

THIS TERM SHEET made as of the Effective Date

BETWEEN:

Minnesota Power,

**an operating division of ALLETE, Inc., a Minnesota Corporation in the United States
(hereinafter referred to as “MP”)**

and

The Manitoba Hydro-Electric Board,

**a Manitoba Crown Corporation incorporated pursuant to the provisions of
The Manitoba Hydro Act
(hereinafter referred to as “MH”)**

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

AND WHEREAS, MP is a member of MISO and MH is a coordinating member of MISO;

AND WHEREAS, the Parties have had preliminary discussions regarding the potential purchase by MP and sale by MH of electric energy;

AND WHEREAS, the Parties have determined that they wish to continue their discussions and negotiate in good faith with a view to concluding an agreement consistent with this Term Sheet;

AND WHEREAS, this Term Sheet summarizes the principal terms of the Proposed Agreement.

NOW THEREFORE for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged the Parties agree as follows:

**ARTICLE 1
INTENT AND INTERPRETATION**

1.1 Intent

It is the intent of this Term Sheet that it set out with sufficient particularity the details of the proposed transaction so that the Parties may know the general terms of the formal, comprehensive agreement (the “**Proposed Agreement**”) which would establish the rights and obligations of the Parties with respect to the Proposed Agreement and which they intend to negotiate between them. Other than the Binding Obligations, nothing contained herein shall constitute a definitive agreement between the Parties.

1.2 Defined Terms

Unless otherwise specified in this Term Sheet, all capitalized terms shall have the meanings set forth in Appendix A.

1.3 Interpretation

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

- (1) words singular and plural in number shall be deemed to include the other and pronouns having masculine or feminine gender shall be deemed to include the other;
- (2) any reference in this Term Sheet to any Person includes its successors and assigns, and, in the case of any governmental authority, any Person succeeding to its functions and capacities;
- (3) a reference to a document or agreement, including this Term Sheet, includes a reference to that document or agreement as amended from time to time and includes any exhibits or attachments thereto;
- (4) headings are inserted for convenience only and shall not affect the interpretation of this Term Sheet or any section thereto; and
- (5) the preamble hereto shall form an integral part of this Term Sheet.

**ARTICLE II
SUPPLY AND PURCHASE OBLIGATIONS**

2.1 Capacity

During the Contract Term, MH shall make available to MP, 50 MW of Use Limited System Capacity.

2.2 **Energy**

- (1) MH shall sell to MP and MP shall purchase from MH during the Contract Term the following:
 - (a) 50 MWh per hour for sixteen (16) continuous hours for each day of the Contract Term (“**Firm Energy**”) offered by MH in the Day-Ahead Energy and Operating Reserve Market; and
 - (b) such amount of energy that is not Firm Energy that, subject to Section 3.2(2) MH, in its sole discretion, determines that it has available for sale to MP for any day during the Contract Term, and is offered by MH in the Day-Ahead Energy and Operating Reserve Market (“**Additional Energy**”); and
 - (c) such amount of energy that MH, in its sole discretion, determines that it has available for sale to MP for any day during the Contract Term, and is offered by MH in the Real-Time Energy and Operating Reserve Market (“**Real-Time Energy**”).

The Firm Energy, Additional Energy and Real-Time Energy shall collectively be referred to as the “**Energy**”. The Energy shall not exceed 50 MWh per hour.

- (2) The Parties acknowledge that the sixteen (16) continuous hours for Firm Energy shall be comprised of the hour ending 7 central prevailing time to the hour ending 22 central prevailing time provided that, subject to MP providing a minimum of forty-five (45) days notice to MH prior to any particular month, MP shall have the right to designate an alternate sixteen (16) continuous hour time period for all of the Firm Energy in that particular month.
- (3) Subject to the requirement that the Must Offer Energy that is sold and supplied by MH to MP shall be supplied from MH’s resources comprising the 50 MW Use Limited System Capacity, MH, in its sole discretion, has the right, but not the obligation, to source and/or supply and/or sell the Energy from third party purchases and/or Markets available to MH and/or financially settle its obligations herein. Without limiting the generality of the foregoing, MH shall have the right but not the obligation to utilize any Market mechanisms that are available to it throughout the Contract Term.
- (4) MH shall have the right but not the obligation to settle financial obligations between MH and MP pursuant to the Proposed Agreement by utilizing any settlement mechanisms that are available to it, and MP shall cooperate with MH, to facilitate MH using these settlement mechanisms.
- (5) Energy is subject to curtailment provisions and Adverse Water Conditions as outlined in this Term Sheet.

