

INTERCONNECTION AND OPERATING AGREEMENT

between

ALLETE, INC., doing business as MINNESOTA POWER,

SQUARE BUTTE ELECTRIC COOPERATIVE,

and the

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

Dated as of August 11, 2008

As Amended on December 4, 2009

TABLE OF CONTENTS

ARTICLE 1	DEFINITIONS.....	8
1.1	“Abnormal Condition”	8
1.2	“Affiliate”	8
1.3	“Agreement”	8
1.4	“Arrowhead Substation”	8
1.5	“Balancing Authority”	8
1.6	“Balancing Authority Agreement”	8
1.7	“Balancing Authority Area”	9
1.8	“Claims”	9
1.9	“Closing”	9
1.10	“Confidential Information”	9
1.11	“Critical Energy Infrastructure Information”	10
1.12	“DC Line”	10
1.13	“DC Substation”	10
1.14	“DC Transmission Facilities”	10
1.15	“Effective Date”	10
1.16	“Emergency”	10
1.17	“Environmental Claim”	10
1.18	“Environmental Law”	10
1.19	“FERC”	10
1.20	“Final Points of Interconnection”	10
1.21	“Force Majeure”	10
1.22	“Good Utility Practice”	11
1.23	“Governmental Authority”	11
1.24	“In-Service Date”	11
1.25	“Indemnified Party”	11
1.26	“Indemnifying Party”	11
1.27	“Initial Points of Interconnection”	11
1.28	“Interconnection Facilities”	11
1.29	“Investment Grade Credit Rating”	11
1.30	“MAPP”	11
1.31	“Midwest ISO”	12
1.32	“Midwest ISO Tariff”	12
1.33	“Minnesota Power Transmission System”	12
1.34	“Minnkota”	12
1.35	“Modifications”	12
1.36	“NERC”	12
1.37	“O & M Agreement”	12
1.38	“Operating Committee”	12
1.39	“Operational Change”	12
1.40	“Point(s) of Interconnection”	12
1.41	“Qualified Personnel”	12

TABLE OF CONTENTS

(continued)

1.42	“RRO/RE”	13
1.43	“Reasonable Efforts”	13
1.44	“Regulated Materials”	13
1.45	“Regulatory Requirements”	13
1.46	“Reliability Coordinator”	13
1.47	“Reliability Coordinator Area”	13
1.48	“Reliability Requirements”	13
1.49	“SCADA”	13
1.50	“Square Butte AC Substation-East”	13
1.51	“Square Butte AC Substation-West”	14
1.52	“Square Butte Transmission System”	14
1.53	“Substation Assets”	14
1.54	“Transition Period”	14
1.55	“Transmission-Ownning Party (or Parties)”	14
1.56	“Unit #2”	14
ARTICLE 2	EFFECTIVE DATE AND CONDITIONS PRECEDENT	14
2.1	Effective Date	14
2.2	Regulatory Filing	14
2.3	Filing of Modifications to the Agreement	14
2.4	Term	15
ARTICLE 3	PURPOSE AND SCOPE	15
3.1	Purpose	15
3.2	Operating Committee	15
3.3	Functions of the Committee	16
3.4	Minnkota Term Limit	17
ARTICLE 4	SYSTEM INTERCONNECTIONS	17
4.1	Interconnections	17
ARTICLE 5	OPERATIONS AND MAINTENANCE	17
5.1	Parties’ Obligations	17
5.2	Switching, Tagging, and Lockout Rules	17
5.3	Ratings	18
5.4	Maintenance	18
5.5	Preventive and Corrective Maintenance Outages	18
5.6	Inspections and Testing	19
5.7	Disconnection	19
5.8	Planned Outage	19
5.9	Personnel Access Rights	20
5.10	Supervision	20
5.11	Coordination	20

TABLE OF CONTENTS

(continued)

ARTICLE 6	OPERATING REQUIREMENTS	20
6.1	Balancing Area.....	20
6.2	Reactive Power Requirements	20
6.3	Communications	21
6.4	Remote Terminal Unit	21
6.5	Reliability Requirements	21
6.6	Outages	21
6.7	Outage Schedules.....	22
6.8	Subsynchronous Resonance.....	22
6.9	Common Bus Usage	22
6.10	Special Protection	22
ARTICLE 7	EMERGENCIES.....	22
7.1	Generally.....	22
7.2	Notice.....	22
7.3	Immediate Action.....	23
7.4	Abnormal Conditions.....	23
ARTICLE 8	MODIFICATIONS OR OPERATIONAL CHANGES.....	23
8.1	Generally.....	23
8.2	Notice.....	23
8.3	Cooperation.....	24
8.4	Cost Responsibility	24
ARTICLE 9	DOCUMENTATION AND INFORMATION REPORTING	24
9.1	Information Reporting Obligations.....	24
ARTICLE 10	METERING AND TELEMETERING	24
10.1	Metering and Telemetering Equipment	24
ARTICLE 11	ASSIGNMENT.....	25
11.1	Successors and Assigns.....	25
11.2	Consent Required.....	25
11.3	Assignment in Event of Merger or for Financing.....	25
11.4	Party to Remain Responsible	26
11.5	Termination of Corporate Existence	26
ARTICLE 12	FORCE MAJEURE	26
12.1	Effect of Force Majeure	26
ARTICLE 13	LIABILITY, INDEMNIFICATION AND INSURANCE	27
13.1	Indemnification	27
13.2	Environmental Indemnification	27
13.3	Procedure on Indemnification.....	28
13.4	Limitation on Damages.....	29
13.5	Risk of Loss	29
13.6	No Personal Liability	29
13.7	Insurance	29

TABLE OF CONTENTS
(continued)

13.8	Survival	30
13.9	Limitation on Midwest ISO's Liability	30
ARTICLE 14	BREACH, CURE AND DEFAULT	30
14.1	Breach	30
14.2	Events of Breach	30
14.3	Continued Operation	31
14.4	Cure and Default	31
ARTICLE 15	TERMINATION OF INTERCONNECTION SERVICE	32
15.1	Termination	32
15.2	FERC Approval	32
15.3	Survival of Rights	32
ARTICLE 16	LABOR RELATIONS	32
16.1	Notification of Labor Dispute	32
ARTICLE 17	SUBCONTRACTOR	32
17.1	Generally	32
17.2	Responsibility of Principal	33
17.3	No Limitation by Insurance	33
ARTICLE 18	CONFIDENTIALITY	33
18.1	Nondisclosure	33
18.2	Standard of Care	33
18.3	Use of Confidential Information	33
18.4	Damages	33
18.5	Survival	34
18.6	FERC Standards of Conduct	34
ARTICLE 19	ALTERNATE DISPUTE RESOLUTION	34
19.1	Dispute Resolution	34
19.2	Mediation	34
19.3	Arbitration	34
ARTICLE 20	NOTICES AND COMMUNICATIONS	35
20.1	Notices; Delivery	35
20.2	Changes	36
20.3	Initial Notice; Written Confirmation	36
ARTICLE 21	MISCELLANEOUS PROVISIONS	36
21.1	General	36
21.2	Governing Law	37
21.3	Regulatory Approval	37A
21.4	Relationship of the Parties	37A
21.5	No Third Party Rights	37A
21.6	Waiver	37A
21.7	Failure to Enforce	37A
21.8	Amendment Modification	37B

TABLE OF CONTENTS
(continued)

21.9	Severability	37B
21.10	Headings and Captions	37B
21.11	Further Assurances.....	37B
21.12	Entire Agreement.....	37B
21.13	Rights Cumulative	37B
21.14	Counterparts.....	37B
APPENDIX A	POINTS OF INTERCONNECTION.....	39
APPENDIX B	DRAWINGS	40
APPENDIX C	METERING.....	42
APPENDIX D	EMERGENCY COMMUNICATIONS.....	43
APPENDIX E	APPLICABLE RRO/RE.....	44
APPENDIX F	MUTUAL SUPPORT SERVICES	45

INTERCONNECTION AND OPERATING AGREEMENT

THIS INTERCONNECTION AND OPERATING AGREEMENT (“Agreement”), dated as of August 11, 2008, is entered into by and among ALLETE, Inc. doing business as MINNESOTA POWER, a Minnesota corporation (hereinafter “Minnesota Power”), and SQUARE BUTTE ELECTRIC COOPERATIVE, a North Dakota electric cooperative corporation (hereinafter “Square Butte”), as amended on December 4, 2009 and entered into by and among Minnesota Power, Square Butte, and the Midwest ISO, as defined in section 1.31 of this Agreement. Minnesota Power and Square Butte are referred to herein individually as “Party,” and collectively, as “Parties.”

WHEREAS:

Square Butte is the owner of alternating current transmission facilities in the Square Butte AC Substation-West which are not under the functional control of Midwest ISO; and

Minnesota Power is the owner of alternating current transmission facilities in the Square Butte AC Substation-East which are not subject to the functional control of the Midwest ISO and which are necessary for the operating of the DC Transmission Facilities; and

Minnesota Power and Square Butte entered into this Interconnection and Operating Agreement on August 11, 2008; and

The Midwest ISO is approved to administer transmission service over the Minnesota Power Transmission System, including the DC Transmission Facilities pursuant to an agency agreement accepted by FERC in *Midwest Indep. Transmission System Operator, Inc. and ALLETE, Inc.*, 129 FERC ¶ 61,172 (2009); and

Square Butte owns and operates Milton R. Young Unit #2 generation proximate to the Points of Interconnection which is interconnected to the Square AC Butte Substation-West; and

Minnesota Power and Square Butte for the purpose of operating a reliable interconnection, have agreed to execute this Agreement in order to establish the requirements, terms, and conditions for the interconnection and operation of the Square Butte Transmission System, Unit #2 and the Minnesota Power Transmission System, and to define the continuing responsibilities and obligations of the Parties and the Midwest ISO with respect thereto; and

Square Butte and Minnesota Power have the Points of Interconnection described in **Appendix A** to this Agreement and to establish additional Points of Interconnection whenever mutually beneficial; and

Minnesota Power is a party to a regional Balancing Authority Agreement; and

The Parties agree to cooperate and execute their respective obligations and responsibilities under this Agreement in good faith; and

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

The Federal Energy Regulatory Commission (“FERC”) has requested that the Parties amend this Agreement to include the Midwest ISO as a signatory in order to ensure that the Midwest ISO is kept fully apprised of the matters addressed herein and so that the Midwest ISO may be kept aware of any reliability and planning issues that may arise.

