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VIA ELECTRONIC DELIVERY

April 21, 2014

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

**Re: Midcontinent Independent System Operator, Inc. (Part I of II)
Proposed Revisions to the Transmission Owners Agreement, MISO Tariff,
and the MISO-MH Coordination Agreement)
Filing to Remove References to the Funds Trust Agreement
Docket No. ER14-____-000 - Expedited Action Requested**

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, Part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, 18 C.F.R. § 35, *et. seq.* the Midcontinent Independent System Operator, Inc. ("MISO") and the MISO Transmission Owners¹ (collectively the "Filing Parties") respectfully submit proposed revisions

¹ The MISO Transmission Owners for this filing consist of: Ameren Services Company, as agent for Union Electric Company d/b/a Ameren Missouri, Ameren Illinois Company d/b/a Ameren Illinois and Ameren Transmission Company of Illinois; American Transmission Company LLC; Arkansas Electric Cooperative Corporation; Big Rivers Electric Corporation; Central Minnesota Municipal Power Agency; City Water, Light & Power (Springfield, IL); Cleco Power LLC, Dairyland Power Cooperative; Duke Energy Corporation for Duke Energy Indiana, Inc.; Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy Gulf States Louisiana, L.L.C.; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; Entergy Texas, Inc.; Great River Energy; Hoosier Energy Rural Electric Cooperative, Inc.; Indiana Municipal Power Agency; Indianapolis Power & Light Company; International Transmission Company d/b/a ITCTransmission; ITC Midwest LLC; Michigan Electric Transmission Company, LLC; MidAmerican Energy Company; Minnesota Power (and its subsidiary Superior Water, L&P); Missouri River Energy Services; Montana-Dakota Utilities Co.; Northern Indiana Public Service Company; Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Prairie Power Inc.; South Mississippi Electric Power Association; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana); Southern Minnesota Municipal Power Agency; Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc.

to: (i) the Agreement of Transmission Facilities Owners to Organize the Midcontinent Independent System Operator, Inc., a Delaware Non-Stock Corporation (“Transmission Owners Agreement”), (ii) MISO’s Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”), and (iii) the Coordination Agreement By and Between MISO and Manitoba Hydro (“MISO-MH Coordination Agreement”) to remove references to the “Funds Trust Agreement.” These revisions are necessary as MISO has been notified by JPMorgan Chase Bank, N.A. (“JPMorgan”) that JPMorgan is terminating its role as Trustee under the Funds Trust Agreement with MISO and the Beneficiaries, which include the MISO Transmission Owners and Manitoba Hydro.² The Filing Parties request an effective date of June 1, 2014 for the revisions to the Transmission Owners Agreement, Tariff and MISO-MH Coordination Agreement, as well as expeditious Commission acceptance or approval of the filing no later than May 26, 2014, and any waivers of the Commission’s prior notice or other requirements deemed necessary for this filing and the requested expeditious Commission action.

While MISO is able to package revisions to the Transmission Owners Agreement and the MISO-MH Coordination Agreement together in the same filing, because of constraints in MISO’s eTariff software MISO must package the revisions to the Tariff in a filing that is separate from the revisions to the two agreements. Accordingly, the Filing Parties are submitting two separate but related simultaneous filings (*i.e.*, Part I of II and Part II of II). Part I of II includes this transmittal letter, and the proposed revisions to the Transmission Owners Agreement and the MISO-MH Coordination Agreement, while Part II of II includes the proposed revisions to the Tariff. This transmittal letter contains the justification for the revisions being proposed to the MISO Tariff, Transmission Owners Agreement, and the MISO-MH Coordination Agreement. The Filing Parties respectfully request that the two filing packages be treated as one filing because technicalities related to MISO’s eTariff software are the sole reason why they are being submitted in separate filing packages.

I. BACKGROUND

On March 24, 2006, MISO and the MISO Transmission Owners submitted revisions to the Transmission Owners Agreement to incorporate certain requirements and conforming changes related to the execution of the Funds Trust Agreement among JPMorgan, MISO, and the Beneficiaries.³ As explained in the March 24 Filing, MISO and the MISO Transmission Owners

² The Beneficiaries under the Funds Trust Agreement include (i) entities that receive transmission revenues pursuant to the MISO Tariff, which includes most of the Transmission Owners in MISO and certain former Transmission Owners, and (ii) Manitoba Hydro.

³ Filing of MISO and MISO Transmission Owners of Revisions to Midwest ISO Agreement, Docket No. ER06-785-000, filed on March 24, 2006 (“March 24 Filing”). The March 24 Filing also included an attachment containing a *pro forma* copy of the Funds Trust Agreement for informational purposes.

had finalized a formal trust arrangement applicable to transmission revenues collected under the MISO Tariff.⁴ The formal trust, with JPMorgan as the Trustee, was established and existed under the Funds Trust Agreement, which became effective April 1, 2006. The Funds Trust Agreement also included transmission revenues collected under the MISO-MH Coordination Agreement and Manitoba Hydro Open Access Transmission Tariff (“MH OATT”). Specifically, the Funds Trust Agreement established a formal trust to receive, hold, and distribute transmission revenues in the event MISO were to become insolvent.⁵

The March 24 Filing also explained that the “Funds Trust Agreement [made] formal a trust relationship that already exist[ed] informally under the [Transmission Owners Agreement], which specifies a ‘custodial trust relationship’ applicable to billing and revenue collection functions performed by [MISO] on behalf of Transmission Owners and Independent Transmission Companies (ITCs).”⁶ In response to a request for additional information regarding the March 24 Filing, MISO and the MISO Transmission Owners explained that the Funds Trust Agreement was intended to avoid funds being tied up in litigation in the event it became necessary to have a court determine the merits of creditors’ claims, thereby avoiding any delay in distributing transmission revenues to the Transmission Owners and Manitoba Hydro.⁷

On August 11, 2006, the Commission accepted the revisions to the Transmission Owners Agreement in the March 24 Filing, effective April 1, 2006, subject to a compliance filing.⁸ The Commission found that the Transmission Owners Agreement did not prohibit the negotiation of an arrangement such as the Funds Trust Agreement and, prior to the changes to address the

⁴ *Id.* at 2-3.

