the representative indicated below:

[To be completed by Transmission Provider]

9. Representative of Interconnection Customer to contact:

[To be completed by Interconnection Customer]

10. This Interconnection Request is submitted by:

Name of Interconnection Customer: _____

By (signature): _____

Name (type or print): _____

Title: _____

Date: _____

**Attachment A to Appendix 1
Interconnection Request**

LARGE GENERATING FACILITY DATA

UNIT RATINGS

kVA _____ °F _____ Voltage _____
 Power Factor _____
 Speed (RPM) _____ Connection (e.g. Wye) _____
 Short Circuit Ratio _____ Frequency, Hertz _____
 Stator Amperes at Rated kVA _____ Field Volts _____
 Max Turbine MW _____ °F _____

COMBINED TURBINE-GENERATOR-EXCITER INERTIA DATA

Inertia Constant, H = _____ kW sec/kVA
 Moment-of-Inertia, WR^2 = _____ lb. ft.²

REACTANCE DATA (PER UNIT-RATED KVA)

	DIRECT AXIS	QUADRATURE AXIS
Synchronous – saturated	X_{dv} _____	X_{qv} _____
Synchronous – unsaturated	X_{di} _____	X_{qi} _____
Transient – saturated	X'_{dv} _____	X'_{qv} _____
Transient – unsaturated	X'_{di} _____	X'_{qi} _____
Subtransient – saturated	X''_{dv} _____	X''_{qv} _____
Subtransient – unsaturated	X''_{di} _____	X''_{qi} _____
Negative Sequence – saturated	X_{2v} _____	
Negative Sequence – unsaturated	X_{2i} _____	
Zero Sequence – saturated	X_{0v} _____	
Zero Sequence – unsaturated	X_{0i} _____	
Leakage Reactance	X_{lm} _____	

FIELD TIME CONSTANT DATA (SEC)

Open Circuit	T'_{do}	_____	T'_{qo}	_____
Three-Phase Short Circuit Transient	T'_{d3}	_____	T'_q	_____
Line to Line Short Circuit Transient	T'_{d2}	_____		
Line to Neutral Short Circuit Transient	T'_{d1}	_____		
Short Circuit Subtransient	T''_d	_____	T''_q	_____
Open Circuit Subtransient	T''_{do}	_____	T''_{qo}	_____

ARMATURE TIME CONSTANT DATA (SEC)

Three Phase Short Circuit	T_{a3}	_____
Line to Line Short Circuit	T_{a2}	_____
Line to Neutral Short Circuit	T_{a1}	_____

NOTE: If requested information is not applicable, indicate by marking "N/A."

**MW CAPABILITY AND PLANT CONFIGURATION
LARGE GENERATING FACILITY DATA**

ARMATURE WINDING RESISTANCE DATA (PER UNIT)

Positive	R_1	_____
Negative	R_2	_____
Zero	R_0	_____

Rotor Short Time Thermal Capacity $I_2^2t =$ _____

Field Current at Rated kVA, Armature Voltage and PF = _____ amps

Field Current at Rated kVA and Armature Voltage, 0 PF = _____ amps

Three Phase Armature Winding Capacitance = _____ microfarad

Field Winding Resistance = _____ ohms _____ °C

Armature Winding Resistance (Per Phase) = _____ ohms _____ °C

CURVES

Provide Saturation, Vee, Reactive Capability, Capacity Temperature Correction curves.
Designate normal and emergency Hydrogen Pressure operating range for multiple curves.

GENERATOR STEP-UP TRANSFORMER DATA RATINGS

Capacity _____ Self-cooled/
Maximum Nameplate
_____ / _____ kVA

Voltage Ratio(Generator Side/System side/Tertiary)
_____ / _____ / _____ kV

Winding Connections (Low V/High V/Tertiary V (Delta or Wye))
_____ / _____ / _____

Fixed Taps Available _____

Present Tap Setting _____

IMPEDANCE

Positive Z_1 (on self-cooled kVA rating) _____ % _____ X/R

Zero Z_0 (on self-cooled kVA rating) _____ % _____ X/R

EXCITATION SYSTEM DATA

Identify appropriate IEEE model block diagram of excitation system and power system stabilizer (PSS) for computer representation in power system stability simulations and the corresponding excitation system and PSS constants for use in the model.

GOVERNOR SYSTEM DATA

Identify appropriate IEEE model block diagram of governor system for computer representation in power system stability simulations and the corresponding governor system constants for use in the model.

WIND GENERATORS

Number of generators to be interconnected pursuant to this Interconnection Request:

Elevation: _____ _____ Single Phase _____ Three Phase

Inverter manufacturer, model name, number, and version:

List of adjustable setpoints for the protective equipment or software:

Note: A completed General Electric Company Power Systems Load Flow (PSLF) data sheet or other compatible formats, such as IEEE and PTI power flow models, must be supplied with the Interconnection Request. If other data sheets are more appropriate to the proposed device, then they shall be provided and discussed at Scoping Meeting.

INDUCTION GENERATORS

- (* Field Volts: _____
- (* Field Amperes: _____
- (* Motoring Power (kW): _____
- (* Neutral Grounding Resistor (If Applicable): _____
- (* I_2^2t or K (Heating Time Constant): _____
- (* Rotor Resistance: _____
- (* Stator Resistance: _____
- (* Stator Reactance: _____
- (* Rotor Reactance: _____
- (* Magnetizing Reactance: _____
- (* Short Circuit Reactance: _____
- (* Exciting Current: _____
- (* Temperature Rise: _____
- (* Frame Size: _____
- (* Design Letter: _____
- (* Reactive Power Required In Vars (No Load): _____
- (* Reactive Power Required In Vars (Full Load): _____
- (* Total Rotating Inertia, H: _____ Per Unit on KVA Base

Note: Please consult Transmission Provider prior to submitting the Interconnection Request to determine if the information designated by (*) is required.

**APPENDIX 2 to LGIP
INTERCONNECTION FEASIBILITY STUDY AGREEMENT**

THIS AGREEMENT is made and entered into this ___ day of _____, 20___ by and between _____, a _____ organized and existing under the laws of the State of _____, ("Interconnection Customer,") and _____ a _____ existing under the laws of the State of _____, ("Transmission Provider "). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Interconnection Customer is proposing to develop a Large Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request submitted by Interconnection Customer dated _____ ; and

WHEREAS, Interconnection Customer desires to interconnect the Large Generating Facility with the Transmission System; and

WHEREAS, Interconnection Customer has requested Transmission Provider to perform an Interconnection Feasibility Study to assess the feasibility of interconnecting the proposed Large Generating Facility to the Transmission System, and of any Affected Systems;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

- 1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated in Transmission Provider's FERC-approved LGIP.
- 2.0 Interconnection Customer elects and Transmission Provider shall cause to be performed an Interconnection Feasibility Study consistent with Section 6.0 of this LGIP in accordance with the Tariff.
- 3.0 The scope of the Interconnection Feasibility Study shall be subject to the assumptions set forth in Attachment A to this Agreement.

4.0 The Interconnection Feasibility Study shall be based on the technical information provided by Interconnection Customer in the Interconnection Request, as may be modified as the result of the Scoping Meeting. Transmission Provider reserves the right to request additional technical information from Interconnection Customer as may reasonably become necessary consistent with Good Utility Practice during the course of the Interconnection Feasibility Study and as designated in accordance with Section 3.3.4 of the LGIP. If, after the designation of the Point of Interconnection pursuant to Section 3.3.4 of the LGIP, Interconnection Customer modifies its Interconnection Request pursuant to Section 4.4, the time to complete the Interconnection Feasibility Study may be extended.

5.0 The Interconnection Feasibility Study report shall provide the following information:

- preliminary identification of any circuit breaker short circuit capability limits exceeded as a result of the interconnection;
- preliminary identification of any thermal overload or voltage limit violations resulting from the interconnection; and
- preliminary description and non-bonding estimated cost of facilities required to interconnect the Large Generating Facility to the Transmission System and to address the identified short circuit and power flow issues.

6.0 Interconnection Customer shall provide a deposit of \$10,000 for the performance of the Interconnection Feasibility Study.

Upon receipt of the Interconnection Feasibility Study Transmission Provider shall charge and Interconnection Customer shall pay the actual costs of the Interconnection Feasibility Study.

Any difference between the deposit and the actual cost of the study shall be paid by or refunded to Interconnection Customer, as appropriate.

7.0 Miscellaneous. The Interconnection Feasibility Study Agreement shall include standard miscellaneous terms including, but not limited to, indemnities, representations, disclaimers, warranties, governing law, amendment, execution, waiver, enforceability and assignment, that reflect best practices in the electric industry, and that are consistent with regional

practices, Applicable Laws and Regulations, and the organizational nature of each Party. All of these provisions, to the extent practicable, shall be consistent with the provisions of the LGIP and the LGIA.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

[Insert name of Transmission Provider or Transmission Owner, if applicable]

By: _____ By: _____
Title: _____ Title: _____
Date: _____ Date: _____

[Insert name of Interconnection Customer]

By: _____
Title: _____
Date: _____

**Attachment A to Appendix 2
Interconnection Feasibility
Study Agreement**

**ASSUMPTIONS USED IN CONDUCTING THE
INTERCONNECTION FEASIBILITY STUDY**

The Interconnection Feasibility Study will be based upon the information set forth in the Interconnection Request and agreed upon in the Scoping Meeting held on _____:

Designation of Point of Interconnection and configuration to be studied.
Designation of alternative Point(s) of Interconnection and configuration.

[Above assumptions to be completed by Interconnection Customer and other assumptions to be provided by Interconnection Customer and Transmission Provider]

**APPENDIX 3 to LGIP
INTERCONNECTION SYSTEM IMPACT STUDY AGREEMENT**

THIS AGREEMENT is made and entered into this ___ day of _____, 20___ by and between _____, a _____ organized and existing under the laws of the State of _____, ("Interconnection Customer,") and _____ a _____ existing under the laws of the State of _____, ("Transmission Provider "). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Interconnection Customer is proposing to develop a Large Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request submitted by Interconnection Customer dated _____; and

WHEREAS, Interconnection Customer desires to interconnect the Large Generating Facility with the Transmission System;

WHEREAS, Transmission Provider has completed an Interconnection Feasibility Study (the "Feasibility Study") and provided the results of said study to Interconnection Customer (This recital to be omitted if Transmission Provider does not require the Interconnection Feasibility Study.); and

WHEREAS, Interconnection Customer has requested Transmission Provider to perform an Interconnection System Impact Study to assess the impact of interconnecting the Large Generating Facility to the Transmission System, and of any Affected Systems;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

- 1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated in Transmission Provider's FERC-approved LGIP.
- 2.0 Interconnection Customer elects and Transmission Provider shall cause to be performed an Interconnection System Impact Study consistent with Section 7.0 of this LGIP in accordance with the Tariff.

- 3.0 The scope of the Interconnection System Impact Study shall be subject to the assumptions set forth in Attachment A to this Agreement.
- 4.0 The Interconnection System Impact Study will be based upon the results of the Interconnection Feasibility Study and the technical information provided by Interconnection Customer in the Interconnection Request, subject to any modifications in accordance with Section 4.4 of the LGIP. Transmission Provider reserves the right to request additional technical information from Interconnection Customer as may reasonably become necessary consistent with Good Utility Practice during the course of the Interconnection Customer System Impact Study. If Interconnection Customer modifies its designated Point of Interconnection, Interconnection Request, or the technical information provided therein is modified, the time to complete the Interconnection System Impact Study may be extended.
- 5.0 The Interconnection System Impact Study report shall provide the following information:
- identification of any circuit breaker short circuit capability limits exceeded as a result of the interconnection;
 - identification of any thermal overload or voltage limit violations resulting from the interconnection;
 - identification of any instability or inadequately damped response to system disturbances resulting from the interconnection and
 - description and non-binding, good faith estimated cost of facilities required to interconnect the Large Generating Facility to the Transmission System and to address the identified short circuit, instability, and power flow issues.
- 6.0 Interconnection Customer shall provide a deposit of \$50,000 for the performance of the Interconnection System Impact Study. Transmission Provider's good faith estimate for the time of completion of the Interconnection System Impact Study is [insert date].

Upon receipt of the Interconnection System Impact Study, Transmission Provider shall charge and Interconnection Customer shall pay the actual costs of the Interconnection System Impact Study.

Any difference between the deposit and the actual cost of the study shall be paid by or refunded to Interconnection Customer, as appropriate.

7.0 Miscellaneous. The Interconnection System Impact Study Agreement shall include standard miscellaneous terms including, but not limited to, indemnities, representations, disclaimers, warranties, governing law, amendment, execution, waiver, enforceability and assignment, that reflect best practices in the electric industry, that are consistent with regional practices, Applicable Laws and Regulations and the organizational nature of each Party. All of these provisions, to the extent practicable, shall be consistent with the provisions of the LGIP and the LGIA.]

IN WITNESS THEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

[Insert name of Transmission Provider or Transmission Owner, if applicable]

By: _____ By: _____

Title: _____ Title: _____

Date: _____ Date: _____

[Insert name of Interconnection Customer]

By: _____

Title: _____

Date: _____

**Attachment A To Appendix 3
Interconnection System Impact
Study Agreement**

**ASSUMPTIONS USED IN CONDUCTING THE
INTERCONNECTION SYSTEM IMPACT STUDY**

The Interconnection System Impact Study will be based upon the results of the Interconnection Feasibility Study, subject to any modifications in accordance with Section 4.4 of the LGIP, and the following assumptions:

Designation of Point of Interconnection and configuration to be studied.
Designation of alternative Point(s) of Interconnection and configuration.

[Above assumptions to be completed by Interconnection Customer and other assumptions to be provided by Interconnection Customer and Transmission Provider]

**APPENDIX 4 to LGIP
INTERCONNECTION FACILITIES STUDY AGREEMENT**

THIS AGREEMENT is made and entered into this ___ day of _____, 20___ by and between _____, a _____ organized and existing under the laws of the State of _____, ("Interconnection Customer,") and _____ a _____ existing under the laws of the State of _____, ("Transmission Provider "). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Interconnection Customer is proposing to develop a Large Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request submitted by Interconnection Customer dated _____; and

WHEREAS, Interconnection Customer desires to interconnect the Large Generating Facility with the Transmission System;

WHEREAS, Transmission Provider has completed an Interconnection System Impact Study (the "System Impact Study") and provided the results of said study to Interconnection Customer; and

WHEREAS, Interconnection Customer has requested Transmission Provider to perform an Interconnection Facilities Study to specify and estimate the cost of the equipment, engineering, procurement and construction work needed to implement the conclusions of the Interconnection System Impact Study in accordance with Good Utility Practice to physically and electrically connect the Large Generating Facility to the Transmission System.

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agreed as follows:

- 1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated in Transmission Provider's FERC-approved LGIP.

- 2.0 Interconnection Customer elects and Transmission Provider shall cause an Interconnection Facilities Study consistent with Section 8.0 of this LGIP to be performed in accordance with the Tariff.
- 3.0 The scope of the Interconnection Facilities Study shall be subject to the assumptions set forth in Attachment A and the data provided in Attachment B to this Agreement.
- 4.0 The Interconnection Facilities Study report (i) shall provide a description, estimated cost of (consistent with Attachment A), schedule for required facilities to interconnect the Large Generating Facility to the Transmission System and (ii) shall address the short circuit, instability, and power flow issues identified in the Interconnection System Impact Study.
- 5.0 Interconnection Customer shall provide a deposit of \$100,000 for the performance of the Interconnection Facilities Study. The time for completion of the Interconnection Facilities Study is specified in Attachment A.

Transmission Provider shall invoice Interconnection Customer on a monthly basis for the work to be conducted on the Interconnection Facilities Study each month. Interconnection Customer shall pay invoiced amounts within thirty (30) Calendar Days of receipt of invoice. Transmission Provider shall continue to hold the amounts on deposit until settlement of the final invoice.

- 6.0 Miscellaneous. The Interconnection Facility Study Agreement shall include standard miscellaneous terms including, but not limited to, indemnities, representations, disclaimers, warranties, governing law, amendment, execution, waiver, enforceability and assignment, that reflect best practices in the electric industry, and that are consistent with regional practices, Applicable Laws and Regulations, and the organizational nature of each Party. All of these provisions, to the extent practicable, shall be consistent with the provisions of the LGIP and the LGIA.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

[Insert name of Transmission Provider or Transmission Owner, if applicable]

By: _____ By: _____

Title: _____ Title: _____

Date: _____ Date: _____

[Insert name of Interconnection Customer]

By: _____

Title: _____

Date: _____

**Attachment A To Appendix 4
Interconnection Facilities
Study Agreement**

**INTERCONNECTION CUSTOMER SCHEDULE ELECTION FOR
CONDUCTING THE INTERCONNECTION FACILITIES STUDY**

Transmission Provider shall use Reasonable Efforts to complete the study and issue a draft Interconnection Facilities Study report to Interconnection Customer within the following number of days after of receipt of an executed copy of this Interconnection Facilities Study Agreement:

- ninety (90) Calendar Days with no more than a +/- 20 percent cost estimate contained in the report, or
- one hundred eighty (180) Calendar Days with no more than a +/- 10 percent cost estimate contained in the report.

**Attachment B to Appendix 4
Interconnection Facilities
Study Agreement**

**DATA FORM TO BE PROVIDED BY INTERCONNECTION CUSTOMER
WITH THE
INTERCONNECTION FACILITIES STUDY AGREEMENT**

Provide location plan and simplified one-line diagram of the plant and station facilities. For staged projects, please indicate future generation, transmission circuits, etc.

One set of metering is required for each generation connection to the new ring bus or existing Transmission Provider station. Number of generation connections:

On the one line diagram indicate the generation capacity attached at each metering location. (Maximum load on CT/PT)

On the one line diagram indicate the location of auxiliary power. (Minimum load on CT/PT) Amps

Will an alternate source of auxiliary power be available during CT/PT maintenance?
 Yes No

Will a transfer bus on the generation side of the metering require that each meter set be designed for the total plant generation? Yes No (Please indicate on one line diagram).

What type of control system or PLC will be located at Interconnection Customer's Large Generating Facility?

What protocol does the control system or PLC use?

Please provide a 7.5-minute quadrangle of the site. Sketch the plant, station, transmission line, and property line.

Physical dimensions of the proposed interconnection station:

**APPENDIX 5 to LGIP
OPTIONAL INTERCONNECTION STUDY AGREEMENT**

THIS AGREEMENT is made and entered into this ___ day of _____, 20___ by and between _____, a _____ organized and existing under the laws of the State of _____, ("Interconnection Customer,") and _____ a _____ existing under the laws of the State of _____, ("Transmission Provider "). Interconnection Customer and Transmission Provider each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Interconnection Customer is proposing to develop a Large Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request submitted by Interconnection Customer dated _____;

WHEREAS, Interconnection Customer is proposing to establish an interconnection with the Transmission System; and

WHEREAS, Interconnection Customer has submitted to Transmission Provider an Interconnection Request; and

WHEREAS, on or after the date when Interconnection Customer receives the Interconnection System Impact Study results, Interconnection Customer has further requested that Transmission Provider prepare an Optional Interconnection Study;

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

- 1.0 When used in this Agreement, with initial capitalization, the terms specified shall have the meanings indicated in Transmission Provider's FERC-approved LGIP.
- 2.0 Interconnection Customer elects and Transmission Provider shall cause an Optional Interconnection Study consistent with Section 10.0 of this LGIP to be performed in accordance with the Tariff.
- 3.0 The scope of the Optional Interconnection Study shall be subject to the assumptions set forth in Attachment A to this Agreement.

- 4.0 The Optional Interconnection Study shall be performed solely for informational purposes.
- 5.0 The Optional Interconnection Study report shall provide a sensitivity analysis based on the assumptions specified by Interconnection Customer in Attachment A to this Agreement. The Optional Interconnection Study will identify Transmission Provider's Interconnection Facilities and the Network Upgrades, and the estimated cost thereof, that may be required to provide transmission service or interconnection service based upon the assumptions specified by Interconnection Customer in Attachment A.
- 6.0 Interconnection Customer shall provide a deposit of \$10,000 for the performance of the Optional Interconnection Study. Transmission Provider's good faith estimate for the time of completion of the Optional Interconnection Study is [insert date].

Upon receipt of the Optional Interconnection Study, Transmission Provider shall charge and Interconnection Customer shall pay the actual costs of the Optional Study.

Any difference between the initial payment and the actual cost of the study shall be paid by or refunded to Interconnection Customer, as appropriate.

- 7.0 Miscellaneous. The Optional Interconnection Study Agreement shall include standard miscellaneous terms including, but not limited to, indemnities, representations, disclaimers, warranties, governing law, amendment, execution, waiver, enforceability and assignment, that reflect best practices in the electric industry, and that are consistent with regional practices, Applicable Laws and Regulations, and the organizational nature of each Party. All of these provisions, to the extent practicable, shall be consistent with the provisions of the LGIP and the LGIA.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

[Insert name of Transmission Provider or Transmission Owner, if applicable]

By: _____ By: _____

Title: _____ Title: _____

Date: _____ Date: _____

[Insert name of Interconnection Customer]

By: _____

Title: _____

Date: _____

**Appendix 6 to the Standard Large
Generator Interconnection Procedures**

OMITTED

Appendix 7 to the LGIP

INTERCONNECTION PROCEDURES FOR A WIND GENERATING PLANT

Appendix 7 sets forth procedures specific to a wind generating plant. All other requirements of this LGIP continue to apply to wind generating plant interconnections.

A. Special Procedures Applicable to Wind Generators

The wind plant Interconnection Customer, in completing the Interconnection Request required by Section 3.3 of this LGIP, may provide to the Transmission Provider a set of preliminary electrical design specifications depicting the wind plant as a single equivalent generator. Upon satisfying these and other applicable Interconnection Request conditions, the wind plant may enter the queue and receive the base case data as provided for in this LGIP.

No later than six months after submitting an Interconnection Request completed in this manner, the wind plant Interconnection Customer must submit completed detailed electrical design specifications and other data (including collector system layout data) needed to allow the Transmission Provider to complete the System Impact Study.

