REVENUE SHARING AGREEMENT

This Revenue Sharing Agreement ("Agreement") is made and entered into as of the 1st day of May, 2017, by and between Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., a Delaware corporation ("MDU"); Basin Electric Power Cooperative ("Basin Electric"), a cooperative organized under the laws of the state of North Dakota; and any successors thereof, which are referred to herein collectively as "Parties" and singularly as "Party," with respect to the allocation of certain transmission revenues that the Midcontinent Independent System Operator, Inc. ("MISO") distributes to the MDU pricing zone, hereinafter referred to as "MDU Zone", and charges for (1) transmission services and (2) payments among the Parties for network use of each other's transmission facilities in the MDU Zone that are not billed by MISO.

WITNESSETH:

WHEREAS, MDU is a Transmission Owning Member of MISO and owns certain transmission facilities in the MDU Zone; and

WHEREAS, Basin Electric became a MISO Transmission Customer in the MDU Zone on January 1, 2016 and is taking transmission service under the MISO Open Access Transmission, Energy and Operating Reserves Markets Tariff ("Tariff"); and

WHEREAS, CPEC, East River, and Upper Missouri own transmission facilities in the MDU Zone and, via certain lease agreements, effectively have assigned any rights to transmission revenues recovered for such facilities to Basin Electric; and

WHEREAS, Basin Electric owns or leases transmission facilities in the MDU Zone and receives consideration for such ownership and/or ownership rights via the provisions of Section 30.9 of the MISO Tariff which result in CPEC, East River, and Upper Missouri facilities being included in the annual revenue requirement for the MDU Zone; and

WHEREAS, the revenue requirements for each Party's transmission facilities in the MDU Zone are included in the MISO transmission service rates for the MDU Zone; and

WHEREAS, MISO collects revenues for a pricing zone and remits those revenues to a single Transmission Owner regardless of the number of Transmission Owners within that zone; and

WHEREAS, MISO distributes all revenues to MDU for the MDU Zone; and

WHEREAS, this Agreement addresses the allocation of MISO revenues for the MDU Zone among the Parties; and

WHEREAS, for the purposes of this Agreement, Basin Electric represents Central Power Electric Cooperative ("CPEC"), a cooperative organized under the laws of the state of

North Dakota; East River Electric Power Cooperative ("East River"), a cooperative organized under the laws of the state of South Dakota; and Upper Missouri Power Cooperative ("Upper Missouri"), a cooperative organized under the laws of Montana with respect to certain transmission facilities in the MDU Zone; and

WHEREAS, CPEC, East River, and Upper Missouri have assigned operational control of their transmission facilities in the MDU Zone to Basin Electric by way of a Lease Assignment Agreement that shall remain in effect until their termination provisions are invoked; and

WHEREAS, Basin Electric accepts the populated Attachment O provided to MISO by CPEC, East River, and Upper Missouri on an annual or more frequent basis

WHEREAS, MISO does not bill CPEC, East River, or Upper Missouri as a transmission customer who has assigned their transmission facilities in the MDU Zone to Basin Electric; and

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I - DEFINITIONS

Capitalized terms used in this Agreement without other definitions will have the meanings set forth below or, if not set forth below, as defined in the Tariff:

Agreement: This Revenue Sharing Agreement, including any attachments hereto, or amendments thereof.

Annual Transmission Revenue Requirement ("ATRR"): The Annual Transmission Revenue Requirement for each Party's facilities in the MDU Zone, as reflected in that Party's Attachment O.

Attachment O: Attachment O of the Tariff.

FERC or **Commission:** The Federal Energy Regulatory Commission or its successor.

FPA: The Federal Power Act, 16 U.S.C. §§ 791a-825r, *as amended by* Pub. L. No. 109-58, 119 Stat 594 (2005).

Governmental Authority: Any court, tribunal, agency, commission, or similar governing entity having jurisdiction over the applicable Party or subject matter.

