

To: Members of Missouri River Energy Services in MISO RTO

From: Tom Heller, Chief Executive Officer

Re: Amendment and Restatement of Power Sale Agreement (S-1)

Date: October 22, 2015

As of October 1, 2015, all Missouri River Energy Services (MRES) Members are now part of a Regional Transmission Organization (RTO), either the Midcontinent Independent System Operator (MISO) or the Southwest Power Pool (SPP). This change was required because the Western Area Power Administration joined SPP and the Integrated System (IS) transmission facilities were moved into SPP (which now has functional control over those facilities). The RTOs operate energy markets and transmission networks that fundamentally changed the way MRES provides power and energy to your community. As a result, your current Power Sale Agreement (S-1) (“S-1 Agreement”) must be changed to eliminate outdated references to the physical delivery of power and energy by MRES over the IS transmission facilities, and to reflect how power supply and the delivery of that power work in the RTOs.

The MRES Board of Directors has taken this opportunity to thoroughly review the S-1 Agreement to make updates that reflect current operation of the RTOs, and to clarify any language that was vague or incomplete. The Board has also approved an extension to the agreement of 11 years, extending the termination date from 2046 to 2057. The extension of the term will help facilitate future financing of projects and will help support the AA-/Aa3 bond ratings of Western Minnesota Municipal Power Agency.

This binder of documents includes a summary of the changes to the S-1 Agreement, along with a marked up version of the current S-1 Agreement (so you can see the changes made to the existing agreement), and two clean copies of the proposed S-1 Agreement (for your community to sign and send back to MRES). The binder also contains a number of other supporting documents and templates that Members will need to execute along with the Amendment and the Restated S-1 Agreement. For your convenience, an electronic USB “key” flash drive is enclosed at the end of the binder, and contains editable versions of the template documents, and image files of the other documents in this binder. The Checklist in the front of your binder describes each document and provides a quick summary of each step of the process.

A second, identical binder of documents will be sent to you via U.S. Mail in about a week. This duplicate binder is for your convenience so you can provide this identical binder of documents to your City/Utility Attorney for his/her review. Your attorney is an important advisor who should be involved in this process, and a Legal Opinion is required regarding your community’s actions related to the amendment of the S-1 Agreement and related documents.

Members in the MISO RTO currently have two additional documents that will require amendment. Each MRES MISO member has a Midwest ISO Market Implementation Agreement (MISO MIA) that covers the charges and fees imposed by MISO and charged to MRES. The MISO MIA needs to be amended to allow for its termination when the S-1 Agreement takes effect. In addition, each MRES MISO Member has a separate Transmission Service Agreement (TSA) that governs the delivery of power and energy from the Point of Delivery at the outlet of the IS to your transmission zone. Amendment 5 to the S-1 Agreement changes the Point of Delivery to the edge of the RTO facilities, and the charges for such service are in the rate section of the agreement and rate schedules. Your community will remain responsible for transmission charges based on the zone in which you are located; that will not change. As a result, for those MISO communities that have a TSA with MRES (that covers transmission from the former IS to your town gate), that contract must also be amended to reflect that it will terminate when the amended S-1 Agreement goes into effect. The new S-1 Agreement will address both Supplemental Power supply and Transmission Service in separate sections of the Agreement.

We know you will have questions as you review the enclosed documents. MRES has scheduled a webinar on November 17, 2015, at 9:00 a.m. to review the changes to the S-1 Power Sale Agreement in detail. We hope that you and your Attorney can join the webinar. In addition, the MRES staff is available to discuss the amendment with you. If you like, we can make available a staff member for a call, or come to your community to make a presentation to your governing board at a time that is convenient for you. We are always available to answer your questions. Please contact Joni Livingston at 800-678-4042 or email her at joni.livingston@mrenergy.com with your questions or to schedule an S-1 presentation for your community.

This is the fifth time that MRES has offered an S-1 amendment to the Membership and the third time that we have asked you to extend the term of the contract. The updated language will more accurately reflect how MRES provides for your Supplemental Power needs and Transmission Service, and it will provide you with some options and protections that you previously didn't have. In the past, 100 percent of the MRES Membership has signed each amendment. Our goal is to make an announcement at the 2016 Annual Meeting in May that, once again, 100 percent of the Membership has executed Amendment 5 to the S-1 Agreement. To meet this schedule, we ask that you review, consider and approve the new S-1 Agreement and related documentation, and return all documents to us by March 1, 2016.

Thank you very much for your continued support of MRES. We look forward to many more years of serving you and meeting your power supply needs. Again, if you have any questions contact **Joni Livingston** at **800-678-4042** or email her at joni.livingston@mrenergy.com with your questions or to schedule an S-1 presentation for your community.

Summary of Amendment 5
to the
Missouri Basin Municipal Power Agency
Power Supply Agreement (S-1)

General Overview

Amendment 5 to the S-1 Agreement addresses significant changes caused by the decision of the Western Area Power Administration (“WAPA”) to join the Southwest Power Pool (“SPP”), and reflect the fact that the Integrated System (“IS”) transmission facilities were moved into SPP (which now has functional control over those facilities). As a result, Missouri River Energy Services (“MRES”) is no longer able to deliver power and energy to Members at the IS outlet as required by the current Missouri Basin Municipal Power Agency Power Sale Agreement (“S-1 Agreement”). This change also means that for the first time all MRES Members and generating resources are part of a regional transmission organization (“RTO”) – either the Midcontinent Independent System Operator (“MISO”) or SPP – which operate separate energy markets, and establish a different way to operate bulk transmission networks. Amendment 5 addresses these changes, eliminates outdated references, and accurately reflects the current financial (not physical) markets for both power supply and delivery.

Revisions also include an eleven-year extension of the term of the S-1 Agreement to accommodate future power supply and transmission financing, and to maintain the strong financial ratings necessary for economical financing. Three new provisions are added to clarify or reflect current practices and legal requirements, and to provide additional protection for expenses caused by the independent decisions of individual Members. The amendment adds clarifying language where necessary, and is intended to maintain the relative position of the Parties in terms of benefits and burdens.

Key concepts:

- A. The Supplemental Power obligation (new Section 3) is revised to separate it from physical delivery, and to clarify that the services and products required by the tariff of the respective RTO are included in Supplemental Power. Corresponding changes are made to the Rates section (new Section 7) to separate costs related to Supplemental Power (new Schedule B), from transmission (new Schedule C).
- B. Supplemental Power also includes a clarification to expressly state that any reduction of WAPA service is automatically picked up by MRES as part of Supplemental Power.
- C. Supplemental Power includes a *new provision* to protect the membership as a whole from cost impacts in the event that the independent act of a single S-1 Member causes their WAPA allocation to be reduced or discontinued. Any reduction or elimination of WAPA Power requires that MRES automatically pick up that load as part of Supplemental Power. *In the event that MRES incurs additional costs to replace WAPA service that is*

reduced based on a Member's actions, the MRES Board of Directors ("Board") *may impose a surcharge* on that Member (so those costs are not added into the S-1 Supplemental Power Rate). The surcharge only is applied if the Member caused the reduction/elimination of WAPA Power, and an additional cost is incurred, and the Board determines that a surcharge is appropriate.

- D. Transmission Service (new Section 6) is now a separate section that replaces the concept of "delivery." It expands the MRES obligation by changing the Point of Delivery to the boundary of the RTO transmission system (not just the IS [which eliminates the need for individual transmission service agreements between MRES and certain individual Members]). It states that the services and products required by the tariff of the respective RTO are included in Transmission Service, and corresponding changes were made to the Rates section (new Section 7) to separate Transmission Service costs (new Schedule C) from Supplemental Power costs (new Schedule B). Each Member continues to pay for services based on the transmission zone in which each is located, and each remains responsible for any transmission from the Point of Delivery to the town gate.
- E. New Section 16, Renewable Resource Generation, is added to reflect and clarify current practices. Members that own or make arrangements to acquire local utility-scale renewable resources connected directly to their distribution system are allowed to generate up to five percent of their own energy from those resources. Member renewable energy must be sold directly to MRES, and MRES must then sell it back to the Member, to maintain consistency with the Supplemental Power obligation that requires MRES to provide and the Member to purchase from MRES all power and energy over and above their WAPA allocation.
- F. New section 20, Privacy and Security of Information on Individuals, is added to expressly acknowledge laws that require certain data to be treated as confidential. It establishes procedures to designate confidential information exchanged under the S-1 Agreement and how the Parties will address any request for disclosure information that is confidential or otherwise restricted from dissemination.

Section by Section Changes:

RECITALS: These are updated to reflect changes prompted by WAPA's move into SPP, with all Members and Resources now in RTOs, and changes from physical markets to financial energy (and capacity) markets that require the separation of the Supplemental Power obligation from transmission-related obligations. The S-1 Agreements continue as security for the repayment of bonds financed by Western Minnesota.

1. DEFINITIONS: This new section was added for the convenience of readers to list the definitions of particular words, phrases, and acronyms used in the S-1 Agreement.
2. TERM: This paragraph now reflects the date on which each Member's individual S-1 first became effective. It also makes the Agreement effective January 2, 2017, through January 1, 2057 (effectively an 11 year extension).

3. SUPPLEMENTAL POWER (previously SALE OF POWER AND ENERGY):
 - a. This subparagraph (a) defines the Supplemental Power obligation to eliminate references to delivery, and to specify that charges for Supplemental Power include power and energy, and those products and services (including ancillary services) required by RTO tariffs. It also changes the reference to the Member's WAPA allocation as of the date of the revised S-1 Agreement (rather than November 1992).
 - i. Maximum Rate of Demand ("MROD"): This subsection is clarified to expressly state that an MROD election can be made only once. The date on which the MROD election can be made is extended from 2017 to 2027 (ten years), consistent with the extensions in prior amendments. Because Amendment 5 becomes effective in 2017, the approval of the amendment is in effect the Member's indication that it does not wish to cap its purchases in 2017.
 - ii. Green Energy: This subsection changes Green "Power" to Green "Energy," changes the percentage to an amount specified by the Member, for a mutually agreeable term of years, and includes in the charge for Green Energy the cost of capacity, if any, required to back up the Green Energy.
 - b. WAPA Power (now subparagraph 3(b))
 - i. Clarifies that any reduction of WAPA service is automatically picked up by MRES as part of Supplemental Power and, if an MROD has already been set when the WAPA Power is reduced, the Supplemental Power will be the MROD as previously established.
 - ii. *New paragraph* added to address what happens if an S-1 Member causes their WAPA allocation to be reduced or discontinued. *In that event*, the MRES Board may impose a surcharge on the Member *if the Agency incurs additional costs to replace that WAPA service*.
 - c. Supplemental Power Delivery Obligation: deleted (see Section 6, Transmission Service)
 - d. Subsections d-f have minor changes or deletions, as indicated. The take-and-pay subparagraph is revised to specifically apply to only Supplemental Power.
4. REQUIREMENTS TO RECEIVE SUPPLEMENTAL POWER: The title of this Section is changed, and the term "Point(s) of Delivery" is capitalized to indicate it is a defined term. All delivery issues are moved to Section 6, Transmission Service.
5. MEASUREMENT OF SUPPLEMENTAL POWER AND TRANSMISSION SERVICE: The Section title is changed, and text is revised to reflect Supplemental Power is separate from Transmission Service. It also provides that Schedule A shall set forth both Point(s) of Measurement and Point(s) of Delivery. A sentence was added to establish that revisions to Schedule A can be made by mutual agreement.