TAB G

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 1
Superseding Original Sheet No. 1

INTERCONNECTION AND OPERATING AGREEMENT

between

ALLETE, INC., doing business as MINNESOTA POWER,

SQUARE BUTTE ELECTRIC COOPERATIVE,

and the

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

Dated as of August 11, 2008

As Amended on December 4, 2009

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

TABLE OF CONTENTS

ARTICLE 1	DEFINITIONS.....	8
1.1	“Abnormal Condition”.....	8
1.2	“Affiliate”.....	8
1.3	“Agreement”.....	8
1.4	“Arrowhead Substation”.....	8
1.5	“Balancing Authority”.....	8
1.6	“Balancing Authority Agreement”.....	8
1.7	“Balancing Authority Area”.....	9
1.8	“Claims”.....	9
1.9	“Closing”.....	9
1.10	“Confidential Information”.....	9
1.11	“Critical Energy Infrastructure Information”.....	10
1.12	“DC Line”.....	10
1.13	“DC Substation”.....	10
1.14	“DC Transmission Facilities”.....	10
1.15	“Effective Date”.....	10
1.16	“Emergency”.....	10
1.17	“Environmental Claim”.....	10
1.18	“Environmental Law”.....	10
1.19	“FERC”.....	10
1.20	“Final Points of Interconnection”.....	10
1.21	“Force Majeure”.....	10
1.22	“Good Utility Practice”.....	11
1.23	“Governmental Authority”.....	11
1.24	“In-Service Date”.....	11
1.25	“Indemnified Party”.....	11
1.26	“Indemnifying Party”.....	11
1.27	“Initial Points of Interconnection”.....	11
1.28	“Interconnection Facilities”.....	11
1.29	“Investment Grade Credit Rating”.....	11
1.30	“MAPP”.....	11
1.31	“Midwest ISO”.....	12
1.32	“Midwest ISO Tariff”.....	12
1.33	“Minnesota Power Transmission System”.....	12
1.34	“Minnkota”.....	12
1.35	“Modifications”.....	12
1.36	“NERC”.....	12
1.37	“O & M Agreement”.....	12
1.38	“Operating Committee”.....	12
1.39	“Operational Change”.....	12
1.40	“Point(s) of Interconnection”.....	12
1.41	“Qualified Personnel”.....	12

TABLE OF CONTENTS
(continued)

1.42	“RRO/RE”	13
1.43	“Reasonable Efforts”	13
1.44	“Regulated Materials”	13
1.45	“Regulatory Requirements”	13
1.46	“Reliability Coordinator”	13
1.47	“Reliability Coordinator Area”	13
1.48	“Reliability Requirements”	13
1.49	“SCADA”	13
1.50	“Square Butte AC Substation-East”	13
1.51	“Square Butte AC Substation-West”	14
1.52	“Square Butte Transmission System”	14
1.53	“Substation Assets”	14
1.54	“Transition Period”	14
1.55	“Transmission-Owning Party (or Parties)”	14
1.56	“Unit #2”	14
ARTICLE 2	EFFECTIVE DATE AND CONDITIONS PRECEDENT	14
2.1	Effective Date	14
2.2	Regulatory Filing	14
2.3	Filing of Modifications to the Agreement	14
2.4	Term	15
ARTICLE 3	PURPOSE AND SCOPE	15
3.1	Purpose	15
3.2	Operating Committee	15
3.3	Functions of the Committee	16
3.4	Minnkota Term Limit	17
ARTICLE 4	SYSTEM INTERCONNECTIONS	17
4.1	Interconnections	17
ARTICLE 5	OPERATIONS AND MAINTENANCE	17
5.1	Parties’ Obligations	17
5.2	Switching, Tagging, and Lockout Rules	17
5.3	Ratings	18
5.4	Maintenance	18
5.5	Preventive and Corrective Maintenance Outages	18
5.6	Inspections and Testing	19
5.7	Disconnection	19
5.8	Planned Outage	19
5.9	Personnel Access Rights	20
5.10	Supervision	20
5.11	Coordination	20

TABLE OF CONTENTS
(continued)

ARTICLE 6	OPERATING REQUIREMENTS	20
6.1	Balancing Area.....	20
6.2	Reactive Power Requirements	20
6.3	Communications	21
6.4	Remote Terminal Unit	21
6.5	Reliability Requirements	21
6.6	Outages	21
6.7	Outage Schedules.....	22
6.8	Subsynchronous Resonance.....	22
6.9	Common Bus Usage	22
6.10	Special Protection	22
ARTICLE 7	EMERGENCIES.....	22
7.1	Generally.....	22
7.2	Notice.....	22
7.3	Immediate Action.....	23
7.4	Abnormal Conditions.....	23
ARTICLE 8	MODIFICATIONS OR OPERATIONAL CHANGES.....	23
8.1	Generally.....	23
8.2	Notice.....	23
8.3	Cooperation.....	24
8.4	Cost Responsibility	24
ARTICLE 9	DOCUMENTATION AND INFORMATION REPORTING	24
9.1	Information Reporting Obligations.....	24
ARTICLE 10	METERING AND TELEMETERING.....	24
10.1	Metering and Telemetering Equipment	24
ARTICLE 11	ASSIGNMENT.....	25
11.1	Successors and Assigns.....	25
11.2	Consent Required.....	25
11.3	Assignment in Event of Merger or for Financing.....	25
11.4	Party to Remain Responsible	26
11.5	Termination of Corporate Existence.....	26
ARTICLE 12	FORCE MAJEURE	26
12.1	Effect of Force Majeure	26
ARTICLE 13	LIABILITY, INDEMNIFICATION AND INSURANCE	27
13.1	Indemnification	27
13.2	Environmental Indemnification	27
13.3	Procedure on Indemnification.....	28
13.4	Limitation on Damages.....	29
13.5	Risk of Loss	29
13.6	No Personal Liability	29
13.7	Insurance	29

TABLE OF CONTENTS
(continued)

13.8	Survival	30
13.9	Limitation on Midwest ISO's Liability.....	30
ARTICLE 14	BREACH, CURE AND DEFAULT	30
14.1	Breach	30
14.2	Events of Breach	30
14.3	Continued Operation.....	31
14.4	Cure and Default	31
ARTICLE 15	TERMINATION OF INTERCONNECTION SERVICE	32
15.1	Termination	32
15.2	FERC Approval	32
15.3	Survival of Rights	32
ARTICLE 16	LABOR RELATIONS	32
16.1	Notification of Labor Dispute.....	32
ARTICLE 17	SUBCONTRACTOR.....	32
17.1	Generally	32
17.2	Responsibility of Principal.....	33
17.3	No Limitation by Insurance	33
ARTICLE 18	CONFIDENTIALITY	33
18.1	Nondisclosure	33
18.2	Standard of Care	33
18.3	Use of Confidential Information.....	33
18.4	Damages.....	33
18.5	Survival	34
18.6	FERC Standards of Conduct.....	34
ARTICLE 19	ALTERNATE DISPUTE RESOLUTION	34
19.1	Dispute Resolution.....	34
19.2	Mediation	34
19.3	Arbitration.....	34
ARTICLE 20	NOTICES AND COMMUNICATIONS	35
20.1	Notices; Delivery	35
20.2	Changes.....	36
20.3	Initial Notice; Written Confirmation	36
ARTICLE 21	MISCELLANEOUS PROVISIONS.....	36
21.1	General	36
21.2	Governing Law	37
21.3	Regulatory Approval.....	37A
21.4	Relationship of the Parties	37A
21.5	No Third Party Rights	37A
21.6	Waiver.....	37A
21.7	Failure to Enforce	37A
21.8	Amendment Modification.....	37B

TABLE OF CONTENTS
(continued)

21.9	Severability	37B
21.10	Headings and Captions	37B
21.11	Further Assurances.....	37B
21.12	Entire Agreement.....	37B
21.13	Rights Cumulative	37B
21.14	Counterparts.....	37B
APPENDIX A	POINTS OF INTERCONNECTION.....	39
APPENDIX B	DRAWINGS	40
APPENDIX C	METERING.....	42
APPENDIX D	EMERGENCY COMMUNICATIONS.....	43
APPENDIX E	APPLICABLE RRO/RE.....	44
APPENDIX F	MUTUAL SUPPORT SERVICES	45

INTERCONNECTION AND OPERATING AGREEMENT

THIS INTERCONNECTION AND OPERATING AGREEMENT (“Agreement”), dated as of August 11, 2008, is entered into by and among ALLETE, Inc. doing business as MINNESOTA POWER, a Minnesota corporation (hereinafter “Minnesota Power”), and SQUARE BUTTE ELECTRIC COOPERATIVE, a North Dakota electric cooperative corporation (hereinafter “Square Butte”), as amended on December 4, 2009 and entered into by and among Minnesota Power, Square Butte, and the Midwest ISO, as defined in section 1.31 of this Agreement. Minnesota Power and Square Butte are referred to herein individually as “Party,” and collectively, as “Parties.”

WHEREAS:

Square Butte is the owner of alternating current transmission facilities in the Square Butte AC Substation-West which are not under the functional control of Midwest ISO; and

Minnesota Power is the owner of alternating current transmission facilities in the Square Butte AC Substation-East which are not subject to the functional control of the Midwest ISO and which are necessary for the operating of the DC Transmission Facilities; and

Minnesota Power and Square Butte entered into this Interconnection and Operating Agreement on August 11, 2008; and

The Midwest ISO is approved to administer transmission service over the Minnesota Power Transmission System, including the DC Transmission Facilities pursuant to an agency agreement accepted by FERC in *Midwest Indep. Transmission System Operator, Inc. and ALLETE, Inc.*, 129 FERC ¶ 61,172 (2009); and

Square Butte owns and operates Milton R. Young Unit #2 generation proximate to the Points of Interconnection which is interconnected to the Square AC Butte Substation-West; and

Minnesota Power and Square Butte for the purpose of operating a reliable interconnection, have agreed to execute this Agreement in order to establish the requirements, terms, and conditions for the interconnection and operation of the Square Butte Transmission System, Unit #2 and the Minnesota Power Transmission System, and to define the continuing responsibilities and obligations of the Parties and the Midwest ISO with respect thereto; and

Square Butte and Minnesota Power have the Points of Interconnection described in **Appendix A** to this Agreement and to establish additional Points of Interconnection whenever mutually beneficial; and

Minnesota Power is a party to a regional Balancing Authority Agreement; and

The Parties agree to cooperate and execute their respective obligations and responsibilities under this Agreement in good faith; and

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

The Federal Energy Regulatory Commission (“FERC”) has requested that the Parties amend this Agreement to include the Midwest ISO as a signatory in order to ensure that the Midwest ISO is kept fully apprised of the matters addressed herein and so that the Midwest ISO may be kept aware of any reliability and planning issues that may arise.

NOW THEREFORE, in consideration of the mutual representations, covenants, and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

Wherever used in this Agreement with initial capitalization, the following terms shall have the meanings specified or referred to in this **Article 1**.

- 1.1 “Abnormal Condition” shall mean any condition on the Square Butte Transmission System or on the Minnesota Power Transmission System, or the transmission systems of other utilities, which is outside normal operating parameters such that facilities are operating outside their normal ratings or reasonable operating limits have been exceeded but which has not resulted in an Emergency. An Abnormal Condition may include, but is not limited to, high or low deviations in voltage, frequency, power flow, equipment temperature, equipment pressures, and other equipment and operating parameters.
- 1.2 “Affiliate” shall mean, with respect to a corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.
- 1.3 “Agreement” shall mean this Interconnection and Operating Agreement by and among Square Butte, Minnesota Power, and the Midwest ISO as a signatory, including all appendices attached hereto, as the same may be amended, supplemented, revised, altered, changed or restated in accordance with its terms.
- 1.4 “Arrowhead Substation” means that Minnesota Power 230/115 kV transmission substation near Duluth, Minnesota where the DC Line has its terminus and point of interconnection.
- 1.5 “Balancing Authority” shall mean the entity responsible to maintain resource to load interchange balance within a Balancing Authority Area and supports interconnection and frequency in real-time.
- 1.6 “Balancing Authority Agreement” shall mean the Agreement between Midwest ISO and the Balancing Authorities within the Midwest ISO approved by FERC by its Order Approving Contested Settlement issued February 18, 2005 in Midwest Independent Transmission System Operator, Inc., 110 FERC ¶ 61,177 and any amendments, modifications or superseding agreements thereto which have been approved by FERC.

- 1.7 “Balancing Authority Area” shall mean the collection of resources, transmission system, and loads within the metered boundaries of Balancing Authority.
- 1.8 “Claims” shall have the meaning set forth in **Section 13.1**.
- 1.9 “Closing” shall mean the closing on the sale of the DC Transmission Facilities and related assets under that certain Asset Purchase Agreement dated as of August 11, 2008 between the Parties.
- 1.10 “Confidential Information” shall mean a) any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, drawing, list, concept, customer information, policy or compilation relating to the present or planned business of a Party, which is designated as Confidential Information by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise or b) any Critical Energy Infrastructure Information. Confidential Information shall include, without limitation, all information relating to a Party’s technology, research and development, business affairs, and pricing, and any information supplied by a Party to another Party on a confidential basis prior to the execution of this Agreement. Confidential Information shall not include information that the receiving Party can demonstrate: (i) is generally available to the public other than as a result of a disclosure by the receiving Party; (ii) was in the lawful possession of the receiving Party on a non confidential basis before receiving it from the disclosing Party; (iii) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party, was under no obligation to the other Party to keep such information confidential; (iv) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; or (v) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or breach of this Agreement, or (vi) is required to be disclosed by any federal or state government or agency or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this Agreement held in a court or agency of competent jurisdiction; provided that (y) the Parties have entered into a protective order approved by such court or agency or (z) a binding nondisclosure agreement is in effect with the proposed recipient of any Critical Energy Infrastructure Information. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as Confidential Information notifies the other Party that such information no longer is confidential. Finally, for the purposes of this Agreement, information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential, provided, however, that this requirement shall not apply to information that is governed by FERC’s Critical Energy Infrastructure Information or Standards of Conduct rules and regulations.

- 1.11 "Critical Energy Infrastructure Information" shall mean information about a Party's Interconnection Facilities or Transmission System which is classified as Critical Energy Infrastructure Information under Part 388 of FERC's rules and regulations.
- 1.12 "DC Line" shall mean the \pm 250 kilovolt direct current transmission line from Center, North Dakota, to Duluth, Minnesota.
- 1.13 "DC Substation" means the Square Butte DC terminal, converters, filters and associated facilities adjacent to the Square Butte AC Substation-East where the DC Line begins, including the underlying property in fee simple absolute.
- 1.14 "DC Transmission Facilities" shall mean the DC Line and the Substation Assets.
- 1.15 "Effective Date" shall mean the effective date of this Agreement as determined pursuant to **Section 2.1** of this Agreement.
- 1.16 "Emergency" shall mean a condition or situation (a) that in the reasonable judgment of the Party making the claim is imminently likely to endanger, or is contributing to the endangerment of, life or property, or public health and safety, including the environment; or (b) that, in the case of a Party, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Square Butte Transmission System, the Minnesota Power Transmission System, or the electric systems of others to which the Parties are directly connected, including distribution systems.
- 1.17 "Environmental Claim" shall have the meaning set forth in **Section 13.2**.
- 1.18 "Environmental Law" shall mean the applicable laws or regulations relating to pollution or protection of the environment or natural resources.
- 1.19 "FERC" shall mean the Federal Energy Regulatory Commission or its successor.
- 1.20 "Final Points of Interconnection" shall mean those Points of Interconnection existing after the Transition Period.
- 1.21 "Force Majeure" shall mean any cause beyond the reasonable control of and without fault or negligence of the Party claiming Force Majeure, including but not limited to acts of God, strike, flood, earthquake, storm, fire, lightning, explosion, epidemic, war, riot, terrorism, civil disturbance, sabotage, changes in Applicable Laws and Regulations subsequent to the date hereof, and action or inaction by any Governmental Authority which, in any of the foregoing cases, by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of Good Utility Practice, it is unable to overcome.

- 1.22 “Good Utility Practice” shall mean any of the applicable practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment by a Party in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition, giving due regard to the requirements of governmental agencies having jurisdiction. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, methods, or acts generally accepted in the region as they may be applicable to the Parties as transmission system owners and/or operators. The term Good Utility Practice as used herein shall include compliance with the Midwest ISO Tariff.
- 1.23 “Governmental Authority” shall mean any federal, state, local, or other governmental agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating body or other governmental authority having jurisdiction over a Party.
- 1.24 “In-Service Date” shall mean the in-service date of the new Minnkota high voltage transmission line from Center to the Red River Valley of North Dakota.
- 1.25 “Indemnified Party” shall have the meaning set forth in **Section 13.1**.
- 1.26 “Indemnifying Party” shall have the meaning set forth in **Section 13.1**.
- 1.27 “Initial Points of Interconnection” shall mean those Points of Interconnection from the Effective Date until changed but not existing longer than the Transition Period.
- 1.28 “Interconnection Facilities” shall mean the equipment and other facilities installed and owned by either Square Butte or Minnesota Power on its respective side of a Point of Interconnection, which are necessary to interconnect the Square Butte Transmission System and the Minnesota Power Transmission System, including protection and control devices, and all other necessary connection switching, transmission, distribution, safety, engineering, communication and all other associated administrative facilities necessary to support the interconnection.
- 1.29 “Investment Grade Credit Rating” shall mean with respect to any Party (i) a rating on senior unsecured long term debt of “Baa3” or better from Moody’s or “BBB-” or better from S&P or investment grade as determined by another nationally recognized rating service and (ii) a net worth of at least fifty million dollars (\$50,000,000).
- 1.30 “MAPP” shall mean the Mid-Continent Area Power Pool, Regional Transmission Committee, its successors and assigns.

- 1.31 "Midwest ISO" shall mean the Midwest Independent Transmission System Operator, Inc., or its successor.
- 1.32 "Midwest ISO Tariff" shall mean that certain Open Access Transmission, Energy and Operating Reserve Markets Tariff on file with FERC and designated Midwest ISO's FERC Electric Tariff Fourth Revised Volume No. 1, as it may be amended or superseded from time to time.
- 1.33 "Minnesota Power Transmission System" shall mean the DC Transmission Facilities and the Initial Points of Interconnection owned or controlled by Minnesota Power as they existed on the Effective Date of this Agreement, and as they may be extended, expanded, modified, reconfigured or changed thereafter.
- 1.34 "Minnkota" shall mean Minnkota Power Cooperative, Inc., a Minnesota cooperative corporation.
- 1.35 "Modifications" mean any material, new construction, additions, design changes or modifications made to, or the abandonment, retirement, relocation or rearrangement of, the Square Butte Transmission System or the Minnesota Power Transmission System at the Point of Interconnection, after the Effective Date of this Agreement.
- 1.36 "NERC" shall mean North American Electric Reliability Corporation or a successor electric reliability organization certified by the FERC.
- 1.37 "O & M Agreement" shall mean the Operation and Maintenance Services Agreement to be entered into between Minnesota Power (or its affiliate) and Minnkota upon the Closing.
- 1.38 "Operating Committee" shall mean the operating committee to administer this Agreement and to assist in the planning of services for the Parties described in **Sections 3.2 and 3.3** herein.
- 1.39 "Operational Change" shall mean any material change in the day-to-day routine, practices or procedures pertaining to the operation of either the Square Butte Transmission System or the Minnesota Power Transmission System, but excluding any change in connection with either a planned or unplanned outage or an Emergency.
- 1.40 "Point(s) of Interconnection" is the point, or points, at which Square Butte's ownership of the Square Butte Transmission System ends and Minnesota Power's ownership of the Minnesota Power Transmission System begins, as represented and described in each interconnection description included in **Appendix A** and located as shown in **Appendix B**.
- 1.41 "Qualified Personnel" shall mean those employees, contractors or agents of a Party that have the requisite knowledge, training and experience, in the judgment of the Party by

whom they are employed or retained, to perform a particular job, task or supervise the performance of a particular job or task.

- 1.42 “RRO/RE” shall mean the regional entity authorized by NERC and approved by FERC with delegated authority to establish and enforce Reliability Requirements and to engage in other reliability-related functions associated with the operation of the Parties’ respective Transmission systems. The RRO/RE to which each Party to this Agreement is presently subject is set forth in Appendix E.
- 1.43 “Reasonable Efforts” shall mean, with respect to an action required to be attempted or taken by a Party under this Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.
- 1.44 “Regulated Materials” shall have the meaning given in **Section 13.2**.
- 1.45 “Regulatory Requirements” shall mean any of the applicable practices, methods and acts required by FERC as implemented by NERC; applicable RRO/RE, or another entity having authority over the Parties with regard to the subject matter of this Agreement, or the successor of any of them.
- 1.46 “Reliability Coordinator” shall mean the entity responsible for the real time operating reliability of its Reliability Coordinator Area including situation awareness and wide-area view of neighboring Reliability Coordinator’s Areas. The Reliability Coordinator has authority to direct transmission and balancing operations in accordance with Regulatory Requirements and Reliability Requirements.
- 1.47 “Reliability Coordinator Area” shall mean the area for which the Reliability Coordinator has responsibility for generation demand balancing and directing transmission operators to maintain operating limits as required by applicable Reliability Requirements. The Reliability Coordinator to which the Parties to this Agreement are presently subject is set forth on Appendix E.
- 1.48 “Reliability Requirements” shall mean the reliability standards and requirements established by the RRO/RE or NERC and approved by FERC that relate to the reliable operation or maintenance of the Parties’ transmission facilities.
- 1.49 “SCADA” means supervisory control and data acquisition equipment.
- 1.50 “Square Butte AC Substation-East” shall mean that portion of the Square Butte 230 kV AC transmission substation at Center, North Dakota east of and including disconnect Switches No. 101 and No. 102 which contains Minnesota Power’s substation facilities and equipment necessary for the operation of the DC Line.

- 1.51 "Square Butte AC Substation-West" shall mean that portion of the Square Butte 230 kV AC transmission substation at Center, North Dakota west of disconnect Switches No. 101 and No. 102 which contains Square Butte's 230 kV transmission substation facilities and equipment, including the control house owned by Square Butte which is located within the Square Butte 230 kV AC transmission substation east of disconnect Switches No. 101 and No. 102.
- 1.52 "Square Butte Transmission System" shall mean the substation facilities owned or controlled by Square Butte as a part of Unit #2 and in the Square Butte AC Substation-West as they existed on the Effective Date of this Agreement, and as may be extended, expanded, modified or changed thereafter.
- 1.53 "Substation Assets" means the substation assets necessary for operation of the DC Line located in the Arrowhead Substation, the Square Butte AC Substation-East and DC Substation.
- 1.54 "Transition Period" shall mean that period of time between the Effective Date and the In-Service Date or a reasonable amount of time beyond the In-Service Date mutually agreeable to the Parties.
- 1.55 "Transmission-Owning Party (or Parties)" shall mean Square Butte or Minnesota Power, individually; or Square Butte and Minnesota Power, collectively.
- 1.56 "Unit #2" shall mean Square Butte's Milton R. Young Unit #2 located at Center, North Dakota and the interconnection facilities to the Square Butte Substation.