- (6) MH’s right to sell Real-Time Energy shall be subject to [TRADE SECRET BEGIN

TRADE SECRET END]

2.3 Delivery Point and Risk of Loss

The delivery point shall be the point or points where MH’s major existing transmission facilities cross the international boundary between the province of Manitoba and the United States of America (the “**Delivery Point**”) and is the location where the title to and risk of loss of Energy transfers from MH to MP.

2.4 Ancillary Services

- (1) The Parties acknowledge and agree that: (a) MH shall be entitled to retain all Ancillary Services and to sell Ancillary Services to other Persons through the use of the Market Portal or otherwise; and (b) the pricing set forth herein does not include any value in respect of or related to Ancillary Services.
- (2) MP acknowledges that MH retains the right to offer and/or Schedule Ancillary Services into the MISO Market. This shall include the right to offer and/or Schedule Ancillary Services through the use of the Market Portal in conjunction with Schedules for the delivery of Energy to MP.
- (3) In the event that MP receives any compensation or payment from MISO or otherwise for Ancillary Services that were offered or Scheduled by MH, MP shall remit such compensation or payment to MH.

**ARTICLE III
SCHEDULING AND DELIVERY**

3.1 Transmission

- (1) MH shall arrange and pay for Firm Transmission Service for the delivery of Energy and making available Use Limited System Capacity pursuant to the Proposed Agreement to the Delivery Point.
- (2) MP shall arrange and pay for Firm Transmission Service for receiving Energy and accepting Use Limited System Capacity pursuant to the Proposed Agreement from the Delivery Point.

3.2 Offers and Scheduling

- (1) MH shall offer and Schedule Firm Energy into the Day-Ahead Energy and Operating Reserve Market in accordance with Section 2.2(2) and Section 2.2(3)

and, subject to Section 3.2(2), only Firm Energy offered and Scheduled during the MISO Peak Load for each day shall constitute Must Offer Energy.

- (2) In the event that, on any particular day, any of the hours comprising the MISO Peak Load are not included in a Firm Energy Schedule MH shall offer and Schedule 50 MWh per hour of Additional Energy into the Day-Ahead and Operating Reserve Market for those hours and only such Additional Energy shall constitute Must Offer Energy.
- (3) MH shall not be required to offer all or the applicable portion of the Must Offer Energy into the Day-Ahead Energy and Operating Reserve Market during a Force Majeure event or due to a full or partial forced, or scheduled outage.
- (4) MH may offer and Schedule:
 - (a) Additional Energy (except that Additional Energy offered and Scheduled pursuant to Section 3.2(2)) into the Day-Ahead Energy and Operating Reserve Market; and
 - (b) Real-Time Energy into the Real-Time Energy and Operating Reserve Market.
- (5) Energy shall be Scheduled using Firm Transmission Service. MP shall be required to Schedule any Energy that has been offered by MH.
- (6) MH's obligation to deliver Energy is conditional upon MH's offer clearing the Day-Ahead Energy and Operating Reserve Market or Real-Time Energy and Operating Reserve Market as applicable.

3.3 Curtailments

All language related to the curtailment provisions will be set out in the Proposed Agreement but will generally be based upon the concepts outlined below.

(1) Must Offer Energy

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

- (a) an event of Force Majeure; or
- (b) to the extent necessary to avoid curtailing, restricting or reducing service to MH's End-Use Load, in a manner consistent with and to the extent authorized by "Requirement 6.3 of NERC Standard EOP-002" or its successor requirements.