6. TRANSMISSION SERVICE: The Section title is changed, and outdated references are removed.
 - a. The Transmission Service obligation of MRES is to arrange for the physical delivery of Supplemental Power (for those in SPP), or for the physical delivery of both Supplemental Power and WAPA Power (for those in MISO), and, if an MROD has been set, Transmission Service for the Supplemental Power is limited to that needed to provide the Supplemental Power established by the MROD. Transmission Service now extends to the boundary of the RTO, not the outlet of the IS.
 - b. The Point(s) of Delivery, Point(s) of Measurement, delivery voltage, power factor, special conditions, and other conditions of service are established in Schedule A, which may be revised by mutual agreement of the Parties.
 - c. As a condition of receiving Transmission Service, Municipality must meet Load Serving Requirements imposed by North American Electric Reliability Corporation (“NERC”), the Midwest Reliability Organization (“MRO”), or the Transmission Owner. If Municipality fails to do so, MRES may remedy the deficiency and charge the Municipality for the cost (and any related fine or assessment imposed on and paid by MRES) to do so. Any such cost, fine or charge will not become part of the general S-1 revenue requirements, but will be the responsibility of the individual Municipality.
 - d. This subparagraph includes a take-and-pay provision specifically related to Transmission Service.

7. RATE: This Section is revised to provide separate paragraphs for Supplemental Power (subparagraphs b-d) and for Transmission Service (subparagraph e), and to provide more specificity regarding those charges.
 - a. Subsection (a) revisions eliminate “Energy Acquisition Points” and all references to IS delivery. There are now two separate rate schedules: one for S-1 Supplemental Power, Rate Schedule B, and one for S-1 Transmission Service, Rate Schedule C.
 - b. Subsection (b) revisions identify and include those costs related to Supplemental Power revenue requirements. They include products and services needed to provide power and energy in energy (and capacity) markets as provided in Section 3(a), and other specific charges in the Supplemental Power Rate Schedule B (detailed in 7(c) and 7(d)). It expressly states that there is one common rate for all S-1 Supplemental Power, as is currently the case.
 - c. Subsection (c) includes *new language* to reference the three potential surcharges (two existing, one new) in the Agreement, and expressly refers to the Board authority to include separate surcharges for the Municipality (s) to which the surcharge(s) apply.
 - d. Subsection (d) is the existing language relating to the Competitive Transition Charge, with minor modifications to reflect the change from a single rate schedule to two rate schedules, *i.e.* one for Supplemental Power and one for Transmission Service.
 - e. *New subsection* (e) identifies costs related to Transmission Service. It reflects the detail relating to products and services included in providing Transmission Service as stated in Section 6 and included in the Transmission Service Rate Schedule C. As is

the case today, Transmission Service charges are based on the transmission zone in which each S-1 Member is located. (These provisions make the various Transmission Service Agreements between MRES and certain individual members unnecessary, and they will be separately amended to terminate upon the effective date of Amendment 5 to the S-1 Agreement.)

- f. Subsection (f) uses existing language that requires the Board of Directors to review the rates in Schedules B and C annually, with minor modifications.
 - g. Subsection (g) uses existing language relating to notice of revised rates, and is moved to follow immediately after the provision for the Board's annual rate review, giving a more logical flow for the notices relating to rates. The changes reflect the separate rate schedules for Supplemental Power and Transmission Service.
8. COVENANTS OF AGENCY: Minor changes reflect the transformation to financial markets, rather than physical markets.
9. COVENANTS OF MUNICIPALITY:
- a. Subsection (a) includes a sentence previously in Section 6(a) relating to the Municipality's obligation to make payments as operating expenses. It is moved here because the existing language is more of a covenant than a rate matter.
 - b. Subsection (b) has a minor modification for consistency.
 - c. Subsection (c) is revised, consistent with Section 17, Assignments, to require 90 days' (rather than 14) notice if a Member plans to sell its distribution system.
10. METER READINGS AND PAYMENT OF BILLS: Minor changes.
11. METERING: Minor changes.
12. RIGHT TO ACCESS: Minor changes.
13. UNCONTROLLABLE FORCES:
- a. Subsection (a) adds to the items expressly included as uncontrollable forces events including terrorism, war, cybercrimes, and the inability of MRES, an RTO Market or Transmission Provider to deliver energy as well as a *new notice provision* to enhance communication when an uncontrollable force prevents performance by a Party.
 - b. Subsection (b) adds a *new right* for a Municipality to run its own internal generation to serve its load (and coordinate with MRES if it does so) in the event of an uncontrollable force that prevents the acquisition of Supplemental Power. It continues to retain the Municipality's right to use a third party supplier under such emergency circumstances.

[*Previous Section 13: POWER FACTOR: Deleted.* Power factor is now discussed in Section 6, Transmission Service, as an item that may be included in Schedule A, if needed.]

14. COOPERATION BETWEEN AGENCY AND MUNICIPALITY: This Section is updated consistent with Federal Emergency Management Agency regulations to facilitate the Municipality's ability to seek federal reimbursement in the event of a disaster.
15. CONSTRUCTION, OPERATION AND MAINTENANCE OF MUNICIPAL ELECTRIC SYSTEM: Replaces the National Electric Safety Code reference with Prudent Utility Practices, and clarifies that it does not release Municipality from any NERC or MRO obligations.
16. RENEWABLE RESOURCE GENERATION: This *new provision* is added to reflect existing practice. It allows generation from Municipality's locally owned or acquired, utility-scale renewable resources (does not include customer-owned generation) if those resources are connected directly to Municipality's distribution system. Municipality may generate up to five percent of its energy from local renewable resources (calculated based on the most recent annual Supplemental energy from MRES). It also requires that MRES purchase the renewable energy from Municipality and resell it to Municipality to maintain consistency with the Supplemental Power obligation that requires all of Municipality's Supplemental Power to be supplied by MRES. These and other terms and conditions will be the subject of a separate Member renewable resource agreement between Municipality and MRES.
17. ASSIGNMENTS: Minor changes.
18. RECORDS AND ACCOUNTS: Minor changes.
19. INFORMATION: Minor changes.
20. PRIVACY AND SECURITY OF INFORMATION ON INDIVIDUALS: This *new Section* was added at the suggestion of a Member city attorney. It expressly addresses circumstances in which state or federal law requires that certain data or information exchanged pursuant to the S-1 Agreement be protected from public disclosure. It also addresses the designation of such information when it is exchanged, and the obligations of the Parties in the event a request to disclose such records is made.
21. AMENDMENT: Minor changes.
22. OPINIONS AS TO VALIDITY: Minor changes.
23. NOTICES: Minor changes.
24. WAIVERS: Minor changes.

25. SEVERABILITY: Minor changes.
26. SECURITY FOR POWER SUPPLY CONTRACTS: Minor changes.
27. NEW POWER SUPPLIER(S); PARTIES TO THIS AGREEMENT: Minor changes.
28. ENTIRE AGREEMENT: *New Section* added to ensure that any legal interpretation of the S-1 Agreement will include not only the numbered sections, but also the recitals (which might otherwise be disregarded by a court) and the Schedules.

Schedule A: Point(s) of Delivery, Measurement, and Adjustments

This Schedule is specifically tailored to each community and identifies the exact facilities where power and energy is exchanged and measured, as well as any required adjustments or other conditions. It must be signed by both Municipality and MRES, and the Parties must agree to any future revisions.

Schedule B: S-1 Supplemental Power Rate Schedule

For transactions beginning on January 2, 2017, this Schedule will contain only Supplemental Power-related charges. As is required by the S-1 Agreement, the 2017 rates will not be established until October 2016, and for that reason this Schedule B is only a draft of the format of Schedule B.

Schedule C: S-1 Transmission Service Rate Schedule

For transactions beginning on January 2, 2017, this Schedule will contain only Transmission Service-related charges. As is required by the S-1 Agreement, the 2017 rates will not be established until October 2016, and for that reason this Schedule C is only a draft of the format of Schedule C.

MISSOURI BASIN MUNICIPAL POWER AGENCY
POWER SALE AGREEMENT (S-1)

(as amended and restated effective January 2, 2017)

This agreement was made originally as of the 1st day of October, 1976, was subsequently amended and restated, and is hereby further amended and restated, effective as of January 2, 2017 (referred to herein as the "Agreement"), among MISSOURI BASIN MUNICIPAL POWER AGENCY, a body corporate and politic organized under Chapter 28E of the Code of Minnesota, doing business as Missouri River Energy Services ("Agency"), and WESTERN MINNESOTA MUNICIPAL POWER AGENCY, a municipal corporation and political subdivision of the State of Minnesota ("Western Minnesota"), and entered into among Agency, Western Minnesota, and Benson, a municipal corporation of the State of Minnesota ("Municipality") as of October 1, 1976, each referred to as a "Party" or collectively as "Parties."

WITNESSETH:

WHEREAS, Municipality owns and operates an electric utility system and currently purchases all or a portion of its requirements for electric power and energy from the Western Area Power Administration ("WAPA"), as defined in Section 1(hh); and

WHEREAS, Agency has entered into or may enter into agreements for the sale of electric power and energy with provisions similar to those contained in this Agreement with other member municipalities which own and operate electric utility systems (Municipality and such other municipalities being referred to collectively as "Municipalities" and this Agreement and such other agreements, as the same or any thereof may hereafter be amended, modified or extended, shall be referred to collectively as the "Power Sale Agreements (S-1)"); and

WHEREAS, Agency has entered into a Power Supply Contract with Western Minnesota originally dated as of October 1, 1976, as subsequently supplemented, amended, restated, and updated ("Power Supply Contract"), and may enter into future power supply contracts (such documents, along

with the Power Supply Contract, as they may be supplemented, amended, restated, or updated in accordance with the provisions thereof, and otherwise meet the requirements of this Agreement, being referred to collectively as the “Power Supply Contracts”) pursuant to which Agency will acquire power and energy from projects designated therein or in a supplement thereto for the purposes of meeting Agency’s obligations to Municipalities under the Power Sale Agreements (S-1) and to other members of Agency under other long-term power sale agreements (“Other Power Sale Agreements (Non S-1)”), and together with the Power Sale Agreements (S-1) all collectively referred to as “Municipal Power Sale Agreements,” with payments therefor by Agency to be made as shall be provided in the Power Supply Contract; and

WHEREAS, the Power Supply Contract requires Agency to secure its obligations thereunder by a pledge and assignment to Western Minnesota (Western Minnesota shall be designated as the “Power Supplier,” and each future power supplier under any future Power Supply Contract, shall be designated individually as a “New Power Supplier”) of its right, title, and interest in and to certain revenues of Agency, including, without limitation, all payments to be made under this Agreement; and

WHEREAS, Agency is willing to plan for and provide to meet Municipality’s supplemental requirements for power and energy above the amount of power and energy Municipality purchases from WAPA on an integrated resource Agency-system-wide planning basis as part of Agency’s planning for all of its obligations under the Municipal Power Sale Agreements; and

WHEREAS, power and energy required by Agency to meet its obligations under the Municipal Power Sale Agreements now comes from generation sources that may be within the geographic footprint of centralized electricity markets for the sale of power and/or energy (collectively referred to as “Markets”) and requires transmission over facilities that are under the control of the operator of the regional transmission system in the respective geographic region, *i.e.* the Midcontinent Independent System Operator (“MISO”) and the Southwest Power Pool (“SPP”), or any successor regional transmission organizations (“RTO”), each which has established, and is governed by, rules and tariffs that require Agency (a) to make arrangements for the supply of power or energy or both, (b) to

separately make arrangements for the physical delivery of such power and energy to enable Municipality to accept that power and energy, and (c) to pay separately for each product in the respective Market; and

WHEREAS, Municipalities that are served under the Power Sale Agreements (S-1) are located within the geographic footprints of such Markets; and

WHEREAS, Agency will be better positioned to minimize the overall cost of power and energy for Municipalities served under the Power Sale Agreements (S-1) by clearly defining its obligation to supply power and energy to Municipalities within the rules and tariffs of the Markets within which Municipalities are located; and

WHEREAS, the separate transmission service necessary to deliver power and energy to or for the benefit of Municipalities, as well as the costs associated with such service, define Agency's delivery obligation, and such service shall be based on the actual cost of transmission to each Municipality.