⁵ *Id.* at 3.

⁶ *Id.* at 3 citing Transmission Owners Agreement, Article Three, Section III.A.

⁷ MISO and MISO Transmission Owners Filing of Additional Information, Docket No. ER06-785-001, at 3 on June 14, 2006.

⁸ *Midwest Indep. Transmission Sys. Operator, Inc.*, 116 FERC ¶ 61,142 (2006) (“August 11 Order”). In the August 11 Order, the Commission also found that “the Funds Trust Agreement is not required to be filed with the Commission under the Commission’s ‘rule of reason’” and does not “have a significant effect on rates, nor does it otherwise alter the terms of documents on file with the Commission,” and is not jurisdictional under section 203 because it does not affect dispositions of the transmission revenues, it merely changes the collection agent. August 11 Order at P 33. The Commission accepted the compliance filing by letter order. *Midwest Indep. Transmission Sys. Operator, Inc.*, Docket No. ER06-785-002 (Oct. 31, 2006).

Funds Trust Agreement, “specifically allow[ed] such negotiations and revisions provided there is a consensus on amendments.”⁹

Under the Funds Trust Agreement, only revenues for the provision of transmission services under the MISO Tariff or the MH OATT and MISO-MH Coordination Agreement are deposited directly into a separate trust account on a monthly basis. Revenues are then distributed to MISO, the Transmission Owners, and ITCs pursuant to the Transmission Owners Agreement and MISO’s Tariff. Revenues are distributed to Manitoba Hydro pursuant to the MISO-MH Coordination Agreement and MH OATT. Revenues derived from generation-related services, such as Schedule 2 reactive power service, or from energy market services are not affected by the trust.¹⁰ Likewise, revenues for transmission service that are paid directly to Transmission Owners or ITCs also are not affected by the trust. As the Commission recognized in the August 11 Order, the trust does “not change the distribution of transmission revenues within” MISO, it “does not affect disposition of the transmission revenues, it merely changes the collection agent,” and that the “transmission revenues belong solely to the transmission owners.”¹¹

In recent months, JPMorgan, pursuant to the terms of the Funds Trust Agreement, notified MISO that it intends to terminate its role as Trustee under the Funds Trust Agreement. Accordingly, MISO and the Beneficiaries have determined after being unable to find a new entity to act as trustee under the Funds Trust Agreement, they would revise the Tariff, Transmission Owners Agreement, and MISO-MH Coordination Agreement to remove references to the Funds Trust Agreement and to further clarify that MISO only collects, holds, and distributes the transmission revenues pursuant to the Tariff, Transmission Owners Agreement, MH OATT, and the MISO-MH Coordination Agreement in trust for the benefit of the MISO Transmission Owners, certain former owners, and Manitoba Hydro, per the applicable tariff and agreement. Pursuant to the terms of Funds Trust Agreement, the Beneficiaries have voted to terminate the Funds Trust Agreement as of the effective date the Commission grants for the revisions submitted in this filing.

II. DISCUSSION OF PROPOSED REVISIONS

To accommodate the termination of the Funds Trust Agreement, the Filing Parties are revising the Tariff, Transmission Owners Agreement, and MISO-MH Coordination Agreement to remove references to the Funds Trust Agreement and to clarify that MISO receives, holds, and distributes transmission revenues in trust for the benefit of Transmission Owners or Manitoba Hydro, as applicable. The proposed revisions do not affect any rates under the Tariff or the Transmission Owners Agreement, or the revenue requirement of any Transmission Owner.

⁹ August 11 Order at P 34; *see also id.* at P 31.

¹⁰ *See* March 24 Filing at 3.

¹¹ August 11 Order at PP 32, 33.

In further support of the revisions being proposed herein, Article III, Section III, Paragraph (E) of the Transmission Owners Agreement provides that MISO has the responsibility to its Transmission Owners to distribute all Transmission Trust Revenues monthly in accordance with Appendix C of the Transmission Owners Agreement and the Tariff.¹² MISO performs the responsibilities in Article III of the Transmission Owners Agreement under a custodial trust relationship to the Transmission Owners.¹³ In addition, the Transmission Owners Agreement specifically states that transmission revenue distribution shall not be changed except by unanimous vote of the Transmission Owners.¹⁴

Terminating this trust will not change the distribution of Transmission Trust Revenues within MISO. The Transmission Trust Revenues under the MISO Tariff belong solely to the Transmission Owners. Under the revisions being proposed herein, only the collection agent for the transmission service associated with the Transmission Trust Revenues is affected. The distribution of transmission revenues remains the same, but will be completed by MISO, who holds the revenues in trust for the beneficiaries, instead of through a third-party trustee.

The revisions to the Transmission Owners Agreement, Tariff, and MISO-MH Coordination Agreement are described in detail below.

A. Revisions to the Transmission Owners Agreement

The Filing Parties propose to modify the Transmission Owners Agreement as follows:

1. Delete the definition of “Funds Trust Agreement” in Article One, Section I.F and Appendix F (Bylaws).
2. Revise Article Two, Appendix F, and Appendix I (ITCs) to remove the statement that the Transmission Owners and Appendix I companies must become parties to the Funds Trust Agreement prior to receiving revenue for transmission services provided under the Tariff.
3. Revise Article Three, Section III, Paragraph (C) to clarify –
 - (i) All revenues for transmission service under the Tariff shall be received, held, used, managed, and distributed in trust for the benefit of the Transmission Owners and former Transmission Owners who have a right to receive Transmission Trust

¹² See Transmission Owners Agreement, Article III, Section III, Paragraph (E) (as revised by the proposed changes in this filing); see also n.15, *supra*, explaining new defined term Transmission Trust Revenues.