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

MH shall have the right to curtail, restrict, or reduce the sale and supply of any of Firm Energy (except Firm Energy that is Must Offer Energy), Additional Energy (except Additional Energy that is Must Offer Energy), and Real-Time Energy in accordance with any of the following provisions:

- (a) during any period(s) of time during the Contract Term, if MH's ability to purchase power is restricted or all or a portion of MH's generating facilities are unavailable due to:
 - (i) forced outages of one or more generating unit(s); or
 - (ii) derates of one or more generating unit(s) caused by low water flow or other reason; or
 - (iii) the unavailability of generation outlet capacity caused by a forced outage or derate of MH's high voltage direct current transmission system; or
 - (iv) scheduled outages of generating unit(s) or MH's high voltage direct current transmission system, to the extent that such scheduled outages are reasonably necessary to avoid equipment damage to facilities or to avoid the deferral of normal or scheduled maintenance beyond that consistent with good utility practice,and to the extent that such unavailability of MH's purchased power or outages referred to in clauses (i), (ii), (iii) and (iv) cause MH to have insufficient energy to serve MH's energy commitments, Firm Energy (except Firm Energy that is Must Offer Energy), Additional Energy (except Additional Energy that is Must Offer Energy), and Real-Time Energy may be curtailed, restricted or reduced by MH by the amount determined after application of the Priority Criteria;
- (b) during any period(s) of time during the Contract Term to the extent an event of Force Majeure otherwise precludes MH's ability to make, or to continue to make available any Firm Energy (except Firm Energy that is Must Offer Energy), Additional Energy (except Additional Energy that is Must Offer Energy), and Real-Time Energy in accordance with this Proposed Agreement, Firm Energy (except Firm Energy that is Must Offer Energy), Additional Energy (except Additional Energy that is Must Offer Energy), and Real-Time Energy may be curtailed, restricted or reduced by MH by the amount determined after application of the Priority Criteria; or
- (c) to the extent necessary to avoid curtailing, restricting or reducing service to MH's End-Use Load.

(3) Limiting and Overcoming Curtailments

In the event of the exercise by MH of the right to curtail, restrict or reduce any of the Energy, MH shall:

- (i) exercise that right only for an amount and for the applicable time period(s), after application of the Priority Criteria, that MH determines is necessary to respond to the circumstance giving rise to this right to curtail, restrict or reduce any of the Energy; and
 - (ii) exercise good utility practice to overcome the circumstances giving rise to this right, provided however that MP hereby acknowledges and agrees that the exercise of good utility practice would not obligate MH to make additional purchases of energy from a third party and/or the Markets.
- (4) Energy Curtailment Priority Criteria

The Energy curtailment Priority Criteria shall be as follows:

- (a) In the event of the exercise by MH of the right granted to curtail, restrict or reduce any of Energy to be supplied, then the following priority criteria (the “**Priority Criteria**”) shall be used by MH to determine the amount of any of Energy for the applicable time period(s) that shall be subject to curtailment, restriction or reduction:
 - (i) MH’s End-Use Load shall have priority over all other power and energy sales of MH;
 - (ii) any energy sale by MH that is associated with capacity and is not part of MH’s End-Use Load shall take priority over all other power and energy sales of MH, except for MH’s End-Use Load;
 - (iii) all of those MH energy sales described as “Firm LD Energy Sales” and those MH energy sales described as “Firm Energy Sales” shall take priority over all other energy sales of MH except those referred to in (i) and (ii) above;
 - (iv) all other energy sales by MH except those referred to in (i), (ii) and (iii) above; and
 - (v) in the event that more than one power or energy sale of the same types referred to in (ii), (iii), and (iv) of this Section 3.3(4)(a) exists, curtailment with respect to such power or energy sales shall be determined on a pro rata basis.

The Parties acknowledge that the Energy to be sold pursuant to the Proposed Agreement is energy described in Section 3.3(4)(ii).

3.4 Transmission Provider Curtailments

- (1) In the event that the actions of any Transmission Provider(s) result in the reduction or curtailments of the Firm Transmission Service designated, allocated or required for the delivery of Energy, the Energy that is to be supplied by MH

and received by MP shall be curtailed, restricted or reduced in accordance with the provisions of the applicable Transmission Provider’s OATT.