ARTICLE 2 EFFECTIVE DATE AND CONDITIONS PRECEDENT

- 2.1 Effective Date. This Agreement shall be subject to the condition precedent of, and shall become effective at 11:59 PM on the day of the Closing of the sale of the DC Transmission Facilities to Minnesota Power, subject to acceptance of this Agreement by FERC under Section 205 of the Federal Power Act, if applicable ("Effective Date").
- 2.2 Regulatory Filing. The Parties agree to cooperate in the regulatory filing process. Minnesota Power shall tender this Agreement in a timely manner to FERC for filing as a rate schedule within the meaning of 18 C.F.R. Part 35. Square Butte shall reasonably cooperate with Minnesota Power with respect to such filing and to provide any supporting information, including the filing of testimony, reasonably requested by Minnesota Power, to comply with applicable laws and regulations.
- 2.3 Filing of Modifications to the Agreement. The Parties shall be responsible to administer this Agreement, including but not limited to, preparation and issuance of any modifications or amendments to the appendices to this Agreement. The Parties will make

any appropriate filings of such revisions to this Agreement or the appendices as required under applicable law and regulations.

- 2.4 Term. This Agreement shall run from the Effective Date for a term of 40 years and continue on thereafter unless terminated by either Party upon five (5) years written notice.

ARTICLE 3 PURPOSE AND SCOPE

- 3.1 Purpose. The purpose of this Agreement is to document Interconnection Facilities and Points of Interconnection and to the extent not otherwise addressed in another agreement between the Parties, to set forth the terms and conditions for the ownership, system interconnections, operation, maintenance, of the Interconnection Facilities and future Modifications thereto for the continuous closed interconnection and reliable operation of the Square Butte Transmission System and the Minnesota Power Transmission System and the coordination between the Parties relating to such operation, maintenance and interconnection of these individual transmission systems.

- 3.2 Operating Committee.

3.2.1 There is hereby established an Operating Committee (also referred to in this Agreement as the Committee) to administer this Agreement and exercise the functions specified in this Agreement and to perform such other duties as may from time to time be assigned to it in writing by the Parties.

3.2.2 The Operating Committee shall be comprised of four (4) members. Square Butte and Minnkota shall appoint, together, two authorized representatives to act as members of the Committee. Minnesota Power shall appoint two authorized representatives to act as members of the Committee. Each Party shall evidence such appointments by written notice to the other Party, and by similar notice, a Party may change its representatives on such Committee at any time.

3.2.3 The expenses of each member of the Committee shall be borne by the Party such member represents.

3.2.4 The Operating Committee shall hold regularly scheduled meetings on at least an annual basis and shall meet at other times upon call of any Party upon ten (10) days notice by any Party. Any regularly scheduled meeting of the Committee may be omitted but only by unanimous consent of all members thereof. The Parties shall cause their members of the Committee to schedule meetings promptly, to attend meetings and to pursue diligently their obligations as members of the Committee. Meetings shall be held at any location as the Operating Committee determines. During Emergencies or other exigent circumstances. Operating Committee meetings may be held with less than the required notice and

may be conducted in person, by telephone or other electronic means provided that the Parties so agree.

3.2.5 No meeting of the Committee shall proceed without at least one (1) representative of each Minnesota Power and Square Butte/Minnkota being present.

3.3 Functions of the Committee.

3.3.1 Until the In-Service Date, the Operating Committee shall have the following functions:

- (a) To provide liaison between the Parties with respect to the provisions of this Agreement.
- (b) To plan, recommend to Minnesota Power, review and monitor the scope of work under this Agreement and the O & M Agreement.
- (c) To review and recommend to Minnesota Power the annual, operation and maintenance budget of Minnesota Power under this Agreement and the O & M Agreement (“Authorized Budget”).
- (d) To review and recommend to the Parties the schedule for planned coordinated outages and maintenance of the Square Butte AC Substation-East and Unit #2 and other affected generators interconnected to the Square Butte AC Substation-East.
- (e) To make recommendations and plans for the transition of work and Square Butte and Minnkota’s expertise on the Square Butte AC Substation-East and DC Transmission Facilities to Minnesota Power.
- (f) To review and recommend to Minnesota Power policies for appropriate spare parts inventory and the materials and supplies inventory.
- (g) To review and make recommendations to the Parties concerning the design and reconfiguration of the Interconnection Facilities for operating and maintenance efficiencies.
- (h) To review and make recommendations regarding written operating practices and procedures.
- (i) Annually review the current operating practices and procedures relative to the Interconnection Facilities and to ensure compliance with NERC and RRO/RE standards and effective operation of the interconnection. The Operating Committee shall maintain records of this review to manage and demonstrate compliance.

- (j) Review and make recommendations to the Parties on the reconfiguration of the Square Butte AC Substation-East and separate control house for the Square Butte AC Substation-East.

3.3.2 Upon the In-Service Date, the Operating Committee shall have only the functions specified in **Sections 3.3.1(a) and 3.3.1(i)**.

- 3.4 **Minnkota Term Limit.** Minnkota's membership or role on the Operating Committee will expire on the In-Service Date, and thereafter Minnesota Power and Square Butte will continue to administer this Agreement and perform the functions of the Operating Committee as specified in **Section 3.3.2**. Square Butte shall alone appoint two members to the Operating Committee upon the expiration of Minnkota's membership or role on the Operating Committee on the In-Service Date.

ARTICLE 4 SYSTEM INTERCONNECTIONS

- 4.1 **Interconnections.** Each existing Point of Interconnection is provided for in a respective appendix to this Agreement. Each additional Interconnection between the Parties shall become, by inclusion in **Appendix A**, by the mutual agreement of each Party to the Point of Interconnection, an addition to this Agreement without further modification or amendment thereof. The appropriate geographical reference, a description of the facilities and any applicable special terms and conditions shall be stated in the Point of Interconnection description in the respective appendix. The Parties, as of the effective date, contemplate that the Initial Points of Interconnection will change by the end of the Transition Period to the Final Points of Interconnection as reflected in **Appendix A and Appendix B**.

ARTICLE 5 OPERATIONS AND MAINTENANCE

- 5.1 **Parties' Obligations.** Square Butte shall operate and maintain Unit #2 and the Transmission-Owning Parties shall operate and maintain the Interconnection Facilities in accordance with Good Utility Practice and subject to any applicable tariff procedures and requirements and in accordance with requirements of the RRO/RE and NERC.
- 5.2 **Switching, Tagging, and Lockout Rules.** The Transmission-Owning Parties shall abide by their respective switching, tagging and lockout rules for obtaining clearances for work or for switching operations at the Interconnection Facilities. Each Transmission-Owning Party will provide the other with its clearing, tagging, and lockout procedures. For clearances requested or initiated by one Party on another Party's equipment that utilizes the Party's equipment as an isolation device, the isolation device owner's procedures shall govern. The Transmission-Owning Parties retain the right to designate the use of another Party's switching, tagging and lockout procedures to be used as appropriate.

- 5.3 Ratings. The Transmission-Owning Parties agree to periodically exchange information concerning the operating limits and/or equipment ratings for their respective facilities, including, but not limited to voltage level, megawatt capacity, megavar capacity, short-circuit current, surge protection, and insulation coordination. The Transmission-Owning Parties further agree to operate their respective facilities taking into account the ratings and capabilities of the facilities of the other Party and shall not operate their system in a manner that would result in exceeding the operating limits or equipment ratings of the other Party.
- 5.4 Maintenance. Square Butte shall maintain Square Butte AC Substation-West and Unit #2 interconnection facilities, and each Transmission-Owning Party shall maintain or cause to be maintained its own Interconnection Facilities in a safe and reliable manner and in accordance with Good Utility Practice and Regulatory Requirements. For avoidance of doubt, Square Butte shall continue to pay the costs of maintenance, repair and replacement of the breakers, switches, buses and facilities within its portion of the Square Butte AC Substation-West and recover its costs under its power purchase agreements.
- 5.5 Preventive and Corrective Maintenance Outages. Square Butte shall maintain Unit #2, and each Transmission-Owning Party shall maintain its Interconnection Facilities, in a safe and reliable manner and in accordance with all applicable laws and regulations, and the requirements of the RRO/RE or ERO. In the event that there is a conflict in the standards to be applied to the maintenance at any Point of Interconnection, then the most stringent standard shall apply.
- 5.5.1 Planning and Scheduling. In accordance with Good Utility Practice and as may be provided in **Appendix A** to this Agreement and in order to facilitate maintenance or reliability of the Square Butte Transmission System and the Minnesota Power Transmission System, the Transmission-Owning Parties shall confer regularly to coordinate the planning and scheduling of preventive and corrective maintenance of, and Modifications and Operational Changes to, Unit #2 and the Interconnection Facilities that might reasonably be expected to affect the operation of another Party's transmission system. Absent an Emergency directive from Midwest ISO, the Transmission-Owning Parties shall coordinate their respective schedules for any such activities and will, to the extent practicable and appropriate under the circumstances, give reasonable consideration to, among other things, the impact of the schedule on the other Party's operations, except to the extent required by any RRO/RE or the ERO.
- 5.5.2 Right to Review. Either Transmission Owner shall have the right to review the other Transmission Owner's documented protection and maintenance standards and records for its Interconnection Facilities as reasonably requested at locations to be agreed upon by the Parties.

5.6 Inspections and Testing.

- 5.6.1 Inspections. The Transmission-Owning Parties shall perform routine inspection and testing of their equipment on their respective Interconnection Facilities in accordance with Good Utility Practice and Regulatory Requirements and as may be necessary to ensure the continued interconnection of the Square Butte Transmission System and Minnesota Power Transmission System in a safe and reliable manner.
- 5.6.2 Right to Observe Testing. The Parties shall have the right to observe the testing of the testing Party's Interconnection Facilities, the performance of which may reasonably be expected to affect the reliability of the observing Party's transmission system. The testing Party shall notify the other Party in advance of such testing unless, in the testing Party's reasonable judgment, the testing must be performed immediately, in which case the testing Party shall provide notice as soon as practicable. The observing Parties may each have a representative attend and be present during such testing.
- 5.6.3 Observation of Deficiencies. If any Party observes any condition it believes may be inconsistent with Good Utility Practice or Regulatory Requirements with respect to a Party's Interconnection Facilities that might reasonably be expected to adversely affect the observing Party's transmission system, the observing Party shall notify the other Party. Notwithstanding the foregoing, no Party shall be relieved from any liability for adversely affecting another Party's transmission system due to the observing Party's failure to give such notice.
- 5.7 Disconnection. In the event of an Emergency, a Party may disconnect its Interconnection Facilities for so long as is necessary under Good Utility Practice and the applicable Reliability Requirements, including the period of time necessary to establish the reconnection of the Interconnection Facilities. A Party undertaking such a disconnection shall bear its own expense.
- 5.8 Planned Outage. Planned outages of the Interconnection Facilities shall be coordinated between the Transmission-Owning Parties and the Midwest ISO as may be applicable. Each Party shall request planned outages in a timely fashion that enables proper evaluation and coordination with the other Party. In the event of a planned outage of any Party's transmission system that may adversely affect a Transmission-Owning Party with respect to its transmission system, the Party that is subject to the outage will use efforts consistent with Good Utility Practice, specific requirements as may be provided in an Appendix to this Agreement, and Regulatory Requirements to restore the transmission system to service in accordance with its schedule for the work that necessitated the planned outage.

- 5.9 Personnel Access Rights. Upon reasonable notice by a Party, and subject to any required or necessary regulatory approvals, a Transmission-Owning Party (the "Granting Party") shall furnish at no cost to the other Transmission-Owning Party (the "Access Party") any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by the Granting Party, its agents, or any Affiliate, that are necessary to enable the Access Party's Qualified Personnel to obtain ingress and egress to construct, operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities and equipment to: (i) the common control house; (ii) interconnect the Interconnection Facilities; (iii) operate and maintain the Interconnection Facilities; and (iv) disconnect or remove the Access Party's facilities and equipment upon termination of this Agreement. In exercising such use, licenses, rights of way and easements, the Access Party shall not unreasonably disrupt or interfere with normal operation of the Granting Party's business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by the Granting Party and provided to the Access Party.
- 5.10 Supervision. Each Party shall be solely responsible for the safety and supervision of its own employees, agents, representatives, and subcontractors.
- 5.11 Coordination. The Parties shall manage reliable operation of the interconnection by coordinating various activities such as system studies, development of operating guides, operation, maintenance, training, protection, NERC compliance for the Interconnection Facilities, conformance to Reliability Requirements and other administrative matters associated with this Agreement. To ensure the continued safe and reliable operation of the interconnection, the Parties agree to continue to provide each other with the supporting services listed on **Appendix F** at actual cost according to past practices and billing arrangements.

ARTICLE 6 OPERATING REQUIREMENTS

- 6.1 Balancing Area. As long as Unit #2 is within Minnesota Power's Balancing Authority Area, Square Butte shall operate Unit #2 in accordance with those procedures that enable Minnesota Power to meet its obligation under Minnesota Power's Balancing Authority Agreement.
- 6.2 Reactive Power Requirements. Square Butte and Minnesota Power each intend to continue to maintain sufficient reactive power capability on the Interconnection Facilities, and allow Minnesota Power as a Balancing Authority to operate the Minnesota Power Transmission System within voltage ranges specified by and for compliance with applicable and current NERC or RRO/RE reliability standards and other Reliability Requirements and Good Utility Practice. The Parties agree to cooperate with each other and exchange data and voltage information as reasonably requested for any self-certification, compliance monitoring of such requirements or proposed changes to current reactive power capability and operating voltage ranges.

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

- 6.2.1 Power Factor Criteria. Square Butte as a generator owner of Unit #2 shall maintain voltage according to Reliability Coordinator standards, Reliability Requirements and any applicable operating guidelines.
- 6.3 Communications. As long as Unit #2 is in Minnesota Power's Balancing Authority Area, Square Butte shall maintain satisfactory operating communications with Minnesota Power's control center. Square Butte shall provide standard voice line, dedicated voice line and facsimile communications in its central dispatch facility. Square Butte shall also provide the microwave tower and dedicated data circuit(s) necessary to provide data to the Minnesota Power control center. Any required maintenance of such communications equipment shall be performed by and at the cost of Square Butte. Operational communications shall be activated and maintained under, but not limited to the following events: unit synchronizing or separation, scheduled or unscheduled shutdowns, equipment clearances, and hourly and daily load data.
- 6.4 Remote Terminal Unit. The existing remote terminal unit shall be maintained for Unit #2 at Square Butte's expense to gather data to be telemetered to Minnesota Power's control center through use of a dedicated point to point circuit(s). The communication protocol for the data circuit(s) shall be specified by Minnesota Power. Instantaneous bi-directional analog real power and reactive power flow information must be telemetered directly to the Minnesota Power Control Center. Each Party will promptly advise the other Party if it detects or otherwise learns of any metering, telemetry, or communications equipment errors or malfunctions that require the attention and/or correction. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible.
- 6.5 Reliability Requirements. Each Party shall comply with the applicable NERC, Reliability Coordinator and RRO/ER (or their successor organizations) Reliability Requirements. Each Party shall provide to the other Party all information that may be reasonably required by that Party to comply with the Applicable Laws and Regulations and Applicable Reliability Requirements. The Parties shall meet annually to insure that their procedures and systems are coordinated such that the NERC and RRO/ER reliability standards are met.
- 6.6 Outages. Square Butte and Minnesota Power may each in accordance with Good Utility Practice in coordination with the other Party remove from service any of its respective Interconnection Facilities, system protection facilities that may impact the other Party's facilities as necessary to perform maintenance or testing or to install or replace equipment. Absent an Emergency, the Party scheduling a removal of such facility(ies) from service will use reasonable efforts to notify one another and schedule such removal on a date and time mutually acceptable to the Parties. In all circumstances, any Party planning to remove such facility(ies) from service shall use Reasonable Efforts to minimize the effect on the other Party of such removal.

- 6.7 Outage Schedules. For Unit #2 Square Butte shall submit its planned maintenance schedule to the Minnesota Power control center such that Minnesota Power can meet its obligations under the Midwest ISO outage scheduling process. Addition requirements for outage scheduling shall be developed by the Operating Committee.
- 6.8 Subsynchronous Resonance. Square Butte and Minnesota Power shall continue to consult with each other regarding, and maintain protection for, subsynchronous resonance as required by Good Utility Practice.
- 6.9 Common Bus Usage. The Parties recognize that the DC Transmission Facilities must be tied to the AC system. The Interconnection will be operated with switches normally closed and use of Square Butte's buses in the Square Butte AC Substation-West can be used by Minnesota Power, from time to time, for reliability purposes and during an Emergency.

Minnesota Power's common use of the Square Butte bus as set forth under this Agreement does not permit other connections, uses or upgrades. Common use of the bus facilities by Minnesota Power under this Agreement is limited to reliability and Emergency purposes, and may not be assigned or transferred to other persons without the express written consent of the Parties to this Agreement. No fee or other charge shall be made for transfer of power and energy across such bus and interconnection facilities, and no losses shall be assessed or compensated for such non-firm common bus usage. This Agreement does not provide to either Party any other transmission usage or delivery rights for the use of the other Party's facilities.

- 6.10 Special Protection. The Parties will coordinate plans and design for any special protection system as may be required to protect the Interconnection Facilities and Square Butte and Minnesota Power Transmission Systems.

ARTICLE 7 EMERGENCIES

- 7.1 Generally. All Parties agree to comply with any applicable Midwest ISO Emergency procedures and directives, and the Parties' respective emergency procedures, as applicable, for implementing NERC rules, other Regulatory Requirements and the Parties' operating commitments, as applicable, with respect to Emergencies and to comply with directives issued therewith.
- 7.2 Notice. Any Party shall provide the other Party with oral or electronic notification that is prompt under the circumstances or required under any Regulatory Requirement of an Emergency that may reasonably be expected to affect the other Party's operation of their respective transmission systems, to the extent the notifying Party is aware of the Emergency. The individuals to be contacted in connection with any Emergency notice required under this Agreement shall be communicated to the designated representatives of the Parties listed on **Appendix D** according to **Article 20**. The Parties shall update

their Emergency contact information promptly according to notice provisions of **Article 20**, as their representatives are redesignated for this responsibility. Such notification shall describe, as known, the Emergency, the extent of any damage or deficiency, its anticipated duration, and the corrective action taken and/or to be taken. The initial notice shall be followed as soon as practicable with written notice.

- 7.3 **Immediate Action.** In the event of an Emergency, the Party becoming aware of the Emergency may, in accordance with Good Utility Practice and Reliability Requirements and using its reasonable judgment, take such action with respect to its own facilities as is reasonable and necessary to prevent, avoid, or mitigate injury, danger and/or loss of life or property. However, if at a location at which Transmission-Owning Parties own facilities, the first Party to arrive determines that the Emergency affects the facilities of the other Party, then such Party shall take such reasonable steps to overcome such Emergency even if to do so requires action in connection with facilities owned by the other Party. Any costs incurred in taking such action shall be equitably apportioned between the Parties. The Parties shall, consistent with Good Utility Practice and Reliability Requirements, take whatever actions or inactions the Parties deem necessary during an Emergency (including, without limitation, to request and comply with directives of Midwest ISO), in order to: (i) preserve employees' and public health and safety; (ii) preserve the reliability of the Parties' transmission systems; (iii) limit or prevent damage; and (iv) expedite restoration of service.
- 7.4 **Abnormal Conditions.** To the extent any Party is aware of any Abnormal Condition, such Party, subject to the satisfaction of and compliance with Regulatory Requirements, will make Reasonable Efforts to promptly notify the other Party of such Abnormal Condition if it may reasonably be expected to affect a Party's operation of its transmission system. However, the failure of any Party to provide notice in conformance with this Section shall not constitute a material breach of this Agreement.

ARTICLE 8 MODIFICATIONS OR OPERATIONAL CHANGES

- 8.1 **Generally.** Each Party shall make such Modifications or Operational Changes to its Interconnection Facilities as are necessary to comply with Good Utility Practice and as may be provided in **Appendix A** of this Agreement. Notice of any Regulatory Modification received by any Party shall be promptly communicated by writing notice to the other Party.
- 8.2 **Notice.** In the event any Party plans to undertake Modifications or Operational Changes to its Interconnection Facilities that reasonably may be expected to impact any other Party's transmission system, the initiating Party shall provide the other Party with at least ninety (90) days advance notice of the desired Modifications or Operational Changes. The nature of and the schedule of work for performing such Modifications, or the nature of the Operational Changes shall be subject to review and written acceptance by the other

Party through the Operating Committee, which review and acceptance shall not be untimely nor unreasonably withheld or delayed, to ensure that such Modifications or Operational Changes will (a) not adversely affect a Party's transmission system, or other facilities, (b) are consistent with Good Utility Practice, and (c) are provided in **Appendix A** of this Agreement. The suitability and the responsibility for the safe and adequate design, operation and maintenance of the initiating Party's facilities shall be and remain the sole obligation of the initiating Party.

- 8.3 Cooperation. The Parties shall cooperate in the performance of facilities studies and in the implementation of new projects which are needed to implement requests by Minnesota Power, Square Butte and third parties for new generator interconnection service and transmission service.
- 8.4 Cost Responsibility. When the actions of a Party necessitate Modifications or Operational Changes to another Party's Interconnection Facilities that are not required by FERC or are not otherwise needed to satisfy Regulatory Requirements, such Modifications or Operational Changes to the other Party's Interconnection Facilities shall be made at the sole cost and expense of the Party initiating the changes, unless otherwise agreed to in writing by the applicable Parties. The initiating Party's responsibility for such Modification or Operational Change costs is limited to those costs that are incremental to costs already planned to be incurred by the other Party.

ARTICLE 9 DOCUMENTATION AND INFORMATION REPORTING

- 9.1 Information Reporting Obligations. Subject to **Article 18**, applicable Regulatory Requirements, and/or Confidentiality Agreements, each Party shall in accordance with Good Utility Practice work with the other Party regarding the transfer of information which may reasonably be necessary to support the reliability of any other Party's facilities.

ARTICLE 10 METERING AND TELEMETERING

- 10.1 Metering and Telemetering Equipment. Each Party shall operate and maintain its existing metering and telemetering equipment consistent with all applicable Regulatory Requirements at the Points of Interconnection. Ownership of metering and specific metering location shall be as illustrated on **Appendix C**. Each Transmission-Owning Party shall continue to be responsible for the measurement of power or energy, the accuracy of such metering, and the maintenance repair and testing of such meters. Each Party will manage and report any meter data to the Balancing Authority or Midwest ISO as reasonably requested.