MDU Zone: Zone 15 of Schedule 9 of the Tariff, which includes transmission facilities owned by the Parties hereto or facilities for which all rights to receive revenues which have been assigned to a Party.

Parties: The signatories to this Agreement, including any entities that become signatories pursuant to Section 6.2 of this Agreement.

Revenue Share: The revenues to which each Party is entitled as calculated on a monthly basis.

Tariff: The Open Access Transmission, Energy and Operating Reserves Markets Tariff for the Midwest Independent Transmission System Operator, Inc. on file with the Commission as MISO FERC Electric Tariff, Fourth Revised Volume No. 1, or any successor tariff.

Transmission Owner: A signatory to the MISO Agreement that meets the criteria for the term "Owner" set forth therein.

Transmission Owners' Agreement or MISO Agreement: Agreement of Transmission Facilities Owners to Organize the Midcontinent Independent System Operator, Inc., a Delaware Non-Stock Corporation, on file with the FERC as Midcontinent Independent System Operator, Inc. FERC Electric Tariff, Rate Schedule No. 1, or any successor agreement.

Transmission Facilities: These facilities shall include (i) all Parties' non-radial facilities at or above 41.6 kilovolts (hereinafter "kV") and (ii) all non-radial transformers where the two (2) highest voltages qualify under the voltage criteria of item (i) above.

ARTICLE II - RELATIONSHIP BETWEEN MISO AND THE PARTIES

2.1 As the Tariff administrator and independent operator of a regional transmission system that includes the facilities in the MDU Zone, MISO distributes all revenues in the MDU Zone to MDU.

ARTICLE III - REVENUE DISTRIBUTION METHOD

3.1 **Periodic Calculations.** On an annual basis, or as otherwise necessary to reflect changes to facilities values or ATRRs, the Parties will update their respective Attachment O templates per the Tariff.

3.2 **Monthly Calculations.** The following computations will be made on a monthly basis:

(a) **Monthly ATRR.** One twelfth (1/12) of the annual ATRR for each Party.

(b) **Monthly Schedule 9 Billing.** Monthly Schedule 9 billing for each Party in the MDU Zone.

3.3 **Monthly Payments.** The following payments will be made on a monthly basis:

(a) **Basin Electric Revenue Payment.**

(i) MDU will pay Basin Electric the lesser amount of the Basin Electric Monthly ATRR or its Monthly Schedule 9 Billing in the MDU Zone. Basin Electric shall be responsible for determining, and paying or crediting, any distribution to CPEC, East River, and Upper Missouri that may be applicable.

(ii) Basin Electric cannot receive Monthly ATRR payments from the MDU Zone for Section 30.9 facilities under the Tariff greater than the value of its Monthly Schedule 9 transmission bill from the MDU Zone. There is no carryover provision in this Agreement for any excess Monthly ATRRs above a transmission customer's Monthly Schedule 9 transmission billing amount from the MDU Zone.

(b) **Timing of Monthly Payments.** MDU shall make payments to Basin Electric within 10 days of receiving revenues from MISO related to the MDU Zone.

3.4 **Data and Records Requirements.** MDU will maintain records substantiating all revenues that it allocates, distributes, or receives under this Agreement. Basin Electric will maintain records substantiating all information they provide to MDU and documenting all amounts that they pay or receive under this Agreement. The records maintained by all Parties pursuant to this Section 3.4 shall be subject to the audit requirements of Section 8.9.

3.5 **Billing Errors.** The Parties shall be obligated to disclose to each Party any known, identified, or potential billing error(s) within 10 business days of the potential error being identified. The Parties agree that any such billing error, once validated, shall be settled retroactively to the start of the error or 12 calendar months from the date MDU is notified (or notifies the Parties) in writing of the error, whichever is shorter. Interest (calculated in accordance with the FERC's regulations at 18 C.F.R. § 35.19a) shall be applicable to the retroactive payments for billing errors that are settled per the terms of this provision.