¹³ See Transmission Owners Agreement, Article III, Section III, Paragraph (A).

¹⁴ See Transmission Owners Agreement, Article Two, Section IX, Paragraph (6).

Revenues¹⁵ in accordance with the Transmission Owners Agreement and the Tariff; and

- (ii) MISO shall hold all collected Transmission Trust Revenues in trust for the benefit of the Transmission Owners and former Transmission Owners who have the right to Transmission Trust Revenues in accordance with the Tariff, subject to MISO's right pursuant to Section 7.4(a) of the Tariff to deduct from such funds certain authorized fees and expenses that are payable directly to MISO from time to time for its administration of the Transmission System in accordance with the Tariff and the Transmission Owners Agreement. MISO shall hold such collected Transmission Trust Revenues in a separate operating account together with similar amounts for transmission revenues MISO collects and holds in trust for Manitoba Hydro pursuant to the Manitoba Hydro OATT and MISO-MH Coordination Agreement. The funds described in the preceding sentence held in this separate operating account shall be held separate from any other funds. MISO also shall hold disputed payments collected as Transmission Trust Revenues in trust for the benefit of Transmission Owners or former Transmission Owners who have a right to such Transmission Trust Revenues in a separate account.
 - (iii) The Transmission Owners Agreement is intended to create a trust for the benefit of the Transmission Owners and former Transmission Owners who have a right to receive Transmission Trust Revenues in accordance with the Tariff under applicable law for the foregoing purposes. MISO will take all action reasonably necessary to ensure that the Transmission Trust Revenues are treated under applicable law as trust property held for the benefit of the Transmission Owners and former Transmission Owners who have a right to receive Transmission Trust Revenues in accordance with the Tariff, and not as separate property of MISO.
4. Make conforming revisions to certain provisions that relate to the collection and/or distribution of revenues for transmission services provided under the Tariff and/or the Transmission Owners Agreement, including revisions to remove references to the Funds Trust Agreement, further clarify that MISO holds transmission revenues in trust for the

¹⁵ Transmission Trust Revenues is a newly defined term in the Tariff that is being added by this filing. The definition of Transmission Trust Revenues essentially is the revenues for transmission service collected in accordance with the Tariff for the benefit of the Transmission Owners and former Transmission Owners who have a right to such revenues.

benefit of Transmission Owners and certain former Transmission Owners, and recognize that the Tariff has corresponding sections clarifying that MISO holds transmission service revenues in trust for the benefit of the Transmission Owners. These revisions are set forth in Article Two, Sections I.B, I.D, III.B.5, IV.D.8, and V.A.2; Article Three, Sections III.C, and III.E; Appendix C-4; and Appendix I.¹⁶

B. Revisions to the MISO-MH Coordination Agreement

The Filing Parties propose to modify the MISO-MH Coordination Agreement as follows:

1. Delete the definition of “Funds Trust Agreement” in Article One (Definitions).
2. Remove reference to the term “Funds Trust Agreement” in Sections 2.3 and 4.7.
3. Include a new Section 4.8 to clarify the manner in which MISO will receive, hold, and distribute transmission revenues monthly in accordance with the MISO-MH Coordination Agreement, and the MH OATT.
4. In Appendix A to the MISO-MH Coordination Agreement, apply numbering to the paragraphs for clarification and consistency.

C. Revisions to the MISO Tariff

The Filing Parties propose to modify the MISO Tariff as follows:

1. In Module A (Common Tariff Provisions) -
 - Remove the definition of “Funds Trust Agreement.”
 - Revise the definition of “Transmission Charges” to reorder certain references in the definition and correct a typographical error.
 - Add a new defined term “Transmission Trust Revenues” which is defined as the revenue collected by, received by, payable to, or to become payable to the Transmission Provider from Transmission Customers and Tariff Customers under the MISO Tariff associated with or related to Transmission Service furnished under Module B,

¹⁶ The MISO Transmission Owners unanimously approved, as required by Appendix C of the Transmission Owners Agreement, the revisions to remove the reference to the Funds Trust Agreement in Appendix C-4 of the Transmission Owners Agreement proposed in this filing.

and Schedule 26-A that are required to be distributed solely to Transmission Owners or former Transmission Owners, including the revenue collected for amounts billed under Schedules 7, 8, 9, 21, 26, 26-A, 36, 37, 38, 39, and 45 and other schedules that may be added to the MISO Tariff.

- Revise Section 6A (Legal Capacity) to (i) include language that corresponds to the revisions in Article Three, Section III.C of the Transmission Owners Agreement; and (ii) correct references to Market Charges, which is not a defined term in the Tariff.

III. SUPPORTING DOCUMENTS

In addition to this Transmittal Letter, the following documents are being submitted with this filing:

- Tab A – Redlined version of proposed revisions to the Transmission Owners Agreement;
- Tab B – Clean version of proposed revisions to the Transmission Owners Agreement;
- Tab C - Redlined version of proposed revisions to the MISO-MH Coordination Agreement; and
- Tab D – Clean version of proposed revisions to the MISO-MH Coordination Agreement.

There is no language currently pending before the Commission in the above-referenced revisions that is pending in unrelated dockets before this Commission. Accordingly, MISO's practice of yellow highlighting pending language in the applicable redlined versions is not applicable in the instant filing.

As noted above, the revisions to the Tariff are included in a separate filing (identified as (Part II of II)).

IV. PROPOSED EFFECTIVE DATE, REQUEST FOR WAIVER, AND REQUEST FOR EXPEDITED ACTION

The Filing Parties respectfully request that the proposed revisions to the Transmission Owners Agreement, MISO-MH Coordination Agreement, and Tariff be deemed effective June 1, 2014, and also request expedited action on this filing, with an order to be issued no later than May 26, 2014. Allowing this effective date will provide financial certainty to all parties involved. In addition, expeditious Commission acceptance or approval of this filing by May 26, 2014, will provide the parties to the Funds Trust Agreement with sufficient time to implement

the termination of the agreement and the revisions to the Transmission Owners Agreement, MISO-MH Coordination Agreement, and Tariff that reflect the termination of the Funds Trust Agreement.