Any metering and telemetering installed on or in conjunction with any facilities owned by Square Butte may be installed by such third parties that operate as the Balancing

Authorities in whose area the particular interconnection is located. Any agreements between Minnesota Power and such Balancing Authority relating to the manner in which any meters are installed; their measure of the transfer of power and energy; the accuracy of such metering, maintenance, repair and testing of such metering equipment; or any other concern relating to metering shall be the responsibility of Minnesota Power and such Balancing Authority.

ARTICLE 11 ASSIGNMENT

11.1 Successors and Assigns. This Agreement, and the rights and obligations created thereby, shall bind and inure to the benefit of the successors and permitted assigns of the Parties hereto. Successors and assigns of the Midwest ISO shall become signatories to this Agreement with the limited purpose described herein.

11.2 Consent Required. Minnesota Power may assign this Agreement to an affiliate entity before Closing without the consent of Square Butte. Except as provided in the previous sentence, no Party may assign any rights or obligations hereunder without obtaining the prior written consent of the other Party, which consent shall not unreasonably be withheld.

11.3 Assignment in Event of Merger or for Financing.

11.3.1 Notwithstanding anything to the contrary herein, this Agreement may be assigned by a Party, without the consent of the other Party but with prior written notice, to any entity or entities in connection with a merger, consolidation, reorganization, or other change in the organizational structure of the assigning Party affecting the assets and approved by a Governmental Authority, provided that the surviving, purchasing or acquiring entity(ies) agrees, in writing, to assume all the assigning Party's obligations and duties under, and be bound by, the terms of this Agreement and further satisfies one of the following criteria:

- (a) The assignee has an Investment Grade Credit Rating;
- (b) The obligations of the assignee are guaranteed by a parent business organization with an Investment Grade Credit Rating; or
- (c) The assignment is being made in connection with a merger, consolidation or sale of substantially all the assignor's transmission assets to another party that has an Investment Grade Credit Rating at least equal to that of the assignor.

11.3.2 Notwithstanding the provisions of **Sections 11.2 and 11.3.1**, a Party or its permitted assignee may, without the consent of the other Party, but with prior written notice, collaterally assign, transfer, pledge or otherwise dispose of its

rights and interests hereunder to a trustee or lending institution for the purposes of financing or refinancing the assigning Party's facilities subject to this Agreement. Upon the request of the trustee or lending institution, each Party agrees to execute and deliver an acknowledgement, prepared at the assigning Party's expense, as may be reasonably necessary to accomplish any such collateral assignment, transfer, pledge, or other disposition of rights hereunder for purposes of the financing or refinancing.

- 11.4 Party to Remain Responsible. Except for assignments pursuant to **Section 11.3.1**, no assignment, transfer, pledge, conveyance, or disposition of rights or obligations under this Agreement by a Party will relieve that Party from liability and financial responsibility for the performance thereof after any such assignment, transfer, conveyance, pledge, or disposition unless and until the transferee or assignee agrees in writing to assume the obligations and duties of that Party under this Agreement and the non assigning Party has consented in writing to such assumption and to a release of the assigning Party from such liability.
- 11.5 Termination of Corporate Existence. If a Party terminates its existence as a cooperative or corporate entity by any acquisition, sale, consolidation, or otherwise, or if all or substantially all of such Party's assets are transferred to another person or business entity, without complying with the consent requirements of **Section 11.2** above, the other Party will have the right, enforceable in a court of competent jurisdiction, to enjoin the Party's successor from using its facilities in any manner that interferes with, impedes, or restricts the other Party's ability to carry out its ongoing business operations, rights and obligations.

ARTICLE 12 FORCE MAJEURE

- 12.1 Effect of Force Majeure. Except for obligations to make any payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by a Force Majeure, provided that:
- 12.1.1 The non-performing Party, as promptly as practicable after the Party reasonably determines that a Force Majeure event has occurred and such Force Majeure event will adversely impact the Party's ability to perform its obligations under this Agreement, gives the other Party written notice describing the particulars of the occurrence;
- 12.1.2 The suspension of performance is of no greater scope and of no longer duration than is reasonably required by the Force Majeure;

12.1.3 The non-performing Party uses all Reasonable Efforts to remedy its inability to perform; and

12.1.4 As soon as the non-performing Party is able to resume performance of its obligations excused as a result of the occurrence, it gives prompt written notification thereof to the other Party.

ARTICLE 13 LIABILITY, INDEMNIFICATION AND INSURANCE

13.1 Indemnification. Each Party ("Indemnifying Party") agrees to defend, indemnify, and hold harmless each other Party ("Indemnified Party"), as the case may be against claims, liability, losses, damages, judgments costs or expenses, including reasonable attorney's fees ("Claims") to the extent such Claims were caused by or resulted from the willful misconduct or negligent acts or omissions of the Indemnifying Party, its employees arising out of or related to this Agreement. A Party shall promptly notify the other Party as the case may be, of the assertion of any Claim against such Party which is potentially indemnifiable by the other Party. A Party shall give the Indemnifying Party an opportunity to defend such a Claim. The claiming Party shall not settle such Claim without the approval of the Indemnifying Party, which approval shall not be unreasonably denied.

13.2 Environmental Indemnification. Each Party ("Indemnifying Party") shall protect, defend, indemnify and save harmless the other Party ("Indemnified Party") from, against and in respect of, any and all loss, liability, damage and reasonable expenses for accounting, consulting, engineering, investigation, cleanup, response, removal and/or disposal and other remedial costs, directly or indirectly imposed upon, incurred by or asserted against any Indemnified Party arising out of or in conjunction with any claim or claims by any third party or parties (including, without limitation, a Governmental Authority), arising out of or in connection with (a) the use, generation, refining, manufacture, transportation, transfer, production, processing, storage, handling, or treatment of Regulated Materials, on, under or from the Interconnection Facilities by the Indemnifying Party; (b) an actual or threatened release, spill, leak, discharge, or escape into the environment, of any Regulated Materials on, under or from the Interconnection Facilities by the Indemnifying Party; (c) the cleanup, removal and/or disposal of any Regulated Materials on, under or from the Interconnection Facilities by the Indemnifying Party required by any Environmental Law or any Governmental Authority; (d) any personal exposure or injury (including wrongful death) or property damage (real or personal) arising out of or related to Regulated Materials, including any damage arising out of any cleanup required by the Governmental Authorities or Environmental Laws caused by the Indemnifying Party; (e) any lawsuit brought or threatened, settlement reached, or government order relating to such Regulated Materials as the result of any act or omission of the Indemnifying Party; or (f) any violation by an Indemnifying Party of Environmental Laws, which are based upon or in any way related to such Regulated Materials ("Environmental Claim").

Square Butte agrees to maintain occurrence based insurance coverage for Environmental Claims in the minimum amount of \$2,000,000.00 per occurrence. Minnesota Power will either self-insure or insure such risk in a similar amount. The Parties acknowledge that the Indemnifying Party may satisfy its indemnity obligation hereunder from the proceeds of its insurance or self-insurance. The Indemnified Party shall pay to the Indemnifying Party the amount of the Indemnifying Party's insurance deductible or self-insurance retention amount. The Parties further agree that the provisions of this paragraph 13.2 regarding indemnification for Environmental Claims shall apply only to those Environmental Claims related to the Interconnection Facilities.

13.3 Procedure on Indemnification.

13.3.1 Indemnified Party. If an Indemnified Party is entitled to indemnification under this **Article 13** as a result of a Claim or Environmental Claim, and the Indemnifying Party fails, after notice and reasonable opportunity, to assume the defense of such Claim or Environmental Claim, such Indemnified Party may at the expense of the Indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such Claim or Environmental Claim.

13.3.2 Indemnifying Party. If an Indemnifying Party is obligated to indemnify and hold any Indemnified Party harmless under this **Article 13**, the amount owing to the Indemnified Party shall be the amount of such Indemnified Party's actual loss, net of any insurance or other recovery.

13.3.3 Indemnity Procedures. Promptly after receipt by an Indemnified Party of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in **Section 13.1** may apply, the Indemnified Party shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the Indemnifying Party.

The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by such Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the defendants in any such action include one or more Indemnified Parties and the Indemnifying Party and if an Indemnified Party reasonably concludes that there may be legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be required to pay the fees and expenses of one additional attorney to represent an Indemnified Party or Indemnified Parties having such differing or additional legal defenses.

The Indemnified Party shall be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the Indemnified Party and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the Indemnified Party, or there exists a conflict or adversity of interest between the Indemnified Party and the Indemnifying Party, in such event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Party, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the Indemnified Party, which shall not be reasonably withheld, conditioned or delayed.

- 13.4 Limitation on Damages. Notwithstanding anything to the contrary contained in this Agreement, each Party waives all claims against each other Party (and against each other Party's parent company, affiliates, directors, officers, contractors, subcontractors, employees and agents) for any consequential, incidental, indirect, special, or exemplary damages (including, but not limited to, loss of actual or anticipated profits, revenues or product; loss by reason of shutdown or non-operation; increased expense of operation; cost of replacement power; interest charges; cost of capital; or claims of its customers to which service is made), and regardless of whether any such claim arises out of breach of contract or warranty, tort, product liability, indemnity, contribution, strict liability or any other legal theory. The above limitations shall not be construed as a limitation on death bodily injury or third party claims. Nothing contained in this Agreement shall cause a Transmission-Owning Party to be responsible or liable for any acts or omission of Minnkota acting as its operating agent or contractor.
- 13.5 Risk of Loss. Each Party shall have the full risk of loss for its own Interconnection Facilities and related equipment and materials. Each Party shall require all contractors, subcontractors, engineers, and equipment suppliers or manufacturers to maintain adequate insurance. Said insurance shall be with the carriers and shall be in policy amounts determined appropriate by the Party, and shall cover workers' compensation, public liability, contractors' liability, and such other hazards as shall be deemed necessary by such Party.
- 13.6 No Personal Liability. In no event shall any member, partner, shareholder, owner, officer, director, employee, or affiliate of a Party be personally liable to any other Party for any payments, obligations, or performance under this Agreement.
- 13.7 Insurance. Except as provided in **Section 13.2**, each Party shall, at its own expense, maintain in force throughout the term of this Agreement, insurance coverages and/or self insure to manage the risks under this Agreement in accordance with its risk management policies and procedures.

- 13.8 Survival. The limitations on damages and liability and the indemnification obligations of each Party under this Article shall continue in full force and effect regardless of whether this Agreement has either expired or been terminated or canceled with respect to matters that arise during the effectiveness of the Agreement.
- 13.9 Limitation on Midwest ISO's Liability. Nothing in this Agreement shall be construed to create or give rise to any liability on the part of the Midwest ISO, and the Parties expressly waive any claims that may arise against the Midwest ISO under this Agreement. The Parties acknowledge and agree that the signature of the authorized officer of the Midwest ISO is for the limited purpose of acknowledging that the Midwest ISO has read the terms of this Agreement. The Parties further state that they understand that FERC desires that the Parties keep the Midwest ISO fully apprised of the matters addressed herein as well as any reliability and planning issues that may arise under this Agreement, and that the signature of the Midwest ISO's authorized officer should not in any way be deemed to imply that the Midwest ISO takes responsibility for the actions of the Parties, that the Midwest ISO has any affirmative duties under this agreement, or that the Midwest ISO is liable in any way under this Agreement.

ARTICLE 14 BREACH, CURE AND DEFAULT

- 14.1 Breach. A breach of this Agreement shall occur upon the failure by a Party to perform any material term or condition of this Agreement.
- 14.2 Events of Breach. A breach of this Agreement shall include:
- (a) The failure to comply with any material term or condition of this Agreement, including but not limited to any material breach of a representation, warranty or covenant made in this Agreement;
 - (b) If a Party: (i) by decree of a court of competent jurisdiction, is adjudicated bankrupt or insolvent; (ii) files a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; (iii) makes a general assignment for the benefit of its creditors; or (iv) consents to the appointment of a receiver, trustee or liquidator;
 - (c) Assignment of this Agreement in a manner inconsistent with the terms of this Agreement;
 - (d) Failure of any Party to provide such access rights, or a Party's attempt to revoke or terminate such access rights, as provided under this Agreement;
or

- (e) Failure of any Party to provide information or data to another Party as required under this Agreement, provided the Party entitled to the information or data under this Agreement requires such information or data to satisfy its obligations under this Agreement or to satisfy Regulatory Requirements.

14.3 Continued Operation. In the event of a breach by any Party, the Parties shall continue to operate and maintain, as applicable, such AC (and any DC backup) power systems, protection and metering equipment, telemetering equipment, SCADA equipment, transformers, communications equipment, building facilities, software, documentation, structural components, and other facilities and appurtenances that are reasonably necessary for the Parties to operate and maintain their respective transmission systems in a safe and reliable manner or as may be required under any Reliability Requirements.

14.4 Cure and Default.

14.4.1 A Party automatically will be deemed to be in "Default" of this Agreement upon the occurrence of any one of the events described in **Section 14.2(b) (ii)-(iv)** of the Agreement.

14.4.2 Upon the occurrence of any event of breach other than those described in **Section 14.2(b) (ii)-(iv)**, any Party not in breach (hereinafter a "Non-Breaching Party"), when it becomes aware of any such breach, shall give written notice of the breach to the Breaching Party and to all other Party. Such notice shall set forth, in reasonable detail, the nature of the breach, and where known and applicable, the steps necessary to cure such breach. Upon receiving written notice of the breach hereunder, the Breaching Party shall have thirty (30) days to cure such breach. If the breach is such that it cannot be cured within such thirty-day (30-day) time period, the Breaching Party will commence in good faith all steps as are reasonable and appropriate to cure the breach within such thirty-day (30-day) time period and thereafter diligently pursue such action to completion. In the event the Breaching Party fails to cure the breach, or to commence reasonable and appropriate steps to cure the breach, within such thirty-day (30-day) time period, the Breaching Party will be in "Default" of the Agreement.

14.4.3 Upon the occurrence of a Default, any Non-Breaching Party may, subject to the limitations contained in **Article 15**, terminate this Agreement as to the Breaching Party by providing written notice of termination to the Breaching Party and to the other Party, except that where a Default has been disputed by the Breaching Party, termination of this Agreement on account of such Default may not occur absent a final, binding and non-appealable decision determined in accordance with **Article 19**.

ARTICLE 15 TERMINATION OF INTERCONNECTION SERVICE

15.1 Termination.

15.1.1 By Mutual Consent. This Agreement may be terminated at any time by mutual agreement of all Parties.

15.1.2 By Any Party. Any Party may terminate this Agreement by giving notice according to the provisions of **Section 20.1**, upon the occurrence of any of the following events:

- (a) Removal of said Party's transmission system or interconnection facilities in the Square Butte Substation from service; or
- (b) As to a Breaching Party, a Default by said Breaching Party as provided in **Section 14.4**; or

15.2 FERC Approval. No termination hereunder shall become effective until the terminating Party (or the Parties jointly) tender(s) to FERC any required notification of termination of this Agreement and obtains such acceptance thereof by the FERC as may be necessary to comply with applicable Regulatory Requirements.

15.3 Survival of Rights. Termination of this Agreement shall not relieve any Party of any of its liabilities and obligations arising under this Agreement prior to the date termination becomes effective. Applicable provisions of this Agreement will continue in effect after expiration, cancellation or termination of this Agreement to the extent necessary to provide for final billings, billing adjustments, and the determination and enforcement of liability and indemnification obligations arising from events or acts that occurred while this Agreement was in effect.

ARTICLE 16 LABOR RELATIONS

16.1 Notification of Labor Dispute. Each Party agrees to promptly notify the other Party of any labor dispute or anticipated labor dispute regarding its contractors or employees of which its management has actual knowledge that might reasonably be expected to affect the operations of the other Party with respect to this Agreement.

ARTICLE 17 SUBCONTRACTOR

17.1 Generally. Nothing in this Agreement shall prevent a Party from utilizing the services of such subcontractors as it deems appropriate to perform its obligations under this Agreement; provided, however, that all Parties shall require their subcontractors to

comply with all applicable terms and conditions of this Agreement in providing such services.

- 17.2 Responsibility of Principal. The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor it hires as if no subcontract had been made. Any applicable obligation imposed by this Agreement upon a Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.
- 17.3 No Limitation by Insurance. The obligations under this Article will not be limited in any way by any limitation on subcontractor's insurance.

ARTICLE 18 CONFIDENTIALITY

- 18.1 Nondisclosure. No Party shall disclose any Confidential Information of the other Party obtained pursuant to or in connection with the performance of this Agreement to any third party without the express written consent of the other Party, except under the provisions of the Standards of Conduct and then only in accordance with the FERC's Standards of Conduct rules and regulations, and that any Party may produce Confidential Information in response to a subpoena, discovery request or other compulsory process issued by a judicial body or Governmental Authority upon reasonable notice to the Party whose Confidential Information it is.
- 18.2 Standard of Care. All Parties shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination.
- 18.3 Use of Confidential Information. Any Party may use Confidential Information solely to fulfill its obligations to the other Party or Parties under this Agreement or its Regulatory Requirements except to the extent that such information constitutes information subject to the Commission's Standards of Conduct rules, or in any proceeding under **Article 19** or **Section 21.2(b)** or in any administrative agency or court of competent jurisdiction addressing any dispute arising under this Agreement, subject either to a confidentiality agreement with all participants (including, if applicable, arbitrator(s)) or to a protective order. Notwithstanding the absence of a protective order or waiver, a Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose.
- 18.4 Damages. The Parties agree that monetary damages by themselves will be inadequate to compensate a Party for the other Party's breach of its obligations under this Article. Each Party accordingly agrees that the other Party are entitled to equitable relief, by way of injunction or otherwise, if it breaches or threatens to breach its obligations under this Article.

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

- 18.5 Survival. The confidentiality obligations of this Article shall survive termination of this Agreement for a period of two (2) years.
- 18.6 FERC Standards of Conduct. Applicable information supplied by a Party to each other Party shall be subject to FERC's standards of conduct for transmission providers and shall not be disclosed by the receiving Party in violation of such standards set forth in Part 358 of FERC's rules and regulations.

ARTICLE 19 ALTERNATE DISPUTE RESOLUTION

- 19.1 Dispute Resolution. In the event of a dispute between the Parties arising out of the performance or non-performance of this Agreement, the Parties will in good faith negotiate to resolve such dispute. If the Parties are unable to resolve the dispute through such good faith negotiations within a reasonable amount of time, then the dispute shall be subject to the dispute resolution procedures set forth herein.
- 19.2 Mediation. If the Parties are unable through good faith negotiations between themselves to resolve such a dispute, then they will endeavor to resolve the dispute by mediation in good faith accordance with the Commercial Mediation Rules of the American Arbitration Association then in effect, and this shall be a condition precedent to the commencement of any arbitration.
- 19.3 Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach of any part thereof, or appeal from action of one of the Parties to this Agreement, which is not resolved through good faith negotiations or mediation between the Parties, shall be settled by arbitration, in accordance with the following procedures.
- 19.3.1 Arbitration Rules. Such arbitration shall be conducted before a single arbitrator selected by the American Arbitration Association and the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, subject to the further qualification that the arbitrator named under said rules shall be unbiased and qualified by virtue of education and experience in the particular matter subject to arbitration.
- 19.3.2 Notice. The Party desiring arbitration shall demand such arbitration by giving written notice to the other Party involved. Such notice shall conform to the procedures of the American Arbitration Association and shall include a statement of the facts or circumstances causing the controversy and the resolution, determination or relief sought by the Party desiring arbitration.
- 19.3.3 Pre-Arbitration Conference. Before the matter is presented to the arbitrator, a conference shall be held to stipulate as many facts as possible and to clarify and narrow the issues to be submitted to arbitration.

19.3.4 Authority of Arbitrators. The arbitrator shall have no authority, power or jurisdiction to alter, amend, change, modify, add to or subtract from any of the provisions of this Agreement, nor to consider any issues arising other than from the language in and authority derived from this Agreement.

19.3.5 Decision or Award. The decision or award of the arbitrator shall be final and binding upon the Parties and the Parties shall do such acts as the arbitration decision or award may require of them. Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction and execution issued thereon. This provision shall survive the termination of this Agreement.

19.3.6 Costs. Cost of the arbitration shall be shared equally unless the award shall specify a different division of cost.

ARTICLE 20 NOTICES AND COMMUNICATIONS

20.1 Notices; Delivery. Unless otherwise specified herein, all notices, requests, claims, demands and other communications required or permitted to be given under this Agreement must be in writing, and must be given (and will be deemed to have been duly given if so given) by recognized national courier, or by depositing the same with the United States Postal Service with postage prepaid, for delivery by certified or registered mail, addressed to the party, or personally delivered to the respective parties as follows:

To Square Butte:

Square Butte Electric Cooperative
Attn: General Manager
P.O. Box 13200
Grand Forks, ND 58208
T: (701)795-4000
F: (701)795-4214

To Minnesota Power:

Minnesota Power
Vice President Power Delivery & Transmission
30 West Superior Street
Duluth, MN 55802
T: (218) 720-2662
F: (218) 720-2685

To the Midwest ISO

Midwest ISO, Inc.
Attn: Director, Transmission Access Planning
P.O. Box 4202
Carmel, IN 46082-4202
T: (317) 249-5496
F: (317) 249-5358

for overnight deliveries
720 City Center Drive
Carmel, IN 46032

Any such notice or communication will be deemed to have been given as of the date received.

- 20.2 Changes. Any Party may change its address or designated representative for notices by notice to the other Party in the manner provided above.
- 20.3 Initial Notice; Written Confirmation. Notwithstanding **Section 20.1**, any notice concerning an Emergency or other occurrence requiring prompt attention, or as necessary during day to day operations shall be made to Square Butte, Minnesota Power, and the Midwest ISO, and may be made by telephone or in person provided that such notice is confirmed in writing promptly thereafter. Notice in an Emergency, or as necessary during day to day operations, shall be provided: (i) when to Minnesota Power, to the shift supervisor at Minnesota Power's transmission control center, (ii) when to Square Butte, to the shift supervisor at Unit #2, at Center, North Dakota, and (iii) when to the Midwest ISO, to Transmission Access Planning. **Appendix D** sets forth the representatives and telephone numbers for Notice in an Emergency. Through the Notice contacts provided in **Section 20.1**, the parties shall provide each other with an updated list of the names and telephone numbers of the parties' representatives for Notice in an Emergency.

ARTICLE 21
MISCELLANEOUS PROVISIONS

- 21.1 General. Each Party makes the following representations and warranties to its knowledge as of the effective date of this Agreement:
- 21.1.1 Good Standing. Such Party is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed, or incorporated, as applicable; that it is qualified to do business in the state or states in which the Interconnection Facilities owned by such Party are located; and that

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

it has the corporate power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and carry out the transactions contemplated hereby and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement.