NOW THEREFORE, in consideration of the mutual representations, covenants, and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

Wherever used in this Agreement with initial capitalization, the following terms shall have the meanings specified or referred to in this **Article 1**.

- 1.1 “Abnormal Condition” shall mean any condition on the Square Butte Transmission System or on the Minnesota Power Transmission System, or the transmission systems of other utilities, which is outside normal operating parameters such that facilities are operating outside their normal ratings or reasonable operating limits have been exceeded but which has not resulted in an Emergency. An Abnormal Condition may include, but is not limited to, high or low deviations in voltage, frequency, power flow, equipment temperature, equipment pressures, and other equipment and operating parameters.
- 1.2 “Affiliate” shall mean, with respect to a corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.
- 1.3 “Agreement” shall mean this Interconnection and Operating Agreement by and among Square Butte, Minnesota Power, and the Midwest ISO as a signatory, including all appendices attached hereto, as the same may be amended, supplemented, revised, altered, changed or restated in accordance with its terms.
- 1.4 “Arrowhead Substation” means that Minnesota Power 230/115 kV transmission substation near Duluth, Minnesota where the DC Line has its terminus and point of interconnection.
- 1.5 “Balancing Authority” shall mean the entity responsible to maintain resource to load interchange balance within a Balancing Authority Area and supports interconnection and frequency in real-time.
- 1.6 “Balancing Authority Agreement” shall mean the Agreement between Midwest ISO and the Balancing Authorities within the Midwest ISO approved by FERC by its Order Approving Contested Settlement issued February 18, 2005 in Midwest Independent Transmission System Operator, Inc., 110 FERC ¶ 61,177 and any amendments, modifications or superseding agreements thereto which have been approved by FERC.

- 1.7 “Balancing Authority Area” shall mean the collection of resources, transmission system, and loads within the metered boundaries of Balancing Authority.
- 1.8 “Claims” shall have the meaning set forth in **Section 13.1**.
- 1.9 “Closing” shall mean the closing on the sale of the DC Transmission Facilities and related assets under that certain Asset Purchase Agreement dated as of August 11, 2008 between the Parties.
- 1.10 “Confidential Information” shall mean a) any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, drawing, list, concept, customer information, policy or compilation relating to the present or planned business of a Party, which is designated as Confidential Information by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise or b) any Critical Energy Infrastructure Information. Confidential Information shall include, without limitation, all information relating to a Party’s technology, research and development, business affairs, and pricing, and any information supplied by a Party to another Party on a confidential basis prior to the execution of this Agreement. Confidential Information shall not include information that the receiving Party can demonstrate: (i) is generally available to the public other than as a result of a disclosure by the receiving Party; (ii) was in the lawful possession of the receiving Party on a non confidential basis before receiving it from the disclosing Party; (iii) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party, was under no obligation to the other Party to keep such information confidential; (iv) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; or (v) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or breach of this Agreement, or (vi) is required to be disclosed by any federal or state government or agency or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this Agreement held in a court or agency of competent jurisdiction; provided that (y) the Parties have entered into a protective order approved by such court or agency or (z) a binding nondisclosure agreement is in effect with the proposed recipient of any Critical Energy Infrastructure Information. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as Confidential Information notifies the other Party that such information no longer is confidential. Finally, for the purposes of this Agreement, information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential, provided, however, that this requirement shall not apply to information that is governed by FERC’s Critical Energy Infrastructure Information or Standards of Conduct rules and regulations.

- 1.11 “Critical Energy Infrastructure Information” shall mean information about a Party’s Interconnection Facilities or Transmission System which is classified as Critical Energy Infrastructure Information under Part 388 of FERC’s rules and regulations.
- 1.12 “DC Line” shall mean the \pm 250 kilovolt direct current transmission line from Center, North Dakota, to Duluth, Minnesota.
- 1.13 “DC Substation” means the Square Butte DC terminal, converters, filters and associated facilities adjacent to the Square Butte AC Substation-East where the DC Line begins, including the underlying property in fee simple absolute.
- 1.14 “DC Transmission Facilities” shall mean the DC Line and the Substation Assets.
- 1.15 “Effective Date” shall mean the effective date of this Agreement as determined pursuant to **Section 2.1** of this Agreement.
- 1.16 “Emergency” shall mean a condition or situation (a) that in the reasonable judgment of the Party making the claim is imminently likely to endanger, or is contributing to the endangerment of, life or property, or public health and safety, including the environment; or (b) that, in the case of a Party, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Square Butte Transmission System, the Minnesota Power Transmission System, or the electric systems of others to which the Parties are directly connected, including distribution systems.
- 1.17 “Environmental Claim” shall have the meaning set forth in **Section 13.2**.
- 1.18 “Environmental Law” shall mean the applicable laws or regulations relating to pollution or protection of the environment or natural resources.
- 1.19 “FERC” shall mean the Federal Energy Regulatory Commission or its successor.
- 1.20 “Final Points of Interconnection” shall mean those Points of Interconnection existing after the Transition Period.
- 1.21 “Force Majeure” shall mean any cause beyond the reasonable control of and without fault or negligence of the Party claiming Force Majeure, including but not limited to acts of God, strike, flood, earthquake, storm, fire, lightning, explosion, epidemic, war, riot, terrorism, civil disturbance, sabotage, changes in Applicable Laws and Regulations subsequent to the date hereof, and action or inaction by any Governmental Authority which, in any of the foregoing cases, by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of Good Utility Practice, it is unable to overcome.

- 1.22 “Good Utility Practice” shall mean any of the applicable practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment by a Party in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition, giving due regard to the requirements of governmental agencies having jurisdiction. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, methods, or acts generally accepted in the region as they may be applicable to the Parties as transmission system owners and/or operators. The term Good Utility Practice as used herein with respect to Minnesota Power’s obligations shall include compliance with the Midwest ISO Tariff.
- 1.23 “Governmental Authority” shall mean any federal, state, local, or other governmental agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating body or other governmental authority having jurisdiction over a Party.
- 1.24 “In-Service Date” shall mean the in-service date of the new Minnkota high voltage transmission line from Center to the Red River Valley of North Dakota.
- 1.25 “Indemnified Party” shall have the meaning set forth in **Section 13.1**.
- 1.26 “Indemnifying Party” shall have the meaning set forth in **Section 13.1**.
- 1.27 “Initial Points of Interconnection” shall mean those Points of Interconnection from the Effective Date until changed but not existing longer than the Transition Period.
- 1.28 “Interconnection Facilities” shall mean the equipment and other facilities installed and owned by either Square Butte or Minnesota Power on its respective side of a Point of Interconnection, which are necessary to interconnect the Square Butte Transmission System and the Minnesota Power Transmission System, including protection and control devices, and all other necessary connection switching, transmission, distribution, safety, engineering, communication and all other associated administrative facilities necessary to support the interconnection.
- 1.29 “Investment Grade Credit Rating” shall mean with respect to any Party (i) a rating on senior unsecured long term debt of “Baa3” or better from Moody’s or “BBB-” or better from S&P or investment grade as determined by another nationally recognized rating service and (ii) a net worth of at least fifty million dollars (\$50,000,000).
- 1.30 “MAPP” shall mean the Mid-Continent Area Power Pool, Regional Transmission Committee, its successors and assigns.

- 1.31 “Midwest ISO” shall mean the Midwest Independent Transmission System Operator, Inc., or its successor.
- 1.32 “Midwest ISO Tariff” shall mean that certain Open Access Transmission, Energy and Operating Reserve Markets Tariff on file with FERC and designated Midwest ISO’s FERC Electric Tariff Fourth Revised Volume No. 1, as it may be amended or superseded from time to time.
- 1.33 “Minnesota Power Transmission System” shall mean the DC Transmission Facilities and the Initial Points of Interconnection owned or controlled by Minnesota Power as they existed on the Effective Date of this Agreement, and as they may be extended, expanded, modified, reconfigured or changed thereafter.
- 1.34 “Minnkota” shall mean Minnkota Power Cooperative, Inc., a Minnesota cooperative corporation.
- 1.35 “Modifications” mean any material, new construction, additions, design changes or modifications made to, or the abandonment, retirement, relocation or rearrangement of, the Square Butte Transmission System or the Minnesota Power Transmission System at the Point of Interconnection, after the Effective Date of this Agreement.
- 1.36 “NERC” shall mean North American Electric Reliability Corporation or a successor electric reliability organization certified by the FERC.
- 1.37 “O & M Agreement” shall mean the Operation and Maintenance Services Agreement to be entered into between Minnesota Power (or its affiliate) and Minnkota upon the Closing.
- 1.38 “Operating Committee” shall mean the operating committee to administer this Agreement and to assist in the planning of services for the Parties described in **Sections 3.2 and 3.3** herein.
- 1.39 “Operational Change” shall mean any material change in the day-to-day routine, practices or procedures pertaining to the operation of either the Square Butte Transmission System or the Minnesota Power Transmission System, but excluding any change in connection with either a planned or unplanned outage or an Emergency.
- 1.40 “Point(s) of Interconnection” is the point, or points, at which Square Butte’s ownership of the Square Butte Transmission System ends and Minnesota Power’s ownership of the Minnesota Power Transmission System begins, as represented and described in each interconnection description included in **Appendix A** and located as shown in **Appendix B**.
- 1.41 “Qualified Personnel” shall mean those employees, contractors or agents of a Party that have the requisite knowledge, training and experience, in the judgment of the Party by

whom they are employed or retained, to perform a particular job, task or supervise the performance of a particular job or task.