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, the Parties hereto agree as follows:

Section 1. DEFINITIONS.

The following terms, when capitalized throughout this Agreement, shall have the meanings stated, as follows:

(a) Agency – Missouri Basin Municipal Power Agency, a body corporate and politic organized under Chapter 28E of the Code of Minnesota, doing business as Missouri River Energy Services;

(b) Agreement – this Missouri Basin Municipal Power Agency Power Sale Agreement (S-1) between Agency, Western Minnesota, and Municipality;

(c) CTC – Competitive Transition Charge, as more specifically provided in Section 7(d) below;

(d) Green Energy – an optional component of Supplemental Power that allows Municipality to request that the Supplemental Power sold by Agency to Municipality consist of an amount comprised of energy derived from generation sources using renewable resources; also includes any capacity required to back up the energy resources, as more specifically provided in Section 3(a)(ii);

(e) Load Serving Requirements – certain minimum standards including but not limited to power factor, underfrequency load shedding, undervoltage load shedding, and other requirements that may be imposed by a third party, including but not limited to NERC, MRO, an RTO, or a transmission owner;

(f) Market(s) – collectively refers to the organized capacity markets and/or energy markets operated by RTOs, including MISO and SPP;

(g) MISO – Midcontinent Independent System Operator, Inc., which is an RTO approved by the Federal Energy Regulatory Commission, such definition to include any successor organization, agency or entity thereto;

(h) MRO – Midwest Reliability Organization, which is that regional entity to which NERC has delegated authority to ensure compliance with mandatory reliability standards, such definition to include any successor organization, agency or entity thereto;

(i) MROD – Maximum Rate of Demand; the maximum obligation of Agency to supply and Municipality to purchase Supplemental Power, when such maximum is elected by Municipality and established as more specifically provided in Section 3(a)(i);

(j) MROD Date – the date on which the MROD first applies, beginning with the first day of the summer season following the second year after Municipality delivers the written notice to Agency of its intention to establish an MROD, as more specifically provided in Section 3(a)(i);

(k) Municipal Power Sale Agreement(s) – any one of a number, or collectively all, of the contracts between Agency, Western Minnesota, and a Municipality or Municipalities for the supply of power, energy and related services, each as provided therein, including:

(i) Supplemental Power Sale Agreements (S-1), and

(ii) Other Power Sale Agreements (Non S-1).

(l) Municipality – Benson, a municipal corporation of the State of Minnesota, that owns and operates an electric utility system for the retail sale of electricity to consumers, and which is a member of Agency;

(m) Municipalities – collectively refers to Municipality and those municipalities that own and operate electric utility systems for the retail sale of electricity to consumers, all of which are members of Agency, and each of which have entered into a Municipal Power Sale Agreement;

(n) NERC – North American Electric Reliability Corporation, which is that international electric reliability organization for North America which is responsible for assuring the reliability of the bulk power system, and subject to oversight by the Federal Energy Regulatory Commission and governmental authorities in Canada, such definition to include any successor organization, agency or entity thereto;

(o) New Power Supplier – any entity with which Agency may hereafter enter into a contract providing for the acquisition by Agency of power supply resources pursuant to an agreement that satisfies all applicable requirements of the Power Supply Contract relating to the opening of the pledge, as provided for in Section 26, and as is more specifically provided in Section 27. New Power Supplier does not include MISO, SPP, or similar administrator of a Market;

(p) Non-Tax Exempt Funds – funds that are not derived from the proceeds of debt the interest on which is excludable from the gross income of the owners under Tax Laws;

(q) Other Power Sale Agreements (Non S-1) – power supply agreements among Agency, Western Minnesota, and one or more Municipalities under terms substantively different than those of the Power Sale Agreements (S-1);

(r) Point(s) of Delivery – refers to a location that represents the boundary of the transmission facilities that are under the functional control of an RTO at or near the town gate of Municipality, which specific location(s) for Municipality shall be as set forth in Schedule A, as may be revised from time to time;

(s) Point(s) of Measurement – refers to the interconnection point between Municipality’s distribution system and the transmission/sub-transmission system, as is specifically defined for Municipality in Schedule A, as may be revised from time to time;

(t) Power Sale Agreement(s) (S-1) – power sale agreements among Agency, Western Minnesota, and Municipalities, entered into for the sale of supplemental power and transmission service with members of Agency. Such agreement was originally executed by certain Municipalities on or about October 1, 1976, and was amended on or about January 1, 1986, amended and restated as of January 1, 1993, amended and restated as of January 1, 2000, amended and restated as of January 1, 2007, and amended and restated as of January 2, 2017;

(u) Power Supplier – pursuant to the Power Supply Contract, means Western Minnesota;

(v) Power Supply Contract – that agreement between Agency and Western Minnesota, dated as of October 1, 1976, supplemented as of June 1, 1983, amended and restated as of November 1, 1985, amended and restated as of July 1, 2003, and amended and restated as of September 15, 2006, and updated as of August 12, 2010, October 14, 2010, June 9, 2011, December 15, 2011, and July 12, 2012, pursuant to which Agency acquires power and energy from projects designated therein or in a supplement thereto for the purposes of meeting Agency’s obligations to Municipalities under the Municipal Power Sale Agreements;

(w) Prudent Utility Practices – any of the practices, methods, and acts at a particular time which, in the exercise of reasonable judgment in the light of the facts, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition;

(x) RTO(s) – Regional Transmission Organization(s) and/or Independent System Operator(s), which have been approved by the Federal Energy Regulatory Commission to independently operate the electric power grid minute-by-minute in established geographic regions to ensure that power

and energy get to customers, to eliminate power shortages, and to administer approved transmission tariffs for fair and non-discriminatory access to the power grid;

(y) S-1 Supplemental Power Rate Schedule – the Rate Schedule B that provides for the rates, terms, and conditions pursuant to which Municipality shall pay Agency for all Supplemental Power, as such schedule may be revised from time to time, pursuant to Section 7;

(z) S-1 Transmission Rate Schedule – the Rate Schedule C that provides for the rates, terms, and conditions pursuant to which Municipality shall pay Agency for all Transmission Service, as such schedule may be revised from time to time, pursuant to Section 7;

(aa) SPP – Southwest Power Pool, Inc., which is an RTO approved by the Federal Energy Regulatory Commission, such definition to include any successor organization, agency or entity thereto;

(bb) Supplemental Power – all power, energy, and related products and services, as more specifically provided in Section 3;

(cc) Tax Laws – Federal income tax laws governing or affecting the exclusion of interest on debt from the gross income of the owners for Federal income tax purposes (whether then outstanding or thereafter to be issued), as those laws may be amended from time to time, including but not limited to, Section 141 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations or any rulings promulgated thereunder, or as affected by a decision of any court of competent jurisdiction; any reference to indebtedness for which the exclusion of interest from gross income of the owners for Federal income tax purposes shall also include any debt for which a federal tax credit is allowed to the issuer or owner of the debt, commonly known as “tax advantaged bonds,” such as Build America Bonds, Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds or similar obligations as shall be permitted under current or future provisions of the Internal Revenue Code of 1986, as amended.

(dd) Term – the dates during which this Agreement shall be effective, as provided in Section 2;

(ee) Transmission Service – those products and services necessary to deliver (i) Supplemental Power to the Point(s) of Delivery for Municipalities in SPP, and (ii) Supplemental Power and WAPA Power to the Point(s) of Delivery for Municipalities in MISO;

(ff) Transmission Zone – a defined location within an RTO which relates to a pricing region that includes specifically identified transmission facilities used to deliver power and energy;

(gg) Uncontrollable Forces – shall include but not be limited to those items of *force majeure* as specifically set forth in Section 13(a);

(hh) WAPA –Western Area Power Administration, one of four federal power marketing administrations within the U.S. Department of Energy whose role is to market and transmit wholesale electricity from multi-use water projects, the definition of WAPA to include any successor governmental agency, or entity thereto;

(ii) WAPA Power – the amount of power and energy, and related ancillary services, scheduling services, and market services allocated and provided to Municipality by WAPA pursuant to a long term agreement; and

(jj) Western Minnesota – Western Minnesota Municipal Power Agency, a Minnesota municipal corporation and political subdivision, organized under Minnesota Statutes Chapter 453.

Section 2. TERM.

This Agreement as originally executed and delivered by Municipality became effective October 1, 1976, and shall remain in effect for a Term extending through hour ending 24:00 January 1, 2057. Upon the expiration of the Term, this Agreement shall remain in effect as permitted by law unless and until terminated by Agency or Municipality upon not less than one year written notice.

Section 3. SALE OF POWER AND ENERGY.

(a) Supplemental Power. Agency shall sell to Municipality, and Municipality shall purchase and receive from Agency for the Term of and as provided in this Agreement all power and energy required by Municipality to meet the needs of all of its consumers over and above

the amounts of WAPA Power available to Municipality from WAPA as of the date of this Agreement (“Supplemental Power”). Supplemental Power includes all products and services to acquire power and energy, which includes but is not limited to ancillary services, reserves of any type, congestion, and energy losses related to Supplemental Power, regulation and frequency response, reactive supply and voltage control from generation sources, and any other related products or services. Supplemental Power does not include any Transmission Service. Agency shall adjust the portfolio of resources used to meet its Supplemental Power obligation to ensure compliance with any state or federal energy requirements that are or may be imposed on wholesale or retail load serving entities associated with the provision of power and energy pursuant to this Agreement.

Agency’s obligation under this subparagraph (a) shall be subject to the following conditions:

(i) Establishment of MROD. If Agency has established an MROD for Municipality as described in this subsection (a)(i), its responsibility to meet its Supplemental Power obligation for the remaining term of this Agreement shall be limited to the MROD plus any additional amounts attributable to the occurrence of the events described in subsection (b)(i) of this Section. If an MROD is established, Municipality shall purchase all power and energy offered by Agency at a rate of delivery up to the MROD at any time of day and under the same rates as any other Municipality receiving service from Agency under a Power Sale Agreement (S-1). (In order to provide additional clarity, the MROD will be the lesser of Municipality’s actual supplemental load in every hour or the MROD. Thus, the power and energy supplied by Agency could be at 100 percent load factor.) Agency shall notify Municipality in writing on or about April 1 and again on or about September 1 of 2027 and each fifth year thereafter of Municipality’s opportunity to establish an MROD by providing written notice to Agency by December 31 of that same year. Agency shall not establish an MROD for Municipality unless by

December 31, 2027, or between October 1 and December 31 of each fifth year thereafter through December 31, 2052, Municipality delivers a written notice to Agency requesting an MROD be established as of the date and in the manner described as follows: The MROD for Municipality shall become effective on a bi-seasonal (summer and winter) basis beginning with the first day of the summer season following the second year after Municipality delivers the written notice to Agency (the first day of that summer season shall be designated as the MROD Date). (For example, if Municipality delivers the notice on or before December 31, 2027, to establish an MROD beginning in 2030, the MROD Date will be the first day of the summer season in 2030.) The summer and winter seasons shall be those recognized by Agency as of January 1 of the year in which the MROD Date occurs. The MROD for each season shall be fixed in an amount equal to the average of the three seasonal maximum rates of demand of Supplemental Power from Agency to Municipality during the corresponding season of the three prior years before the MROD Date (the same season of that previous year and the two years immediately prior to that previous year). Agency shall notify Municipality in writing of its MROD for the summer season by January 1 of the year in which the MROD Date occurs and the MROD for the winter season by July 1 of that year. An MROD will not be established for Municipality before the summer season of 2030.

(ii) Green Energy component of Supplemental Power. Upon the written request of Municipality, the Supplemental Power sold by Agency to Municipality shall consist of an amount specified by Municipality, for a mutually agreeable term of years, comprised of Green Energy. The selection of generation sources used by Agency to provide Green Energy shall be in accordance with applicable federal and state laws and regulations. Agency's revenue requirements for acquiring and providing Green Energy will be separated from the revenue requirements associated with the system supply

comprising the remainder of its Supplemental Power and the cost of the Green Energy will be separately charged to Municipality requesting such service.