- (2) The Parties also agree that where MH has been unable to obtain sufficient quantities of Net Scheduled Interchange (as that term is defined in the Tariff) including “ramp capability” to have its offer for the Energy clear the Day-Ahead Energy and Operating Reserve Market or the Real-Time Energy and Operating Reserve Market as applicable, that the quantity of Energy that did not clear the said market shall be deemed to have been curtailed pursuant to this Section 3.4.
- (3) In the event MH or MP or their respective Transmission Provider ceases to have an OATT, curtailment or reduction of Energy schedules hereunder in order to maintain the reliable operation of the interconnected AC transmission system, shall be implemented exclusively in accordance with this Section. Curtailment of energy deliveries under this Section to accommodate such events shall be implemented until the required amount of loading relief has been obtained once the following actions have been undertaken, in the order specified: (a) all transmission service or transactions, that are lower than the Firm Transmission Service, which contribute to the condition requiring curtailment, shall be curtailed first; (b) the curtailing Party shall redispatch its generation system to continue the schedules hereunder consistent with producing the desired loading mitigation upon the congested facility(s); and (c) to the extent all transactions identified in clause (a) of this Section 3.4(3) are curtailed and system redispatch is not sufficient to produce the necessary mitigation that would avoid curtailment of the schedules under this Proposed Agreement, the transaction curtailment priority used by MH relative to all uses of such AC transmission system at the time shall be implemented in a comparable and non-discriminatory manner.

3.5 Contingency Reserves, Contingency Reserves Emergency Energy and Emergency Energy

The Parties acknowledge and agree that:

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

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

3.6 Adverse Water Conditions

MH shall have the right to reduce the quantity of Firm Energy to be made available in the event that it experiences Adverse Water Conditions. The terms and conditions of MH's right to reduce the Firm Energy quantities as a result of Adverse Water Conditions and terms regarding advance notification to MP shall be set out in the Proposed Agreement.

**ARTICLE IV
ENVIRONMENTAL ATTRIBUTES**

4.1 Environmental Attributes of Energy

- (1) MH shall allocate and transfer to MP [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes.
- (2) MH shall retain all Environmental Attributes for Energy allocated or determined by MH to be sourced from those [TRADE SECRET BEGIN
TRADE SECRET END]
- (3) MH shall not be obligated to manage the supply of Energy in any particular manner, nor does the Proposed Agreement restrict or limit MH to any specific type(s) of generating resources to be used to supply Energy (including energy obtained from third party purchases and/or the Markets available to MH, regardless of the generation type used by the third party or which generating resources may have been attributable to the energy accessed through the Markets), nor shall any provision in the Proposed Agreement constitute a representation or warranty by MH that Energy is supplied from a particular generating resource, including renewable resources.

4.2 Calculation of Environmental Attributes for Supplied Energy

MH shall calculate the Environmental Attributes of the Supplied Energy purchased by MP in accordance with the procedures established by MH for such calculations.

4.3 Reporting of Environmental Attributes

MH shall provide MP with a report, in accordance with the procedures established by MH for such reporting, that identifies the MWh of Energy that was allocated to have been supplied from [TRADE SECRET BEGIN
TRADE SECRET END] and the MWh of Energy that was not Supplied Energy and the [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes of each of [TRADE SECRET BEGIN
TRADE SECRET END] and this report shall be used by MH and MP when reporting the Environmental Attributes of the

Supplied Energy.

4.4 Transfer of Environmental Attributes

(1) For [TRADE SECRET BEGIN
TRADE SECRET END] and are registered by MH on a Transfer System, MP shall receive the transfer of the applicable amount of [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes through the Transfer System. MH's transfer through the Transfer System will be on the condition that MP complies, at its own expense, with the Transfer System requirements concerning the acceptance of the transferred [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes.

(2) [TRADE SECRET BEGIN

TRADE SECRET END]

4.5 Rights Conferred by Law

[TRADE SECRET BEGIN

TRADE SECRET END]

4.6 General

(1) MP may use any of the [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes at its sole discretion and for MP's sole benefit, including without limitation the re-sale of the [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes.

(2) MH shall assist and cooperate with MP, if requested, in the qualification and recognition of the [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes as environmental credits or offsets [TRADE SECRET BEGIN

TRADE SECRET END]. Neither Party makes any representation or warranty with respect to any future action or failure to act, or approval or failure to approve, by any governmental authority or any other third

Person in respect of the allocation and transfer of the [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes.