21.1.2 Authority. Such Party has the right, power and authority to enter into this Agreement, to become a Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or at law).

21.1.3 No Conflict. The execution, delivery and performance of this Agreement does not violate or conflict with the organizational or formation documents, or bylaws or operating agreement, of such Party, or any judgment, license, permit, order, material agreement or instrument applicable to or binding upon such Party or any of its assets.

21.1.4 Consent and Approval. Notwithstanding **Section 21.3** of this Agreement, such Party has sought or obtained, or, in accordance with this Agreement will seek or obtain, each consent, approval, authorization, order, or acceptance by any Governmental Authority in connection with the execution, delivery and performance of this Agreement, and it will provide to any Governmental Authority notice of any actions under this Agreement that are required by applicable laws and regulations.

21.2 Governing Law.

- (a) When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of the State of North Dakota without giving effect to the conflict of law principles thereof.
- (b) Except for those matters covered in this Agreement and which are either jurisdictional to FERC or submitted to dispute resolution pursuant to **Article 19**, any action arising out of or concerning this Agreement must be brought in any state or federal court of competent jurisdiction in the State of North Dakota. Both Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in the State of Minnesota for the purpose of hearing and determining any action not pre-empted by FERC.

- 21.3 Regulatory Approval. This Agreement shall be subject to the approval or acceptance of the regulatory agencies having jurisdiction. This Agreement will be filed with FERC for acceptance or approval under Section 205 of the Federal Power Act as soon as practicable after its execution by the Parties. The Parties agree to support such filing, to reasonably cooperate with respect to the filing, and to provide any information, including the filing of testimony, reasonably required to comply with applicable filing requirements.
- 21.4 Relationship of the Parties. Nothing in this Agreement is intended to create a partnership, joint venture, or other joint legal entity making any Party jointly or severally liable for the acts of the other Party. Unless otherwise agreed to in a writing signed by all Parties, no Party shall have any authority to create or assume in another Party's name or on its behalf any obligation, express or implied or to act or purport to act as any other Party's agent or legally-empowered representative for any purpose whatsoever. Each Party shall be solely liable for the payment of all wages, taxes, and other costs related to the employment of persons by that Party to perform under this Agreement, including all federal, state, and local income, social security, payroll and employment taxes and statutorily mandated workers' compensation coverage. None of the persons employed by any Party shall be considered employees of the other Party for any purpose; nor shall any Party represent to any person that such persons are or shall become employees of the other Party. Except as expressly provided for herein, no Party shall be liable to any third Party in any way for any engagement, obligation, commitment, contract, representation, or for any negligent act or omission to act of the other Party.
- 21.5 No Third Party Rights. Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any benefits, interests, rights, or remedies under or by reason of the Agreement.
- 21.6 Waiver. Except as otherwise provided in this Agreement, a Party's compliance with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.
- 21.7 Failure to Enforce. Failure of any Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement, or to give notice or declare this Agreement or the rights hereunder terminated, shall not constitute a waiver or relinquishment of any rights set out herein, but the same shall be and remain at all times in full force and effect, unless and only to the extent expressly set forth in a writing signed by the Party granting such waiver or relinquishing any such right(s). Any waiver granted, or relinquishment of any right, by a Party shall not operate as a relinquishment of any other rights or a waiver of any other failure of the Party granted the waiver to comply with any obligation, covenant, agreement, or condition herein.

- 21.8 Amendment Modification. Except as otherwise provided, (a) this Agreement may only be modified by an instrument in writing and signed by all Parties, and (b) no amendment or modification to this Agreement or waiver of a Party's rights hereunder shall be binding unless the same shall be in writing and signed by all Parties against which enforcement is sought. Notwithstanding any provision in this Agreement to the contrary, any Party may unilaterally make application to the FERC under Articles 205 or 206, as applicable, of the Federal Power Act and pursuant to FERC's rules and regulations promulgated thereunder for a change in any rate, term, condition, charge, classification of service, rule or regulation under or related to this Agreement over which the FERC has jurisdiction.
- 21.9 Severability. If any term, condition, covenant, restriction or other provision of this Agreement is held by a court or regulatory agency of competent jurisdiction or by legislative enactment to be invalid, void or otherwise unenforceable, the remainder of the terms, conditions, covenants restrictions and other provisions of this Agreement shall remain in full force and effect unless such an interpretation would materially alter the rights and privileges of any Party. If any term, condition, covenant, restriction or other provision of this Agreement is held invalid, void or otherwise unenforceable, the Parties shall attempt to negotiate an appropriate and equitable replacement, revision or adjustment to the provision of this Agreement to restore the benefits and obligations conferred under the original Agreement.
- 21.10 Headings and Captions. Article headings, section headings, and/or other captions are included in this Agreement for reference purposes only and shall not constitute a part of this Agreement or in any way affect the meaning or interpretation of this Agreement. Whenever used herein the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders.
- 21.11 Further Assurances. Each Party shall do such other and further acts and things, and shall execute and deliver such instruments and documents, as any other Party reasonably requests from time to time in furtherance of the purposes of this Agreement.
- 21.12 Entire Agreement. This Agreement, including all appendices hereto, and made part hereof, sets forth the entire understanding and agreement of the Parties as to the subject matter of this Agreement and merges and supersedes all prior written and oral understandings, offers, agreements, commitments, representations, writings, discussions or other communications of every kind between the Parties.
- 21.13 Rights Cumulative. The rights and remedies set forth in this Agreement are cumulative and non exclusive.
- 21.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

Original Sheet No. 37C

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement in quadruplicate originals, each of which shall constitute and be an original effective Agreement among the Parties as of the date first above written.

SIGNATURE PAGE TO FOLLOW

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 38
Superseding Original Sheet No. 38

**ALLETE, INC., doing business as
MINNESOTA POWER, a Minnesota
corporation**

By: _____
Name: Bradley W. Oachs
Title: Vice President – Power Delivery &
Transmission

**SQUARE BUTTE ELECTRIC
COOPERATIVE, a North Dakota electric
cooperative corporation**

By: _____
Name: David Loer
Title: General Manager

**MIDWEST INDEPENDENT
TRANSMISSION SYSTEM OPERATOR,
INC., a Delaware corporation**

By:  _____
Name: William C. Phillips
Title: Vice President
Standards Compliance & Strategy
and Strategy
12-04-09

SIGNATURE PAGE FOR INTERCONNECTION AND OPERATING AGREEMENT

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO
Issued on: December 4, 2009

Effective: December 31, 2009

APPENDIX A
to
INTERCONNECTION AND OPERATING AGREEMENT

POINTS OF INTERCONNECTION

Initial Points of Interconnection. As of the Effective Date, the points of change of ownership in the Square Butte AC Substation-West where Pole 1 and Pole 2 physically interconnect with the buses within the Square Butte AC Substation-West as shown on Appendix B.

Final Points of Interconnection. As of the expiration of the Transition Period, the points of change of ownership in the Square Butte AC Substation-West at disconnect Switches No. 101 and No. 102 as shown on Appendix B.

Balancing Authority Area: Minnesota Power.

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 40
Superseding Original Sheet No. 40

APPENDIX B
to
INTERCONNECTION AND OPERATING AGREEMENT
DRAWINGS

**PUBLIC VERSION
CEII HAS BEEN REMOVED**

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 41
Superseding Original Sheet No. 41

PUBLIC VERSION CEII HAS BEEN REMOVED

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 42
Superseding Original Sheet No. 42

APPENDIX C
to
INTERCONNECTION AND OPERATING AGREEMENT
METERING

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

APPENDIX D
to
INTERCONNECTION AND OPERATING AGREEMENT
EMERGENCY COMMUNICATIONS

Representatives for First Responder Services

Minnesota Power Representative and Telephone:	
Minnesota Power System Control Center	Phone: 218-720-2750
Minnkota Representative and Telephone:	
Minnkota System Control Center:	Phone: 701-795-4406
Midwest ISO Representative and Telephone:	
Midwest ISO Transmission Access Planning:	Phone: 317-549-5496

Representatives for Operational Matters

Minnesota Power Representatives and Telephones:	
Minnesota Power System Control Center:	Phone: 218-720-2750
Minnesota Power System (Outage) Coordinator:	Phone: 218-720-2672
Minnkota Representatives and Telephones:	
Minnkota System Control Center:	Phone: 701-795-4406
Manager Control Center	Phone: 701-795-4406
Midwest ISO Representative and Telephone:	
Midwest ISO Transmission Access Planning:	Phone: 317-549-5496

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 44
Superseding Original Sheet No. 44

APPENDIX E
to
INTERCONNECTION AND OPERATING AGREEMENT

APPLICABLE RRO/RE

The Applicable RRO/RE for the Balancing Authority Area in which the Transmission-Owning Parties' transmission facilities are located is the Midwest Reliability Organization.

RELIABILITY COORDINATOR

The Reliability Coordinator is the Midwest Independent Transmission System Operator, Inc.

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

APPENDIX F
to
INTERCONNECTION AND OPERATING AGREEMENT
MUTUAL SUPPORT SERVICES

The Parties will continue to provide support services as provided in the Amended and Restated Joint Operating Agreement between the Parties dated May 29, 1998, including:

Station Power Service

Square Butte to continue to maintain two redundant 13.8 kV station service feeds and three sources to supply continuous power to the Center DC terminal; and the preexisting energy exchange from Unit #2 regulation account shall continue to be used, unless otherwise agreed. It is understood that, based on historical and projected usage of station power, Minnesota Power will pay 80 percent of the costs to maintain, repair and replace the 13.8 kV distribution facilities shown in the Asset Purchase Agreement between the Parties dated as of August 11, 2008, Schedule 2.3, Exhibit A, Drawing No. 12 of the Square Butte 13.8 kV distribution, and Minnkota will pay 20 percent of such costs.

Cooling Water Supply and Discharge

Cooling water to specifications will continue to be supplied by Square Butte to Minnesota Power from the separator dike water supply via the DC pump station to the DC substation terminal for valve cooling and discharge at the pre-treatment pump house.

Septic System and Well

Minnesota Power will maintain water well and septic system located at the DC Substation property for the Center DC terminal operation.

Communications

Square Butte shall seek to have Minnkota and Otter Tail Power continue to provide microwave communication capability to Minnesota Power for communications of the DC transmission line and substation facilities and the Parties anticipate that a new communications agreement will be entered into which will set forth the definitive arrangements for such services.

TAB H

INTERCONNECTION AND OPERATING AGREEMENT

between

ALLETE, INC., doing business as MINNESOTA POWER,

and

SQUARE BUTTE ELECTRIC COOPERATIVE,

and the

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

Dated as of August 11, 2008

As Amended on December 4, 2009

TABLE OF CONTENTS

ARTICLE 1	DEFINITIONS.....	87
1.1	“Abnormal Condition”	78
1.2	“Affiliate”	8
1.3	“Agreement”	8
1.4	“Arrowhead Substation”	8
1.5	“Balancing Authority”	8
1.6	“Balancing Authority Agreement”	8
1.7	“Balancing Authority Area”	89
1.8	“Claims”	89
1.9	“Closing”	89
1.10	“Confidential Information”	89
1.11	“Critical Energy Infrastructure Information”	910
1.12	“DC Line”	910
1.13	“DC Substation”	910
1.14	“DC Transmission Facilities”	910
1.15	“Effective Date”	910
1.16	“Emergency”	910
1.17	“Environmental Claim”	10
1.18	“Environmental Law”	10
1.19	“FERC”	10
1.20	“Final Points of Interconnection”	10
1.21	“Force Majeure”	10
1.22	“Good Utility Practice”	1011
1.23	“Governmental Authority”	1011
1.24	“In-Service Date”	1011
1.25	“Indemnified Party”	1011
1.26	“Indemnifying Party”	1011
1.27	“Initial Points of Interconnection”	11
1.28	“Interconnection Facilities”	11
1.29	“Investment Grade Credit Rating”	11
1.30	“MAPP”	11
1.31	“Midwest ISO”	112
1.32	“Midwest ISO Tariff”	112
1.33	“Minnesota Power Transmission System”	112
1.34	“Minnkota”	112
1.35	“Modifications”	112
1.36	“NERC”	112
1.37	“O & M Agreement”	112
1.38	“Operating Committee”	12
1.39	“Operational Change”	12
1.40	“Point(s) of Interconnection”	12
1.41	“Qualified Personnel”	12

TABLE OF CONTENTS
(continued)

1.42	“RRO/RE”	12 13
1.43	“Reasonable Efforts”	12 13
1.44	“Regulated Materials”	12 13
1.45	“Regulatory Requirements”	12 13
1.46	“Reliability Coordinator”	12 13
1.47	“Reliability Coordinator Area”	12 13
1.48	“Reliability Requirements”	13
1.49	“SCADA”	13
1.50	“Square Butte AC Substation-East”	13
1.51	“Square Butte AC Substation-West”	13 14
1.52	“Square Butte Transmission System”	13 14
1.53	“Substation Assets”	13 14
1.54	“Transition Period”	13 14
1.55	“Transmission-Owning Party (or Parties)”	13 14
1.56	“Unit #2”	13 14
ARTICLE 2	EFFECTIVE DATE AND CONDITIONS PRECEDENT	13 14
2.1	Effective Date	13 14
2.2	Regulatory Filing	14
2.3	Filing of Modifications to the Agreement	14
2.4	Term	14 15
ARTICLE 3	PURPOSE AND SCOPE	14 15
3.1	Purpose	14 15
3.2	Operating Committee	14 15
3.3	Functions of the Committee	15 16
3.4	Minnkota Term Limit	16 17
ARTICLE 4	SYSTEM INTERCONNECTIONS	16 17
4.1	Interconnections	16 17
ARTICLE 5	OPERATIONS AND MAINTENANCE	16 17
5.1	Parties’ Obligations	16 17
5.2	Switching, Tagging, and Lockout Rules	16 17
5.3	Ratings	17 18
5.4	Maintenance	17 18
5.5	Preventive and Corrective Maintenance Outages	17 18
5.6	Inspections and Testing	18 19
5.7	Disconnection	18 19
5.8	Planned Outage	18 19
5.9	Personnel Access Rights	18 20
5.10	Supervision	19 20
5.11	Coordination	19 20

TABLE OF CONTENTS
(continued)

ARTICLE 6	OPERATING REQUIREMENTS	19 20
6.1	Balancing Area.....	19 20
6.2	Reactive Power Requirements	19 20
6.3	Communications	19 21
6.4	Remote Terminal Unit	20 21
6.5	Reliability Requirements	20 21
6.6	Outages	20 21
6.7	Outage Schedules.....	20 22
6.8	Subsynchronous Resonance.....	20 22
6.9	Common Bus Usage	21 22
6.10	Special Protection	21 22
ARTICLE 7	EMERGENCIES.....	21 22
7.1	Generally.....	21 22
7.2	Notice.....	21 22
7.3	Immediate Action.....	21 23
7.4	Abnormal Conditions.....	22 23
ARTICLE 8	MODIFICATIONS OR OPERATIONAL CHANGES.....	22 23
8.1	Generally.....	22 23
8.2	Notice.....	22 23
8.3	Cooperation.....	22 24
8.4	Cost Responsibility	23 24
ARTICLE 9	DOCUMENTATION AND INFORMATION REPORTING	23 24
9.1	Information Reporting Obligations.....	23 24
ARTICLE 10	METERING AND TELEMETERING.....	23 24
10.1	Metering and Telemetering Equipment	23 24
ARTICLE 11	ASSIGNMENT.....	23 25
11.1	Successors and Assigns.....	23 25
11.2	Consent Required.....	24 25
11.3	Assignment in Event of Merger or for Financing.....	24 25
11.4	Party to Remain Responsible	24 26
11.5	Termination of Corporate Existence	25 26
ARTICLE 12	FORCE MAJEURE	25 26
12.1	Effect of Force Majeure	25 26
ARTICLE 13	LIABILITY, INDEMNIFICATION AND INSURANCE	25 27
13.1	Indemnification	25 27
13.2	Environmental Indemnification	26 27
13.3	Procedure on Indemnification.....	26 28
13.4	Limitation on Damages.....	27 29
13.5	Risk of Loss	28 29
13.6	No Personal Liability	28 29
13.7	Insurance	28 29

TABLE OF CONTENTS
(continued)

13.8	Survival	28 30
13.9	Limitation on Midwest ISO's Liability	30
ARTICLE 14	BREACH, CURE AND DEFAULT	28 30
14.1	Breach	28 30
14.2	Events of Breach	28 30
14.3	Continued Operation	29 31
14.4	Cure and Default	29 31
ARTICLE 15	TERMINATION OF INTERCONNECTION SERVICE	30 32
15.1	Termination	30 32
15.2	FERC Approval	30 32
15.3	Survival of Rights	30 32
ARTICLE 16	LABOR RELATIONS	30 32
16.1	Notification of Labor Dispute	30 32
ARTICLE 17	SUBCONTRACTOR	30 32
17.1	Generally	30 32
17.2	Responsibility of Principal	31 33
17.3	No Limitation by Insurance	31 33
ARTICLE 18	CONFIDENTIALITY	31 33
18.1	Nondisclosure	31 33
18.2	Standard of Care	31 33
18.3	Use of Confidential Information	31 33
18.4	Damages	31 33
18.5	Survival	31 34
18.6	FERC Standards of Conduct	32 34
ARTICLE 19	ALTERNATE DISPUTE RESOLUTION	32 34
19.1	Dispute Resolution	32 34
19.2	Mediation	32 34
19.3	Arbitration	32 34
ARTICLE 20	NOTICES AND COMMUNICATIONS	33 35
20.1	Notices; Delivery	33 35
20.2	Changes	33 36
20.3	Initial Notice; Written Confirmation	33 36
ARTICLE 21	MISCELLANEOUS PROVISIONS	34 36
21.1	General	34 36
21.2	Governing Law	35 37
21.3	Regulatory Approval	37A 35
21.4	Relationship of the Parties	37A 35
21.5	No Third Party Rights	37A 35
21.6	Waiver	37A 35
21.7	Failure to Enforce	36 37A
21.8	Amendment Modification	37B 36

TABLE OF CONTENTS
(continued)

21.9	Severability	37B 36
21.10	Headings and Captions	37B 36
21.11	Further Assurances.....	37B 36
21.12	Entire Agreement	37B 36
21.13	Rights Cumulative	37B 37
21.14	Counterparts.....	37B 37
APPENDIX A	POINTS OF INTERCONNECTION.....	39
APPENDIX B	DRAWINGS	40
APPENDIX C	METERING.....	42
APPENDIX D	EMERGENCY COMMUNICATIONS.....	43
APPENDIX E	APPLICABLE RRO/RE.....	44
APPENDIX F	MUTUAL SUPPORT SERVICES	45

INTERCONNECTION AND OPERATING AGREEMENT

THIS INTERCONNECTION AND OPERATING AGREEMENT (“Agreement”), dated as of August 11, 2008, is entered into by and among ALLETE, Inc. doing business as MINNESOTA POWER, a Minnesota corporation (hereinafter “Minnesota Power”), and SQUARE BUTTE ELECTRIC COOPERATIVE, a North Dakota electric cooperative corporation (hereinafter “Square Butte”), [as amended on December 4, 2009 and entered into by and among Minnesota Power, Square Butte, and the Midwest ISO, as defined in section 1.31 of this Agreement](#). Minnesota Power and Square Butte are referred to herein individually as “Party,” and collectively, as “Parties.”

WHEREAS:

Square Butte is the owner of alternating current transmission facilities in the Square Butte AC Substation-West which are not under the functional control of Midwest ISO; and

Minnesota Power is the owner of alternating current transmission facilities in the Square Butte AC Substation-East which are not subject to the functional control of the Midwest ISO and which are necessary for the operating of the DC Transmission Facilities; and

[Minnesota Power and Square Butte entered into this Interconnection and Operating Agreement on August 11, 2008; and](#)

[The Midwest ISO is approved to administer transmission service over the Minnesota Power Transmission System, including the DC Transmission Facilities pursuant to an agency agreement accepted by FERC in *Midwest Indep. Transmission System Operator, Inc. and ALLETE, Inc.*, 129 FERC ¶ 61,172 \(2009\); and](#)

Square Butte owns and operates Milton R. Young Unit #2 generation proximate to the Points of Interconnection which is interconnected to the Square AC Butte Substation-West; and

Minnesota Power and Square Butte for the purpose of operating a reliable interconnection, have agreed to execute this Agreement in order to establish the requirements, terms, and conditions for the interconnection and operation of the Square Butte Transmission System, Unit #2 and the Minnesota Power Transmission System, and to define the continuing responsibilities and obligations of the Parties [and the Midwest ISO](#) with respect thereto; and

Square Butte and Minnesota Power have the Points of Interconnection described in **Appendix A** to this Agreement and to establish additional Points of Interconnection whenever mutually beneficial; and

Minnesota Power is a party to a regional Balancing Authority Agreement; and

The Parties agree to cooperate and execute their respective obligations and responsibilities under this Agreement in good faith; [and](#)

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, [ALLETE, Inc.](#)
[Stephen G. Kozey, Issuing Officer, Midwest ISO](#)

Issued on: ~~September 21~~ [December 4](#), 2009

Effective: December 31, 2009

The Federal Energy Regulatory Commission (“FERC”) has requested that the Parties amend this Agreement to include the Midwest ISO as a signatory in order to ensure that the Midwest ISO is kept fully apprised of the matters addressed herein and so that the Midwest ISO may be kept aware of any reliability and planning issues that may arise.

NOW THEREFORE, in consideration of the mutual representations, covenants, and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

Wherever used in this Agreement with initial capitalization, the following terms shall have the meanings specified or referred to in this **Article 1**.

- 1.1 “Abnormal Condition” shall mean any condition on the Square Butte Transmission System or on the Minnesota Power Transmission System, or the transmission systems of other utilities, which is outside normal operating parameters such that facilities are operating outside their normal ratings or reasonable operating limits have been exceeded but which has not resulted in an Emergency. An Abnormal Condition may include, but is not limited to, high or low deviations in voltage, frequency, power flow, equipment temperature, equipment pressures, and other equipment and operating parameters.
- 1.2 “Affiliate” shall mean, with respect to a corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.
- 1.3 “Agreement” shall mean this Interconnection and Operating Agreement by and among Square Butte, ~~and~~ Minnesota Power, [and the Midwest ISO as a signatory](#), including all appendices attached hereto, as the same may be amended, supplemented, revised, altered, changed or restated in accordance with its terms.
- 1.4 “Arrowhead Substation” means that Minnesota Power 230/115 kV transmission substation near Duluth, Minnesota where the DC Line has its terminus and point of interconnection.
- 1.5 “Balancing Authority” shall mean the entity responsible to maintain resource to load interchange balance within a Balancing Authority Area and supports interconnection and frequency in real-time.
- 1.6 “Balancing Authority Agreement” shall mean the Agreement between Midwest ISO and the Balancing Authorities within the Midwest ISO approved by FERC by its Order Approving Contested Settlement issued February 18, 2005 in Midwest Independent Transmission System Operator, Inc., 110 FERC ¶ 61,177 and any amendments, modifications or superseding agreements thereto which have been approved by FERC.