(b) WAPA Power.

(i) If WAPA reduces the amount of WAPA Power available to Municipality, Agency shall sell as part of the Supplemental Power provided by Agency, and Municipality shall purchase as part of the Supplemental Power provided by Agency, that portion of the amount of WAPA Power previously provided by WAPA. If WAPA reduces the WAPA Power available to Municipality after Municipality has established an MROD, the Supplemental Power obligation shall be the MROD as previously established.

(ii) In the event Municipality takes any action or fails to take any action, any of which results in the transfer, surrender, release, or discontinuation of its right or ability to receive WAPA Power, and its WAPA Power is discontinued, Municipality agrees that it will provide to Agency notice of such discontinuation at least 180 days before such discontinuation, and will, in the event Agency incurs additional costs to provide additional Supplemental Power to replace the WAPA allocation, pay to Agency a surcharge which the Board of Directors may assess pursuant to Section 7.

(c) In meeting its obligations under this Agreement to provide Supplemental Power, Agency shall obtain and provide resources in accordance with an integrated resource supply planning process, including demand-side resources and programs available to Municipality which can be accommodated in an Agency-wide program.

(d) Municipality hereby commits itself to take and pay for all of the Supplemental Power made available to Municipality. Payments for Supplemental Power shall be made at rates established in accordance with the provisions of Section 7 of this Agreement.

Section 4. REQUIREMENTS TO RECEIVE SUPPLEMENTAL POWER.

Power and energy to be furnished hereunder shall be alternating current, three phase, sixty hertz. Municipality shall make and pay for all connections between the system of Municipality and the system of, or available to, Agency at the Point(s) of Delivery.

Section 5. MEASUREMENT OF SUPPLEMENTAL POWER AND TRANSMISSION SERVICE.

For the purpose of determining amounts due pursuant to the S-1 Supplemental Power Rate Schedule and the S-1 Transmission Rate Schedule referred to in Section 7 below, the Point(s) of Measurement shall be as specifically defined in Schedule A, which may be revised from time to time by mutual agreement of Municipality and Agency. When power and energy is furnished at two or more Points of Measurement, the S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule C shall apply separately to each service supplied at each Point of Measurement; *provided, however,* that where the meter readings are considered separately and Municipality's system may be interconnected between Points of Measurement during emergencies, the meter readings at any Point of Measurement will be adjusted when necessary to compensate for duplication of power and energy recorded by meters at alternate points of measurement due to energy conditions which are beyond Municipality's control or temporary conditions caused by scheduled load switching or outages.

Section 6. TRANSMISSION SERVICE.

(a) Agency shall sell to Municipality, and Municipality shall purchase and receive from Agency, for the Term of and as provided in this Agreement, Transmission Service necessary to deliver to Municipality Supplemental Power or Supplemental Power and WAPA Power, as applicable, to the Point(s) of Delivery to meet the needs of Municipality. The charges for Transmission Service shall be set forth in the S-1 Transmission Rate Schedule C, and shall include a separate charge assessed to each Municipality that reflects the pricing of the Transmission Zone in which Municipality is located.

(b) The Point(s) of Delivery shall be as specifically defined in Schedule A. The Points of Delivery, Points of Measurement, delivery voltage, power factor, special conditions, and other conditions of service as necessary for Agency to perform its obligations under this Agreement shall all be set forth in Schedule A, which may be revised from time to time to include other Point(s) of Delivery and conditions of service. Schedule A may be revised based on mutual agreement of Municipality and Agency. In the event that the Point(s) of Delivery set forth in Schedule A are not on Municipality's electric system, Municipality shall be responsible for making separate provisions for transmission of power and energy to its system, including the installation and maintenance of any facilities required for it to receive such power and energy into its system.

(c) As a requirement of receiving Transmission Service, Municipality shall meet the Load Serving Requirements unless it is determined by Agency that nonconformance with a Load Serving Requirement will not adversely impact any generating or transmission facilities with which Municipality is interconnected; *provided, however*, that nothing in this Agreement shall be construed to relieve Municipality of any obligation to meet the Load Serving Requirements between Municipality, or between Agency on behalf of Municipality, and any third party, as may be appropriate.

(i) If Municipality fails to meet a Load Serving Requirement, Agency shall have the right, but not the obligation, to remedy any issue associated with the deficiency and directly charge Municipality for reimbursement of any associated costs.

(ii) To the extent Agency is assessed any fines or charges due to Municipality's failure to meet a Load Serving Requirement, Agency shall directly charge to Municipality and Municipality shall pay to Agency the cost of such fines or charges as a separate charge, and Agency shall not include the cost of such fines or charges in the determination of the revenue requirements used by Agency to establish rates hereunder.

(d) Municipality hereby commits itself to take and pay for all of the Transmission Service made available to Municipality. Payments for Transmission Service shall be made at rates

established in accordance with the provisions of Section 7 of this Agreement.

Section 7. RATES.

(a) Municipality shall pay Agency for all Supplemental Power furnished hereunder at the rates and on the terms and conditions set forth in Agency's S-1 Supplemental Power Rate Schedule, attached hereto as Schedule B and made a part hereof, as such schedule is initially established and adjusted from time to time pursuant to this Agreement. Municipality also shall pay Agency for all Transmission Service at the rates, terms and conditions set forth in Agency's S-1 Transmission Rate Schedule, attached hereto as Schedule C and made a part hereof, as such schedule is initially established and adjusted from time to time pursuant to this Agreement. In the event Agency makes available Supplemental Power at the Point(s) of Delivery but Municipality fails to take or receive such power and energy, Municipality shall pay Agency for such availability in an amount equal to the product of the demand charge and energy charge for Supplemental Power in the S-1 Supplemental Power Rate Schedule B and the kilowatts and kilowatt-hours that would have otherwise been taken as evidenced by the total power and energy consumed by Municipality's customers during the billing period. In the event Agency makes available Transmission Service but Municipality fails to take or receive such service, Municipality shall pay Agency for the cost of such service. The amount of Transmission Service shall be determined in the same manner as for the previous month. The obligation of Municipality to make such payments for Supplemental Power and for Transmission Service furnished pursuant to this Agreement shall not be subject to any rights of setoff, recoupment or counterclaim which Municipality may otherwise have against Agency; *provided, however*, that nothing contained herein shall be construed to prevent or restrict Municipality from asserting any rights which it may have against Agency under this Agreement or under any provision of law, including the institution of legal proceedings for specific performance or recovery of damages.

(b) Agency shall establish and maintain rates contained in the S-1 Supplemental Power Rate Schedule B, under this Agreement and the other Power Sale Agreements (S-1), which will provide revenues which are sufficient, but only sufficient, to meet the estimated revenue requirements of

Agency, which revenue requirements shall, to the extent that other revenues of Agency, including but not limited to revenue from Other Power Sale Agreements (non-S-1), revenue from sales of surplus power and energy, and revenue from RTOs for transmission facilities owned by Western Minnesota or Agency, have not been actually applied to meet such requirements, and which shall consist of:

- (i) all payments under the Power Supply Contract(s);
- (ii) the cost to Agency of meeting its obligations pursuant to any Municipal Power Sale Agreement(s), excluding Transmission Service;
- (iii) the cost to Agency of operation and maintenance of facilities owned or operated by Agency, irrespective of whether operational control of such facilities has been turned over to an RTO, for the generation or transmission of power and energy pursuant to any Municipal Power Sale Agreement(s);
- (iv) the cost to Agency of renewals and replacements of facilities owned or operated by Agency for the generation or transmission of power and energy pursuant to any Municipal Power Sale Agreement(s);
- (v) the cost to Agency to establish an allowance for working capital, reasonable reserves for contingencies, and debt service coverage, deemed necessary by Agency in order to carry out its obligations;
- (vi) the cost to Agency of administration, general overhead, planning and operations, and any other member services to further the purposes of Agency, and associated with meeting Agency's obligations under any Municipal Power Sale Agreement(s);
- (vii) additional amounts, if any, which:
 - (aa) must be realized by Agency to meet the requirements of any rate covenant with respect to coverage of power costs or any component thereof under the Power Supply Contract,
 - (ab) are required by Agency to facilitate the construction of power supply resources, or
 - (ac) are required by Agency to collect amounts described in Section 7(c); and
- (viii) In the event Agency shall hereafter issue any bonds or indebtedness for the purpose of acquiring facilities (or an undivided interest therein or rights to capacity thereof) for the generation or transmission of power and energy to be sold under the Municipal Power Sale Agreements, such revenue requirements shall, in addition to the foregoing, include the following:
 - (aa) payments of principal and interest on all bonds and indebtedness of Agency issued in connection with its obligations under the Municipal Power Sale Agreements and payments which Agency is required to make into any debt

service reserve fund or account under the terms of any bond or indebtedness resolution or other contract with holders of such bonds or indebtedness;

(ab) the establishment and maintenance of additional reserves as may be required by the terms of any bond or indebtedness resolution or other contract with holders of such bonds or indebtedness; and

(ac) additional amounts, if any, which must be realized by Agency in order to meet the requirements of any rate covenant with respect to coverage of debt service on such bonds or indebtedness under the terms of any bond or indebtedness resolution or other contract with holders of such bonds or indebtedness plus such additional amounts deemed desirable to facilitate marketing bonds and indebtedness of Agency of favorable terms.

(c) The Board of Directors of Agency may include in the S-1 Supplemental Power Rate Schedule a separate surcharge for a Municipality that (i) elects to arrange for Green Energy as part of its Supplemental Power, (ii) takes action that results in the reduction or discontinuation of its WAPA Power allocation, (iii) is subject to a CTC, or (iv) is subject to any other surcharge as provided in this Agreement.

(d) In addition to revenues collected through the rates calculated under Section 7(b), Agency may establish a CTC to collect the portion of its revenue requirements that Agency determines may make its existing rates exceed market levels in any of the states that restructure the regulation of their electric utility industries to promote the introduction of a competitive retail access environment and in which Agency sells Supplemental Power. Before establishing a CTC, Agency shall determine (i) an estimated amount of revenues to be collected from all of Agency's members who are parties to a Municipal Power Sale Agreement that is required to bring Agency's rates to competitive levels and that are not expected to be collected from other sources, (ii) the number of years during which the CTC is to be assessed and revenues collected, (iii) the method by which the CTC will be assessed to any or all of the Municipalities, and (iv) the method for reconciling revenues with Agency's annual revenue requirement used to establish Supplemental Power rates under Section 7(b). The CTC charged to Municipality will be stated as a separate charge on Municipality's bill and shall be payable without relationship to the amount of power and energy purchased by Municipality in any individual month.

(e) Agency shall establish and maintain rates contained in the S-1 Transmission Rate Schedule C under this Agreement and the other Power Sale Agreements (S-1) which will provide revenues which are sufficient, but only sufficient, to meet the estimated revenue requirements of Agency, which revenue requirements shall consist of all costs to Agency of meeting its Transmission Service obligation, pursuant to Section 6, including but not limited to:

- (i) the cost from an RTO for Network Integration Transmission Service;
- (ii) the cost from an RTO for transmission expansion plans and related network upgrades;
- (iii) the cost from an RTO or other entity for directly assigned transmission facilities;
- (iv) the cost incurred from an RTO or other entity for under voltage, under frequency and inadequate power factor;
- (v) any other cost incurred from an RTO or other entities for providing Transmission Service to Municipality;
- (vi) the cost of grandfathered transmission agreements for Transmission Service to Municipality; and
- (vii) the cost to Agency of administration and general overhead associated with meeting Agency's Transmission Service obligation.

For each Transmission Zone, the S-1 Transmission Rate shall include a separate charge assessed to each Municipality that reflects the pricing of the Transmission Zone in which Municipality is located.