- (3) For environmental reporting purposes the Environmental Attributes of that component of Energy, that is not Supplied Energy, [TRADE SECRET BEGIN

TRADE SECRET END] and shall be reported by each of the Parties, in that manner, in any reports that are filed by each of the Parties in respect of the purchase and sale of Energy pursuant to the Proposed Agreement.

4.7 Disclaimer

MH shall expressly disclaim any representations and warranties with respect to the [TRADE SECRET BEGIN
TRADE SECRET END] Environmental Attributes other than as set forth in the Proposed Agreement.

**ARTICLE V
PRICING AND BILLING**

5.1 Capacity Pricing

The price for Use Limited System Capacity per MW-month (the “**Capacity Price**”) applicable for each calendar month during a given Contract Year shall be [TRADE SECRET BEGIN

TRADE SECRET

END]

5.2 Energy Pricing

(1) Firm Energy

The price for Firm Energy per MWh (the “**Firm Energy Price**”) for each applicable hour during a given Contract Year shall be [TRADE SECRET BEGIN

SECRET END].

TRADE

(2) Additional Energy

[TRADE SECRET BEGIN

SECRET END]

TRADE

(3) Real-Time Energy

[TRADE SECRET BEGIN

SECRET END]

TRADE

5.3 Environmental Attributes Pricing

[TRADE SECRET BEGIN

TRADE SECRET END]

5.4 Billing

All dollar amounts set forth in this Term Sheet, monetary transactions, and cost calculations between MH and MP shall be determined and stated in lawful money of the

United States of America. MH shall invoice MP for amounts owed pursuant to this Proposed Agreement upon terms to be agreed and all such invoices shall be made in lawful money of the United States of America.

ARTICLE VI PROPOSED AGREEMENT TERMS

6.1 Proposed Agreement

The transactions contemplated by this Term Sheet shall be subject to, among other things, the negotiation, execution and delivery of the Proposed Agreement. The Proposed Agreement shall contain such covenants, representations and warranties, terms and conditions, customary for the transactions contemplated herein.

6.2 Conditions Precedent

(1) Conditions Precedent in Favour of MH

The Proposed Agreement shall include as conditions precedent to the transaction in favour of MH (to be satisfied or waived by dates to be agreed), among other things, the following:

- (a) MH receiving requisite permits and approvals including, without limitation, the approval of the National Energy Board of Canada;
- (b) MH arranging the Firm Transmission Service required to supply Energy to the Delivery Point for the Contract Term;

(2) Conditions Precedent in Favour of MP

The Proposed Agreement shall include as conditions precedent to the transaction in favour of MP (to be satisfied or waived by dates to be agreed), among other things, the following:

- (a) MP receiving requisite permits and approvals including, without limitation,
 - i) MP's Board of Directors, and
 - ii) Minnesota Public Utilities Commission;
- (b) MP arranging the Firm Transmission Service required to receive Energy from the Delivery Point; and
- (c) MP receiving accreditation from MISO of the Use Limited System Capacity.

**ARTICLE VII
TERMINATION**

7.1 Termination for Convenience

This Term Sheet may be terminated and the discussions contemplated hereby may be abandoned or terminated at any time by the mutual agreement of the Parties.

7.2 Other Termination

This Term Sheet shall be deemed to be terminated:

- (a) immediately upon the execution of the Proposed Agreement, or
- (b) on December 31, 2013 in the event that the Proposed Agreement is not executed by December 31, 2013 unless such date is extended by mutual agreement.

**ARTICLE VIII
GENERAL**

8.1 Confidentiality

The Parties acknowledge and agree that: (1) this Term Sheet and all information disclosed by either Party to the other Party pursuant to this Term Sheet shall be deemed to be “Proprietary Information” as that term is defined in the Mutual Non-Disclosure Agreement; and (2) the provisions of the Mutual Non-Disclosure Agreement are incorporated herein by reference and form an integral part hereof. Notwithstanding such provision, MP shall be allowed to provide information in its 2013 Integrated Resource Plan (MPUC Docket No. E015/RP-13-53) related to the existence of this Term Sheet so long as MP does so under protections of confidentiality.