- 1.42 “RRO/RE” shall mean the regional entity authorized by NERC and approved by FERC with delegated authority to establish and enforce Reliability Requirements and to engage in other reliability-related functions associated with the operation of the Parties’ respective Transmission systems. The RRO/RE to which each Party to this Agreement is presently subject is set forth in Appendix E.
- 1.43 “Reasonable Efforts” shall mean, with respect to an action required to be attempted or taken by a Party under this Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.
- 1.44 “Regulated Materials” shall have the meaning given in **Section 13.2**.
- 1.45 “Regulatory Requirements” shall mean any of the applicable practices, methods and acts required by FERC as implemented by NERC; applicable RRO/RE, or another entity having authority over the Parties with regard to the subject matter of this Agreement, or the successor of any of them.
- 1.46 “Reliability Coordinator” shall mean the entity responsible for the real time operating reliability of its Reliability Coordinator Area including situation awareness and wide-area view of neighboring Reliability Coordinator’s Areas. The Reliability Coordinator has authority to direct transmission and balancing operations in accordance with Regulatory Requirements and Reliability Requirements.
- 1.47 “Reliability Coordinator Area” shall mean the area for which the Reliability Coordinator has responsibility for generation demand balancing and directing transmission operators to maintain operating limits as required by applicable Reliability Requirements. The Reliability Coordinator to which the Parties to this Agreement are presently subject is set forth on Appendix E.
- 1.48 “Reliability Requirements” shall mean the reliability standards and requirements established by the RRO/RE or NERC and approved by FERC that relate to the reliable operation or maintenance of the Parties’ transmission facilities.
- 1.49 “SCADA” means supervisory control and data acquisition equipment.
- 1.50 “Square Butte AC Substation-East” shall mean that portion of the Square Butte 230 kV AC transmission substation at Center, North Dakota east of and including disconnect Switches No. 101 and No. 102 which contains Minnesota Power’s substation facilities and equipment necessary for the operation of the DC Line.

- 1.51 “Square Butte AC Substation-West” shall mean that portion of the Square Butte 230 kV AC transmission substation at Center, North Dakota west of disconnect Switches No. 101 and No. 102 which contains Square Butte’s 230 kV transmission substation facilities and equipment, including the control house owned by Square Butte which is located within the Square Butte 230 kV AC transmission substation east of disconnect Switches No. 101 and No. 102.
- 1.52 “Square Butte Transmission System” shall mean the substation facilities owned or controlled by Square Butte as a part of Unit #2 and in the Square Butte AC Substation-West as they existed on the Effective Date of this Agreement, and as may be extended, expanded, modified or changed thereafter.
- 1.53 “Substation Assets” means the substation assets necessary for operation of the DC Line located in the Arrowhead Substation, the Square Butte AC Substation-East and DC Substation.
- 1.54 “Transition Period” shall mean that period of time between the Effective Date and the In-Service Date or a reasonable amount of time beyond the In-Service Date mutually agreeable to the Parties.
- 1.55 “Transmission-Owning Party (or Parties)” shall mean Square Butte or Minnesota Power, individually; or Square Butte and Minnesota Power, collectively.
- 1.56 “Unit #2” shall mean Square Butte’s Milton R. Young Unit #2 located at Center, North Dakota and the interconnection facilities to the Square Butte Substation.

ARTICLE 2

EFFECTIVE DATE AND CONDITIONS PRECEDENT

- 2.1 Effective Date. This Agreement shall be subject to the condition precedent of, and shall become effective at 11:59 PM on the day of the Closing of the sale of the DC Transmission Facilities to Minnesota Power, subject to acceptance of this Agreement by FERC under Section 205 of the Federal Power Act, if applicable (“Effective Date”).
- 2.2 Regulatory Filing. The Parties agree to cooperate in the regulatory filing process. Minnesota Power shall tender this Agreement in a timely manner to FERC for filing as a rate schedule within the meaning of 18 C.F.R. Part 35. Square Butte shall reasonably cooperate with Minnesota Power with respect to such filing and to provide any supporting information, including the filing of testimony, reasonably requested by Minnesota Power, to comply with applicable laws and regulations.
- 2.3 Filing of Modifications to the Agreement. The Parties shall be responsible to administer this Agreement, including but not limited to, preparation and issuance of any modifications or amendments to the appendices to this Agreement. The Parties will make

any appropriate filings of such revisions to this Agreement or the appendices as required under applicable law and regulations.

- 2.4 Term. This Agreement shall run from the Effective Date for a term of 40 years and continue on thereafter unless terminated by either Party upon five (5) years written notice.

ARTICLE 3 PURPOSE AND SCOPE

- 3.1 Purpose. The purpose of this Agreement is to document Interconnection Facilities and Points of Interconnection and to the extent not otherwise addressed in another agreement between the Parties, to set forth the terms and conditions for the ownership, system interconnections, operation, maintenance, of the Interconnection Facilities and future Modifications thereto for the continuous closed interconnection and reliable operation of the Square Butte Transmission System and the Minnesota Power Transmission System and the coordination between the Parties relating to such operation, maintenance and interconnection of these individual transmission systems.
- 3.2 Operating Committee.
- 3.2.1 There is hereby established an Operating Committee (also referred to in this Agreement as the Committee) to administer this Agreement and exercise the functions specified in this Agreement and to perform such other duties as may from time to time be assigned to it in writing by the Parties.
- 3.2.2 The Operating Committee shall be comprised of four (4) members. Square Butte and Minnkota shall appoint, together, two authorized representatives to act as members of the Committee. Minnesota Power shall appoint two authorized representatives to act as members of the Committee. Each Party shall evidence such appointments by written notice to the other Party, and by similar notice, a Party may change its representatives on such Committee at any time.
- 3.2.3 The expenses of each member of the Committee shall be borne by the Party such member represents.
- 3.2.4 The Operating Committee shall hold regularly scheduled meetings on at least an annual basis and shall meet at other times upon call of any Party upon ten (10) days notice by any Party. Any regularly scheduled meeting of the Committee may be omitted but only by unanimous consent of all members thereof. The Parties shall cause their members of the Committee to schedule meetings promptly, to attend meetings and to pursue diligently their obligations as members of the Committee. Meetings shall be held at any location as the Operating Committee determines. During Emergencies or other exigent circumstances. Operating Committee meetings may be held with less than the required notice and

may be conducted in person, by telephone or other electronic means provided that the Parties so agree.

3.2.5 No meeting of the Committee shall proceed without at least one (1) representative of each Minnesota Power and Square Butte/Minnkota being present.

3.3 Functions of the Committee.

3.3.1 Until the In-Service Date, the Operating Committee shall have the following functions:

- (a) To provide liaison between the Parties with respect to the provisions of this Agreement.
- (b) To plan, recommend to Minnesota Power, review and monitor the scope of work under this Agreement and the O & M Agreement.
- (c) To review and recommend to Minnesota Power the annual, operation and maintenance budget of Minnesota Power under this Agreement and the O & M Agreement (“Authorized Budget”).
- (d) To review and recommend to the Parties the schedule for planned coordinated outages and maintenance of the Square Butte AC Substation-East and Unit #2 and other affected generators interconnected to the Square Butte AC Substation-East.
- (e) To make recommendations and plans for the transition of work and Square Butte and Minnkota’s expertise on the Square Butte AC Substation-East and DC Transmission Facilities to Minnesota Power.
- (f) To review and recommend to Minnesota Power policies for appropriate spare parts inventory and the materials and supplies inventory.
- (g) To review and make recommendations to the Parties concerning the design and reconfiguration of the Interconnection Facilities for operating and maintenance efficiencies.
- (h) To review and make recommendations regarding written operating practices and procedures.
- (i) Annually review the current operating practices and procedures relative to the Interconnection Facilities and to ensure compliance with NERC and RRO/RE standards and effective operation of the interconnection. The Operating Committee shall maintain records of this review to manage and demonstrate compliance.

- (j) Review and make recommendations to the Parties on the reconfiguration of the Square Butte AC Substation-East and separate control house for the Square Butte AC Substation-East.

3.3.2 Upon the In-Service Date, the Operating Committee shall have only the functions specified in **Sections 3.3.1(a) and 3.3.1(i)**.

- 3.4 Minnkota Term Limit. Minnkota's membership or role on the Operating Committee will expire on the In-Service Date, and thereafter Minnesota Power and Square Butte will continue to administer this Agreement and perform the functions of the Operating Committee as specified in **Section 3.3.2**. Square Butte shall alone appoint two members to the Operating Committee upon the expiration of Minnkota's membership or role on the Operating Committee on the In-Service Date.

ARTICLE 4 SYSTEM INTERCONNECTIONS

- 4.1 Interconnections. Each existing Point of Interconnection is provided for in a respective appendix to this Agreement. Each additional Interconnection between the Parties shall become, by inclusion in **Appendix A**, by the mutual agreement of each Party to the Point of Interconnection, an addition to this Agreement without further modification or amendment thereof. The appropriate geographical reference, a description of the facilities and any applicable special terms and conditions shall be stated in the Point of Interconnection description in the respective appendix. The Parties, as of the effective date, contemplate that the Initial Points of Interconnection will change by the end of the Transition Period to the Final Points of Interconnection as reflected in **Appendix A** and **Appendix B**.

ARTICLE 5 OPERATIONS AND MAINTENANCE

- 5.1 Parties' Obligations. Square Butte shall operate and maintain Unit #2 and the Transmission-Owning Parties shall operate and maintain the Interconnection Facilities in accordance with Good Utility Practice and subject to any applicable tariff procedures and requirements and in accordance with requirements of the RRO/RE and NERC.
- 5.2 Switching, Tagging, and Lockout Rules. The Transmission-Owning Parties shall abide by their respective switching, tagging and lockout rules for obtaining clearances for work or for switching operations at the Interconnection Facilities. Each Transmission-Owning Party will provide the other with its clearing, tagging, and lockout procedures. For clearances requested or initiated by one Party on another Party's equipment that utilizes the Party's equipment as an isolation device, the isolation device owner's procedures shall govern. The Transmission-Owning Parties retain the right to designate the use of another Party's switching, tagging and lockout procedures to be used as appropriate.