The Filing Parties also request any waiver of the Commission's 60-day notice requirement set forth at 18 C.F.R. § 35.3 to allow this effective date. Waiver is appropriate because the proposed revisions do not affect or increase any rates, or affect the offering of any services under the Tariff or the Transmission Owners Agreement.¹⁷ Moreover, the only parties directly affected by this filing – the transmission owners in MISO and MISO – have agreed to this filing and support both the proposed effective date and the request for expedited acceptance or approval.

The Filing Parties further request waiver of the requirements of 18 C.F.R. § 35.13 that are not specifically addressed herein. In support, the Filing Parties note that the general requirements of section 35.13 are not applicable here, as this filing does not involve a change in the rates or charges under the MISO Tariff.

V. CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications with respect to this filing should be sent to the following persons, who shall also be authorized to receive notice in this docket:

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VI. NOTICE AND SERVICE

MISO notes that it has served a copy of this filing electronically, including attachments, upon its Tariff Customers, MISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, MISO Advisory Committee participants, as well as all state commissions within the Region, including the Organization of MISO States.

¹⁷ See *Cent. Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,338 (1992) (“We will generally grant waiver of the 60-day prior notice requirement in the following instances: (1) uncontested filings that do not change rates . . . and (2) filings that reduce rates and charges”).

In addition, the filing has been posted on MISO's website at the following link, for other interested parties in this matter:

<https://www.misoenergy.org/Library/FERCFilingsOrders/Pages/FERCFilings.aspx>

VII. CONCLUSION

For all of the foregoing reasons, the Filing Parties respectfully request that the Commission accept the proposed revisions to the Transmission Owners Agreement, MISO Tariff, and MISO-MH Coordination Agreement as discussed herein and grant waiver of any additional regulations the Commission may deem applicable in this instance.

Sincerely,

/s/ Matthew R. Dorsett

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***Attorneys for the
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Attachments

TAB A

~~The Funds Trust Agreement among JPMorgan Chase Bank, N.A., Midwest Independent Transmission System Operator, Inc., and the Beneficiaries, as may be amended from time to time, under which agreement a trust is established and maintained for the receipt and distribution of revenues resulting from the provision of transmission services under the Tariff.~~

[RESERVED](#)

By agreeing to and executing this Agreement, the Owners declare that (i) the Transmission System committed to the operation and control of MISO, (ii) the Non-transferred Transmission Facilities, and (iii) all revenues from the provision of transmission service provided by MISO shall be managed, administered, received, and collected, in the manner and subject to the terms and conditions set forth in this Agreement, any amendments to this Agreement, and the Tariff, ~~and the Funds Trust Agreement.~~

The authorization granted by the Owners to MISO, subject to the terms of this Agreement, shall be sufficient to commit the operation and control of the Transmission System to MISO for the following purposes: (i) providing non-discriminatory open access transmission service over the Transmission System to transmission customers, including the Owners, who may lawfully request such service pursuant to a single tariff filed with the FERC; (ii) receiving funds associated with transmission services from transmission customers solely as agent for, and in trust for the benefit of, the Owners or their designee(s) and former Owners who have a right to receive Transmission Trust Revenues and distributing such funds to the Owners or their designee(s) and former Owners who have a right to receive Transmission Trust Revenues in accordance with this Agreement, Appendix C to this Agreement, and the Tariff~~Funds Trust Agreement~~; (iii) being responsible for regional system Reliability, in accordance with the provisions of this Agreement; and (iv) providing energy market and ancillary services pursuant to the Tariff. With regard to the Non-transferred Transmission Facilities, MISO shall have such authority as is provided for in the Agency Agreement attached hereto as Appendix G.

The Board shall have the obligation to assure that the Chief Executive Officer and/or the President accounts for all transactions on the Transmission System and other activities of MISO; submits bills for such transactions; pays the expenses of operation of MISO; collects monies for transmission service from customers solely as agent for in trust for the benefit of, the Owners or their designee(s) and former Owners who have a right to receive Transmission Trust Revenues in accordance with the Tariff; and distributes monies to the Owners or their designee(s) in accordance with this Agreement, any associated agreements referred to in this Agreement, ~~the Funds Trust Agreement~~, and the Tariff.

In accordance with policies set by the Board, and subject to any limitations set forth in this Agreement ~~or the Funds Trust Agreement~~, the Chief Executive Officer shall have the power to select a depository, and to deposit any monies or securities held by MISO in connection with the performance of its obligations under this Agreement, with any one or more banks, trust companies, or other banking institutions deemed by the Chief Executive Officer to be responsible, such monies or securities to be subject to withdrawal on notice upon demand or in such manner as the Chief Executive Officer may determine, with no responsibility upon the Chief Executive Officer for any loss that may occur by reason of the failure of the person with whom the monies or securities had been deposited properly to account for the monies or securities so deposited.

A new Member may join as an Owner, provided that it (i) owns, operates, or controls facilities used for the transmission of electricity in interstate commerce (as determined by MISO by applying the seven-factor (7-factor) test set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC or the state regulatory authority) that are physically interconnected with the facilities of an existing Owner; and (ii) agrees to sign this Agreement, to be bound by all of its terms, and to make any and all payments or contributions required by this Agreement; ~~and (iii) agrees to sign the Funds Trust Agreement, to be bound by all of its terms, and to make any and all payments or contributions required under the Funds Trust Agreement if and/or when the Member receives revenues from transmission service, provided that prior to the existence of any right of the Member to receive revenues from transmission service under the Tariff, the Member executes the Funds Trust Agreement.~~

Upon fulfillment of these conditions, and upon completion of any physical integration of the new Owner's facilities with the Transmission System in a fashion consistent with the Chief Executive Officer's (or if the Board chooses not to elect the Chief Executive Officer, the President's) direction, the Board shall allow the new Member to become a signatory to this Agreement. In general, an Owner must own, operate, or control interstate transmission facilities as detailed above; however, on a case-by-case basis, the Board may waive the requirement that such facilities be physically interconnected if allowing the Member also to become an Owner will result in significant net benefits to MISO and its Members.