8.2 Effect of Term Sheet

This Term Sheet contains an outline of principal terms of the Proposed Transaction only and, except for Sections 7.1, 7.2 and 8.1 and 8.6 inclusive (collectively, the “**Binding Obligations**”) shall not be legally binding upon either Party hereto. It is expressly agreed and acknowledged that, with the exception of the Binding Obligations, no agreement has been reached by the Parties. Accordingly, except for the Binding Obligations, if for any reason whatsoever the Proposed Transaction is not consummated, neither Party hereto shall be entitled to any form of relief whatsoever, including, without limitation, injunctive relief or damages. The Binding Obligations shall be legally binding upon and enforceable against the Parties and their successors and permitted assigns and shall survive the termination of this Term Sheet.

8.3 Authority

Each Party represents and warrants that it is duly authorized and has all necessary power and authority to execute and deliver this Term Sheet and to perform its obligations hereunder.

8.4 Assignment

Neither Party may transfer or assign its rights or obligations hereunder without the prior written consent of the other Party.

8.5 Relationship

This Term Sheet does not create any agency, partnership or joint venture relationship between the Parties.

8.6 Counterparts

This Term Sheet may be signed in two or more counterparts, any one of which need not contain the signature of more than one party, but all such counterparts taken together will constitute one and the same agreement.

AND WITNESS WHEREOF the Parties have caused this Term Sheet to be signed as of the Effective Date.

The Manitoba Hydro-Electric Board

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

By: _____
A.D. Cormie
Division Manager
Power Sales & Operations

By: _____
Alan R. Hodnik
Chairman, President and CEO

I Have Authority to Bind
The Manitoba-Hydro Electric Board

I Have Authority to Bind
ALLETE, Inc.

**APPENDIX A TO THE TERM SHEET MADE BETWEEN
MINNESOTA POWER AND THE MANITOBA HYDRO-ELECTRIC BOARD
MADE AS OF THE EFFECTIVE DATE**

DEFINED TERMS

“**Additional Energy**” shall have the meaning set forth in Section 2.2(1)(b).

“**Adverse Water Conditions**” [TRADE SECRET BEGIN

TRADE SECRET END]

“[TRADE SECRET BEGIN **Environmental Attributes**” shall mean Environmental Attributes determined by MH to be from that portion of the MWh of Energy that was: (a) Supplied Energy; and (b) allocated or determined by MH, only for the purpose of allocating and transferring Environmental Attributes, to be sourced from those [TRADE SECRET BEGIN TRADE SECRET END].

“**Ancillary Services**” shall mean those ancillary services as currently defined under the Tariff as well as those other reasonably similar services and products that may be included under the Tariff or an applicable OATT from time to time, which are associated, directly or indirectly, with Use Limited System Capacity and Energy and/or the transmission of Energy.

“**Binding Obligations**” shall have the meaning set forth in Section 8.2.

“**Capacity Price**” shall have the meaning set forth in Section 5.1.

“**Contract Term**” shall mean May 1, 2015 through to May 31, 2020.

“**Contract Year**” shall mean a twelve (12) month period beginning June 1 and continuing to May 31 of the following calendar year with the exception of the first Contract Year which shall mean the thirteen (13) month period beginning May 1, 2015 continuing to May 31, 2016.

“**Contingency Reserves**” shall have the meaning set forth in the North American Electric Reliability Corporation Glossary of Terms.

“**Contingency Reserves Emergency Energy**” shall mean the energy required to be supplied by MH pursuant to a North American Electric Reliability Corporation Contingency Reserve obligation.

“**Day-Ahead Energy and Operating Reserve Market**” shall have the meaning set forth in the Tariff.

[TRADE SECRET BEGIN

TRADE

SECRET END]

“**Delivery Point**” shall have the meaning set forth in Section 2.3.

“**Effective Date**” shall mean May 29, 2013.

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

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

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

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

“**Firm Energy**” shall have the meaning set forth in Section 2.2(1)(a).

“**Firm Energy Price**” shall have the meaning set forth in Section 5.2(1).