- 5.3 Ratings. The Transmission-Owning Parties agree to periodically exchange information concerning the operating limits and/or equipment ratings for their respective facilities, including, but not limited to voltage level, megawatt capacity, megavar capacity, short-circuit current, surge protection, and insulation coordination. The Transmission-Owning Parties further agree to operate their respective facilities taking into account the ratings and capabilities of the facilities of the other Party and shall not operate their system in a manner that would result in exceeding the operating limits or equipment ratings of the other Party.
- 5.4 Maintenance. Square Butte shall maintain Square Butte AC Substation-West and Unit #2 interconnection facilities, and each Transmission-Owning Party shall maintain or cause to be maintained its own Interconnection Facilities in a safe and reliable manner and in accordance with Good Utility Practice and Regulatory Requirements. For avoidance of doubt, Square Butte shall continue to pay the costs of maintenance, repair and replacement of the breakers, switches, buses and facilities within its portion of the Square Butte AC Substation-West and recover its costs under its power purchase agreements.
- 5.5 Preventive and Corrective Maintenance Outages. Square Butte shall maintain Unit #2, and each Transmission-Owning Party shall maintain its Interconnection Facilities, in a safe and reliable manner and in accordance with all applicable laws and regulations, and the requirements of the RRO/RE or ERO. In the event that there is a conflict in the standards to be applied to the maintenance at any Point of Interconnection, then the most stringent standard shall apply.
- 5.5.1 Planning and Scheduling. In accordance with Good Utility Practice and as may be provided in **Appendix A** to this Agreement and in order to facilitate maintenance or reliability of the Square Butte Transmission System and the Minnesota Power Transmission System, the Transmission-Owning Parties shall confer regularly to coordinate the planning and scheduling of preventive and corrective maintenance of, and Modifications and Operational Changes to, Unit #2 and the Interconnection Facilities that might reasonably be expected to affect the operation of another Party's transmission system. Absent an Emergency directive from Midwest ISO, the Transmission-Owning Parties shall coordinate their respective schedules for any such activities and will, to the extent practicable and appropriate under the circumstances, give reasonable consideration to, among other things, the impact of the schedule on the other Party's operations, except to the extent required by any RRO/RE or the ERO.
- 5.5.2 Right to Review. Either Transmission Owner shall have the right to review the other Transmission Owner's documented protection and maintenance standards and records for its Interconnection Facilities as reasonably requested at locations to be agreed upon by the Parties.

5.6 Inspections and Testing.

5.6.1 Inspections. The Transmission-Owning Parties shall perform routine inspection and testing of their equipment on their respective Interconnection Facilities in accordance with Good Utility Practice and Regulatory Requirements and as may be necessary to ensure the continued interconnection of the Square Butte Transmission System and Minnesota Power Transmission System in a safe and reliable manner.

5.6.2 Right to Observe Testing. The Parties shall have the right to observe the testing of the testing Party's Interconnection Facilities, the performance of which may reasonably be expected to affect the reliability of the observing Party's transmission system. The testing Party shall notify the other Party in advance of such testing unless, in the testing Party's reasonable judgment, the testing must be performed immediately, in which case the testing Party shall provide notice as soon as practicable. The observing Parties may each have a representative attend and be present during such testing.

5.6.3 Observation of Deficiencies. If any Party observes any condition it believes may be inconsistent with Good Utility Practice or Regulatory Requirements with respect to a Party's Interconnection Facilities that might reasonably be expected to adversely affect the observing Party's transmission system, the observing Party shall notify the other Party. Notwithstanding the foregoing, no Party shall be relieved from any liability for adversely affecting another Party's transmission system due to the observing Party's failure to give such notice.

5.7 Disconnection. In the event of an Emergency, a Party may disconnect its Interconnection Facilities for so long as is necessary under Good Utility Practice and the applicable Reliability Requirements, including the period of time necessary to establish the reconnection of the Interconnection Facilities. A Party undertaking such a disconnection shall bear its own expense.

5.8 Planned Outage. Planned outages of the Interconnection Facilities shall be coordinated between the Transmission-Owning Parties and the Midwest ISO as may be applicable. Each Party shall request planned outages in a timely fashion that enables proper evaluation and coordination with the other Party. In the event of a planned outage of any Party's transmission system that may adversely affect a Transmission-Owning Party with respect to its transmission system, the Party that is subject to the outage will use efforts consistent with Good Utility Practice, specific requirements as may be provided in an Appendix to this Agreement, and Regulatory Requirements to restore the transmission system to service in accordance with its schedule for the work that necessitated the planned outage.

- 5.9 Personnel Access Rights. Upon reasonable notice by a Party, and subject to any required or necessary regulatory approvals, a Transmission-Owning Party (the “Granting Party”) shall furnish at no cost to the other Transmission-Owning Party (the “Access Party”) any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by the Granting Party, its agents, or any Affiliate, that are necessary to enable the Access Party’s Qualified Personnel to obtain ingress and egress to construct, operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities and equipment to: (i) the common control house; (ii) interconnect the Interconnection Facilities; (iii) operate and maintain the Interconnection Facilities; and (iv) disconnect or remove the Access Party’s facilities and equipment upon termination of this Agreement. In exercising such use, licenses, rights of way and easements, the Access Party shall not unreasonably disrupt or interfere with normal operation of the Granting Party’s business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by the Granting Party and provided to the Access Party.
- 5.10 Supervision. Each Party shall be solely responsible for the safety and supervision of its own employees, agents, representatives, and subcontractors.
- 5.11 Coordination. The Parties shall manage reliable operation of the interconnection by coordinating various activities such as system studies, development of operating guides, operation, maintenance, training, protection, NERC compliance for the Interconnection Facilities, conformance to Reliability Requirements and other administrative matters associated with this Agreement. To ensure the continued safe and reliable operation of the interconnection, the Parties agree to continue to provide each other with the supporting services listed on **Appendix F** at actual cost according to past practices and billing arrangements.

ARTICLE 6 OPERATING REQUIREMENTS

- 6.1 Balancing Area. As long as Unit #2 is within Minnesota Power’s Balancing Authority Area, Square Butte shall operate Unit #2 in accordance with those procedures that enable Minnesota Power to meet its obligation under Minnesota Power’s Balancing Authority Agreement.
- 6.2 Reactive Power Requirements. Square Butte and Minnesota Power each intend to continue to maintain sufficient reactive power capability on the Interconnection Facilities, and allow Minnesota Power as a Balancing Authority to operate the Minnesota Power Transmission System within voltage ranges specified by and for compliance with applicable and current NERC or RRO/RE reliability standards and other Reliability Requirements and Good Utility Practice. The Parties agree to cooperate with each other and exchange data and voltage information as reasonably requested for any self-certification, compliance monitoring of such requirements or proposed changes to current reactive power capability and operating voltage ranges.

- 6.2.1 Power Factor Criteria. Square Butte as a generator owner of Unit #2 shall maintain voltage according to Reliability Coordinator standards, Reliability Requirements and any applicable operating guidelines.
- 6.3 Communications. As long as Unit #2 is in Minnesota Power's Balancing Authority Area, Square Butte shall maintain satisfactory operating communications with Minnesota Power's control center. Square Butte shall provide standard voice line, dedicated voice line and facsimile communications in its central dispatch facility. Square Butte shall also provide the microwave tower and dedicated data circuit(s) necessary to provide data to the Minnesota Power control center. Any required maintenance of such communications equipment shall be performed by and at the cost of Square Butte. Operational communications shall be activated and maintained under, but not limited to the following events: unit synchronizing or separation, scheduled or unscheduled shutdowns, equipment clearances, and hourly and daily load data.
- 6.4 Remote Terminal Unit. The existing remote terminal unit shall be maintained for Unit #2 at Square Butte's expense to gather data to be telemetered to Minnesota Power's control center through use of a dedicated point to point circuit(s). The communication protocol for the data circuit(s) shall be specified by Minnesota Power. Instantaneous bi-directional analog real power and reactive power flow information must be telemetered directly to the Minnesota Power Control Center. Each Party will promptly advise the other Party if it detects or otherwise learns of any metering, telemetry, or communications equipment errors or malfunctions that require the attention and/or correction. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible.
- 6.5 Reliability Requirements. Each Party shall comply with the applicable NERC, Reliability Coordinator and RRO/ER (or their successor organizations) Reliability Requirements. Each Party shall provide to the other Party all information that may be reasonably required by that Party to comply with the Applicable Laws and Regulations and Applicable Reliability Requirements. The Parties shall meet annually to insure that their procedures and systems are coordinated such that the NERC and RRO/ER reliability standards are met.
- 6.6 Outages. Square Butte and Minnesota Power may each in accordance with Good Utility Practice in coordination with the other Party remove from service any of its respective Interconnection Facilities, system protection facilities that may impact the other Party's facilities as necessary to perform maintenance or testing or to install or replace equipment. Absent an Emergency, the Party scheduling a removal of such facility(ies) from service will use reasonable efforts to notify one another and schedule such removal on a date and time mutually acceptable to the Parties. In all circumstances, any Party planning to remove such facility(ies) from service shall use Reasonable Efforts to minimize the effect on the other Party of such removal.