All revenues for transmission service under the Tariff shall be received, held, used, managed, and distributed in trust for the benefit of the Owners in accordance with this Agreement, ~~the Funds Trust Agreement~~, and the Tariff. MISO shall hold all collected Transmission Trust Revenues in trust for the benefit of the Owners and former Owners who have the right to receive Transmission Trust Revenues in accordance with the Tariff, subject to MISO's right pursuant to Section 7.4(a) of the Tariff to deduct from such funds certain authorized fees and expenses that are payable directly to MISO from time to time for its administration of the Transmission System in accordance with the Tariff and this Agreement. MISO shall hold such collected Transmission Trust Revenues in a separate operating account together with similar amounts for transmission revenues MISO collects and holds in trust for Manitoba Hydro pursuant to the Manitoba Hydro Open Access Transmission Tariff and Coordination Agreement by and between MISO and Manitoba Hydro. The funds described in the preceding sentence held in this separate operating account shall be held separate from any other funds. MISO also shall hold disputed payments collected as Transmission Trust Revenues in trust for the benefit of Owners or former Owners who have a right to such Transmission Trust Revenues in a separate account. This Agreement is intended to create a trust for the benefit of the Owners and former Owners who have the right to receive Transmission Trust Revenues in accordance with the Tariff under applicable law for the foregoing purposes. MISO will take all action reasonably necessary to ensure that the Transmission Trust Revenues are treated under applicable law as trust property held for the benefit of the Owners and former Owners who have a right to receive Transmission Trust Revenues in accordance with the Tariff, and not as separate property of MISO.

MISO shall distribute on a monthly basis to each Owner or its designee(s) an amount determined

| in accordance with Appendix C to this Agreement [and the Tariff](#).

REVENUE DISTRIBUTION FOR SECA

I. Additional Definitions. Unless the context otherwise specifies or requires, the following additional definitions apply to this Appendix C-4, and, when used in this Appendix C-4, the following terms shall have the respective meanings set forth below.

A. SECA. Seams Elimination Charge/Cost Adjustments/Assignments. The SECA is the mechanism for recovery of the lost revenues resulting from the elimination of through and out rates for transactions between MISO and PJM. The SECA is to be paid by entities in PJM for (1) the period beginning on December 1, 2004 and ending on March 31, 2005, and (2) the subsequent period beginning on April 1, 2005 and ending on March 31, 2006.

B. PJM. PJM Interconnection, L.L.C.

C. Coordinating Owner. Manitoba Hydro.

D. Owner. For the purposes of Appendix C-4, the term Owner includes Manitoba Hydro, which is a Coordinating Owner.

E. MWh. Megawatt hour.

II. Revenue Distribution.

MISO shall cause the distribution of the revenues received (from SECA charges under Schedule 21 of the Tariff or from SECA charges implemented within PJM) to compensate the Owners for lost revenues in proportion to each Owner's lost revenues ratio in accordance with this Appendix C-4 ~~and the Funds Trust Agreement~~. Each Owner's lost revenues ratio is set forth on Appendix C-4, Attachment 1.

The Owners for the purposes of the revenue distribution are listed on Appendix C-4, Attachment 1. Each Owner may designate another entity or other entities to recover the revenues it would be due under this provision.

**APPENDIX C-4
ATTACHMENT 1
Owner's Relative Share of Total Lost Revenues**

Owner

(Dec. 1, 2004

to

Dec. 31, 2004)(Jan. 1, 2005

to

Mar. 31, 2005)(Apr. 1, 2005

to

Apr. 30, 2005)(May 1, 2005

to

Mar. 31, 2006)Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)10.44%9.06%9.02%9.27%American Transmission Company, LLC0.68%0.58%2.04%2.04%American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)34.12%43.53%42.94%42.63%Central Illinois Light Co.0.46%0.39%0.47%0.47% Cinergy Services (includes IMPA & WVPA)12.96%10.97%6.53%6.53%City Water, Light & Power (Springfield, IL)0.12%0.10%0.14%0.14%Great River Energy0.06%0.06%0.08%0.08%Hoosier Energy R.E.C.0.84%0.71%0.55%0.55%Illinois Power Company13.06%10.88%13.32%13.36%Indianapolis Power & Light1.98%1.68%1.16%1.16%International Transmission Company4.42%3.79%3.62%3.62%ITC Midwest LLC¹1.64%1.44%1.29%1.29%Louisville Gas & Electric/Kentucky Utilities4.76%4.06%3.69%3.69%Manitoba Hydro1.78%1.52%1.46%1.46%Michigan Electric Transmission Company, LLC1.96%1.67%2.33%2.33%Minnesota Power, Inc.0.57%0.50%0.43%0.43%Montana-Dakota Utilities Co.0.24%0.20%0.18%0.18%Northern Indiana Public Service Company2.88%2.53%6.48%6.49%

**APPENDIX C-4
ATTACHMENT 1 – cont’d.
Owner’s Relative Share of Total Lost Revenues**

Owner

(Dec. 1, 2004

to

Dec. 31, 2004)(Jan. 1, 2005

to

Mar. 31, 2005)(Apr. 1, 2005

to

Apr. 30, 2005)(May 1, 2005

to

Mar. 31, 2006) Otter Tail Power Co. 0.42% 0.36% 0.34% 0.35% Southern Illinois Power
Cooperative 0.15% 0.13% 0.27% 0.27% Vectren Energy Delivery 0.83% 0.71% 0.59% 0.59% Xcel Energy
Services, Inc. (Northern States Power) 5.63% 5.13% 3.09% 3.09%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC (“ITC Midwest”), and Interstate Power and Light Company (“IPL”) seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL’s jurisdictional transmission facilities.