- 1.7 “Balancing Authority Area” shall mean the collection of resources, transmission system, and loads within the metered boundaries of Balancing Authority.
- 1.8 “Claims” shall have the meaning set forth in **Section 13.1**.
- 1.9 “Closing” shall mean the closing on the sale of the DC Transmission Facilities and related assets under that certain Asset Purchase Agreement dated as of August 11, 2008 between the Parties.
- 1.10 “Confidential Information” shall mean a) any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, drawing, list, concept, customer information, policy or compilation relating to the present or planned business of a Party, which is designated as Confidential Information by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise or b) any Critical Energy Infrastructure Information. Confidential Information shall include, without limitation, all information relating to a Party’s technology, research and development, business affairs, and pricing, and any information supplied by a Party to another Party on a confidential basis prior to the execution of this Agreement. Confidential Information shall not include information that the receiving Party can demonstrate: (i) is generally available to the public other than as a result of a disclosure by the receiving Party; (ii) was in the lawful possession of the receiving Party on a non confidential basis before receiving it from the disclosing Party; (iii) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party, was under no obligation to the other Party to keep such information confidential; (iv) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; or (v) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or breach of this Agreement, or (vi) is required to be disclosed by any federal or state government or agency or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this Agreement held in a court or agency of competent jurisdiction; provided that (y) the Parties have entered into a protective order approved by such court or agency or (z) a binding nondisclosure agreement is in effect with the proposed recipient of any Critical Energy Infrastructure Information. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as Confidential Information notifies the other Party that such information no longer is confidential. Finally, for the purposes of this Agreement, information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential, provided, however, that this requirement shall not apply to information that is governed by FERC’s Critical Energy Infrastructure Information or Standards of Conduct rules and regulations.

- 1.11 “Critical Energy Infrastructure Information” shall mean information about a Party’s Interconnection Facilities or Transmission System which is classified as Critical Energy Infrastructure Information under Part 388 of FERC’s rules and regulations.
- 1.12 “DC Line” shall mean the ± 250 kilovolt direct current transmission line from Center, North Dakota, to Duluth, Minnesota.
- 1.13 “DC Substation” means the Square Butte DC terminal, converters, filters and associated facilities adjacent to the Square Butte AC Substation-East where the DC Line begins, including the underlying property in fee simple absolute.
- 1.14 “DC Transmission Facilities” shall mean the DC Line and the Substation Assets.
- 1.15 “Effective Date” shall mean the effective date of this Agreement as determined pursuant to **Section 2.1** of this Agreement.
- 1.16 “Emergency” shall mean a condition or situation (a) that in the reasonable judgment of the Party making the claim is imminently likely to endanger, or is contributing to the endangerment of, life or property, or public health and safety, including the environment; or (b) that, in the case of a Party, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Square Butte Transmission System, the Minnesota Power Transmission System, or the electric systems of others to which the Parties are directly connected, including distribution systems.
- 1.17 “Environmental Claim” shall have the meaning set forth in **Section 13.2**.
- 1.18 “Environmental Law” shall mean the applicable laws or regulations relating to pollution or protection of the environment or natural resources.
- 1.19 “FERC” shall mean the Federal Energy Regulatory Commission or its successor.
- 1.20 “Final Points of Interconnection” shall mean those Points of Interconnection existing after the Transition Period.
- 1.21 “Force Majeure” shall mean any cause beyond the reasonable control of and without fault or negligence of the Party claiming Force Majeure, including but not limited to acts of God, strike, flood, earthquake, storm, fire, lightning, explosion, epidemic, war, riot, terrorism, civil disturbance, sabotage, changes in Applicable Laws and Regulations subsequent to the date hereof, and action or inaction by any Governmental Authority which, in any of the foregoing cases, by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of Good Utility Practice, it is unable to overcome.

- 1.22 “Good Utility Practice” shall mean any of the applicable practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment by a Party in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition, giving due regard to the requirements of governmental agencies having jurisdiction. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, methods, or acts generally accepted in the region as they may be applicable to the Parties as transmission system owners and/or operators. [The term Good Utility Practice as used herein shall include compliance with the Midwest ISO Tariff.](#)
- 1.23 “Governmental Authority” shall mean any federal, state, local, or other governmental agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating body or other governmental authority having jurisdiction over a Party.
- 1.24 “In-Service Date” shall mean the in-service date of the new Minnkota high voltage transmission line from Center to the Red River Valley of North Dakota.
- 1.25 “Indemnified Party” shall have the meaning set forth in **Section 13.1**.
- 1.26 “Indemnifying Party” shall have the meaning set forth in **Section 13.1**.
- 1.27 “Initial Points of Interconnection” shall mean those Points of Interconnection from the Effective Date until changed but not existing longer than the Transition Period.
- 1.28 “Interconnection Facilities” shall mean the equipment and other facilities installed and owned by either Square Butte or Minnesota Power on its respective side of a Point of Interconnection, which are necessary to interconnect the Square Butte Transmission System and the Minnesota Power Transmission System, including protection and control devices, and all other necessary connection switching, transmission, distribution, safety, engineering, communication and all other associated administrative facilities necessary to support the interconnection.
- 1.29 “Investment Grade Credit Rating” shall mean with respect to any Party (i) a rating on senior unsecured long term debt of “Baa3” or better from Moody’s or “BBB-” or better from S&P or investment grade as determined by another nationally recognized rating service and (ii) a net worth of at least fifty million dollars (\$50,000,000).
- 1.30 “MAPP” shall mean the Mid-Continent Area Power Pool, Regional Transmission Committee, its successors and assigns.

- 1.31 “Midwest ISO” shall mean the Midwest Independent Transmission System Operator, Inc., or its successor.
- 1.32 “Midwest ISO Tariff” shall mean that certain Open Access Transmission, ~~and~~ Energy and Operating Reserve Markets Tariff on file with FERC and designated Midwest ISO’s FERC Electric Tariff ~~Third~~ Fourth Revised Volume No. 1, as it may be amended or superseded from time to time.
- 1.33 “Minnesota Power Transmission System” shall mean the DC Transmission Facilities and the Initial Points of Interconnection owned or controlled by Minnesota Power as they existed on the Effective Date of this Agreement, and as they may be extended, expanded, modified, reconfigured or changed thereafter.
- 1.34 “Minnkota” shall mean Minnkota Power Cooperative, Inc., a Minnesota cooperative corporation.
- 1.35 “Modifications” mean any material, new construction, additions, design changes or modifications made to, or the abandonment, retirement, relocation or rearrangement of, the Square Butte Transmission System or the Minnesota Power Transmission System at the Point of Interconnection, after the Effective Date of this Agreement.
- 1.36 “NERC” shall mean North American Electric Reliability Corporation or a successor electric reliability organization certified by the FERC.
- 1.37 “O & M Agreement” shall mean the Operation and Maintenance Services Agreement to be entered into between Minnesota Power (or its affiliate) and Minnkota upon the Closing.
- 1.38 “Operating Committee” shall mean the operating committee to administer this Agreement and to assist in the planning of services for the Parties described in **Sections 3.2 and 3.3** herein.
- 1.39 “Operational Change” shall mean any material change in the day-to-day routine, practices or procedures pertaining to the operation of either the Square Butte Transmission System or the Minnesota Power Transmission System, but excluding any change in connection with either a planned or unplanned outage or an Emergency.
- 1.40 “Point(s) of Interconnection” is the point, or points, at which Square Butte’s ownership of the Square Butte Transmission System ends and Minnesota Power’s ownership of the Minnesota Power Transmission System begins, as represented and described in each interconnection description included in **Appendix A** and located as shown in **Appendix B**.
- 1.41 “Qualified Personnel” shall mean those employees, contractors or agents of a Party that have the requisite knowledge, training and experience, in the judgment of the Party by

- whom they are employed or retained, to perform a particular job, task or supervise the performance of a particular job or task.
- 1.42 “RRO/RE” shall mean the regional entity authorized by NERC and approved by FERC with delegated authority to establish and enforce Reliability Requirements and to engage in other reliability-related functions associated with the operation of the Parties’ respective Transmission systems. The RRO/RE to which each Party to this Agreement is presently subject is set forth in Appendix E.
- 1.43 “Reasonable Efforts” shall mean, with respect to an action required to be attempted or taken by a Party under this Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.
- 1.44 “Regulated Materials” shall have the meaning given in **Section 13.2**.
- 1.45 “Regulatory Requirements” shall mean any of the applicable practices, methods and acts required by FERC as implemented by NERC; applicable RRO/RE, or another entity having authority over the Parties with regard to the subject matter of this Agreement, or the successor of any of them.
- 1.46 “Reliability Coordinator” shall mean the entity responsible for the real time operating reliability of its Reliability Coordinator Area including situation awareness and wide-area view of neighboring Reliability Coordinator’s Areas. The Reliability Coordinator has authority to direct transmission and balancing operations in accordance with Regulatory Requirements and Reliability Requirements.
- 1.47 “Reliability Coordinator Area” shall mean the area for which the Reliability Coordinator has responsibility for generation demand balancing and directing transmission operators to maintain operating limits as required by applicable Reliability Requirements. The Reliability Coordinator to which the Parties to this Agreement are presently subject is set forth on Appendix E.
- 1.48 “Reliability Requirements” shall mean the reliability standards and requirements established by the RRO/RE or NERC and approved by FERC that relate to the reliable operation or maintenance of the Parties’ transmission facilities.
- 1.49 “SCADA” means supervisory control and data acquisition equipment.
- 1.50 “Square Butte AC Substation-East” shall mean that portion of the Square Butte 230 kV AC transmission substation at Center, North Dakota east of and including disconnect Switches No. 101 and No. 102 which contains Minnesota Power’s substation facilities and equipment necessary for the operation of the DC Line.

- 1.51 “Square Butte AC Substation-West” shall mean that portion of the Square Butte 230 kV AC transmission substation at Center, North Dakota west of disconnect Switches No. 101 and No. 102 which contains Square Butte’s 230 kV transmission substation facilities and equipment, including the control house owned by Square Butte which is located within the Square Butte 230 kV AC transmission substation east of disconnect Switches No. 101 and No. 102.
- 1.52 “Square Butte Transmission System” shall mean the substation facilities owned or controlled by Square Butte as a part of Unit #2 and in the Square Butte AC Substation-West as they existed on the Effective Date of this Agreement, and as may be extended, expanded, modified or changed thereafter.
- 1.53 “Substation Assets” means the substation assets necessary for operation of the DC Line located in the Arrowhead Substation, the Square Butte AC Substation-East and DC Substation.
- 1.54 “Transition Period” shall mean that period of time between the Effective Date and the In-Service Date or a reasonable amount of time beyond the In-Service Date mutually agreeable to the Parties.
- 1.55 “Transmission-Owning Party (or Parties)” shall mean Square Butte or Minnesota Power, individually; or Square Butte and Minnesota Power, collectively.
- 1.56 “Unit #2” shall mean Square Butte’s Milton R. Young Unit #2 located at Center, North Dakota and the interconnection facilities to the Square Butte Substation.

ARTICLE 2

EFFECTIVE DATE AND CONDITIONS PRECEDENT

- 2.1 Effective Date. This Agreement shall be subject to the condition precedent of, and shall become effective at 11:59 PM on the day of the Closing of the sale of the DC Transmission Facilities to Minnesota Power, subject to acceptance of this Agreement by FERC under Section 205 of the Federal Power Act, if applicable (“Effective Date”).
- 2.2 Regulatory Filing. The Parties agree to cooperate in the regulatory filing process. Minnesota Power shall tender this Agreement in a timely manner to FERC for filing as a rate schedule within the meaning of 18 C.F.R. Part 35. Square Butte shall reasonably cooperate with Minnesota Power with respect to such filing and to provide any supporting information, including the filing of testimony, reasonably requested by Minnesota Power, to comply with applicable laws and regulations.
- 2.3 Filing of Modifications to the Agreement. The Parties shall be responsible to administer this Agreement, including but not limited to, preparation and issuance of any modifications or amendments to the appendices to this Agreement. The Parties will make

any appropriate filings of such revisions to this Agreement or the appendices as required under applicable law and regulations.

- 2.4 Term. This Agreement shall run from the Effective Date for a term of 40 years and continue on thereafter unless terminated by either Party upon five (5) years written notice.

ARTICLE 3 PURPOSE AND SCOPE

- 3.1 Purpose. The purpose of this Agreement is to document Interconnection Facilities and Points of Interconnection and to the extent not otherwise addressed in another agreement between the Parties, to set forth the terms and conditions for the ownership, system interconnections, operation, maintenance, of the Interconnection Facilities and future Modifications thereto for the continuous closed interconnection and reliable operation of the Square Butte Transmission System and the Minnesota Power Transmission System and the coordination between the Parties relating to such operation, maintenance and interconnection of these individual transmission systems.
- 3.2 Operating Committee.
- 3.2.1 There is hereby established an Operating Committee (also referred to in this Agreement as the Committee) to administer this Agreement and exercise the functions specified in this Agreement and to perform such other duties as may from time to time be assigned to it in writing by the Parties.
- 3.2.2 The Operating Committee shall be comprised of four (4) members. Square Butte and Minnkota shall appoint, together, two authorized representatives to act as members of the Committee. Minnesota Power shall appoint two authorized representatives to act as members of the Committee. Each Party shall evidence such appointments by written notice to the other Party, and by similar notice, a Party may change its representatives on such Committee at any time.
- 3.2.3 The expenses of each member of the Committee shall be borne by the Party such member represents.
- 3.2.4 The Operating Committee shall hold regularly scheduled meetings on at least an annual basis and shall meet at other times upon call of any Party upon ten (10) days notice by any Party. Any regularly scheduled meeting of the Committee may be omitted but only by unanimous consent of all members thereof. The Parties shall cause their members of the Committee to schedule meetings promptly, to attend meetings and to pursue diligently their obligations as members of the Committee. Meetings shall be held at any location as the Operating Committee determines. During Emergencies or other exigent circumstances. Operating Committee meetings may be held with less than the required notice and

may be conducted in person, by telephone or other electronic means provided that the Parties so agree.

3.2.5 No meeting of the Committee shall proceed without at least one (1) representative of each Minnesota Power and Square Butte/Minnkota being present.

3.3 Functions of the Committee.

3.3.1 Until the In-Service Date, the Operating Committee shall have the following functions:

- (a) To provide liaison between the Parties with respect to the provisions of this Agreement.
- (b) To plan, recommend to Minnesota Power, review and monitor the scope of work under this Agreement and the O & M Agreement.
- (c) To review and recommend to Minnesota Power the annual, operation and maintenance budget of Minnesota Power under this Agreement and the O & M Agreement (“Authorized Budget”).
- (d) To review and recommend to the Parties the schedule for planned coordinated outages and maintenance of the Square Butte AC Substation-East and Unit #2 and other affected generators interconnected to the Square Butte AC Substation-East.
- (e) To make recommendations and plans for the transition of work and Square Butte and Minnkota’s expertise on the Square Butte AC Substation-East and DC Transmission Facilities to Minnesota Power.
- (f) To review and recommend to Minnesota Power policies for appropriate spare parts inventory and the materials and supplies inventory.
- (g) To review and make recommendations to the Parties concerning the design and reconfiguration of the Interconnection Facilities for operating and maintenance efficiencies.
- (h) To review and make recommendations regarding written operating practices and procedures.
- (i) Annually review the current operating practices and procedures relative to the Interconnection Facilities and to ensure compliance with NERC and RRO/RE standards and effective operation of the interconnection. The Operating Committee shall maintain records of this review to manage and demonstrate compliance.

- (j) Review and make recommendations to the Parties on the reconfiguration of the Square Butte AC Substation-East and separate control house for the Square Butte AC Substation-East.

3.3.2 Upon the In-Service Date, the Operating Committee shall have only the functions specified in **Sections 3.3.1(a)** and **3.3.1(i)**.

- 3.4 **Minnkota Term Limit.** Minnkota's membership or role on the Operating Committee will expire on the In-Service Date, and thereafter Minnesota Power and Square Butte will continue to administer this Agreement and perform the functions of the Operating Committee as specified in **Section 3.3.2**. Square Butte shall alone appoint two members to the Operating Committee upon the expiration of Minnkota's membership or role on the Operating Committee on the In-Service Date.

ARTICLE 4 SYSTEM INTERCONNECTIONS

- 4.1 **Interconnections.** Each existing Point of Interconnection is provided for in a respective appendix to this Agreement. Each additional Interconnection between the Parties shall become, by inclusion in **Appendix A**, by the mutual agreement of each Party to the Point of Interconnection, an addition to this Agreement without further modification or amendment thereof. The appropriate geographical reference, a description of the facilities and any applicable special terms and conditions shall be stated in the Point of Interconnection description in the respective appendix. The Parties, as of the effective date, contemplate that the Initial Points of Interconnection will change by the end of the Transition Period to the Final Points of Interconnection as reflected in **Appendix A** and **Appendix B**.

ARTICLE 5 OPERATIONS AND MAINTENANCE

- 5.1 **Parties' Obligations.** Square Butte shall operate and maintain Unit #2 and the Transmission-Owning Parties shall operate and maintain the Interconnection Facilities in accordance with Good Utility Practice and subject to any applicable tariff procedures and requirements and in accordance with requirements of the RRO/RE and NERC.
- 5.2 **Switching, Tagging, and Lockout Rules.** The Transmission-Owning Parties shall abide by their respective switching, tagging and lockout rules for obtaining clearances for work or for switching operations at the Interconnection Facilities. Each Transmission-Owning Party will provide the other with its clearing, tagging, and lockout procedures. For clearances requested or initiated by one Party on another Party's equipment that utilizes the Party's equipment as an isolation device, the isolation device owner's procedures shall govern. The Transmission-Owning Parties retain the right to designate the use of another Party's switching, tagging and lockout procedures to be used as appropriate.

- 5.3 Ratings. The Transmission-Owning Parties agree to periodically exchange information concerning the operating limits and/or equipment ratings for their respective facilities, including, but not limited to voltage level, megawatt capacity, megavar capacity, short-circuit current, surge protection, and insulation coordination. The Transmission-Owning Parties further agree to operate their respective facilities taking into account the ratings and capabilities of the facilities of the other Party and shall not operate their system in a manner that would result in exceeding the operating limits or equipment ratings of the other Party.
- 5.4 Maintenance. Square Butte shall maintain Square Butte AC Substation-West and Unit #2 interconnection facilities, and each Transmission-Owning Party shall maintain or cause to be maintained its own Interconnection Facilities in a safe and reliable manner and in accordance with Good Utility Practice and Regulatory Requirements. For avoidance of doubt, Square Butte shall continue to pay the costs of maintenance, repair and replacement of the breakers, switches, buses and facilities within its portion of the Square Butte AC Substation-West and recover its costs under its power purchase agreements.
- 5.5 Preventive and Corrective Maintenance Outages. Square Butte shall maintain Unit #2, and each Transmission-Owning Party shall maintain its Interconnection Facilities, in a safe and reliable manner and in accordance with all applicable laws and regulations, and the requirements of the RRO/RE or ERO. In the event that there is a conflict in the standards to be applied to the maintenance at any Point of Interconnection, then the most stringent standard shall apply.
- 5.5.1 Planning and Scheduling. In accordance with Good Utility Practice and as may be provided in **Appendix A** to this Agreement and in order to facilitate maintenance or reliability of the Square Butte Transmission System and the Minnesota Power Transmission System, the Transmission-Owning Parties shall confer regularly to coordinate the planning and scheduling of preventive and corrective maintenance of, and Modifications and Operational Changes to, Unit #2 and the Interconnection Facilities that might reasonably be expected to affect the operation of another Party's transmission system. Absent an Emergency directive from Midwest ISO, the Transmission-Owning Parties shall coordinate their respective schedules for any such activities and will, to the extent practicable and appropriate under the circumstances, give reasonable consideration to, among other things, the impact of the schedule on the other Party's operations, except to the extent required by any RRO/RE or the ERO.
- 5.5.2 Right to Review. Either Transmission Owner shall have the right to review the other Transmission Owner's documented protection and maintenance standards and records for its Interconnection Facilities as reasonably requested at locations to be agreed upon by the Parties.

5.6 Inspections and Testing.

- 5.6.1 Inspections. The Transmission-Owning Parties shall perform routine inspection and testing of their equipment on their respective Interconnection Facilities in accordance with Good Utility Practice and Regulatory Requirements and as may be necessary to ensure the continued interconnection of the Square Butte Transmission System and Minnesota Power Transmission System in a safe and reliable manner.
- 5.6.2 Right to Observe Testing. The Parties shall have the right to observe the testing of the testing Party's Interconnection Facilities, the performance of which may reasonably be expected to affect the reliability of the observing Party's transmission system. The testing Party shall notify the other Party in advance of such testing unless, in the testing Party's reasonable judgment, the testing must be performed immediately, in which case the testing Party shall provide notice as soon as practicable. The observing Parties may each have a representative attend and be present during such testing.
- 5.6.3 Observation of Deficiencies. If any Party observes any condition it believes may be inconsistent with Good Utility Practice or Regulatory Requirements with respect to a Party's Interconnection Facilities that might reasonably be expected to adversely affect the observing Party's transmission system, the observing Party shall notify the other Party. Notwithstanding the foregoing, no Party shall be relieved from any liability for adversely affecting another Party's transmission system due to the observing Party's failure to give such notice.
- 5.7 Disconnection. In the event of an Emergency, a Party may disconnect its Interconnection Facilities for so long as is necessary under Good Utility Practice and the applicable Reliability Requirements, including the period of time necessary to establish the reconnection of the Interconnection Facilities. A Party undertaking such a disconnection shall bear its own expense.
- 5.8 Planned Outage. Planned outages of the Interconnection Facilities shall be coordinated between the Transmission-Owning Parties and the Midwest ISO as may be applicable. Each Party shall request planned outages in a timely fashion that enables proper evaluation and coordination with the other Party. In the event of a planned outage of any Party's transmission system that may adversely affect a Transmission-Owning Party with respect to its transmission system, the Party that is subject to the outage will use efforts consistent with Good Utility Practice, specific requirements as may be provided in an Appendix to this Agreement, and Regulatory Requirements to restore the transmission system to service in accordance with its schedule for the work that necessitated the planned outage.