- 6.7 Outage Schedules. For Unit #2 Square Butte shall submit its planned maintenance schedule to the Minnesota Power control center such that Minnesota Power can meet its obligations under the Midwest ISO outage scheduling process. Addition requirements for outage scheduling shall be developed by the Operating Committee.
- 6.8 Subsynchronous Resonance. Square Butte and Minnesota Power shall continue to consult with each other regarding, and maintain protection for, subsynchronous resonance as required by Good Utility Practice.
- 6.9 Common Bus Usage. The Parties recognize that the DC Transmission Facilities must be tied to the AC system. The Interconnection will be operated with switches normally closed and use of Square Butte's buses in the Square Butte AC Substation-West can be used by Minnesota Power, from time to time, for reliability purposes and during an Emergency.
- Minnesota Power's common use of the Square Butte bus as set forth under this Agreement does not permit other connections, uses or upgrades. Common use of the bus facilities by Minnesota Power under this Agreement is limited to reliability and Emergency purposes, and may not be assigned or transferred to other persons without the express written consent of the Parties to this Agreement. No fee or other charge shall be made for transfer of power and energy across such bus and interconnection facilities, and no losses shall be assessed or compensated for such non-firm common bus usage. This Agreement does not provide to either Party any other transmission usage or delivery rights for the use of the other Party's facilities.
- 6.10 Special Protection. The Parties will coordinate plans and design for any special protection system as may be required to protect the Interconnection Facilities and Square Butte and Minnesota Power Transmission Systems.

ARTICLE 7 EMERGENCIES

- 7.1 Generally. All Parties agree to comply with any applicable Midwest ISO Emergency procedures and directives, and the Parties' respective emergency procedures, as applicable, for implementing NERC rules, other Regulatory Requirements and the Parties' operating commitments, as applicable, with respect to Emergencies and to comply with directives issued therewith.
- 7.2 Notice. Any Party shall provide the other Party with oral or electronic notification that is prompt under the circumstances or required under any Regulatory Requirement of an Emergency that may reasonably be expected to affect the other Party's operation of their respective transmission systems, to the extent the notifying Party is aware of the Emergency. The individuals to be contacted in connection with any Emergency notice required under this Agreement shall be communicated to the designated representatives of the Parties listed on **Appendix D** according to **Article 20**. The Parties shall update

their Emergency contact information promptly according to notice provisions of **Article 20**, as their representatives are redesignated for this responsibility. Such notification shall describe, as known, the Emergency, the extent of any damage or deficiency, its anticipated duration, and the corrective action taken and/or to be taken. The initial notice shall be followed as soon as practicable with written notice.

- 7.3 **Immediate Action.** In the event of an Emergency, the Party becoming aware of the Emergency may, in accordance with Good Utility Practice and Reliability Requirements and using its reasonable judgment, take such action with respect to its own facilities as is reasonable and necessary to prevent, avoid, or mitigate injury, danger and/or loss of life or property. However, if at a location at which Transmission-Ownning Parties own facilities, the first Party to arrive determines that the Emergency affects the facilities of the other Party, then such Party shall take such reasonable steps to overcome such Emergency even if to do so requires action in connection with facilities owned by the other Party. Any costs incurred in taking such action shall be equitably apportioned between the Parties. The Parties shall, consistent with Good Utility Practice and Reliability Requirements, take whatever actions or inactions the Parties deem necessary during an Emergency (including, without limitation, to request and comply with directives of Midwest ISO), in order to: (i) preserve employees' and public health and safety; (ii) preserve the reliability of the Parties' transmission systems; (iii) limit or prevent damage; and (iv) expedite restoration of service.
- 7.4 **Abnormal Conditions.** To the extent any Party is aware of any Abnormal Condition, such Party, subject to the satisfaction of and compliance with Regulatory Requirements, will make Reasonable Efforts to promptly notify the other Party of such Abnormal Condition if it may reasonably be expected to affect a Party's operation of its transmission system. However, the failure of any Party to provide notice in conformance with this Section shall not constitute a material breach of this Agreement.

ARTICLE 8 MODIFICATIONS OR OPERATIONAL CHANGES

- 8.1 **Generally.** Each Party shall make such Modifications or Operational Changes to its Interconnection Facilities as are necessary to comply with Good Utility Practice and as may be provided in **Appendix A** of this Agreement. Notice of any Regulatory Modification received by any Party shall be promptly communicated by writing notice to the other Party.
- 8.2 **Notice.** In the event any Party plans to undertake Modifications or Operational Changes to its Interconnection Facilities that reasonably may be expected to impact any other Party's transmission system, the initiating Party shall provide the other Party with at least ninety (90) days advance notice of the desired Modifications or Operational Changes. The nature of and the schedule of work for performing such Modifications, or the nature of the Operational Changes shall be subject to review and written acceptance by the other

Party through the Operating Committee, which review and acceptance shall not be untimely nor unreasonably withheld or delayed, to ensure that such Modifications or Operational Changes will (a) not adversely affect a Party's transmission system, or other facilities, (b) are consistent with Good Utility Practice, and (c) are provided in **Appendix A** of this Agreement. The suitability and the responsibility for the safe and adequate design, operation and maintenance of the initiating Party's facilities shall be and remain the sole obligation of the initiating Party.

- 8.3 Cooperation. The Parties shall cooperate in the performance of facilities studies and in the implementation of new projects which are needed to implement requests by Minnesota Power, Square Butte and third parties for new generator interconnection service and transmission service.
- 8.4 Cost Responsibility. When the actions of a Party necessitate Modifications or Operational Changes to another Party's Interconnection Facilities that are not required by FERC or are not otherwise needed to satisfy Regulatory Requirements, such Modifications or Operational Changes to the other Party's Interconnection Facilities shall be made at the sole cost and expense of the Party initiating the changes, unless otherwise agreed to in writing by the applicable Parties. The initiating Party's responsibility for such Modification or Operational Change costs is limited to those costs that are incremental to costs already planned to be incurred by the other Party.

ARTICLE 9 DOCUMENTATION AND INFORMATION REPORTING

- 9.1 Information Reporting Obligations. Subject to **Article 18**, applicable Regulatory Requirements, and/or Confidentiality Agreements, each Party shall in accordance with Good Utility Practice work with the other Party regarding the transfer of information which may reasonably be necessary to support the reliability of any other Party's facilities.

ARTICLE 10 METERING AND TELEMETERING

- 10.1 Metering and Telemetering Equipment. Each Party shall operate and maintain its existing metering and telemetering equipment consistent with all applicable Regulatory Requirements at the Points of Interconnection. Ownership of metering and specific metering location shall be as illustrated on **Appendix C**. Each Transmission-Ownng Party shall continue to be responsible for the measurement of power or energy, the accuracy of such metering, and the maintenance repair and testing of such meters. Each Party will manage and report any meter data to the Balancing Authority or Midwest ISO as reasonably requested.

Any metering and telemetering installed on or in conjunction with any facilities owned by Square Butte may be installed by such third parties that operate as the Balancing

Authorities in whose area the particular interconnection is located. Any agreements between Minnesota Power and such Balancing Authority relating to the manner in which any meters are installed; their measure of the transfer of power and energy; the accuracy of such metering, maintenance, repair and testing of such metering equipment; or any other concern relating to metering shall be the responsibility of Minnesota Power and such Balancing Authority.

ARTICLE 11 ASSIGNMENT

11.1 Successors and Assigns. This Agreement, and the rights and obligations created thereby, shall bind and inure to the benefit of the successors and permitted assigns of the Parties hereto. Successors and assigns of the Midwest ISO shall become signatories to this Agreement with the limited purpose described herein.

11.2 Consent Required. Minnesota Power may assign this Agreement to an affiliate entity before Closing without the consent of Square Butte. Except as provided in the previous sentence, no Party may assign any rights or obligations hereunder without obtaining the prior written consent of the other Party, which consent shall not unreasonably be withheld.

11.3 Assignment in Event of Merger or for Financing.

11.3.1 Notwithstanding anything to the contrary herein, this Agreement may be assigned by a Party, without the consent of the other Party but with prior written notice, to any entity or entities in connection with a merger, consolidation, reorganization, or other change in the organizational structure of the assigning Party affecting the assets and approved by a Governmental Authority, provided that the surviving, purchasing or acquiring entity(ies) agrees, in writing, to assume all the assigning Party's obligations and duties under, and be bound by, the terms of this Agreement and further satisfies one of the following criteria:

- (a) The assignee has an Investment Grade Credit Rating;
- (b) The obligations of the assignee are guaranteed by a parent business organization with an Investment Grade Credit Rating; or
- (c) The assignment is being made in connection with a merger, consolidation or sale of substantially all the assignor's transmission assets to another party that has an Investment Grade Credit Rating at least equal to that of the assignor.

11.3.2 Notwithstanding the provisions of **Sections 11.2** and **11.3.1**, a Party or its permitted assignee may, without the consent of the other Party, but with prior written notice, collaterally assign, transfer, pledge or otherwise dispose of its

rights and interests hereunder to a trustee or lending institution for the purposes of financing or refinancing the assigning Party's facilities subject to this Agreement. Upon the request of the trustee or lending institution, each Party agrees to execute and deliver an acknowledgement, prepared at the assigning Party's expense, as may be reasonably necessary to accomplish any such collateral assignment, transfer, pledge, or other disposition of rights hereunder for purposes of the financing or refinancing.

- 11.4 Party to Remain Responsible. Except for assignments pursuant to **Section 11.3.1**, no assignment, transfer, pledge, conveyance, or disposition of rights or obligations under this Agreement by a Party will relieve that Party from liability and financial responsibility for the performance thereof after any such assignment, transfer, conveyance, pledge, or disposition unless and until the transferee or assignee agrees in writing to assume the obligations and duties of that Party under this Agreement and the non assigning Party has consented in writing to such assumption and to a release of the assigning Party from such liability.
- 11.5 Termination of Corporate Existence. If a Party terminates its existence as a cooperative or corporate entity by any acquisition, sale, consolidation, or otherwise, or if all or substantially all of such Party's assets are transferred to another person or business entity, without complying with the consent requirements of **Section 11.2** above, the other Party will have the right, enforceable in a court of competent jurisdiction, to enjoin the Party's successor from using its facilities in any manner that interferes with, impedes, or restricts the other Party's ability to carry out its ongoing business operations, rights and obligations.