BYLAWS
of the
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.

A Delaware Non-Stock Corporation

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. Unless the context otherwise specifies or requires, certain capitalized terms are used in these Bylaws and the attached appendices with the meanings set forth below or in other provisions of these Bylaws. Any capitalized terms not defined in these Bylaws shall have the meaning as defined in the MISO Agreement and, if not defined there, in the Tariff.

Agency Agreement - The agreement allowing Non-transferred Transmission Facilities to be offered by the Midcontinent Independent System Operator, Inc. ("MISO") for transmission service under the Tariff. The Agency Agreement is Appendix G to the MISO Agreement.

Effective Date - The effective date of the MISO Agreement.

FERC - The Federal Energy Regulatory Commission, or any successor agency.

~~**Funds Trust Agreement** - The Funds Trust Agreement among JPMorgan Chase Bank, N.A., Midcontinent Independent System Operator, Inc., and the Beneficiaries, as may be amended from time to time, under which agreement a trust is established and maintained for the receipt and distribution of revenues resulting from the provision of transmission services under the Tariff.~~

Good Utility Practice- Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather to be a range of acceptable practices, methods, or acts generally accepted in the region.

He, Him, or His - Includes "she," "her," or "hers."

Member - A person or business entity which is (i) an Eligible Customer, as defined in the Tariff, or (ii) an Owner, as defined herein, and which pays to MISO, the non-refundable membership fees as required herein. Such person or entity shall be a Member during the period covered by the applicable membership fees unless earlier terminated pursuant to the Bylaws.

MISO Agreement - The Agreement Of Transmission Facilities Owners To Organize The Midcontinent Independent System Operator, Inc., A Delaware Non-Stock Corporation, and any amendments thereto, and as accepted by the FERC.

Non-owner Member - - A Member which is not an Owner.

Non-Transferred Transmission Facilities - The booked transmission facilities not identified in Appendix H to the MISO Agreement which are the subject of the Agency Agreement.

Owner - A utility or other entity which owns, operates, or controls facilities for the transmission of electricity in interstate commerce (as determined by the MISO by applying

the seven-factor (7 – factor) test of the FERC set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC) and which is a signatory to the MISO Agreement. A public utility holding company system shall be treated as a single owner for purposes of the MISO Agreement. Each Owner shall pay the applicable membership fees and become a Member. Any termination of a utility's or entity's status as an Owner shall be determined pursuant to the MISO Agreement and these Bylaws.

Person - Any general partnership, limited partnership, corporation, limited liability company, joint venture, trust, business trust, governmental agency, cooperative, association, other entity, or individual, and the heirs, executors, administrators, legal representatives, successors, and assigns of such person, as the context may require.

Regional Entity. An entity having enforcement authority pursuant to Section 215(e)(4) of the Federal Power Act, 16 U.S.C. § 824o(e)(4), as specifically identified in the Tariff or its successor as may be in effect from time to time.

Tariff - The tariff on file with the FERC under which MISO will offer transmission service, energy and ancillary market services, or any successor tariff.

Transmission System - The transmission facilities of the Owners which are committed to the operation of MISO by the MISO Agreement. The facilities comprising the Transmission System are identified in Appendix H to the MISO Agreement.

User - A Transmission Customer under the Tariff or an entity that is a party to a transaction under the Tariff.

Section 1.2. *Interpretation.* In the event of any conflict between these Bylaws and the MISO Agreement, the MISO Agreement shall control. The descriptive headings of

Articles and Sections of these Bylaws have been inserted for convenience of reference only and shall not define, modify, restrict, construe, or otherwise affect their construction or interpretation.

ARTICLE II

GENERAL PROVISIONS

Section 2.1. *Organization.* MISO is a non-stock, not-for-profit corporation, pursuant to Title 8, Chapter 1 of the laws of the State of Delaware. MISO is operated exclusively for the promotion of social welfare, in furtherance of the public policy reflected in the order of the FERC approving the MISO Agreement and FERC Order No. 888. No part of the net earnings, if any, of MISO shall inure to the benefit of any MISO Member, Director, Officer, employee, or any other interested private person. MISO is authorized and empowered to pay reasonable compensation for services actually rendered and to make payments or distributions in furtherance of the purposes and objectives set forth in the MISO Agreement and the Tariff. No substantial part of the activities of MISO shall be carrying on propaganda or otherwise attempting to influence legislation. MISO shall not participate in or intervene in any political campaign on behalf of any candidate for public office. MISO shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt from taxation under the Internal Revenue Code, or successor provisions in any subsequent federal tax laws, or such other provision or successor provisions under which the Internal Revenue Service may recognize that MISO is exempt from taxation.

Section 2.2. *Offices.* The principal office of MISO shall be located as determined by the Board of Directors. The Board may establish such branch offices or places of business as it shall determine to be in the best interests of MISO.

ARTICLE III

MEMBERS

Section 3.1. *Qualifications; Membership Fees; Term*

- a. Qualifications. Any Person which (i) is an Eligible Customer (as defined in the Tariff) or an Owner and (ii) pays to MISO the non-refundable membership fees set forth in Section 3.1(b) shall be eligible to become a Member. A person may apply to become a Member of MISO by submitting an application in the form then approved by the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) and making payment of the membership fees set forth in Section 3.1(b) of these Bylaws. Action upon any application for membership shall be taken at the first meeting of the Board following submission of the membership application.
- b. Membership Fees. All entities eligible for membership in MISO shall pay an initial membership fee of \$15,000 in order to become Members. On January 1 of each year, each Member shall pay an additional fee of \$1,000 to MISO to retain its membership. All such fees are nonrefundable and may be adjusted from time to time, as may be appropriate, by the Board.
- c. Term. A Person shall be a Member during the period covered by the applicable membership fees unless earlier terminated as provided in these Bylaws.
- d. Withdrawal of Members. A Member who is not an Owner may, upon submission of a written notice of withdrawal to the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President), withdraw from membership in MISO at any time, which withdrawal shall be

effective thirty (30) days after the receipt of such notice by the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President). A Member who is also an Owner may, upon submission of a written notice of withdrawal to the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President), commence a process of withdrawal of its facilities from the Transmission System. The terms and conditions of such withdrawal are specified in the MISO Agreement.