- 5.9 Personnel Access Rights. Upon reasonable notice by a Party, and subject to any required or necessary regulatory approvals, a Transmission-Owning Party (the “Granting Party”) shall furnish at no cost to the other Transmission-Owning Party (the “Access Party”) any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by the Granting Party, its agents, or any Affiliate, that are necessary to enable the Access Party’s Qualified Personnel to obtain ingress and egress to construct, operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities and equipment to: (i) the common control house; (ii) interconnect the Interconnection Facilities; (iii) operate and maintain the Interconnection Facilities; and (iv) disconnect or remove the Access Party’s facilities and equipment upon termination of this Agreement. In exercising such use, licenses, rights of way and easements, the Access Party shall not unreasonably disrupt or interfere with normal operation of the Granting Party’s business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by the Granting Party and provided to the Access Party.
- 5.10 Supervision. Each Party shall be solely responsible for the safety and supervision of its own employees, agents, representatives, and subcontractors.
- 5.11 Coordination. The Parties shall manage reliable operation of the interconnection by coordinating various activities such as system studies, development of operating guides, operation, maintenance, training, protection, NERC compliance for the Interconnection Facilities, conformance to Reliability Requirements and other administrative matters associated with this Agreement. To ensure the continued safe and reliable operation of the interconnection, the Parties agree to continue to provide each other with the supporting services listed on **Appendix F** at actual cost according to past practices and billing arrangements.

ARTICLE 6 OPERATING REQUIREMENTS

- 6.1 Balancing Area. As long as Unit #2 is within Minnesota Power’s Balancing Authority Area, Square Butte shall operate Unit #2 in accordance with those procedures that enable Minnesota Power to meet its obligation under Minnesota Power’s Balancing Authority Agreement.
- 6.2 Reactive Power Requirements. Square Butte and Minnesota Power each intend to continue to maintain sufficient reactive power capability on the Interconnection Facilities, and allow Minnesota Power as a Balancing Authority to operate the Minnesota Power Transmission System within voltage ranges specified by and for compliance with applicable and current NERC or RRO/RE reliability standards and other Reliability Requirements and Good Utility Practice. The Parties agree to cooperate with each other and exchange data and voltage information as reasonably requested for any self-certification, compliance monitoring of such requirements or proposed changes to current reactive power capability and operating voltage ranges.

- 6.2.1 Power Factor Criteria. Square Butte as a generator owner of Unit #2 shall maintain voltage according to Reliability Coordinator standards, Reliability Requirements and any applicable operating guidelines.
- 6.3 Communications. As long as Unit #2 is in Minnesota Power's Balancing Authority Area, Square Butte shall maintain satisfactory operating communications with Minnesota Power's control center. Square Butte shall provide standard voice line, dedicated voice line and facsimile communications in its central dispatch facility. Square Butte shall also provide the microwave tower and dedicated data circuit(s) necessary to provide data to the Minnesota Power control center. Any required maintenance of such communications equipment shall be performed by and at the cost of Square Butte. Operational communications shall be activated and maintained under, but not limited to the following events: unit synchronizing or separation, scheduled or unscheduled shutdowns, equipment clearances, and hourly and daily load data.
- 6.4 Remote Terminal Unit. The existing remote terminal unit shall be maintained for Unit #2 at Square Butte's expense to gather data to be telemetered to Minnesota Power's control center through use of a dedicated point to point circuit(s). The communication protocol for the data circuit(s) shall be specified by Minnesota Power. Instantaneous bi-directional analog real power and reactive power flow information must be telemetered directly to the Minnesota Power Control Center. Each Party will promptly advise the other Party if it detects or otherwise learns of any metering, telemetry, or communications equipment errors or malfunctions that require the attention and/or correction. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible.
- 6.5 Reliability Requirements. Each Party shall comply with the applicable NERC, Reliability Coordinator and RRO/ER (or their successor organizations) Reliability Requirements. Each Party shall provide to the other Party all information that may be reasonably required by that Party to comply with the Applicable Laws and Regulations and Applicable Reliability Requirements. The Parties shall meet annually to insure that their procedures and systems are coordinated such that the NERC and RRO/ER reliability standards are met.
- 6.6 Outages. Square Butte and Minnesota Power may each in accordance with Good Utility Practice in coordination with the other Party remove from service any of its respective Interconnection Facilities, system protection facilities that may impact the other Party's facilities as necessary to perform maintenance or testing or to install or replace equipment. Absent an Emergency, the Party scheduling a removal of such facility(ies) from service will use reasonable efforts to notify one another and schedule such removal on a date and time mutually acceptable to the Parties. In all circumstances, any Party planning to remove such facility(ies) from service shall use Reasonable Efforts to minimize the effect on the other Party of such removal.

- 6.7 Outage Schedules. For Unit #2 Square Butte shall submit its planned maintenance schedule to the Minnesota Power control center such that Minnesota Power can meet its obligations under the Midwest ISO outage scheduling process. Addition requirements for outage scheduling shall be developed by the Operating Committee.
- 6.8 Subsynchronous Resonance. Square Butte and Minnesota Power shall continue to consult with each other regarding, and maintain protection for, subsynchronous resonance as required by Good Utility Practice.
- 6.9 Common Bus Usage. The Parties recognize that the DC Transmission Facilities must be tied to the AC system. The Interconnection will be operated with switches normally closed and use of Square Butte's buses in the Square Butte AC Substation-West can be used by Minnesota Power, from time to time, for reliability purposes and during an Emergency.
- Minnesota Power's common use of the Square Butte bus as set forth under this Agreement does not permit other connections, uses or upgrades. Common use of the bus facilities by Minnesota Power under this Agreement is limited to reliability and Emergency purposes, and may not be assigned or transferred to other persons without the express written consent of the Parties to this Agreement. No fee or other charge shall be made for transfer of power and energy across such bus and interconnection facilities, and no losses shall be assessed or compensated for such non-firm common bus usage. This Agreement does not provide to either Party any other transmission usage or delivery rights for the use of the other Party's facilities.
- 6.10 Special Protection. The Parties will coordinate plans and design for any special protection system as may be required to protect the Interconnection Facilities and Square Butte and Minnesota Power Transmission Systems.

ARTICLE 7 EMERGENCIES

- 7.1 Generally. All Parties agree to comply with any applicable Midwest ISO Emergency procedures and directives, and the Parties' respective emergency procedures, as applicable, for implementing NERC rules, other Regulatory Requirements and the Parties' operating commitments, as applicable, with respect to Emergencies and to comply with directives issued therewith.
- 7.2 Notice. Any Party shall provide the other Party with oral or electronic notification that is prompt under the circumstances or required under any Regulatory Requirement of an Emergency that may reasonably be expected to affect the other Party's operation of their respective transmission systems, to the extent the notifying Party is aware of the Emergency. The individuals to be contacted in connection with any Emergency notice required under this Agreement shall be communicated to the designated representatives of the Parties listed on **Appendix D** according to **Article 20**. The Parties shall update

their Emergency contact information promptly according to notice provisions of **Article 20**, as their representatives are redesignated for this responsibility. Such notification shall describe, as known, the Emergency, the extent of any damage or deficiency, its anticipated duration, and the corrective action taken and/or to be taken. The initial notice shall be followed as soon as practicable with written notice.

- 7.3 **Immediate Action.** In the event of an Emergency, the Party becoming aware of the Emergency may, in accordance with Good Utility Practice and Reliability Requirements and using its reasonable judgment, take such action with respect to its own facilities as is reasonable and necessary to prevent, avoid, or mitigate injury, danger and/or loss of life or property. However, if at a location at which Transmission-Owning Parties own facilities, the first Party to arrive determines that the Emergency affects the facilities of the other Party, then such Party shall take such reasonable steps to overcome such Emergency even if to do so requires action in connection with facilities owned by the other Party. Any costs incurred in taking such action shall be equitably apportioned between the Parties. The Parties shall, consistent with Good Utility Practice and Reliability Requirements, take whatever actions or inactions the Parties deem necessary during an Emergency (including, without limitation, to request and comply with directives of Midwest ISO), in order to: (i) preserve employees' and public health and safety; (ii) preserve the reliability of the Parties' transmission systems; (iii) limit or prevent damage; and (iv) expedite restoration of service.
- 7.4 **Abnormal Conditions.** To the extent any Party is aware of any Abnormal Condition, such Party, subject to the satisfaction of and compliance with Regulatory Requirements, will make Reasonable Efforts to promptly notify the other Party of such Abnormal Condition if it may reasonably be expected to affect a Party's operation of its transmission system. However, the failure of any Party to provide notice in conformance with this Section shall not constitute a material breach of this Agreement.

ARTICLE 8 MODIFICATIONS OR OPERATIONAL CHANGES

- 8.1 **Generally.** Each Party shall make such Modifications or Operational Changes to its Interconnection Facilities as are necessary to comply with Good Utility Practice and as may be provided in **Appendix A** of this Agreement. Notice of any Regulatory Modification received by any Party shall be promptly communicated by writing notice to the other Party.
- 8.2 **Notice.** In the event any Party plans to undertake Modifications or Operational Changes to its Interconnection Facilities that reasonably may be expected to impact any other Party's transmission system, the initiating Party shall provide the other Party with at least ninety (90) days advance notice of the desired Modifications or Operational Changes. The nature of and the schedule of work for performing such Modifications, or the nature of the Operational Changes shall be subject to review and written acceptance by the other

Party through the Operating Committee, which review and acceptance shall not be untimely nor unreasonably withheld or delayed, to ensure that such Modifications or Operational Changes will (a) not adversely affect a Party's transmission system, or other facilities, (b) are consistent with Good Utility Practice, and (c) are provided in **Appendix A** of this Agreement. The suitability and the responsibility for the safe and adequate design, operation and maintenance of the initiating Party's facilities shall be and remain the sole obligation of the initiating Party.

- 8.3 Cooperation. The Parties shall cooperate in the performance of facilities studies and in the implementation of new projects which are needed to implement requests by Minnesota Power, Square Butte and third parties for new generator interconnection service and transmission service.
- 8.4 Cost Responsibility. When the actions of a Party necessitate Modifications or Operational Changes to another Party's Interconnection Facilities that are not required by FERC or are not otherwise needed to satisfy Regulatory Requirements, such Modifications or Operational Changes to the other Party's Interconnection Facilities shall be made at the sole cost and expense of the Party initiating the changes, unless otherwise agreed to in writing by the applicable Parties. The initiating Party's responsibility for such Modification or Operational Change costs is limited to those costs that are incremental to costs already planned to be incurred by the other Party.

ARTICLE 9 DOCUMENTATION AND INFORMATION REPORTING

- 9.1 Information Reporting Obligations. Subject to **Article 18**, applicable Regulatory Requirements, and/or Confidentiality Agreements, each Party shall in accordance with Good Utility Practice work with the other Party regarding the transfer of information which may reasonably be necessary to support the reliability of any other Party's facilities.

ARTICLE 10 METERING AND TELEMETERING

- 10.1 Metering and Telemetering Equipment. Each Party shall operate and maintain its existing metering and telemetering equipment consistent with all applicable Regulatory Requirements at the Points of Interconnection. Ownership of metering and specific metering location shall be as illustrated on **Appendix C**. Each Transmission-Owning Party shall continue to be responsible for the measurement of power or energy, the accuracy of such metering, and the maintenance repair and testing of such meters. Each Party will manage and report any meter data to the Balancing Authority or Midwest ISO as reasonably requested.

Any metering and telemetering installed on or in conjunction with any facilities owned by Square Butte may be installed by such third parties that operate as the Balancing

Authorities in whose area the particular interconnection is located. Any agreements between Minnesota Power and such Balancing Authority relating to the manner in which any meters are installed; their measure of the transfer of power and energy; the accuracy of such metering, maintenance, repair and testing of such metering equipment; or any other concern relating to metering shall be the responsibility of Minnesota Power and such Balancing Authority.

ARTICLE 11 ASSIGNMENT

11.1 Successors and Assigns. This Agreement, and the rights and obligations created thereby, shall bind and inure to the benefit of the successors and permitted assigns of the Parties hereto. [Successors and assigns of the Midwest ISO shall become signatories to this Agreement with the limited purpose described herein.](#)

11.2 Consent Required. Minnesota Power may assign this Agreement to an affiliate entity before Closing without the consent of Square Butte. Except as provided in the previous sentence, no Party may assign any rights or obligations hereunder without obtaining the prior written consent of the other Party, which consent shall not unreasonably be withheld.

11.3 Assignment in Event of Merger or for Financing.

11.3.1 Notwithstanding anything to the contrary herein, this Agreement may be assigned by a Party, without the consent of the other Party but with prior written notice, to any entity or entities in connection with a merger, consolidation, reorganization, or other change in the organizational structure of the assigning Party affecting the assets and approved by a Governmental Authority, provided that the surviving, purchasing or acquiring entity(ies) agrees, in writing, to assume all the assigning Party's obligations and duties under, and be bound by, the terms of this Agreement and further satisfies one of the following criteria:

- (a) The assignee has an Investment Grade Credit Rating;
- (b) The obligations of the assignee are guaranteed by a parent business organization with an Investment Grade Credit Rating; or
- (c) The assignment is being made in connection with a merger, consolidation or sale of substantially all the assignor's transmission assets to another party that has an Investment Grade Credit Rating at least equal to that of the assignor.

11.3.2 Notwithstanding the provisions of **Sections 11.2** and **11.3.1**, a Party or its permitted assignee may, without the consent of the other Party, but with prior written notice, collaterally assign, transfer, pledge or otherwise dispose of its

rights and interests hereunder to a trustee or lending institution for the purposes of financing or refinancing the assigning Party's facilities subject to this Agreement. Upon the request of the trustee or lending institution, each Party agrees to execute and deliver an acknowledgement, prepared at the assigning Party's expense, as may be reasonably necessary to accomplish any such collateral assignment, transfer, pledge, or other disposition of rights hereunder for purposes of the financing or refinancing.

- 11.4 **Party to Remain Responsible.** Except for assignments pursuant to **Section 11.3.1**, no assignment, transfer, pledge, conveyance, or disposition of rights or obligations under this Agreement by a Party will relieve that Party from liability and financial responsibility for the performance thereof after any such assignment, transfer, conveyance, pledge, or disposition unless and until the transferee or assignee agrees in writing to assume the obligations and duties of that Party under this Agreement and the non assigning Party has consented in writing to such assumption and to a release of the assigning Party from such liability.
- 11.5 **Termination of Corporate Existence.** If a Party terminates its existence as a cooperative or corporate entity by any acquisition, sale, consolidation, or otherwise, or if all or substantially all of such Party's assets are transferred to another person or business entity, without complying with the consent requirements of **Section 11.2** above, the other Party will have the right, enforceable in a court of competent jurisdiction, to enjoin the Party's successor from using its facilities in any manner that interferes with, impedes, or restricts the other Party's ability to carry out its ongoing business operations, rights and obligations.

ARTICLE 12

FORCE MAJEURE

- 12.1 **Effect of Force Majeure.** Except for obligations to make any payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by a Force Majeure, provided that:
- 12.1.1 The non-performing Party, as promptly as practicable after the Party reasonably determines that a Force Majeure event has occurred and such Force Majeure event will adversely impact the Party's ability to perform its obligations under this Agreement, gives the other Party written notice describing the particulars of the occurrence;
- 12.1.2 The suspension of performance is of no greater scope and of no longer duration than is reasonably required by the Force Majeure;

12.1.3 The non-performing Party uses all Reasonable Efforts to remedy its inability to perform; and

12.1.4 As soon as the non-performing Party is able to resume performance of its obligations excused as a result of the occurrence, it gives prompt written notification thereof to the other Party.

ARTICLE 13

LIABILITY, INDEMNIFICATION AND INSURANCE

- 13.1 Indemnification. Each Party (“Indemnifying Party”) agrees to defend, indemnify, and hold harmless each other Party (“Indemnified Party”), as the case may be against claims, liability, losses, damages, judgments costs or expenses, including reasonable attorney’s fees (“Claims”) to the extent such Claims were caused by or resulted from the willful misconduct or negligent acts or omissions of the Indemnifying Party, its employees arising out of or related to this Agreement. A Party shall promptly notify the other Party as the case may be, of the assertion of any Claim against such Party which is potentially indemnifiable by the other Party. A Party shall give the Indemnifying Party an opportunity to defend such a Claim. The claiming Party shall not settle such Claim without the approval of the Indemnifying Party, which approval shall not be unreasonably denied.
- 13.2 Environmental Indemnification. Each Party (“Indemnifying Party”) shall protect, defend, indemnify and save harmless the other Party (“Indemnified Party”) from, against and in respect of, any and all loss, liability, damage and reasonable expenses for accounting, consulting, engineering, investigation, cleanup, response, removal and/or disposal and other remedial costs, directly or indirectly imposed upon, incurred by or asserted against any Indemnified Party arising out of or in conjunction with any claim or claims by any third party or parties (including, without limitation, a Governmental Authority), arising out of or in connection with (a) the use, generation, refining, manufacture, transportation, transfer, production, processing, storage, handling, or treatment of Regulated Materials, on, under or from the Interconnection Facilities by the Indemnifying Party; (b) an actual or threatened release, spill, leak, discharge, or escape into the environment, of any Regulated Materials on, under or from the Interconnection Facilities by the Indemnifying Party; (c) the cleanup, removal and/or disposal of any Regulated Materials on, under or from the Interconnection Facilities by the Indemnifying Party required by any Environmental Law or any Governmental Authority; (d) any personal exposure or injury (including wrongful death) or property damage (real or personal) arising out of or related to Regulated Materials, including any damage arising out of any cleanup required by the Governmental Authorities or Environmental Laws caused by the Indemnifying Party; (e) any lawsuit brought or threatened, settlement reached, or government order relating to such Regulated Materials as the result of any act or omission of the Indemnifying Party; or (f) any violation by an Indemnifying Party of Environmental Laws, which are based upon or in any way related to such Regulated Materials (“Environmental Claim”).

Square Butte agrees to maintain occurrence based insurance coverage for Environmental Claims in the minimum amount of \$2,000,000.00 per occurrence. Minnesota Power will either self-insure or insure such risk in a similar amount. The Parties acknowledge that the Indemnifying Party may satisfy its indemnity obligation hereunder from the proceeds of its insurance or self-insurance. The Indemnified Party shall pay to the Indemnifying Party the amount of the Indemnifying Party's insurance deductible or self-insurance retention amount. The Parties further agree that the provisions of this paragraph 13.2 regarding indemnification for Environmental Claims shall apply only to those Environmental Claims related to the Interconnection Facilities.

13.3 Procedure on Indemnification.

13.3.1 Indemnified Party. If an Indemnified Party is entitled to indemnification under this **Article 13** as a result of a Claim or Environmental Claim, and the Indemnifying Party fails, after notice and reasonable opportunity, to assume the defense of such Claim or Environmental Claim, such Indemnified Party may at the expense of the Indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such Claim or Environmental Claim.

13.3.2 Indemnifying Party. If an Indemnifying Party is obligated to indemnify and hold any Indemnified Party harmless under this **Article 13**, the amount owing to the Indemnified Party shall be the amount of such Indemnified Party's actual loss, net of any insurance or other recovery.

13.3.3 Indemnity Procedures. Promptly after receipt by an Indemnified Party of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in **Section 13.1** may apply, the Indemnified Party shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the Indemnifying Party.

The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by such Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the defendants in any such action include one or more Indemnified Parties and the Indemnifying Party and if an Indemnified Party reasonably concludes that there may be legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be required to pay the fees and expenses of one additional attorney to represent an Indemnified Party or Indemnified Parties having such differing or additional legal defenses.

The Indemnified Party shall be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the Indemnified Party and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the Indemnified Party, or there exists a conflict or adversity of interest between the Indemnified Party and the Indemnifying Party, in such event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Party, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the Indemnified Party, which shall not be reasonably withheld, conditioned or delayed.

- 13.4 Limitation on Damages. Notwithstanding anything to the contrary contained in this Agreement, each Party waives all claims against each other Party (and against each other Party's parent company, affiliates, directors, officers, contractors, subcontractors, employees and agents) for any consequential, incidental, indirect, special, or exemplary damages (including, but not limited to, loss of actual or anticipated profits, revenues or product; loss by reason of shutdown or non-operation; increased expense of operation; cost of replacement power; interest charges; cost of capital; or claims of its customers to which service is made), and regardless of whether any such claim arises out of breach of contract or warranty, tort, product liability, indemnity, contribution, strict liability or any other legal theory. The above limitations shall not be construed as a limitation on death bodily injury or third party claims. Nothing contained in this Agreement shall cause a Transmission-Owning Party to be responsible or liable for any acts or omission of Minnkota acting as its operating agent or contractor.
- 13.5 Risk of Loss. Each Party shall have the full risk of loss for its own Interconnection Facilities and related equipment and materials. Each Party shall require all contractors, subcontractors, engineers, and equipment suppliers or manufacturers to maintain adequate insurance. Said insurance shall be with the carriers and shall be in policy amounts determined appropriate by the Party, and shall cover workers' compensation, public liability, contractors' liability, and such other hazards as shall be deemed necessary by such Party.
- 13.6 No Personal Liability. In no event shall any member, partner, shareholder, owner, officer, director, employee, or affiliate of a Party be personally liable to any other Party for any payments, obligations, or performance under this Agreement.
- 13.7 Insurance. Except as provided in **Section 13.2**, each Party shall, at its own expense, maintain in force throughout the term of this Agreement, insurance coverages and/or self insure to manage the risks under this Agreement in accordance with its risk management policies and procedures.

13.8 Survival. The limitations on damages and liability and the indemnification obligations of each Party under this Article shall continue in full force and effect regardless of whether this Agreement has either expired or been terminated or canceled with respect to matters that arise during the effectiveness of the Agreement.

13.9 Limitation on Midwest ISO's Liability. Nothing in this Agreement shall be construed to create or give rise to any liability on the part of the Midwest ISO, and the Parties expressly waive any claims that may arise against the Midwest ISO under this Agreement. The Parties acknowledge and agree that the signature of the authorized officer of the Midwest ISO is for the limited purpose of acknowledging that the Midwest ISO has read the terms of this Agreement. The Parties further state that they understand that FERC desires that the Parties keep the Midwest ISO fully apprised of the matters addressed herein as well as any reliability and planning issues that may arise under this Agreement, and that the signature of the Midwest ISO's authorized officer should not in any way be deemed to imply that the Midwest ISO takes responsibility for the actions of the Parties, that the Midwest ISO has any affirmative duties under this agreement, or that the Midwest ISO is liable in any way under this Agreement.

ARTICLE 14 BREACH, CURE AND DEFAULT

14.1 Breach. A breach of this Agreement shall occur upon the failure by a Party to perform any material term or condition of this Agreement.