(f) At such intervals as it shall determine appropriate, but in any event not less frequently than once each calendar year, the Board of Directors of Agency shall review and, if necessary, shall revise, the S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule C to ensure that the rates thereunder continue to cover its estimate of all of the foregoing revenue requirements.

(g) In connection with any revision of the S-1 Supplemental Power Rate Schedule B or the S-1 Transmission Rate Schedule C, Agency shall cause a notice in writing to be given to all Municipalities taking services under the Power Sale Agreements (S-1) which shall set out the revised S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule C with the effective

dates of such revisions not being less than thirty (30) nor more than ninety (90) days after the date of the notice, and shall be accompanied by an analysis of the estimated revenue requirements for which the S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule B will be revised. All revisions of the S-1 Supplemental Power Rate Schedule B shall be consistent with the description of services provided in Sections 3 and 6 of this Agreement. All revisions of the S-1 Transmission Rate Schedule C shall be consistent with the description of services provided in Sections 5 and 6 of this Agreement. Municipality agrees that such revised S-1 Supplemental Power Rate Schedule B and S-1 Transmission Rate Schedule C, as determined from time to time by the Board of Directors of Agency, shall be substituted for the S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule C as they are initially adopted, revised and then in effect, and agrees to pay for Supplemental Power and Transmission Service made available by Agency to it pursuant to this Agreement after the effective date of such revisions in accordance with the revised S-1 Supplemental Power Rate Schedule B and the revised S-1 Transmission Rate Schedule C.

Section 8. COVENANTS OF AGENCY.

Agency shall endeavor to market and dispose of, under the most economically advantageous terms and conditions obtainable, all surplus power and energy obtained from its power supply resources, and which in the sole judgment of Agency can be disposed of without otherwise adversely affecting performance by Agency under this Agreement.

Section 9. COVENANTS OF MUNICIPALITY.

(a) Municipality agrees to maintain rates for power and energy to its consumers which shall provide to Municipality revenues sufficient to meet its obligations to Agency under this Agreement and the S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule C, as the same may be revised from time to time, and to pay all other obligations payable from, or constituting a charge or lien on, such revenues. Payments made under this Agreement shall be made as operating expenses from the revenues of Municipality's electric utility system and from other funds

thereof legally available therefor, and such payments shall be in addition to and not in substitution for any other payments whether on account of dues or other amounts owed by Municipality to Agency.

(b) Municipality shall not sell at wholesale any of the power and energy delivered to it hereunder to any customer of Municipality for resale by that customer, unless such resale is specifically approved in writing by Agency, which approval shall not unreasonably be withheld.

(c) Municipality shall not take any action to transfer either its electric distribution facilities or control over its electric distribution functions or take any other action having the same effect without (i) notifying Agency at least 90 days before formally committing to the action, and (ii) taking such action strictly in conformance with the provisions of Section 17.

Section 10. METER READINGS AND PAYMENT OF BILLS.

(a) Agency shall read meters or cause meters to be read at monthly intervals. Appropriate operating procedures shall be established by Agency with Municipality, and WAPA if necessary, to determine monthly the amounts of Supplemental Power and Transmission Service furnished hereunder. Payments under the S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule C shall be made monthly via electronic funds transfer to such account(s) that Agency may designate, within fifteen (15) days after the bill therefor is mailed to Municipality, such bill to be provided to Municipality monthly on a prompt and timely basis. If the fifteenth day is a Sunday or a legal holiday in the state in which Municipality is located, the next following business day shall be the last day on which payment may be made without the addition of the delayed payment charges set forth in the S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule C. Agency may, whenever any amount due remains unpaid after the due date and after giving 15 days' advance notice in writing of its intention to do so, discontinue service hereunder or take all steps available to it under applicable law to collect such amount and all subsequent payments which shall have become due or both. Agency may, whenever any amount due remains unpaid for 120 or more days after the due date and after giving 30 days' advance notice in writing of its intention to do so, terminate this Agreement. No such

discontinuance or termination shall relieve Municipality from liability for payment for Supplemental Power or Transmission Service furnished hereunder.

(b) In the event Municipality desires to dispute all or any part of a bill, Municipality shall nevertheless pay the full amount of the bill when due and, within 60 days from the date of the bill, notify Agency in writing of the grounds on which any charges in the bill are disputed and the amount in dispute. Municipality will not be entitled to any adjustment on account of any disputed charges which are not brought to the attention of Agency within the time and in the manner herein specified.

Section 11. METERING.

(a) Agency shall furnish or cause to be furnished, own, install and maintain the necessary metering equipment required to measure and record the Supplemental Power and Transmission Service furnished hereunder. Such metering equipment shall provide a continuous record of the thirty (30) minute integrated total demand of Municipality during each billing period throughout the term of this Agreement. Such records shall be available at all reasonable times to authorized agents of Municipality. Metering equipment shall provide a continuous record of the thirty (30) minute integrated total demand along with associated energy of Municipality during each billing period through the term of this Agreement. This billing measurement replaces the "Billing Measurement" procedure as outlined in the S-1 Supplemental Power Rate Schedule B and the S-1 Transmission Rate Schedule C.

(b) Agency shall test and calibrate meters or cause meters to be tested and calibrated by comparison with accurate standards in accordance with industry practices. Agency shall also make or cause to be made special meter tests at any time at Municipality's request. The costs of all tests shall be borne by Agency; *provided, however*, that if any special meter test made at Municipality's request shall disclose that the meters are recording accurately, Municipality shall reimburse Agency for the cost of such test. Meters registering not more than two percent above or below normal shall be deemed to be accurate. The readings for any meter which shall have been disclosed by test to be inaccurate shall be corrected from the beginning of the monthly billing period immediately preceding the billing period during which the tests are made in accordance with the percentage of inaccuracy found by such test; *provided, however*,

that no correction shall be made for a longer period unless Agency and Municipality mutually agree thereto. Should any meter fail to register, the Supplemental Power and Transmission Service delivered during such period of failure shall for billing purposes be estimated by Agency and Municipality from the best information available. Agency shall notify Municipality or cause Municipality to be notified in advance of the time of any meter reading or test so that Municipality's representative may be present at such meter reading or test.

(c) For a fractional part of a billing period at the beginning or end of service, and for fractional periods due to withdrawals of service caused by inability to deliver, charges hereunder shall be proportionately adjusted by Agency in the ratio that the number of hours that service is furnished to Municipality (in such fractional billing period) bears to the total number of hours in the billing period involved.

Section 12. RIGHT TO ACCESS.

Duly authorized representatives of Agency and Municipality shall be permitted to enter the other's premises at all reasonable times in order to carry out the provisions of this Agreement.

Section 13. UNCONTROLLABLE FORCES.

(a) Neither Agency nor Municipality shall be considered to be in default in respect to any delay or failure to carry out any obligation hereunder (other than the obligation of Municipality to take and pay for Supplemental Power and Transmission Service made available hereunder) if prevented from fulfilling such obligations by reason of uncontrollable forces, the term uncontrollable forces being deemed for the purposes of this Agreement to mean any forces caused by or resulting from acts or events beyond the control of the Party affected, including but not limited to, acts of God; failure of facilities; flood, earthquake, explosion, storm, lightning, fire; epidemic, pestilence; war, hostilities (whether war is declared or not), invasion, riot, civil disturbance, labor disturbance, sabotage, terrorist threats or acts whether foreign or domestic, cyberattack; national or regional emergency; actions, restraint, or orders or regulations by government, court, or public authority; the inability of Agency, an RTO, a Market or any successor organization(s) to deliver energy; embargoes or blockades in effect on or after the date of this

Agreement; or any other events, whether similar or dissimilar, beyond the control of the affected Party, any or all of which by due diligence and foresight such Party could not reasonably have been expected to avoid. The Party affected shall, if practicable under the circumstances, give notice of the uncontrollable forces to the other Party within a reasonable time, stating the period of time the occurrence is expected to continue, if known. The Party rendered unable to fulfill any obligation by reason of uncontrollable forces shall exercise due diligence to remove such inability and to minimize the effects of such uncontrollable forces, to the extent within its control, with all reasonable dispatch.

(b) If Agency is rendered unable to meet some or all of its obligations to provide Supplemental Power to Municipality because of uncontrollable forces, including those affecting Agency's ability to acquire from SPP power and energy or Transmission Service, or Agency's ability to acquire from MISO power and energy, or Transmission Service, or WAPA Power, Agency shall permit Municipality and other similarly affected Municipalities which have entered into Power Sale Agreements (S-1) to operate any generation owned by Municipality, or to acquire power and energy from sources other than Agency, in order to provide such amounts of power and energy necessary to meet the needs, in whole or in part, of Municipality and which are not supplied by Agency by reason of the uncontrollable force, and shall be permitted to do so for the duration of such uncontrollable force. Municipality shall, if practicable under the circumstances, give notice to Agency within a reasonable time to coordinate the operation of the local generation and Agency's Supplemental Power obligation and Transmission Service.

Section 14. COOPERATION BETWEEN AGENCY AND MUNICIPALITY.

If, in the maintenance of their respective electric systems or other electric systems over which Municipality may obtain delivery of electric power and energy, it becomes necessary by reason of any emergency or extraordinary condition for either Agency or Municipality to request the other to furnish personnel, materials, tools, and equipment for the accomplishment thereof, the providing Party shall cooperate with the other and render such assistance as the providing Party may determine to be available. The requesting Party, upon receipt of properly itemized bills from the providing Party, shall reimburse the

providing Party for all costs properly and reasonably incurred by it in providing assistance. These reimbursement provisions are not contingent on a declaration by the federal government of an emergency, major disaster, or fire.

Section 15. CONSTRUCTION, OPERATION, AND MAINTENANCE OF MUNICIPALITY'S ELECTRIC SYSTEM.

Municipality agrees to construct, operate and maintain its electric system in accordance with Prudent Utility Practices and shall install, operate and maintain such proper service protection equipment and other facilities as will coordinate with the protective relaying and other protective arrangements on the system from which power and energy is delivered to it. Nothing contained in this section in any way releases Municipality of its obligations, if any, to the MRO or NERC.

Section 16. RENEWABLE RESOURCE GENERATION.

Municipality shall be permitted to annually generate energy from local renewable resources which are directly connected to Municipality's distribution system and which Municipality owns, or for which it contracts with a third party to acquire, for local use as described in this Section (excluding customer-owned renewable distributed generation), in an amount which shall not exceed five percent of the annual energy purchased by Municipality from Agency in the previous calendar year. The agreement of the Parties shall be set forth in a separate member renewable resources agreement executed by Agency, Western Minnesota, and Municipality, which shall provide that Municipality will sell all such energy to Agency, and Agency in turn will sell such energy to Municipality, both at rates established pursuant to the terms of the renewable resource agreement. The member renewable resources agreement shall contain such other terms and conditions as are deemed appropriate by Agency and Municipality.

Section 17. ASSIGNMENTS.