ARTICLE IV - TERM AND WITHDRAWAL

4.1 **Effective Date.** The allocation and distribution of revenues set forth in Article III of this Agreement will be deemed effective in the following manner:

(a) The calculation of Imputed Transmission Charge and Monthly Network Revenue will be deemed effective as of the effective date approved by FERC for all Parties having an Attachment O approved by MISO; and

(b) The calculation of zonal ATRRs will be deemed effective as of the date approved by FERC for all Parties having an Attachment O approved by MISO.

4.2 **Termination.** This Agreement will remain in effect for two years after the date of its execution and continue thereafter so long as the rates for service under the Tariff in the MDU Zone are zonal-based rates. Starting on the second anniversary of the execution of this

Agreement, any Party may terminate its participation in this Agreement by providing two (2) years' prior written notice of its intent to terminate.

4.3 **Withdrawal from MISO.** Notwithstanding the requirements of Section 4.2, upon one (1) year's prior written notice to the other Parties, a Party may withdraw from this Agreement if such Party is withdrawing from MISO. Up to and after its withdrawal, the withdrawing Party will be entitled to receive, or obligated to pay, revenues in accordance with Article III for the period up to its withdrawal. All of the withdrawing Party's other rights and obligations hereunder will terminate upon withdrawal, subject to financial settlement for the period ending on the date of termination. Nothing in this Agreement will be construed as affecting the rights of any Party hereto to: (i) unilaterally make an application to FERC to withdraw from MISO; or (ii) challenge such withdrawal from MISO by any other Party.

4.4 **Material Changes to MISO Tariff.** In the event that the Commission approves a change to the MISO Tariff that has a material impact in the sole judgment of the affected Party on the revenue-sharing provisions in Article III of this Agreement, the Parties shall negotiate in good faith to amend this Agreement. If the Parties are unable to reach agreement on amendments to this Agreement, any Party may terminate its participation in the Agreement upon one year's prior written notice to the other Parties.

ARTICLE V - OTHER TARIFF SCHEDULES AND CHARGES

5.1 **Revenues Collected Pursuant to Other Tariff Schedules.** Unless specifically addressed by this Agreement, revenues collected by MISO pursuant to Tariff Schedules that are in effect at the time of execution of this Agreement, but are not explicitly referenced in this Agreement, will not be distributed under this Agreement. In the event that the Commission approves new Schedules to the Tariff which result in additional revenues being collected based on transmission investment and distributed to MDU in part on behalf of the other Parties, the Parties will negotiate in good faith to establish an equitable methodology for allocation of revenues collected thereunder, applying the principles established by this Agreement.

ARTICLE VI - AMENDMENT AND NEW PARTIES

6.1 **Amendment.** This Agreement may be amended only by a written instrument duly executed by all of the Parties. No modification to any of the provisions herein will be binding on any of the Parties unless approved in writing by all of the Parties.

6.2 **New Parties.** In order to share in distribution of revenues on a comparable basis with the other Parties to this Agreement, a new Transmission Owner in the MDU Zone may become a Party to this Agreement, as amended to include such new Party by written agreement of all Parties hereto.

ARTICLE VII - DISPUTE RESOLUTION

7.1 **Dispute Resolution Process.** Any dispute or controversy relating to this

Agreement shall be referred to one or more designated representative(s) of each affected Party for resolution on an informal basis as promptly as practicable. Any Party may initiate this process by providing written notice of the dispute to the other Parties. In the event that the Parties are unable to resolve the dispute within sixty (60) days of such written notice, the dispute may be referred to formal alternative dispute resolution processes if mutually agreeable to the Parties. If no satisfactory resolution is reached, the processes set forth in this provision will terminate. Thereafter, such dispute or controversy may be submitted to any Governmental Authority having jurisdiction under applicable law.

7.2 **Reimbursement.** Any amounts owed by any Party upon the resolution of a dispute shall be paid within ten (10) days following resolution of that dispute, including interest from the original due date at a rate equal to the FERC Electric Interest Rate, unless otherwise agreed by the Parties.