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

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

“**Force Majeure**” shall mean an event or circumstances that prevents one Party from performing its obligations under this Proposed Agreement that is not within the reasonable control of, or the result of the negligence of, the claiming Party, and that, by the exercise of good utility practice, the claiming Party is unable to overcome or avoid or cause to be avoided, including but not restricted to, acts of God, [TRADE SECRET BEGIN

TRADE SECRET

END] strikes, lockouts and other industrial disturbances, epidemics, war (whether or not declared), blockades, acts of public enemies, acts of sabotage or terrorism, civil insurrection, riots and civil disobedience, explosions, acts or omissions of any governmental authority taken after the Effective Date (including the adoption or change in any law or regulation or environmental constraints lawfully imposed by such governmental authority) but only if such

action or inaction by such governmental authority prevents or delays performance and renders the Party unable, despite due diligence, to obtain any licenses, permits, or approval required by any governmental authority, and the issuance of any order, injunction, or other legal or equitable decree interfering with the performance of a Party’s obligations hereunder. Force Majeure shall not be based on: (a) the loss of MP’s markets; (b) MP’s inability to economically use or resell the capacity and energy supplied to it under the Proposed Agreement; or (c) MH’s ability to sell the capacity and energy supplied by it under the Proposed Agreement at a price greater than the prices provided for in the Proposed Agreement.

[TRADE SECRET BEGIN

TRADE SECRET END]

[TRADE SECRET BEGIN

TRADE SECRET END]

“**Locational Marginal Price**” shall have the meaning set forth in the Tariff.

“**Market**” or “**Markets**” shall mean:

- (a) a centrally operated structure or structures bringing together buyers and sellers to facilitate the exchange of wholesale electricity products and/or related services; and/or
- (b) the wholesale purchase and sale of electricity products and/or related services on a bilateral basis.

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

“**MH’s End-Use Load**” shall mean: (a) the total load of Persons that purchase electric service from MH for their own consumption in the province of Manitoba and not for resale including any portion of that Person’s load that may from time to time not be supplied by MH but may be produced by that Person; and (b) certain sales to Persons located in provinces and states adjacent to the province of Manitoba in circumstances whereby electric service to those locations is not otherwise readily available from other power suppliers or becomes separated due to forced outages, planned outages, or scheduled outages by the applicable Transmission Provider, from the said province or state adjacent to the province of Manitoba and requires electric service to be provided by MH until electric service is restored.

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

“**MH’s Energy Resources**” shall mean [TRADE SECRET BEGIN

TRADE SECRET END].

“**MH’s System**” shall mean MH’s electrical generation facilities that are either owned and operated or operated by MH and capacity and/or energy, purchased by MH from Persons, including from Markets outside the province of Manitoba.

“**Must Offer Energy**” shall be 50 MWh per hour of either Firm Energy or Additional Energy offered by MH pursuant to Section 3.2 hereof for the MISO Peak Load of each day during the Contract Term.

“**Mutual Non-Disclosure Agreement**” shall mean the mutual non-disclosure agreement entered into by the Parties as of November 10, 2011.

“**MISO**” shall mean the Midcontinent Independent System Operator, , Inc. or its successor.

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

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

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

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

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

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

“**Priority Criteria**” shall have the meaning set forth in Section 3.3(4).

“**Proposed Agreement**” shall have the meaning set forth in Section 1.1.

“**Real-Time Energy**” shall have the meaning set forth in Section 2.2(1)(c).

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

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

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

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“**Supplied Energy**” shall mean that portion of Energy that was, pursuant to the Proposed Agreement, supplied and sold by MH attributable to MH’s Energy Resources and for greater certainty shall not include any amount of Energy that was curtailed.

“**Tariff**” shall mean the Open Access Transmission, Energy and Operating Reserve Markets FERC Electric Tariff, including all schedules and attachments thereto, of the Midcontinent Independent System Operator , Inc. issued on July 11, 2012 as amended, supplemented, or replaced from time to time.

“**Transfer System**” shall mean the system used by MH to track and transfer Environmental Attributes.

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

“**Use Limited System Capacity**” shall mean a capacity resource, that due to design considerations, environmental restrictions on operations, cyclical requirements, such as the need to recharge or refill, or for other non-economic reasons, is unable to operate continuously on a daily basis, but is capable of providing energy for a minimum of four (4) continuous hours of each day during the expected peak load of the system operator to which the purchaser belongs

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during the term of the Proposed Agreement. For greater certainty Use Limited System Capacity does not include any generation reserves.

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