All covenants and agreements contained in this Agreement shall inure to the benefit of Agency and Municipality and their respective successors and assigns; *provided, however*, that, except as provided in Section 26 below, no Party may transfer or assign its interests or rights under this Agreement except that (i) a Party may transfer or assign its interests or rights or the assignment of the security interest

therein to any trustee or secured party, as security for bonds or other indebtedness, present or future, and such trustee or secured party may, if so empowered, sell or otherwise realize upon such security in foreclosure or other suitable proceedings, possess or take control thereof or cause a receiver to be appointed with respect thereto and otherwise succeed to all interests and rights of the Party making the assignment; and (ii) in the case of a proposed transfer to either any entity acquiring all or substantially all the property of the Party making the transfer; or any entity into which or with which the Party making the transfer may be merged or consolidated, the Party proposing the transfer shall give Agency and Western Minnesota written notice at least ninety (90) days prior to the date such transfer or assignment is scheduled to occur and must obtain the prior written consent of the other Parties hereto, which consent shall not be unreasonably withheld, it being understood that it would be reasonable for Agency and/or Western Minnesota to withhold such consent if such transfer or assignment would (a) reduce the total amount of Supplemental Power being sold hereunder; (b) be to a party (other than a Municipality) with senior debt, if any, not rated in one of three highest whole rating categories by at least one nationally recognized bond rating agency; (c) adversely affect the value of this Agreement as security for the payment of bonds or indebtedness and interest thereon; or (d) affect (either alone or in conjunction with any other actions by Municipality and/or other Municipalities) the eligibility of interest on bonds or indebtedness of Agency or Western Minnesota (whether then outstanding or thereafter to be issued) for exclusion from gross income of the owners for Federal income tax purposes under Tax Laws. In making the determination required by clause (d) above, Agency and Western Minnesota may rely upon an opinion of a nationally recognized bond counsel as to the effect of any such transfer or assignment on the Federal tax-exempt status of any bonds or indebtedness (whether then outstanding or thereafter to be issued), as that status is governed by Tax Laws. Within sixty (60) days after receipt of a notice from Municipality requesting a transfer or assignment, Agency and Western Minnesota shall advise Municipality as to whether, in the opinion of a nationally recognized bond counsel, the transfer or assignment would affect the eligibility of interest on bonds or indebtedness for Federal tax-exempt status as described in clause (d) above. In the event that allocations (including, but not limited to allocations relating to private use issues)

are necessary under the Tax Laws to determine whether entering into any such transfer or assignment affects the eligibility of interest on bonds or indebtedness for Federal tax-exempt status as described in clause (d) above, Agency and Western Minnesota shall make such allocations, in their sole discretion, after receipt of an opinion of a nationally recognized bond counsel.

Notwithstanding anything in this Section to the contrary, Municipality may transfer or assign this Agreement if it affects the eligibility of interest on bonds or indebtedness for Federal tax-exempt status as described in clause (d) above if, but only if, the transferee enters into an agreement in form and substance satisfactory to Agency and Western Minnesota providing that the transferee will bear and pay any and all increased costs allocated to it resulting from the use by Agency or Western Minnesota of Non-Tax Exempt Funds, as a consequence of the Agency or Western Minnesota taking remedial action in order to preserve the tax-exempt status of affected bonds or indebtedness as described in clause (d) above or the loss of the tax-exempt status with respect to the debt of the Agency or Western Minnesota as described in clause (d) above. Agency and Western Minnesota in their sole discretion, after receipt of an opinion of a nationally recognized bond counsel, shall allocate on a reasonable basis the increased costs associated with the use of such Non-Tax Exempt Funds, any such remedial action or the loss of the tax-exempt status of bonds or indebtedness as described above to any such transferee, and they shall determine the terms and conditions upon which the transferee shall pay such increased costs. Any such agreement shall contain such other terms and provisions as Agency and Western Minnesota reasonably deem necessary in order to preserve the Federal tax-exempt status of any borrowed funds not intended by Agency or Western Minnesota to be issued as debt which is not excludable from gross income for Federal income tax purposes. No assignment or transfer of this Agreement shall relieve the Parties of any obligation hereunder, unless specifically agreed to in writing by the other Parties.

In connection with any such proposed transfer or assignment under this Section, various opinions are required to be delivered by a nationally recognized bond counsel. Such counsel or counsels shall be chosen by Agency and Western Minnesota and the cost of such counsel or counsels shall be borne

by the Party requesting the transfer or assignment. Any of the opinions required under this Section may be delivered in one or more opinions. No other assignments or transfers will be permitted under this Section.

Section 18. RECORDS AND ACCOUNTS.

Agency and Western Minnesota shall keep accurate records and accounts of their respective properties and operations in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts Prescribed for Major Utilities and Licensees in effect from time to time. Municipality shall have the right at any reasonable time to examine such accounts. Agency and Western Minnesota shall cause such accounts to be audited annually by a firm of independent public accountants of national reputation and shall make such audits available to Municipality.

Section 19. INFORMATION.

Agency and Municipality will promptly furnish to each other such information as may be reasonably requested from time to time in order to carry out more effectively the intent and purpose of this Agreement or as may be reasonably necessary and convenient in the conduct of the operations of the Party requesting such information.

Section 20: PRIVACY AND SECURITY OF INFORMATION ON INDIVIDUALS.

Agency is a political subdivision that operates under the intergovernmental cooperation laws of the states in which it has members and thus is generally subject to public records laws analogous to those of its members. Such laws require that certain data collected or exchanged in carrying out the purposes of this Agreement shall be treated as non-public and confidential information, as defined by applicable law. A Party disclosing any such information in the performance of this Agreement shall designate in writing the information as confidential, using the phrase "Confidential, Subject to Restricted Access and Disclosure," or similar words. The Party receiving any such designated information may not disclose such information to any third party, except as required by law, by a specific written agreement among the Parties and/or the subject of the information, or as otherwise provided in this Section. In the event a Party in receipt of confidential information receives a request for disclosure of the confidential information and, in the opinion of legal counsel for the receiving Party, disclosure is required by law, then

that Party shall immediately inform the Party who disclosed the information prior to making any such disclosure. Each Party shall cooperate to enable the Party who disclosed the information, or other affected entities, if they so desire, to obtain a protective order or other reliable assurance that confidential treatment will be maintained consistent with applicable law. Each Party agrees to defend, indemnify, and hold harmless the other Parties and their officials, officers, agents, employees, and volunteers from and against any claims resulting from the indemnifying Party's unauthorized and unlawful disclosure and/or use of data in violation of the terms of this Section. The terms of this Section shall survive the cancellation or termination of this Agreement for a term as provided by law or, in the absence of a specific law, as provided by records management policies of each respective Party.

Section 21. AMENDMENT.

Except as provided for expressly herein, neither this Agreement nor any terms hereof may be terminated, amended, supplemented, waived, or modified except by an instrument in writing executed by all Parties to this Agreement, *that is* this individual agreement among Agency, Western Minnesota, and City of Benson.

Section 22. OPINION AS TO VALIDITY.

Upon the execution and delivery of this Agreement, Municipality shall furnish Agency with an opinion by an attorney or firm of attorneys qualified to practice in the state in which Municipality is located to the effect that:

(a) Municipality is a municipal corporation duly created and validly existing pursuant to the Constitution and statutes of such state;

(b) Municipality has full legal right and authority to enter into this Agreement and to carry out its obligations hereunder; and

(c) Municipality has approved this Agreement and its execution and delivery, and this Agreement has been duly executed by the appropriate officer of Municipality and constitutes the legal, valid, and binding obligation of Municipality enforceable in accordance with its terms.

Section 23. NOTICES.

Any notice, demand or request required or authorized by this agreement shall be deemed properly given if mailed, postage prepaid, to Agency at its principal place of business at 3724 West Avera Drive, P.O. Box 88920, Sioux Falls, South Dakota 57109-8920, to Municipality at 1410 Kansas Ave., Benson, MN 56215, and to Western Minnesota at 25 NW 2nd Street, Suite 102, Ortonville, Minnesota 56278-1441. The foregoing addresses may be changed at any time by similar notice. All notices given to Agency shall also be given to any New Power Supplier.

Section 24. WAIVERS.

Any waiver at any time by any Party hereto of its rights with respect to a default or any other matter arising in connection with this Agreement shall not be deemed to be a waiver with respect to any subsequent default or matter.

Section 25. SEVERABILITY.

In the event that any of the terms, covenants, or conditions of this Agreement, or the application of any such term, covenant, or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction under the circumstances, the remainder of this Agreement, and the application of its terms, covenants, or conditions to such persons or circumstances, shall not be affected thereby.

Section 26. SECURITY FOR POWER SUPPLY CONTRACTS.

(a) Municipality acknowledges and agrees that Agency may pledge and assign an undivided interest in all of its right, title and interest in and to all payments to be made to Agency by Municipality under this Agreement to Western Minnesota and each New Power Supplier to secure Agency's obligations to each under its respective Power Supply Contract. Upon execution of any such pledge and assignment, Western Minnesota and the New Power Supplier(s) shall have all of the rights and remedies provided to Agency under this Agreement.

(b) Municipality and Western Minnesota hereby agree that, if Agency shall be unable to perform, or shall default in the performance of, its obligations under this Agreement for any reason

whatsoever including, without limitation, by reason of any defect in the organization or other legal disability of Agency (but not if such default is the result of a default by Western Minnesota under its Power Supply Contract) or if Agency shall default in the performance of any of its obligations under its Power Supply Contract with Western Minnesota, then Western Minnesota shall be entitled and obligated to the extent lawfully empowered to do so, to assume the rights, duties and obligations of Agency under this Agreement as fully as if this Agreement named and referred to Western Minnesota herein in every place where Agency is herein named and referred to; *provided that* the obligation of Western Minnesota to meet the requirements of Municipalities for Supplemental Power shall be limited to an obligation to supply to the extent available an amount of power and energy hereunder and under the other Power Sale Agreements (S-1) up to that amount of power and energy which is associated with the capacity entitlement acquired by Agency under its Power Supply Contract with Western Minnesota. In the event that such amount of electric power and energy shall be less than the amount of Supplemental Power required hereunder and under the other Power Sale Agreements (S-1), the amount of available electric power and energy shall be allocated monthly among Municipality and other Municipalities which have entered into Power Sale Agreements (S-1) pro rata in accordance with their respective electric power and energy requirements required to be met hereunder during the corresponding month of the calendar year which precedes the calendar year in which Agency's inability to perform or default shall have occurred.

(c) The obligations of Municipality to Western Minnesota and the New Power Supplier(s) hereunder shall not be dependent upon, or affected by, the due organization or existence of Agency, the validity of this Agreement as to Agency, the enforceability of this Agreement against Agency or any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation, dissolution or the like of Agency.

Section 27. NEW POWER SUPPLIER(S); PARTIES TO THIS AGREEMENT.

In the event Agency shall hereafter enter into a contract with a New Power Supplier(s) providing for the acquisition by Agency from the New Power Supplier(s) of power supply resources and such contract(s) satisfies all applicable requirements of the Power Supply Contract relating to the opening

of the pledge provided for in Section 26 above to the New Power Supplier(s), then the New Power Supplier(s) may become a party hereto upon the execution by Agency and the New Power Supplier(s) of an agreement(s) pursuant to which the New Power Supplier(s) agree(s) to be bound by all of the terms and conditions hereof to the extent that such terms and conditions are applicable to a New Power Supplier, including, with respect to that New Power Supplier's Power Supply Contract, the rights and obligations similar to those applicable to Western Minnesota under Section 26(b). From and after the effective date of such agreement between the New Power Supplier and Agency, the New Power Supplier shall be a party hereto and the contract between the New Supplier and Agency providing for the acquisition of the power supply resources shall be a Power Supply Contract as such term is used herein, all without any further action or consent by any other Party hereto.

Section 28. ENTIRE AGREEMENT.

This Agreement as written, including the recitals and schedules (as any such schedule(s) may be revised from time to time), forms the entirety of the agreement, and prior and subsequent agreements will not have effect unless formed in accordance with Section 21.

[The remainder of this page is intentionally left blank; the signature page follows.]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement, as amended and restated, to be executed as of the date stated below.