14.2 Events of Breach. A breach of this Agreement shall include:

- (a) The failure to comply with any material term or condition of this Agreement, including but not limited to any material breach of a representation, warranty or covenant made in this Agreement;
- (b) If a Party: (i) by decree of a court of competent jurisdiction, is adjudicated bankrupt or insolvent; (ii) files a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; (iii) makes a general assignment for the benefit of its creditors; or (iv) consents to the appointment of a receiver, trustee or liquidator;
- (c) Assignment of this Agreement in a manner inconsistent with the terms of this Agreement;
- (d) Failure of any Party to provide such access rights, or a Party's attempt to revoke or terminate such access rights, as provided under this Agreement;
or

- (e) Failure of any Party to provide information or data to another Party as required under this Agreement, provided the Party entitled to the information or data under this Agreement requires such information or data to satisfy its obligations under this Agreement or to satisfy Regulatory Requirements.

14.3 Continued Operation. In the event of a breach by any Party, the Parties shall continue to operate and maintain, as applicable, such AC (and any DC backup) power systems, protection and metering equipment, telemetering equipment, SCADA equipment, transformers, communications equipment, building facilities, software, documentation, structural components, and other facilities and appurtenances that are reasonably necessary for the Parties to operate and maintain their respective transmission systems in a safe and reliable manner or as may be required under any Reliability Requirements.

14.4 Cure and Default.

14.4.1 A Party automatically will be deemed to be in “Default” of this Agreement upon the occurrence of any one of the events described in **Section 14.2(b) (ii)-(iv)** of the Agreement.

14.4.2 Upon the occurrence of any event of breach other than those described in **Section 14.2(b) (ii)-(iv)**, any Party not in breach (hereinafter a “Non-Breaching Party”), when it becomes aware of any such breach, shall give written notice of the breach to the Breaching Party and to all other Party. Such notice shall set forth, in reasonable detail, the nature of the breach, and where known and applicable, the steps necessary to cure such breach. Upon receiving written notice of the breach hereunder, the Breaching Party shall have thirty (30) days to cure such breach. If the breach is such that it cannot be cured within such thirty-day (30-day) time period, the Breaching Party will commence in good faith all steps as are reasonable and appropriate to cure the breach within such thirty-day (30-day) time period and thereafter diligently pursue such action to completion. In the event the Breaching Party fails to cure the breach, or to commence reasonable and appropriate steps to cure the breach, within such thirty-day (30-day) time period, the Breaching Party will be in “Default” of the Agreement.

14.4.3 Upon the occurrence of a Default, any Non-Breaching Party may, subject to the limitations contained in **Article 15**, terminate this Agreement as to the Breaching Party by providing written notice of termination to the Breaching Party and to the other Party, except that where a Default has been disputed by the Breaching Party, termination of this Agreement on account of such Default may not occur absent a final, binding and non-appealable decision determined in accordance with **Article 19**.

ARTICLE 15 TERMINATION OF INTERCONNECTION SERVICE

15.1 Termination.

15.1.1 By Mutual Consent. This Agreement may be terminated at any time by mutual agreement of all Parties.

15.1.2 By Any Party. Any Party may terminate this Agreement by giving notice according to the provisions of **Section 20.1**, upon the occurrence of any of the following events:

- (a) Removal of said Party's transmission system or interconnection facilities in the Square Butte Substation from service; or
- (b) As to a Breaching Party, a Default by said Breaching Party as provided in **Section 14.4**; or

15.2 FERC Approval. No termination hereunder shall become effective until the terminating Party (or the Parties jointly) tender(s) to FERC any required notification of termination of this Agreement and obtains such acceptance thereof by the FERC as may be necessary to comply with applicable Regulatory Requirements.

15.3 Survival of Rights. Termination of this Agreement shall not relieve any Party of any of its liabilities and obligations arising under this Agreement prior to the date termination becomes effective. Applicable provisions of this Agreement will continue in effect after expiration, cancellation or termination of this Agreement to the extent necessary to provide for final billings, billing adjustments, and the determination and enforcement of liability and indemnification obligations arising from events or acts that occurred while this Agreement was in effect.

ARTICLE 16 LABOR RELATIONS

16.1 Notification of Labor Dispute. Each Party agrees to promptly notify the other Party of any labor dispute or anticipated labor dispute regarding its contractors or employees of which its management has actual knowledge that might reasonably be expected to affect the operations of the other Party with respect to this Agreement.

ARTICLE 17 SUBCONTRACTOR

17.1 Generally. Nothing in this Agreement shall prevent a Party from utilizing the services of such subcontractors as it deems appropriate to perform its obligations under this Agreement; provided, however, that all Parties shall require their subcontractors to

comply with all applicable terms and conditions of this Agreement in providing such services.

- 17.2 Responsibility of Principal. The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor it hires as if no subcontract had been made. Any applicable obligation imposed by this Agreement upon a Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.
- 17.3 No Limitation by Insurance. The obligations under this Article will not be limited in any way by any limitation on subcontractor's insurance.

ARTICLE 18 CONFIDENTIALITY

- 18.1 Nondisclosure. No Party shall disclose any Confidential Information of the other Party obtained pursuant to or in connection with the performance of this Agreement to any third party without the express written consent of the other Party, except under the provisions of the Standards of Conduct and then only in accordance with the FERC's Standards of Conduct rules and regulations, and that any Party may produce Confidential Information in response to a subpoena, discovery request or other compulsory process issued by a judicial body or Governmental Authority upon reasonable notice to the Party whose Confidential Information it is.
- 18.2 Standard of Care. All Parties shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination.
- 18.3 Use of Confidential Information. Any Party may use Confidential Information solely to fulfill its obligations to the other Party or Parties under this Agreement or its Regulatory Requirements except to the extent that such information constitutes information subject to the Commission's Standards of Conduct rules, or in any proceeding under **Article 19** or **Section 21.2(b)** or in any administrative agency or court of competent jurisdiction addressing any dispute arising under this Agreement, subject either to a confidentiality agreement with all participants (including, if applicable, arbitrator(s)) or to a protective order. Notwithstanding the absence of a protective order or waiver, a Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose.
- 18.4 Damages. The Parties agree that monetary damages by themselves will be inadequate to compensate a Party for the other Party's breach of its obligations under this Article. Each Party accordingly agrees that the other Party are entitled to equitable relief, by way of injunction or otherwise, if it breaches or threatens to breach its obligations under this Article.

- 18.5 Survival. The confidentiality obligations of this Article shall survive termination of this Agreement for a period of two (2) years.
- 18.6 FERC Standards of Conduct. Applicable information supplied by a Party to each other Party shall be subject to FERC's standards of conduct for transmission providers and shall not be disclosed by the receiving Party in violation of such standards set forth in Part 358 of FERC's rules and regulations.

ARTICLE 19

ALTERNATE DISPUTE RESOLUTION

- 19.1 Dispute Resolution. In the event of a dispute between the Parties arising out of the performance or non-performance of this Agreement, the Parties will in good faith negotiate to resolve such dispute. If the Parties are unable to resolve the dispute through such good faith negotiations within a reasonable amount of time, then the dispute shall be subject to the dispute resolution procedures set forth herein.
- 19.2 Mediation. If the Parties are unable through good faith negotiations between themselves to resolve such a dispute, then they will endeavor to resolve the dispute by mediation in good faith accordance with the Commercial Mediation Rules of the American Arbitration Association then in effect, and this shall be a condition precedent to the commencement of any arbitration.
- 19.3 Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach of any part thereof, or appeal from action of one of the Parties to this Agreement, which is not resolved through good faith negotiations or mediation between the Parties, shall be settled by arbitration, in accordance with the following procedures.
- 19.3.1 Arbitration Rules. Such arbitration shall be conducted before a single arbitrator selected by the American Arbitration Association and the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, subject to the further qualification that the arbitrator named under said rules shall be unbiased and qualified by virtue of education and experience in the particular matter subject to arbitration.
- 19.3.2 Notice. The Party desiring arbitration shall demand such arbitration by giving written notice to the other Party involved. Such notice shall conform to the procedures of the American Arbitration Association and shall include a statement of the facts or circumstances causing the controversy and the resolution, determination or relief sought by the Party desiring arbitration.
- 19.3.3 Pre-Arbitration Conference. Before the matter is presented to the arbitrator, a conference shall be held to stipulate as many facts as possible and to clarify and narrow the issues to be submitted to arbitration.

19.3.4 Authority of Arbitrators. The arbitrator shall have no authority, power or jurisdiction to alter, amend, change, modify, add to or subtract from any of the provisions of this Agreement, nor to consider any issues arising other than from the language in and authority derived from this Agreement.

19.3.5 Decision or Award. The decision or award of the arbitrator shall be final and binding upon the Parties and the Parties shall do such acts as the arbitration decision or award may require of them. Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction and execution issued thereon. This provision shall survive the termination of this Agreement.

19.3.6 Costs. Cost of the arbitration shall be shared equally unless the award shall specify a different division of cost.

ARTICLE 20 NOTICES AND COMMUNICATIONS

20.1 Notices; Delivery. Unless otherwise specified herein, all notices, requests, claims, demands and other communications required or permitted to be given under this Agreement must be in writing, and must be given (and will be deemed to have been duly given if so given) by recognized national courier, or by depositing the same with the United States Postal Service with postage prepaid, for delivery by certified or registered mail, addressed to the Pparty, or personally delivered to the respective Pparties as follows:

To Square Butte:

Square Butte Electric Cooperative
Attn: General Manager
P.O. Box 13200
Grand Forks, ND 58208
T: (701)795-4000
F: (701)795-4214

To Minnesota Power:

Minnesota Power
Vice President Power Delivery & Transmission
30 West Superior Street
Duluth, MN 55802
T: (218) 720-2662
F: (218) 720-2685

To the Midwest ISO

Midwest ISO, Inc.
Attn: Director, Transmission Access Planning
P.O. Box 4202
Carmel, IN 46082-4202
T: (317) 249-5496
F: (317) 249-5358

for overnight deliveries
720 City Center Drive
Carmel, IN 46032

Any such notice or communication will be deemed to have been given as of the date received.

- 20.2 Changes. Any Party may change its address or designated representative for notices by notice to the other Party in the manner provided above.
- 20.3 Initial Notice; Written Confirmation. Notwithstanding **Section 20.1**, any notice concerning an Emergency or other occurrence requiring prompt attention, or as necessary during day to day operations shall be made to Square Butte, Minnesota Power, and the Midwest ISO, and may be made by telephone or in person provided that such notice is confirmed in writing promptly thereafter. Notice in an Emergency, or as necessary during day to day operations, shall be provided: (i) ~~if by Square Butte~~ when to Minnesota Power, to the shift supervisor at Minnesota Power's transmission control center, ~~and~~ (ii) ~~if by Minnesota Power~~ when to Square Butte, to the shift supervisor at Unit #2, at Center, North Dakota, and (iii) when to the Midwest ISO, to Transmission Access Planning. **Appendix D** sets forth the ~~names, representatives and~~ telephone and facsimile numbers of the Parties' representatives for Notice in an Emergency. Through the Notice contacts provided in **Section 20.1**, the ~~P~~ parties shall provide each other with an updated list of the names, ~~and~~ telephone and facsimile numbers of the ~~P~~ parties' representatives for Notice in an Emergency.

ARTICLE 21
MISCELLANEOUS PROVISIONS

- 21.1 General. Each Party makes the following representations and warranties to its knowledge as of the effective date of this Agreement:
- 21.1.1 Good Standing. Such Party is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed, or incorporated, as applicable; that it is qualified to do business in the state or states

in which the Interconnection Facilities owned by such Party are located; and that it has the corporate power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and carry out the transactions contemplated hereby and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement.

- 21.1.2 Authority. Such Party has the right, power and authority to enter into this Agreement, to become a Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or at law).
- 21.1.3 No Conflict. The execution, delivery and performance of this Agreement does not violate or conflict with the organizational or formation documents, or bylaws or operating agreement, of such Party, or any judgment, license, permit, order, material agreement or instrument applicable to or binding upon such Party or any of its assets.
- 21.1.4 Consent and Approval. Notwithstanding **Section 21.3** of this Agreement, such Party has sought or obtained, or, in accordance with this Agreement will seek or obtain, each consent, approval, authorization, order, or acceptance by any Governmental Authority in connection with the execution, delivery and performance of this Agreement, and it will provide to any Governmental Authority notice of any actions under this Agreement that are required by applicable laws and regulations.

21.2 Governing Law.

- (a) When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of the State of North Dakota without giving effect to the conflict of law principles thereof.
- (b) Except for those matters covered in this Agreement and which are either jurisdictional to FERC or submitted to dispute resolution pursuant to **Article 19**, any action arising out of or concerning this Agreement must be brought in any state or federal court of competent jurisdiction in the State of North Dakota. Both Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in the State of Minnesota for the purpose of hearing and determining any action not pre-empted by FERC.

- 21.3 Regulatory Approval. This Agreement shall be subject to the approval or acceptance of the regulatory agencies having jurisdiction. This Agreement will be filed with FERC for acceptance or approval under Section 205 of the Federal Power Act as soon as practicable after its execution by the Parties. The Parties agree to support such filing, to reasonably cooperate with respect to the filing, and to provide any information, including the filing of testimony, reasonably required to comply with applicable filing requirements.
- 21.4 Relationship of the Parties. Nothing in this Agreement is intended to create a partnership, joint venture, or other joint legal entity making any Party jointly or severally liable for the acts of the other Party. Unless otherwise agreed to in a writing signed by all Parties, no Party shall have any authority to create or assume in another Party's name or on its behalf any obligation, express or implied or to act or purport to act as any other Party's agent or legally-empowered representative for any purpose whatsoever. Each Party shall be solely liable for the payment of all wages, taxes, and other costs related to the employment of persons by that Party to perform under this Agreement, including all federal, state, and local income, social security, payroll and employment taxes and statutorily mandated workers' compensation coverage. None of the persons employed by any Party shall be considered employees of the other Party for any purpose; nor shall any Party represent to any person that such persons are or shall become employees of the other Party. Except as expressly provided for herein, no Party shall be liable to any third Party in any way for any engagement, obligation, commitment, contract, representation, or for any negligent act or omission to act of the other Party.
- 21.5 No Third Party Rights. Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any benefits, interests, rights, or remedies under or by reason of the Agreement.
- 21.6 Waiver. Except as otherwise provided in this Agreement, a Party's compliance with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.
- 21.7 Failure to Enforce. Failure of any Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement, or to give notice or declare this Agreement or the rights hereunder terminated, shall not constitute a waiver or relinquishment of any rights set out herein, but the same shall be and remain at all times in full force and effect, unless and only to the extent expressly set forth in a writing signed by the Party granting such waiver or relinquishing any such right(s). Any waiver granted, or relinquishment of any right, by a Party shall not operate as a relinquishment of any other rights or a waiver of any other failure of the Party granted the waiver to comply with any obligation, covenant, agreement, or condition herein.

- 21.8 Amendment Modification. Except as otherwise provided, (a) this Agreement may only be modified by an instrument in writing and signed by all Parties, and (b) no amendment or modification to this Agreement or waiver of a Party's rights hereunder shall be binding unless the same shall be in writing and signed by all Parties against which enforcement is sought. Notwithstanding any provision in this Agreement to the contrary, any Party may unilaterally make application to the FERC under Articles 205 or 206, as applicable, of the Federal Power Act and pursuant to FERC's rules and regulations promulgated thereunder for a change in any rate, term, condition, charge, classification of service, rule or regulation under or related to this Agreement over which the FERC has jurisdiction.
- 21.9 Severability. If any term, condition, covenant, restriction or other provision of this Agreement is held by a court or regulatory agency of competent jurisdiction or by legislative enactment to be invalid, void or otherwise unenforceable, the remainder of the terms, conditions, covenants restrictions and other provisions of this Agreement shall remain in full force and effect unless such an interpretation would materially alter the rights and privileges of any Party. If any term, condition, covenant, restriction or other provision of this Agreement is held invalid, void or otherwise unenforceable, the Parties shall attempt to negotiate an appropriate and equitable replacement, revision or adjustment to the provision of this Agreement to restore the benefits and obligations conferred under the original Agreement.
- 21.10 Headings and Captions. Article headings, section headings, and/or other captions are included in this Agreement for reference purposes only and shall not constitute a part of this Agreement or in any way affect the meaning or interpretation of this Agreement. Whenever used herein the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders.
- 21.11 Further Assurances. Each Party shall do such other and further acts and things, and shall execute and deliver such instruments and documents, as any other Party reasonably requests from time to time in furtherance of the purposes of this Agreement.
- 21.12 Entire Agreement. This Agreement, including all appendices hereto, and made part hereof, sets forth the entire understanding and agreement of the Parties as to the subject matter of this Agreement and merges and supersedes all prior written and oral understandings, offers, agreements, commitments, representations, writings, discussions or other communications of every kind between the Parties.
- 21.13 Rights Cumulative. The rights and remedies set forth in this Agreement are cumulative and non exclusive.
- 21.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

Original Sheet No. 37C

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement in quadruplicate originals, each of which shall constitute and be an original effective Agreement among the Parties as of the date first above written.

SIGNATURE PAGE TO FOLLOW

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

**ALLETE, INC., doing business as
MINNESOTA POWER, a Minnesota
corporation**

By: _____
Name: Bradley W. Oachs
Title: Vice President – Power Delivery &
Transmission

**SQUARE BUTTE ELECTRIC
COOPERATIVE, a North Dakota electric
cooperative corporation**

By: _____
Name: David Loer
Title: General Manager

**MIDWEST INDEPENDENT
TRANSMISSION SYSTEM OPERATOR,
INC., a Delaware corporation**

By: _____
[Name: William C. Phillips](#)
[Title: Vice President, Standards, Compliance
and Strategy](#)

SIGNATURE PAGE FOR INTERCONNECTION AND OPERATING AGREEMENT

APPENDIX A
to
INTERCONNECTION AND OPERATING AGREEMENT

POINTS OF INTERCONNECTION

Initial Points of Interconnection. As of the Effective Date, the points of change of ownership in the Square Butte AC Substation-West where Pole 1 and Pole 2 physically interconnect with the buses within the Square Butte AC Substation-West as shown on Appendix B.

Final Points of Interconnection. As of the expiration of the Transition Period, the points of change of ownership in the Square Butte AC Substation-West at disconnect Switches No. 101 and No. 102 as shown on Appendix B.

Balancing Authority Area: Minnesota Power.

ALLETE, Inc.
Rate Schedule FERC No. 200
[Midwest ISO](#)
[Rate Schedule FERC No. 26](#)

~~Original~~ [First Revised](#) Sheet No. 40
[Superseding Original Sheet No.](#) 40

APPENDIX B
to
INTERCONNECTION AND OPERATING AGREEMENT

DRAWINGS

**PUBLIC VERSION
CEII HAS BEEN REMOVED**

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, [ALLETE, Inc.](#)
[Stephen G. Kozey, Issuing Officer, Midwest ISO](#)

Issued on: ~~September 21~~ [December 4](#), 2009

Effective: December 31, 2009

ALLETE, Inc.
Rate Schedule FERC No. 200
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~~Original~~ [First Revised](#) Sheet No. 41
[Superseding Original Sheet No.](#) 41

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Issued on: ~~September 21~~ [December 4](#), 2009

Effective: December 31, 2009

ALLETE, Inc.
Rate Schedule FERC No. 200
[Midwest ISO](#)
[Rate Schedule FERC No. 26](#)

~~Original~~ [First Revised](#) Sheet No. 42
[Superseding Original Sheet No.](#) 42

APPENDIX C
to
INTERCONNECTION AND OPERATING AGREEMENT

METERING

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, [ALLETE, Inc.](#)
[Stephen G. Kozey, Issuing Officer, Midwest ISO](#)

Issued on: ~~September 21~~ [December 4](#), 2009

Effective: December 31, 2009

APPENDIX D
to
INTERCONNECTION AND OPERATING AGREEMENT
EMERGENCY COMMUNICATIONS

Representatives for First Responder Services

Minnesota Power Representative and Telephone:
Minnesota Power System Control Center Phone: 218-720-2750
Minnkota Representative and Telephone:
Minnkota System Control Center: Phone: 701-795-4406
[Midwest ISO Representative and Telephone:](#)
[Midwest ISO Transmission Access Planning:](#) [Phone: 317-549-5496](#)

Representatives for Operational Matters

Minnesota Power Representatives and Telephones:
Minnesota Power System Control Center: Phone: 218-720-2750
Minnesota Power System (Outage) Coordinator: Phone: 218-720-2672
Minnkota Representatives and Telephones:
Minnkota System Control Center: Phone: 701-795-4406
Manager Control Center Phone: 701-795-4406
[Midwest ISO Representative and Telephone:](#)
[Midwest ISO Transmission Access Planning:](#) [Phone: 317-549-5496](#)

APPENDIX E
to
INTERCONNECTION AND OPERATING AGREEMENT

APPLICABLE RRO/RE

The Applicable RRO/RE for the Balancing Authority Area in which the Transmission-Owning Parties' transmission facilities are located is the Midwest Reliability Organization.

RELIABILITY COORDINATOR

The Reliability Coordinator is the Midwest Independent Transmission System Operator, Inc.

APPENDIX F
to
INTERCONNECTION AND OPERATING AGREEMENT

MUTUAL SUPPORT SERVICES

The Parties will continue to provide support services as provided in the Amended and Restated Joint Operating Agreement between the Parties dated May 29, 1998, including:

Station Power Service

Square Butte to continue to maintain two redundant 13.8 kV station service feeds and three sources to supply continuous power to the Center DC terminal; and the preexisting energy exchange from Unit #2 regulation account shall continue to be used, unless otherwise agreed. It is understood that, based on historical and projected usage of station power, Minnesota Power will pay 80 percent of the costs to maintain, repair and replace the 13.8 kV distribution facilities shown in the Asset Purchase Agreement between the Parties dated as of August 11, 2008, Schedule 2.3, Exhibit A, Drawing No. 12 of the Square Butte 13.8 kV distribution, and Minnkota will pay 20 percent of such costs.

Cooling Water Supply and Discharge

Cooling water to specifications will continue to be supplied by Square Butte to Minnesota Power from the separator dike water supply via the DC pump station to the DC substation terminal for valve cooling and discharge at the pre-treatment pump house.

Septic System and Well

Minnesota Power will maintain water well and septic system located at the DC Substation property for the Center DC terminal operation.

Communications

Square Butte shall seek to have Minnkota and Otter Tail Power continue to provide microwave communication capability to Minnesota Power for communications of the DC transmission line and substation facilities and the Parties anticipate that a new communications agreement will be entered into which will set forth the definitive arrangements for such services.