ARTICLE 12

FORCE MAJEURE

- 12.1 Effect of Force Majeure. Except for obligations to make any payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by a Force Majeure, provided that:
- 12.1.1 The non-performing Party, as promptly as practicable after the Party reasonably determines that a Force Majeure event has occurred and such Force Majeure event will adversely impact the Party's ability to perform its obligations under this Agreement, gives the other Party written notice describing the particulars of the occurrence;
- 12.1.2 The suspension of performance is of no greater scope and of no longer duration than is reasonably required by the Force Majeure;

12.1.3 The non-performing Party uses all Reasonable Efforts to remedy its inability to perform; and

12.1.4 As soon as the non-performing Party is able to resume performance of its obligations excused as a result of the occurrence, it gives prompt written notification thereof to the other Party.

ARTICLE 13

LIABILITY, INDEMNIFICATION AND INSURANCE

- 13.1 Indemnification. Each Party ("Indemnifying Party") agrees to defend, indemnify, and hold harmless each other Party ("Indemnified Party"), as the case may be against claims, liability, losses, damages, judgments costs or expenses, including reasonable attorney's fees ("Claims") to the extent such Claims were caused by or resulted from the willful misconduct or negligent acts or omissions of the Indemnifying Party, its employees arising out of or related to this Agreement. A Party shall promptly notify the other Party as the case may be, of the assertion of any Claim against such Party which is potentially indemnifiable by the other Party. A Party shall give the Indemnifying Party an opportunity to defend such a Claim. The claiming Party shall not settle such Claim without the approval of the Indemnifying Party, which approval shall not be unreasonably denied.
- 13.2 Environmental Indemnification. Each Party ("Indemnifying Party") shall protect, defend, indemnify and save harmless the other Party ("Indemnified Party") from, against and in respect of, any and all loss, liability, damage and reasonable expenses for accounting, consulting, engineering, investigation, cleanup, response, removal and/or disposal and other remedial costs, directly or indirectly imposed upon, incurred by or asserted against any Indemnified Party arising out of or in conjunction with any claim or claims by any third party or parties (including, without limitation, a Governmental Authority), arising out of or in connection with (a) the use, generation, refining, manufacture, transportation, transfer, production, processing, storage, handling, or treatment of Regulated Materials, on, under or from the Interconnection Facilities by the Indemnifying Party; (b) an actual or threatened release, spill, leak, discharge, or escape into the environment, of any Regulated Materials on, under or from the Interconnection Facilities by the Indemnifying Party; (c) the cleanup, removal and/or disposal of any Regulated Materials on, under or from the Interconnection Facilities by the Indemnifying Party required by any Environmental Law or any Governmental Authority; (d) any personal exposure or injury (including wrongful death) or property damage (real or personal) arising out of or related to Regulated Materials, including any damage arising out of any cleanup required by the Governmental Authorities or Environmental Laws caused by the Indemnifying Party; (e) any lawsuit brought or threatened, settlement reached, or government order relating to such Regulated Materials as the result of any act or omission of the Indemnifying Party; or (f) any violation by an Indemnifying Party of Environmental Laws, which are based upon or in any way related to such Regulated Materials ("Environmental Claim").

Square Butte agrees to maintain occurrence based insurance coverage for Environmental Claims in the minimum amount of \$2,000,000.00 per occurrence. Minnesota Power will either self-insure or insure such risk in a similar amount. The Parties acknowledge that the Indemnifying Party may satisfy its indemnity obligation hereunder from the proceeds of its insurance or self-insurance. The Indemnified Party shall pay to the Indemnifying Party the amount of the Indemnifying Party's insurance deductible or self-insurance retention amount. The Parties further agree that the provisions of this paragraph 13.2 regarding indemnification for Environmental Claims shall apply only to those Environmental Claims related to the Interconnection Facilities.

13.3 Procedure on Indemnification.

13.3.1 Indemnified Party. If an Indemnified Party is entitled to indemnification under this **Article 13** as a result of a Claim or Environmental Claim, and the Indemnifying Party fails, after notice and reasonable opportunity, to assume the defense of such Claim or Environmental Claim, such Indemnified Party may at the expense of the Indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such Claim or Environmental Claim.

13.3.2 Indemnifying Party. If an Indemnifying Party is obligated to indemnify and hold any Indemnified Party harmless under this **Article 13**, the amount owing to the Indemnified Party shall be the amount of such Indemnified Party's actual loss, net of any insurance or other recovery.

13.3.3 Indemnity Procedures. Promptly after receipt by an Indemnified Party of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in **Section 13.1** may apply, the Indemnified Party shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the Indemnifying Party.

The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by such Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the defendants in any such action include one or more Indemnified Parties and the Indemnifying Party and if an Indemnified Party reasonably concludes that there may be legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be required to pay the fees and expenses of one additional attorney to represent an Indemnified Party or Indemnified Parties having such differing or additional legal defenses.

The Indemnified Party shall be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the Indemnified Party and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the Indemnified Party, or there exists a conflict or adversity of interest between the Indemnified Party and the Indemnifying Party, in such event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Party, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the Indemnified Party, which shall not be reasonably withheld, conditioned or delayed.

- 13.4 Limitation on Damages. Notwithstanding anything to the contrary contained in this Agreement, each Party waives all claims against each other Party (and against each other Party's parent company, affiliates, directors, officers, contractors, subcontractors, employees and agents) for any consequential, incidental, indirect, special, or exemplary damages (including, but not limited to, loss of actual or anticipated profits, revenues or product; loss by reason of shutdown or non-operation; increased expense of operation; cost of replacement power; interest charges; cost of capital; or claims of its customers to which service is made), and regardless of whether any such claim arises out of breach of contract or warranty, tort, product liability, indemnity, contribution, strict liability or any other legal theory. The above limitations shall not be construed as a limitation on death bodily injury or third party claims. Nothing contained in this Agreement shall cause a Transmission-Ownning Party to be responsible or liable for any acts or omission of Minnkota acting as its operating agent or contractor.
- 13.5 Risk of Loss. Each Party shall have the full risk of loss for its own Interconnection Facilities and related equipment and materials. Each Party shall require all contractors, subcontractors, engineers, and equipment suppliers or manufacturers to maintain adequate insurance. Said insurance shall be with the carriers and shall be in policy amounts determined appropriate by the Party, and shall cover workers' compensation, public liability, contractors' liability, and such other hazards as shall be deemed necessary by such Party.
- 13.6 No Personal Liability. In no event shall any member, partner, shareholder, owner, officer, director, employee, or affiliate of a Party be personally liable to any other Party for any payments, obligations, or performance under this Agreement.
- 13.7 Insurance. Except as provided in **Section 13.2**, each Party shall, at its own expense, maintain in force throughout the term of this Agreement, insurance coverages and/or self insure to manage the risks under this Agreement in accordance with its risk management policies and procedures.

- 13.8 Survival. The limitations on damages and liability and the indemnification obligations of each Party under this Article shall continue in full force and effect regardless of whether this Agreement has either expired or been terminated or canceled with respect to matters that arise during the effectiveness of the Agreement.
- 13.9 Limitation on Midwest ISO's Liability. Nothing in this Agreement shall be construed to create or give rise to any liability on the part of the Midwest ISO, and the Parties expressly waive any claims that may arise against the Midwest ISO under this Agreement. The Parties acknowledge and agree that the signature of the authorized officer of the Midwest ISO is for the limited purpose of acknowledging that the Midwest ISO has read the terms of this Agreement. The Parties further state that they understand that FERC desires that the Parties keep the Midwest ISO fully apprised of the matters addressed herein as well as any reliability and planning issues that may arise under this Agreement, and that the signature of the Midwest ISO's authorized officer should not in any way be deemed to imply that the Midwest ISO takes responsibility for the actions of the Parties, that the Midwest ISO has any affirmative duties under this agreement, or that the Midwest ISO is liable in any way under this Agreement.

ARTICLE 14 BREACH, CURE AND DEFAULT

- 14.1 Breach. A breach of this Agreement shall occur upon the failure by a Party to perform any material term or condition of this Agreement.
- 14.2 Events of Breach. A breach of this Agreement shall include:
- (a) The failure to comply with any material term or condition of this Agreement, including but not limited to any material breach of a representation, warranty or covenant made in this Agreement;
 - (b) If a Party: (i) by decree of a court of competent jurisdiction, is adjudicated bankrupt or insolvent; (ii) files a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; (iii) makes a general assignment for the benefit of its creditors; or (iv) consents to the appointment of a receiver, trustee or liquidator;
 - (c) Assignment of this Agreement in a manner inconsistent with the terms of this Agreement;
 - (d) Failure of any Party to provide such access rights, or a Party's attempt to revoke or terminate such access rights, as provided under this Agreement;
or

- (e) Failure of any Party to provide information or data to another Party as required under this Agreement, provided the Party entitled to the information or data under this Agreement requires such information or data to satisfy its obligations under this Agreement or to satisfy Regulatory Requirements.

14.3 Continued Operation. In the event of a breach by any Party, the Parties shall continue to operate and maintain, as applicable, such AC (and any DC backup) power systems, protection and metering equipment, telemetering equipment, SCADA equipment, transformers, communications equipment, building facilities, software, documentation, structural components, and other facilities and appurtenances that are reasonably necessary for the Parties to operate and maintain their respective transmission systems in a safe and reliable manner or as may be required under any Reliability Requirements.

14.4 Cure and Default.

14.4.1 A Party automatically will be deemed to be in “Default” of this Agreement upon the occurrence of any one of the events described in **Section 14.2(b) (ii)-(iv)** of the Agreement.

14.4.2 Upon the occurrence of any event of breach other than those described in **Section 14.2(b) (ii)-(iv)**, any Party not in breach (hereinafter a “Non-Breaching Party”), when it becomes aware of any such breach, shall give written notice of the breach to the Breaching Party and to all other Party. Such notice shall set forth, in reasonable detail, the nature of the breach, and where known and applicable, the steps necessary to cure such breach. Upon receiving written notice of the breach hereunder, the Breaching Party shall have thirty (30) days to cure such breach. If the breach is such that it cannot be cured within such thirty-day (30-day) time period, the Breaching Party will commence in good faith all steps as are reasonable and appropriate to cure the breach within such thirty-day (30-day) time period and thereafter diligently pursue such action to completion. In the event the Breaching Party fails to cure the breach, or to commence reasonable and appropriate steps to cure the breach, within such thirty-day (30-day) time period, the Breaching Party will be in “Default” of the Agreement.