MISSOURI BASIN MUNICIPAL POWER
AGENCY d/b/a MISSOURI RIVER ENERGY
SERVICES

[SEAL]

By _____
Chairman, Harold Schiebout

ATTEST:

Date

Brad Roos, Secretary/Treasurer

CITY OF BENSON

[SEAL]

By _____
(Signature)

ATTEST:

Name (Printed)

Title (Printed)

(Signature)
Title:

Date

WESTERN MINNESOTA MUNICIPAL
POWER AGENCY

[SEAL]

By _____
President, William Schwandt

ATTEST:

Date

Scott Hain, Secretary

Power Sale Agreement Amendment 5

Prepared October 2015



MRES / Member / WMMPA Relationship

- ▶ Joint Action to meet power supply needs
- ▶ Members are owners of MRES
- ▶ WMMPA formed to provide financing
- ▶ First S-1 Power Sale Agreements executed to build LRS
- ▶ Interests align
 - ▶ Not-for-profit
 - ▶ Local service
 - ▶ Local control

- * Competitive rates
- * Reliability

Power Sale Agreements S-1 and Non S-1

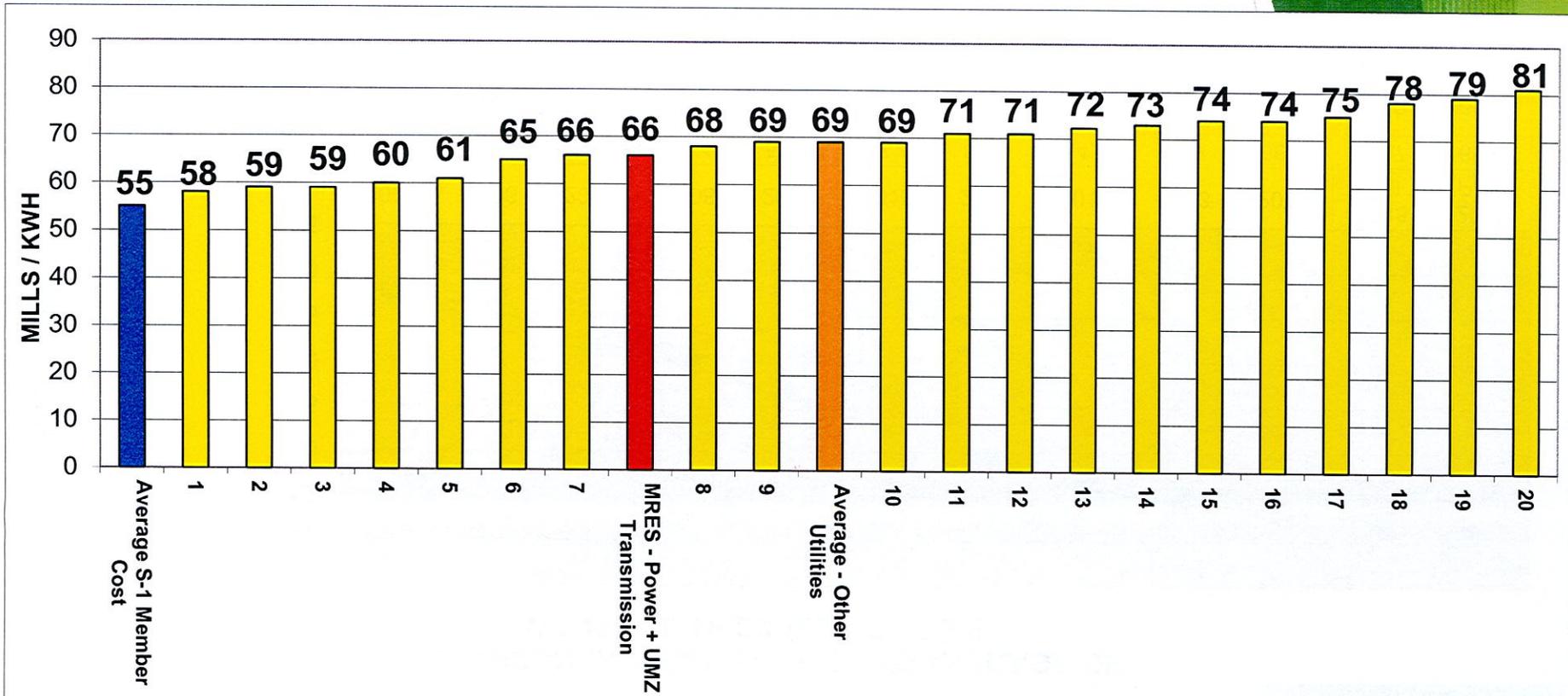
- ▶ **Supplemental Power Supply (S-1)**
 - ▶ All supplemental needs in excess of WAPA allocation
 - ▶ Includes transmission to outlet of Integrated System (IS)
 - ▶ Separate TSAs for most MISO Members (not on the IS)
 - ▶ Some Members also have TSA with third party provider
- ▶ **Full Requirements (Pella Non S-1)**
- ▶ **Fixed Amount (Atlantic & Hutchinson Non S-1)**
- ▶ **Long Term Contracts**

History of S-1 Agreement

Power Sale Agreement (S-1) & Amendments

EFFECTIVE DATE	CONTRACT NAME	BASE TERM	OTHER CHANGES
October 1976	Power Sale Agreement (S-1)	January 1, 2016	
December 1985	Amendment 1	No change	Extended date to set CROD from 1990 to 2000, on seasonal basis; reduced transformer losses from 2% to 1%
January 1993	Amendment 2 & Restatement	January 1, 2030, automatic 10 year extensions unless MROD set	CROD replaced by MROD; replaced "X over Y;" Uncontrollable Forces requires pro rata allocation, Municipality allowed to acquire from other sources; if MRES defaults then WMMPA steps into shoes of MRES; outdated references to HCPD, USBR deleted
January 2000 <i>(anticipated deregulation)</i>	Amendment 3	No change, deleted automatic 10 year extension	Added Green Power, Ancillary Services, and Competitive Transition Charge
January 2007 <i>(anticipated Big Stone II project)</i>	Amendment 4 & Restatement	January 1, 2046	Changes due to some participation in RTOs/markets; Supplemental Power included Delivery; all Delivery Points on IS; clarified MROD, & extended date to exercise; created IS factor

Comparison of Projected 2016 Area Wholesale Power



Average Aggregate MRES Member Cost, Including WAPA and MRES Power, and Transmission Costs

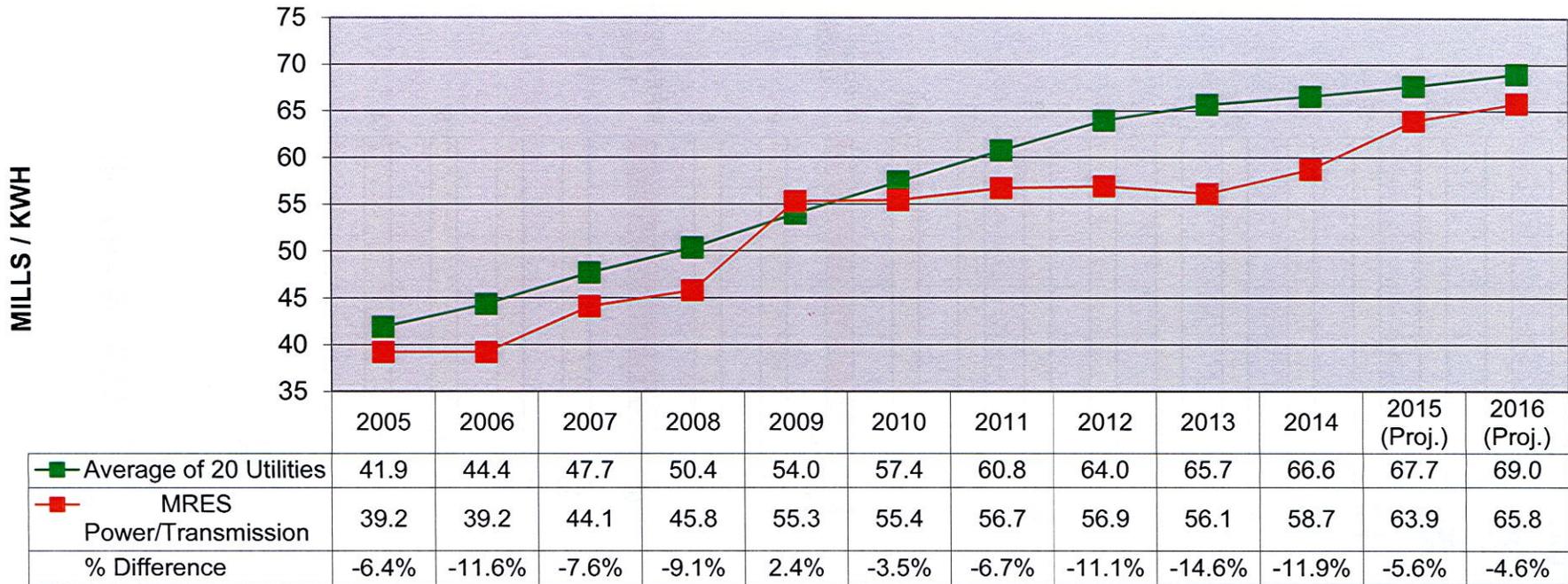
MRES Aggregate Supplemental Power plus UMZ Transmission Costs

Other Area Wholesale Utilities



Information taken from various sources; all rates are believed to be reasonable estimates but there are no guarantees

COMPARISON OF MRES S-1 RATE TO AVERAGE OF TWENTY WHOLESALE UTILITIES



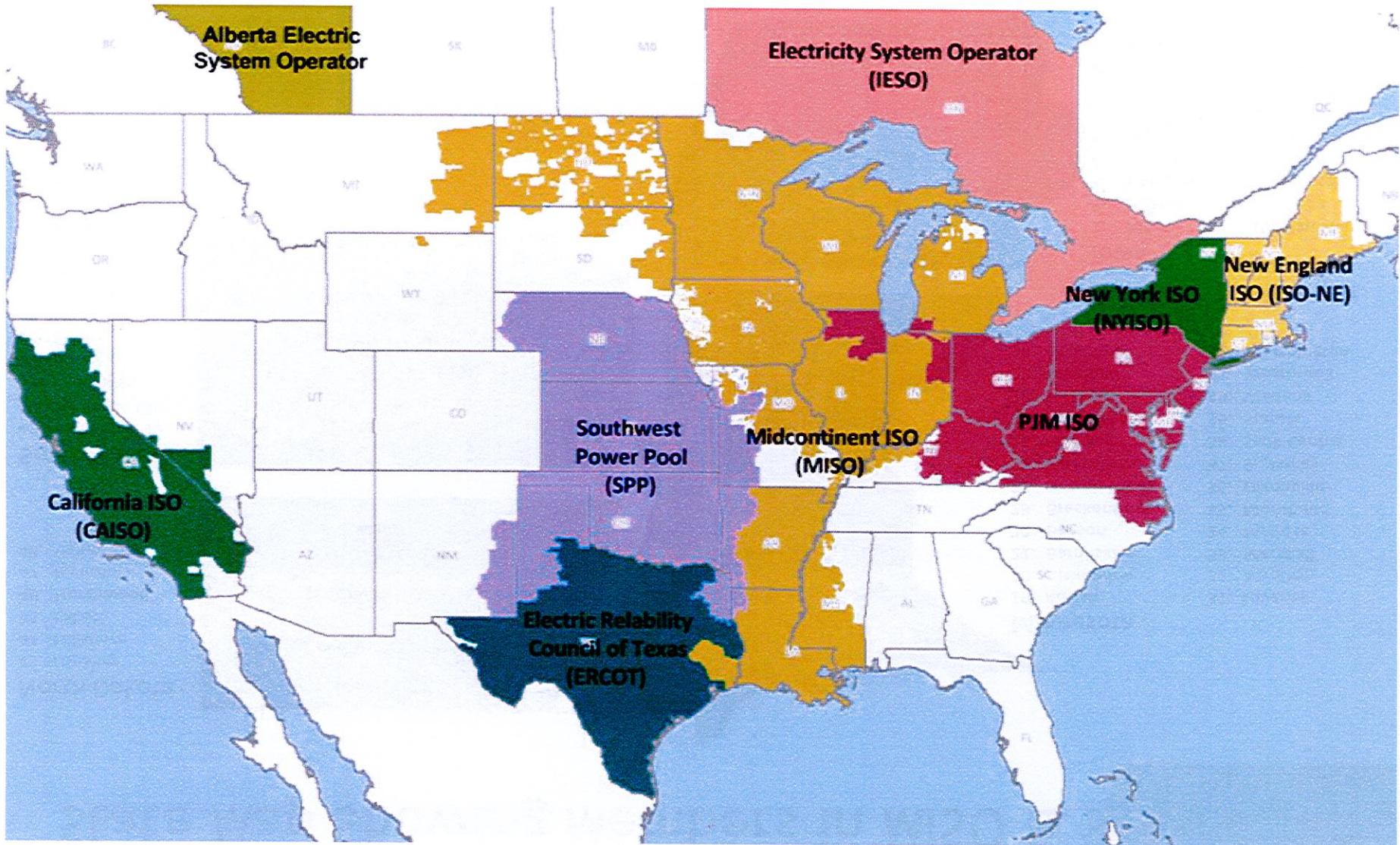
Why Amendment No. 5?