Section 3.2. *Owner Status.* Members admitted to Membership after the start-up of MISO who wish also to have the status as Owners, must (i) own, operate, or control facilities used for the transmission of electricity in interstate commerce (as determined by MISO by applying the seven factor (7-factor) test set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC) that are physically interconnected with the facilities of an existing Owner; and (ii) express its agreement to become a signatory to the MISO Agreement, to be bound by all of its terms, and to make any and all payments or contributions required by the MISO Agreement, ~~and (iii) express its agreement to become a signatory to the Funds Trust Agreement, to be bound by all of its terms, and to make any and all payments or contributions required by the Funds Trust Agreement if and/or when it receives revenues for transmission service, and prior to the existence of any right of the Member to receive revenues from transmission service under the Tariff executes the Funds Trust Agreement.~~ Upon fulfillment of these conditions, and upon completion of any physical integration of the new Owner's facilities with the Transmission System in a fashion consistent with the Chief Executive Officer's (or if the Board chooses not to elect the Chief Executive Officer, the President's) direction, the Board shall allow the new Member to become a signatory

to the MISO Agreement. In general, an Owner must own, operate, or control interstate transmission facilities as detailed above; however, on a case-by-case basis, the Board may waive the requirement that such facilities be physically interconnected if allowing the Member also to become an Owner will result in significant net benefits to MISO and its Members.

Section 3.3. *No Rights of Members to Manage or Control.* No Member shall have any rights to manage or control the property, affairs, or business of MISO, or any power to control the Board in these respects.

Section 3.4. *Regular Meetings.* The Members shall hold their meetings at the principal office of MISO, or other location designated by the Board, on the dates designated by the Board. The Members shall also hold their annual meetings at such location on the second Thursday of December each year, or such other day of December as may be designated by the Board, for the purpose of electing Directors and of exercising and discharging any other powers or duties vested in them by the MISO Agreement and the Bylaws.

Section 3.5. *Special Meetings.* The Board or any twenty-five percent (25%) of the Members may call special meetings of the Members at any time.

Section 3.6. *Notification.*

- a. The Secretary shall provide notice to appropriate state regulatory authorities, FERC, the members of the Advisory Committee (established pursuant to the MISO Agreement), and the public by posting on MISO's Internet World-Wide Web Site or equivalent form of electronic posting at least seven (7) days prior to the meeting, of the time and place of all meetings of Members, whether regular or special.

b. Notice mailed to a Member, sent by telefacsimile, or other electronic means no later than seven (7) days prior to the date of the meeting, directed to the Member at the address as shown on the books of MISO, shall be deemed sufficient for the provisions of this provision and for all other purposes, unless written notice of change of such address has been previously given to MISO. In the case of special meetings, the Secretary shall also give notice to all Members of the general purpose of the meeting and the nature of the business to be considered at such meeting. Such a special meeting shall be limited to the business thus specified in the notice, unless at least twenty-five percent (25%) of the Members consent in writing to the consideration of other matters. The Members of record eligible to participate in any meeting shall be determined as of the date notice of the meeting is provided to the Members.

Section 3.7. *Conduct of Meetings; Quorum; Voting.* At all meetings of Members, the Chairman of the Board, or such other person as may be designated by the Board, shall preside. Each Member shall be entitled to one vote, and Members may vote by proxy. Twenty-five percent (25%) of the Members, or their proxies, shall constitute a quorum for the purpose of any such meeting. Except where it is otherwise provided in these Bylaws, a vote of a majority of the Members represented and voting at the meeting shall control.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1. *General Powers.* There shall be a Board of Directors of MISO which shall consist of seven (7) persons plus the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President). The Board may exercise all of the powers of the

non-stock corporation and do all lawful acts and things (including the adoption of such rules and regulations for the conduct of its meetings, the exercise of its powers, and the management of MISO) as it may deem proper and consistent with applicable law, the MISO Agreement, the Tariff, the articles of incorporation, and these Bylaws, provided that authority for such actions is not reserved to the Members or Owners.

Section 4.2. *Qualifications.* A Director shall not be, and shall not have been at any time within two (2) years prior to or subsequent to election to the Board, a Director, Officer, or employee of a Member, User, or an affiliate of a Member or User engaged in the electric utility industry or participating in wholesale electricity markets. At all times while serving on the Board, and for two (2) years thereafter, a Director shall have no material business relationship or other affiliation with any Member or User or an affiliate of a Member or User engaged in the electric utility industry or participating in wholesale electricity markets. A Director's participation in a pension plan of a Member or User or an affiliate thereof shall not be deemed to be a material business relationship if the Member's or User's financial performance has no material effect on such pension plan. Similarly, a Director's ownership of securities in a Member or User or affiliate thereof shall not be deemed to be a material business relationship if such securities are held through a mutual fund, retirement fund, blind trust (as defined in Appendix A, Section II.E.6) or similar arrangement where the Director has no discretion to manage the assets in such an account. Of the seven (7) Directors, four (4) shall have expertise and experience in corporate leadership at the senior management or board of directors level, or in the professional disciplines of finance, accounting, engineering, or utility laws and regulation. Of the other three (3) Directors, one (1) shall have expertise and experience in the operation of electric

transmission systems, one (1) shall have expertise and experience in the planning of electric transmission systems, and one (1) shall have expertise and experience in commercial markets and trading and associated risk management.