ARTICLE VIII - MISCELLANEOUS PROVISIONS

8.1 **Descriptive Headings.** The descriptive headings in this Agreement have been inserted for convenience of reference and shall not affect the construction of this Agreement.

8.2 **Governing Law and Venue.** This Agreement shall be interpreted and enforced according to the laws of the State of North Dakota, except to the extent preempted by the laws of the United States of America. Any action arising hereunder that involves questions of state law shall be instituted and litigated in the courts of North Dakota.

8.3 **Successors and Assigns.** This Agreement shall inure to the benefit of, and be binding upon, the Parties' successors and assigns.

8.4 **Delivery of Notices.** Notices required under this Agreement shall be in writing, and shall be sent by certified mail/return receipt requested, overnight courier, or other reliable and verifiable means. Any notice required under this Agreement will be deemed to have been given either:

(a) Upon delivery, if sent by certified mail/return receipt requested or overnight courier; or

(b) Upon confirmation, if given by other reliable means.

8.5 **Entire Agreement; Non Waiver.** This Agreement, including any attachments hereto, constitutes the entire agreement among the Parties with respect to the subject matter of this Agreement, and its interpretation shall not be affected by previous or contemporary oral or written representations made by any Party unless such representations are contained in this Agreement. Waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure

8.6 **Counterparts**. This Agreement may be executed in counterparts, all of which will constitute one agreement and will have the same force and effect as an original instrument.

8.7 **Section 206 Right.** Each Party will retain all rights it may have pursuant to Section 206 of the Federal Power Act., 16 U.S.C. § 824e, *amended by* Pub. L. No. 109-58, §§ 1285-86, 119 Stat. 594, 980-81 (2005).

8.8 **Section 205 Right.** During the term of this Agreement, the provisions hereof will not be subject to any changes pursuant to the provisions of Section 205 of the Federal Power Act, 16 U.S.C. § 824d, absent the agreement of all Parties hereto. The standard of review for any changes other than those expressly provided for herein will be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.,* 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.,* 350 U.S. 348 (1956).

8.9 **Audits.** The Parties will maintain and retain for six (6) years the books and records needed to substantiate the calculations performed pursuant to Article III, and all data substantiating allocation of revenues or costs under this Agreement. Any Party may conduct, at its own expense, audits of any other Party's books and records that relate to this Agreement. Such audits will be conducted at reasonable, mutually agreed-upon times, and the Parties will cooperate in good faith to effectuate such audits.

8.10 **Regulatory Approval.** This Agreement is subject to regulatory approval by FERC. In the event that FERC disapproves or refuses to accept this Agreement in whole or in part, this Agreement will cease to be effective, except that the Parties will be obligated to attempt expeditiously and in good faith to negotiate a substitute agreement that addresses the reasons for such refusal or disapproval. In negotiating a substitute agreement, no Party will be required to accept any change that would reasonably be expected to reduce its expected economic benefit from the transaction.

8.11 **Limitations.** Nothing contained herein shall be construed to create an association, joint venture, trust, or partnership. Each Party will remain liable for its share of charges or assessments incurred under the Tariff or MISO Agreement, including congestion costs, lost revenue charges, exit fees and comparable costs.

8.12 **Indemnification.** Each Party shall indemnify and save each other Party harmless from all damages, losses, claims, costs, legal fees, and/or expenses for injury to or death of any person, or damage to any property, resulting from the operation of facilities controlled by it within the MDU Zone, unless and to the extent caused by the negligence or intentional wrongdoing of one of the other Parties.

IN WITNESS THEREOF, the Parties, by their duly authorized agents, have hereunder executed this Agreement.

MONTANA-DAKOTA UTILITIES CO.,
A DIVISION OF MDU RESOURCES GROUP, INC.

By: ______________________________
Jay Skabo
Vice President Electric Supply

Basin Electric Power Cooperative

By: ______________________________
David Raatz
Senior Vice President Resource Planning