- ▶ WAPA joined SPP on October 1, 2015
- ▶ All Members in RTO - either SPP or MISO
- ▶ IS became part of SPP Transmission Network
- ▶ RTOs operate energy markets and transmission networks
- ▶ Individual utilities no longer control their generation or transmission resources

Benefits of an RTO

- ▶ Bigger pool of energy resources
- ▶ Economic dispatch of energy
- ▶ Improved reliability
- ▶ Limits impact of system-wide outages
- ▶ Integration of variable energy resources
- ▶ Defer investment in generation

REGIONAL TRANSMISSION ORGANIZATIONS



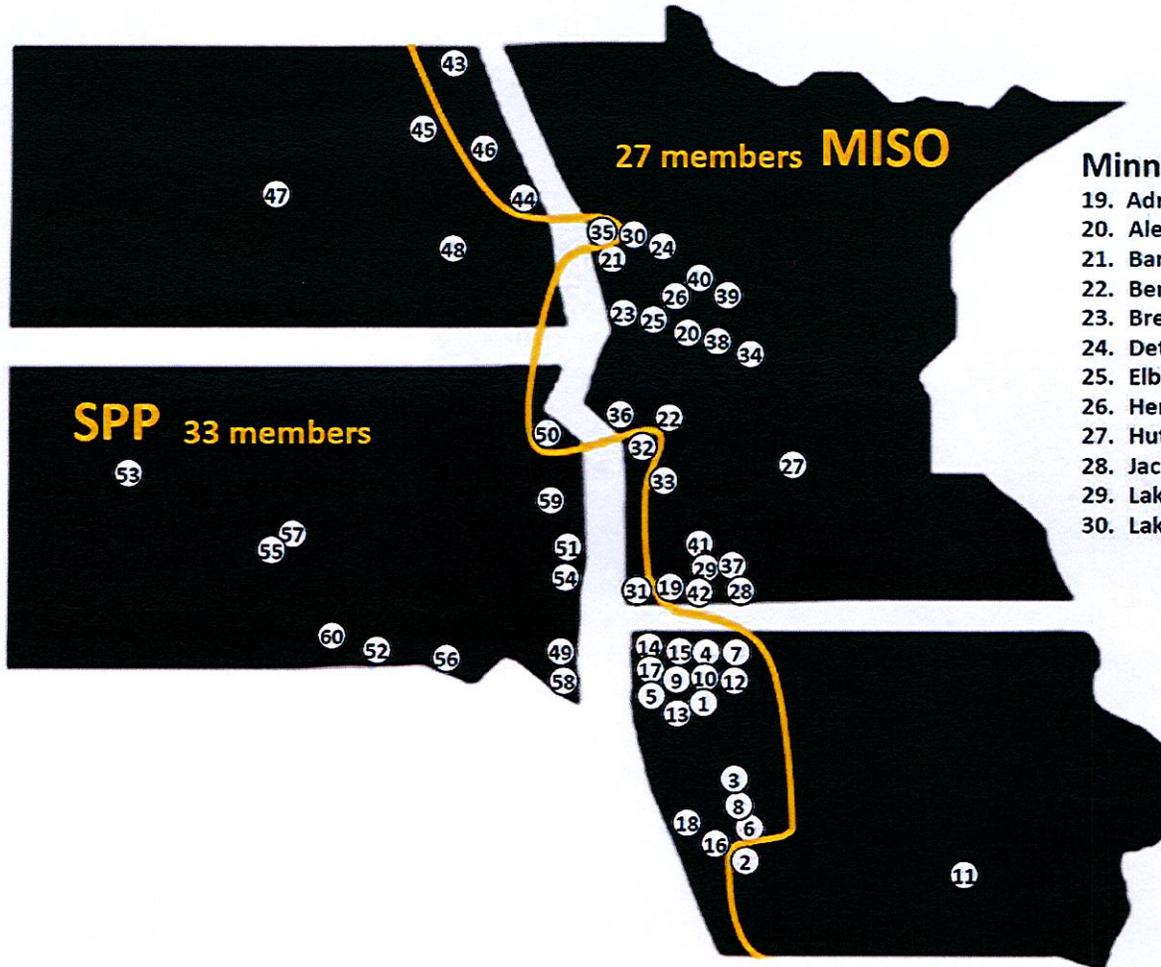
State Map Showing Members in MISO & SPP

North Dakota

- 43. Cavalier
- 44. Hillsboro
- 45. Lakota
- 46. Northwood
- 47. Riverdale
- 48. Valley City

South Dakota

- 49. Beresford
- 50. Big Stone City
- 51. Brookings
- 52. Burke
- 53. Faith
- 54. Flandreau
- 55. Fort Pierre
- 56. Pickstown
- 57. Pierre
- 58. Vermillion
- 59. Watertown
- 60. Winner



27 members **MISO**

SPP 33 members

Minnesota

- 19. Adrian
- 20. Alexandria
- 21. Barnesville
- 22. Benson
- 23. Breckenridge
- 24. Detroit Lakes
- 25. Elbow Lake
- 26. Henning
- 27. Hutchinson
- 28. Jackson
- 29. Lakefield
- 30. Lake Park
- 31. Luverne
- 32. Madison
- 33. Marshall
- 34. Melrose
- 35. Moorhead
- 36. Ortonville
- 37. St. James
- 38. Sauk Centre
- 39. Staples
- 40. Wadena
- 41. Westbrook
- 42. Worthington

Iowa

- 1. Alton
- 2. Atlantic
- 3. Denison
- 4. Hartley
- 5. Hawarden
- 6. Kimballton
- 7. Lake Park
- 8. Manilla
- 9. Orange City
- 10. Paullina
- 11. Pella
- 12. Primghar
- 13. Remsen
- 14. Rock Rapids
- 15. Sanborn
- 16. Shelby
- 17. Sioux Center
- 18. Woodbine



Guiding Principles

- ▶ Update to address market changes to reflect actual state of service
- ▶ Clarify, if needed
- ▶ Extend term
- ▶ Provide Member protections
- ▶ Maintain same relative position of all

Key changes to Power Sale Agreements

- ▶ Change S-1 contract language to reflect financial markets
- ▶ Separate power supply from transmission service
- ▶ Supplemental Power includes:
 - ▶ All market products and services needed for energy and demand
 - ▶ All ancillary services for power supply
 - ▶ State/federal renewable energy requirements

Transmission Service

- ▶ **Transmission Service is now provided by MRES to the boundary of RTO**
- ▶ **Transmission charges are still based on pricing of Transmission Zone**
- ▶ **SPP Members are now in SPP UMZ**
- ▶ **MISO Members' existing MRES TSAs and MISO MIA will terminate when amendment takes effect**
- ▶ **Some third party arrangements still exist**

Transmission impacts to MISO Members

- ▶ MRES declined SPP transmission service for MISO Members
- ▶ Savings of over \$9 million in 2016 for MISO Members
- ▶ 120 MW of MRES incremental capacity in SPP is now stranded
- ▶ MRES sells capacity in SPP and purchases capacity in MISO
- ▶ MISO Members bear risk of capacity purchase cost exceeding revenues

Transmission impacts to SPP Members

- ▶ SPP transmission rate will be higher than IS rate
- ▶ SPP network includes more transmission facilities than just the IS
- ▶ Members who own qualifying transmission that goes into SPP will get a payment from SPP

Key change - Term Extended 11 Years

- ▶ Current term through January 1, 2046
- ▶ New term through January 1, 2057
- ▶ Extension to accommodate future financing
 - ▶ Bond security for power supply and transmission financing
 - ▶ Supports WMMPA strong bond rating

Maximum Rate of Demand (MROD) clarified

- ▶ MROD is the Member's option to cap MRES purchases
- ▶ Next option extended from 2017 to 2027
- ▶ Clarifies MROD is lesser of actual supplemental load in every hour or the MROD
- ▶ Changes calculation from 1 year to 3-year average of seasonal MROD

Member Renewable Resource Generation

- ▶ **New provision - Section 16**
- ▶ **Allows Members to generate from their own local renewable resources**
- ▶ **Connected directly to Member distribution system**
- ▶ **Allows Member to generate up to 5% of MRES energy purchases from local renewables**
- ▶ **Reflects current practices**

WAPA Power - New Protection for Members

- ▶ Supplemental Power includes amount needed to replace any reduction in WAPA Power
- ▶ In the event a Member causes its WAPA allocation to be reduced or discontinued
- ▶ MRES Board *may* impose a surcharge
- ▶ Only *if* MRES incurs added costs to replace WAPA Power

Green Energy modified

- ▶ As part of Supplemental Power, Member or its retail customer can purchase some or all Green Energy
- ▶ Allows for specified amount of energy (rather than percentage)
- ▶ Surcharge to Member for added cost

Uncontrollable Forces

- ▶ More specifically defines *Force Majeure*
- ▶ Includes now-standard events such as terrorism, cyber crimes and inability of MRES or the RTO to deliver energy
- ▶ New provision to enhance communication
- ▶ New provision to allow operation of Member's generation to self-supply in event of uncontrollable forces

Schedules (as of 2017)

- ▶ **Schedule A: Points of Delivery, Measurement and Adjustments**
 - ▶ Now requires mutual agreement of Member and MRES
- ▶ **Schedule B: Power Supply Rates**
- ▶ **Schedule C: Transmission Service Rates**

Timeline

- ▶ Sept. 2015: Board approved S-1 Amendment 5 and Pella Amendment
- ▶ Oct. 2015: Presented to Members at Area Meetings
- ▶ Nov. 2015 - Feb. 2016: Members consider Amended Agreements and MRES Staff available to make presentations
- ▶ Nov. 17, 2015: Webinar for Members/Attorneys on Amendment
- ▶ Mar. 1, 2016: Deadline to return executed documents to MRES
- ▶ May 2016: Report to Membership at Annual Meeting
- ▶ June 2016: MRES and WMMPA approve amended agreements
- ▶ Jan. 2, 2017: Amended and Restated Agreements take effect

Amendment Documentation

- ▶ Checklist
- ▶ Cover letter
- ▶ Summary of Amendment Process
- ▶ **Amendment 5, Non S-1 Amendment** (clean execution copies)
- ▶ Markup of current S-1 or Non S-1 Agreement
- ▶ **Amended and Restated S-1 or Non S-1 Agreement, and Schedule A (2017)** (clean execution copies)
- ▶ Template for **Resolution** and **Minutes** approving agreements by governing body (or bodies)
- ▶ Template for **Legal Opinion of City/Utility Attorney**
- ▶ Where applicable:
 - ▶ **Amendment of MISO MIA, Transmission Service Agreement** (clean execution copies)

Questions?

Contact:

Joni Livingston

Director of Member Services and Communications

Phone: 800-678-4042 (office)

Phone: 605-261-3637 (cell)

Email: Joni.Livingston@mrenergy.com