14.4.3 Upon the occurrence of a Default, any Non-Breaching Party may, subject to the limitations contained in **Article 15**, terminate this Agreement as to the Breaching Party by providing written notice of termination to the Breaching Party and to the other Party, except that where a Default has been disputed by the Breaching Party, termination of this Agreement on account of such Default may not occur absent a final, binding and non-appealable decision determined in accordance with **Article 19**.

ARTICLE 15

TERMINATION OF INTERCONNECTION SERVICE

15.1 Termination.

15.1.1 By Mutual Consent. This Agreement may be terminated at any time by mutual agreement of all Parties.

15.1.2 By Any Party. Any Party may terminate this Agreement by giving notice according to the provisions of **Section 20.1**, upon the occurrence of any of the following events:

- (a) Removal of said Party's transmission system or interconnection facilities in the Square Butte Substation from service; or
- (b) As to a Breaching Party, a Default by said Breaching Party as provided in **Section 14.4**; or

15.2 FERC Approval. No termination hereunder shall become effective until the terminating Party (or the Parties jointly) tender(s) to FERC any required notification of termination of this Agreement and obtains such acceptance thereof by the FERC as may be necessary to comply with applicable Regulatory Requirements.

15.3 Survival of Rights. Termination of this Agreement shall not relieve any Party of any of its liabilities and obligations arising under this Agreement prior to the date termination becomes effective. Applicable provisions of this Agreement will continue in effect after expiration, cancellation or termination of this Agreement to the extent necessary to provide for final billings, billing adjustments, and the determination and enforcement of liability and indemnification obligations arising from events or acts that occurred while this Agreement was in effect.

ARTICLE 16

LABOR RELATIONS

16.1 Notification of Labor Dispute. Each Party agrees to promptly notify the other Party of any labor dispute or anticipated labor dispute regarding its contractors or employees of which its management has actual knowledge that might reasonably be expected to affect the operations of the other Party with respect to this Agreement.

ARTICLE 17

SUBCONTRACTOR

17.1 Generally. Nothing in this Agreement shall prevent a Party from utilizing the services of such subcontractors as it deems appropriate to perform its obligations under this Agreement; provided, however, that all Parties shall require their subcontractors to

comply with all applicable terms and conditions of this Agreement in providing such services.

- 17.2 Responsibility of Principal. The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor it hires as if no subcontract had been made. Any applicable obligation imposed by this Agreement upon a Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.
- 17.3 No Limitation by Insurance. The obligations under this Article will not be limited in any way by any limitation on subcontractor's insurance.

ARTICLE 18 CONFIDENTIALITY

- 18.1 Nondisclosure. No Party shall disclose any Confidential Information of the other Party obtained pursuant to or in connection with the performance of this Agreement to any third party without the express written consent of the other Party, except under the provisions of the Standards of Conduct and then only in accordance with the FERC's Standards of Conduct rules and regulations, and that any Party may produce Confidential Information in response to a subpoena, discovery request or other compulsory process issued by a judicial body or Governmental Authority upon reasonable notice to the Party whose Confidential Information it is.
- 18.2 Standard of Care. All Parties shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination.
- 18.3 Use of Confidential Information. Any Party may use Confidential Information solely to fulfill its obligations to the other Party or Parties under this Agreement or its Regulatory Requirements except to the extent that such information constitutes information subject to the Commission's Standards of Conduct rules, or in any proceeding under **Article 19** or **Section 21.2(b)** or in any administrative agency or court of competent jurisdiction addressing any dispute arising under this Agreement, subject either to a confidentiality agreement with all participants (including, if applicable, arbitrator(s)) or to a protective order. Notwithstanding the absence of a protective order or waiver, a Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose.
- 18.4 Damages. The Parties agree that monetary damages by themselves will be inadequate to compensate a Party for the other Party's breach of its obligations under this Article. Each Party accordingly agrees that the other Party are entitled to equitable relief, by way of injunction or otherwise, if it breaches or threatens to breach its obligations under this Article.

- 18.5 Survival. The confidentiality obligations of this Article shall survive termination of this Agreement for a period of two (2) years.
- 18.6 FERC Standards of Conduct. Applicable information supplied by a Party to each other Party shall be subject to FERC's standards of conduct for transmission providers and shall not be disclosed by the receiving Party in violation of such standards set forth in Part 358 of FERC's rules and regulations.

ARTICLE 19

ALTERNATE DISPUTE RESOLUTION

- 19.1 Dispute Resolution. In the event of a dispute between the Parties arising out of the performance or non-performance of this Agreement, the Parties will in good faith negotiate to resolve such dispute. If the Parties are unable to resolve the dispute through such good faith negotiations within a reasonable amount of time, then the dispute shall be subject to the dispute resolution procedures set forth herein.
- 19.2 Mediation. If the Parties are unable through good faith negotiations between themselves to resolve such a dispute, then they will endeavor to resolve the dispute by mediation in good faith accordance with the Commercial Mediation Rules of the American Arbitration Association then in effect, and this shall be a condition precedent to the commencement of any arbitration.
- 19.3 Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach of any part thereof, or appeal from action of one of the Parties to this Agreement, which is not resolved through good faith negotiations or mediation between the Parties, shall be settled by arbitration, in accordance with the following procedures.
- 19.3.1 Arbitration Rules. Such arbitration shall be conducted before a single arbitrator selected by the American Arbitration Association and the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, subject to the further qualification that the arbitrator named under said rules shall be unbiased and qualified by virtue of education and experience in the particular matter subject to arbitration.
- 19.3.2 Notice. The Party desiring arbitration shall demand such arbitration by giving written notice to the other Party involved. Such notice shall conform to the procedures of the American Arbitration Association and shall include a statement of the facts or circumstances causing the controversy and the resolution, determination or relief sought by the Party desiring arbitration.
- 19.3.3 Pre-Arbitration Conference. Before the matter is presented to the arbitrator, a conference shall be held to stipulate as many facts as possible and to clarify and narrow the issues to be submitted to arbitration.

19.3.4 Authority of Arbitrators. The arbitrator shall have no authority, power or jurisdiction to alter, amend, change, modify, add to or subtract from any of the provisions of this Agreement, nor to consider any issues arising other than from the language in and authority derived from this Agreement.

19.3.5 Decision or Award. The decision or award of the arbitrator shall be final and binding upon the Parties and the Parties shall do such acts as the arbitration decision or award may require of them. Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction and execution issued thereon. This provision shall survive the termination of this Agreement.

19.3.6 Costs. Cost of the arbitration shall be shared equally unless the award shall specify a different division of cost.

ARTICLE 20

NOTICES AND COMMUNICATIONS

20.1 Notices; Delivery. Unless otherwise specified herein, all notices, requests, claims, demands and other communications required or permitted to be given under this Agreement must be in writing, and must be given (and will be deemed to have been duly given if so given) by recognized national courier, or by depositing the same with the United States Postal Service with postage prepaid, for delivery by certified or registered mail, addressed to the party, or personally delivered to the respective parties as follows:

To Square Butte:

Square Butte Electric Cooperative
Attn: General Manager
P.O. Box 13200
Grand Forks, ND 58208
T: (701)795-4000
F: (701)795-4214

To Minnesota Power:

Minnesota Power
Vice President Power Delivery & Transmission
30 West Superior Street
Duluth, MN 55802
T: (218) 720-2662
F: (218) 720-2685

To the Midwest ISO

Midwest ISO, Inc.
Attn: Director, Transmission Access Planning
P.O. Box 4202
Carmel, IN 46082-4202
T: (317) 249-5496
F: (317) 249-5358

for overnight deliveries
720 City Center Drive
Carmel, IN 46032

Any such notice or communication will be deemed to have been given as of the date received.

- 20.2 Changes. Any Party may change its address or designated representative for notices by notice to the other Party in the manner provided above.
- 20.3 Initial Notice; Written Confirmation. Notwithstanding **Section 20.1**, any notice concerning an Emergency or other occurrence requiring prompt attention, or as necessary during day to day operations shall be made to Square Butte, Minnesota Power, and the Midwest ISO, and may be made by telephone or in person provided that such notice is confirmed in writing promptly thereafter. Notice in an Emergency, or as necessary during day to day operations, shall be provided: (i) when to Minnesota Power, to the shift supervisor at Minnesota Power's transmission control center, (ii) when to Square Butte, to the shift supervisor at Unit #2, at Center, North Dakota, and (iii) when to the Midwest ISO, to Transmission Access Planning. **Appendix D** sets forth the representatives and telephone numbers for Notice in an Emergency. Through the Notice contacts provided in **Section 20.1**, the parties shall provide each other with an updated list of the names and telephone numbers of the parties' representatives for Notice in an Emergency.

ARTICLE 21
MISCELLANEOUS PROVISIONS

- 21.1 General. Each Party makes the following representations and warranties to its knowledge as of the effective date of this Agreement:
- 21.1.1 Good Standing. Such Party is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed, or incorporated, as applicable; that it is qualified to do business in the state or states in which the Interconnection Facilities owned by such Party are located; and that

it has the corporate power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and carry out the transactions contemplated hereby and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement.

21.1.2 Authority. Such Party has the right, power and authority to enter into this Agreement, to become a Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or at law).

21.1.3 No Conflict. The execution, delivery and performance of this Agreement does not violate or conflict with the organizational or formation documents, or bylaws or operating agreement, of such Party, or any judgment, license, permit, order, material agreement or instrument applicable to or binding upon such Party or any of its assets.

21.1.4 Consent and Approval. Notwithstanding **Section 21.3** of this Agreement, such Party has sought or obtained, or, in accordance with this Agreement will seek or obtain, each consent, approval, authorization, order, or acceptance by any Governmental Authority in connection with the execution, delivery and performance of this Agreement, and it will provide to any Governmental Authority notice of any actions under this Agreement that are required by applicable laws and regulations.

21.2 Governing Law.

- (a) When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of the State of North Dakota without giving effect to the conflict of law principles thereof.
- (b) Except for those matters covered in this Agreement and which are either jurisdictional to FERC or submitted to dispute resolution pursuant to **Article 19**, any action arising out of or concerning this Agreement must be brought in any state or federal court of competent jurisdiction in the State of North Dakota. Both Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in the State of Minnesota for the purpose of hearing and determining any action not pre-empted by FERC.

- 21.3 Regulatory Approval. This Agreement shall be subject to the approval or acceptance of the regulatory agencies having jurisdiction. This Agreement will be filed with FERC for acceptance or approval under Section 205 of the Federal Power Act as soon as practicable after its execution by the Parties. The Parties agree to support such filing, to reasonably cooperate with respect to the filing, and to provide any information, including the filing of testimony, reasonably required to comply with applicable filing requirements.
- 21.4 Relationship of the Parties. Nothing in this Agreement is intended to create a partnership, joint venture, or other joint legal entity making any Party jointly or severally liable for the acts of the other Party. Unless otherwise agreed to in a writing signed by all Parties, no Party shall have any authority to create or assume in another Party's name or on its behalf any obligation, express or implied or to act or purport to act as any other Party's agent or legally-empowered representative for any purpose whatsoever. Each Party shall be solely liable for the payment of all wages, taxes, and other costs related to the employment of persons by that Party to perform under this Agreement, including all federal, state, and local income, social security, payroll and employment taxes and statutorily mandated workers' compensation coverage. None of the persons employed by any Party shall be considered employees of the other Party for any purpose; nor shall any Party represent to any person that such persons are or shall become employees of the other Party. Except as expressly provided for herein, no Party shall be liable to any third Party in any way for any engagement, obligation, commitment, contract, representation, or for any negligent act or omission to act of the other Party.
- 21.5 No Third Party Rights. Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any benefits, interests, rights, or remedies under or by reason of the Agreement.
- 21.6 Waiver. Except as otherwise provided in this Agreement, a Party's compliance with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.
- 21.7 Failure to Enforce. Failure of any Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement, or to give notice or declare this Agreement or the rights hereunder terminated, shall not constitute a waiver or relinquishment of any rights set out herein, but the same shall be and remain at all times in full force and effect, unless and only to the extent expressly set forth in a writing signed by the Party granting such waiver or relinquishing any such right(s). Any waiver granted, or relinquishment of any right, by a Party shall not operate as a relinquishment of any other rights or a waiver of any other failure of the Party granted the waiver to comply with any obligation, covenant, agreement, or condition herein.

- 21.8 Amendment Modification. Except as otherwise provided, (a) this Agreement may only be modified by an instrument in writing and signed by all Parties, and (b) no amendment or modification to this Agreement or waiver of a Party's rights hereunder shall be binding unless the same shall be in writing and signed by all Parties against which enforcement is sought. Notwithstanding any provision in this Agreement to the contrary, any Party may unilaterally make application to the FERC under Articles 205 or 206, as applicable, of the Federal Power Act and pursuant to FERC's rules and regulations promulgated thereunder for a change in any rate, term, condition, charge, classification of service, rule or regulation under or related to this Agreement over which the FERC has jurisdiction.
- 21.9 Severability. If any term, condition, covenant, restriction or other provision of this Agreement is held by a court or regulatory agency of competent jurisdiction or by legislative enactment to be invalid, void or otherwise unenforceable, the remainder of the terms, conditions, covenants restrictions and other provisions of this Agreement shall remain in full force and effect unless such an interpretation would materially alter the rights and privileges of any Party. If any term, condition, covenant, restriction or other provision of this Agreement is held invalid, void or otherwise unenforceable, the Parties shall attempt to negotiate an appropriate and equitable replacement, revision or adjustment to the provision of this Agreement to restore the benefits and obligations conferred under the original Agreement.
- 21.10 Headings and Captions. Article headings, section headings, and/or other captions are included in this Agreement for reference purposes only and shall not constitute a part of this Agreement or in any way affect the meaning or interpretation of this Agreement. Whenever used herein the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders.
- 21.11 Further Assurances. Each Party shall do such other and further acts and things, and shall execute and deliver such instruments and documents, as any other Party reasonably requests from time to time in furtherance of the purposes of this Agreement.
- 21.12 Entire Agreement. This Agreement, including all appendices hereto, and made part hereof, sets forth the entire understanding and agreement of the Parties as to the subject matter of this Agreement and merges and supersedes all prior written and oral understandings, offers, agreements, commitments, representations, writings, discussions or other communications of every kind between the Parties.
- 21.13 Rights Cumulative. The rights and remedies set forth in this Agreement are cumulative and non exclusive.
- 21.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

Original Sheet No. 37C

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement in quadruplicate originals, each of which shall constitute and be an original effective Agreement among the Parties as of the date first above written.

SIGNATURE PAGE TO FOLLOW

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

**ALLETE, INC., doing business as
MINNESOTA POWER, a Minnesota
corporation**

By: _____
Name: Bradley W. Oachs
Title: Vice President – Power Delivery &
Transmission

**SQUARE BUTTE ELECTRIC
COOPERATIVE, a North Dakota electric
cooperative corporation**

By: _____
Name: David Loer
Title: General Manager

**MIDWEST INDEPENDENT
TRANSMISSION SYSTEM OPERATOR,
INC., a Delaware corporation**

By: _____
Name: William C. Phillips
Title: Vice President, Standards, Compliance
and Strategy

SIGNATURE PAGE FOR INTERCONNECTION AND OPERATING AGREEMENT

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

APPENDIX A
to
INTERCONNECTION AND OPERATING AGREEMENT

POINTS OF INTERCONNECTION

Initial Points of Interconnection. As of the Effective Date, the points of change of ownership in the Square Butte AC Substation-West where Pole 1 and Pole 2 physically interconnect with the buses within the Square Butte AC Substation-West as shown on Appendix B.

Final Points of Interconnection. As of the expiration of the Transition Period, the points of change of ownership in the Square Butte AC Substation-West at disconnect Switches No. 101 and No. 102 as shown on Appendix B.

Balancing Authority Area: Minnesota Power.

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 40
Superseding Original Sheet No. 40

APPENDIX B
to
INTERCONNECTION AND OPERATING AGREEMENT

DRAWINGS

**PUBLIC VERSION
CEII HAS BEEN REMOVED**

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 41
Superseding Original Sheet No. 41

PUBLIC VERSION CEII HAS BEEN REMOVED

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

ALLETE, Inc.
Rate Schedule FERC No. 200
Midwest ISO
Rate Schedule FERC No. 26

First Revised Sheet No. 42
Superseding Original Sheet No. 42

APPENDIX C
to
INTERCONNECTION AND OPERATING AGREEMENT

METERING

Issued by: Brad Oachs, Vice President – Power Delivery and Transmission, ALLETE, Inc.
Stephen G. Kozey, Issuing Officer, Midwest ISO

Issued on: December 4, 2009

Effective: December 31, 2009

APPENDIX D
to
INTERCONNECTION AND OPERATING AGREEMENT

EMERGENCY COMMUNICATIONS

Representatives for First Responder Services

Minnesota Power Representative and Telephone:	
Minnesota Power System Control Center	Phone: 218-720-2750
Minnkota Representative and Telephone:	
Minnkota System Control Center:	Phone: 701-795-4406
Midwest ISO Representative and Telephone:	
Midwest ISO Transmission Access Planning:	Phone: 317-549-5496

Representatives for Operational Matters

Minnesota Power Representatives and Telephones:	
Minnesota Power System Control Center:	Phone: 218-720-2750
Minnesota Power System (Outage) Coordinator:	Phone: 218-720-2672
Minnkota Representatives and Telephones:	
Minnkota System Control Center:	Phone: 701-795-4406
Manager Control Center	Phone: 701-795-4406
Midwest ISO Representative and Telephone:	
Midwest ISO Transmission Access Planning:	Phone: 317-549-5496

APPENDIX E
to
INTERCONNECTION AND OPERATING AGREEMENT

APPLICABLE RRO/RE

The Applicable RRO/RE for the Balancing Authority Area in which the Transmission-Ownning Parties' transmission facilities are located is the Midwest Reliability Organization.

RELIABILITY COORDINATOR

The Reliability Coordinator is the Midwest Independent Transmission System Operator, Inc.

APPENDIX F
to
INTERCONNECTION AND OPERATING AGREEMENT

MUTUAL SUPPORT SERVICES

The Parties will continue to provide support services as provided in the Amended and Restated Joint Operating Agreement between the Parties dated May 29, 1998, including:

Station Power Service

Square Butte to continue to maintain two redundant 13.8 kV station service feeds and three sources to supply continuous power to the Center DC terminal; and the preexisting energy exchange from Unit #2 regulation account shall continue to be used, unless otherwise agreed. It is understood that, based on historical and projected usage of station power, Minnesota Power will pay 80 percent of the costs to maintain, repair and replace the 13.8 kV distribution facilities shown in the Asset Purchase Agreement between the Parties dated as of August 11, 2008, Schedule 2.3, Exhibit A, Drawing No. 12 of the Square Butte 13.8 kV distribution, and Minnkota will pay 20 percent of such costs.

Cooling Water Supply and Discharge

Cooling water to specifications will continue to be supplied by Square Butte to Minnesota Power from the separator dike water supply via the DC pump station to the DC substation terminal for valve cooling and discharge at the pre-treatment pump house.

Septic System and Well

Minnesota Power will maintain water well and septic system located at the DC Substation property for the Center DC terminal operation.

Communications

Square Butte shall seek to have Minnkota and Otter Tail Power continue to provide microwave communication capability to Minnesota Power for communications of the DC transmission line and substation facilities and the Parties anticipate that a new communications agreement will be entered into which will set forth the definitive arrangements for such services.