Section 4.3. *Number; Election.*

a. Board. The Board shall be elected by the Members at their annual meeting from a slate of candidates presented to them by the Nominating Committee. Directors shall be elected to terms of three (3) years, except for any Director elected to fill a vacancy in the remainder of the term of a previously elected Director that has been removed or resigns. Before the term of a Director expires, a nominating committee consisting of three Board Members whose terms are not expiring appointed by the Board and two members of the Advisory Committee selected by the Advisory Committee shall select an executive search firm to provide at least two (2) candidates, with the qualifications specified below, to the nominating committee for each open Director position. Members may submit the names of candidates directly to the nominating committee. The nominating committee shall then provide at least two (2) candidates to the Board for each open position. The candidates for a specific Director position shall have the same type of qualifications as the Director being replaced, as set forth in Section 4.2 above. At least thirty (30) days prior to the meeting of the Members at which the Directors will be elected, the Board shall distribute to the Members a slate of candidates consisting of at least one (1) candidate for each Director position to be filled. The Board shall also provide the Members with information on the qualifications and experience of the candidate to fill the Director seat for

which each candidate is proposed. A candidate receiving a majority of the votes cast by the Members shall be elected. Should the Members fail to elect a candidate from the slate proposed by the Board, the Board shall prepare a new slate using the procedures set forth above for consideration by the Members at a meeting of the Members to be called no later than seventy-five (75) days after such election. Each Director shall serve until the Director's successor shall have been duly elected and qualified, or until the Director's earlier resignation or removal. Vacancies on the Board caused by a Director leaving office before the expiration of the Director's term shall be filled by vote of the Board, which shall choose a candidate having the same type of qualifications as the Director's predecessor from a list prepared by the nominating committee in consultation with an executive search firm chosen by the nominating committee. A Director selected to fill such a vacancy shall serve out the term of his predecessor.

Section 4.4. *Chairman of the Board.* The Board shall select from among its members a Chairman of the Board. The Chairman shall serve in such capacity at the pleasure of the Board until the first meeting of the Board following the next succeeding annual meeting of the Members, or until his successor shall have been elected and have qualified. The Chairman of the Board shall, unless otherwise determined by the Board, preside over all meetings of the Board and Members. The Chairman shall perform all duties incident to the office of Chairman of the Board and such other duties as from time to time may be assigned to him by the Board.

Section 4.5. *Vice Chairman.* The Board shall select from among its members a Vice Chairman of the Board. The Vice Chairman shall serve in such capacity at the pleasure of the Board until its first meeting following the next succeeding annual meeting of the Members, or

until his successor shall have been elected and have qualified. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman of the Board, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chairman of the Board. The Vice Chairman shall also perform such other duties as from time to time may be assigned to him by the Board.

Section 4.6. *Resignation of Directors.* Any Director may resign his office by submitting a signed notice of resignation, delivered or mailed to the principal office of MISO. Such notice of resignation shall state the effective date of resignation. If the notice does not indicate an effective date, the resignation shall take effect upon receipt of the notice at the principal office of MISO.

Section 4.7. *Removal of Directors.*

- a. Removal by Members. The Members may remove a Director by a vote of a majority of the Members. Removal proceedings may only be initiated by a petition signed by not less than twenty percent (20%) of all Members. The petition shall state the specific grounds for removal. A copy of the petition shall be provided to the FERC and to each appropriate state regulatory authority. A Director sought to be removed shall be given fifteen (15) days to respond in writing to any charges set forth in the petition. The petition shall specify either that the removal vote shall be taken at the next regular meeting of the Members or at a special meeting of the Members at a designated date, place, and time.
- b. Removal by Owners for Unauthorized Acts. If the Board of MISO changes, or attempts to change, any of the provisions of the MISO Agreement identified in Article Two, Section IX, Paragraph C of the MISO Agreement

without obtaining the requisite approval of the Owners as specified therein, or if the Board fails to enact these Bylaws or enacts any Bylaws contrary to the MISO Agreement, or if the Board fails or refuses to fulfill the duties owed to the Owners set forth in Article Three, Section III, Paragraphs B and C of the MISO Agreement, then the Board shall be deemed to have acted without authorization, and may be removed in its entirety by unanimous vote of the Owners' Committee (established by Article Two, Section VI, Paragraph B of the MISO Agreement), provided that such removal shall be subject to approval by the FERC. Removal proceedings hereunder shall be initiated only by the delivery by the Owners' Committee to the Chairman of the Board of a statement specifying in detail the manner in which the Board has acted without authorization. The Board shall have sixty (60) days to respond to such a statement, after which the Owners may, by unanimous vote of the Owners' Committee, reaffirm their proposal to remove the Board if they are not satisfied with the Board's response. If the Owners vote unanimously to reaffirm their proposal, they shall file such proposal with the FERC and provide notice to the appropriate state regulatory authorities. Upon the FERC's approval of such proposal, the Board shall be removed in its entirety and a new Board shall be selected in accordance with the provisions for the selection of an initial Board specified in these Bylaws. The new Board so selected shall have all of the powers specified herein as belonging to the Board, including the power to replace the Chief Executive Officer, the President and other Officers, employees, or agents of MISO chosen by the removed Board or its predecessors.

Nothing herein shall be deemed to prejudice any right any Owner may otherwise have under the FPA or other provisions of law.

Section 4.8. *Meetings; Notification.* Regular meetings of the Board shall be held at least quarterly, and other meetings shall be held from time to time on the call of the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President), Chairman, or a majority of the Board. A Director may participate in a meeting personally or by electronic means. Written notice of the date, location, and time of each meeting of the Board must be provided by first-class mail or by telefacsimile to each Director no later than seven (7) calendar days prior to the date of the meeting. Participation in a meeting by a Director is a waiver of any objection that the Director may make to any failure to give adequate notice under this provision. Any action required or permitted to be taken at any meeting of the Board, or of any Board Committee, may be taken without a meeting if all Directors or Board Committee members, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Board Committee. Consistent with the MISO Agreement, the Board shall have all procedural authority provided and options available under Title 8 of the Delaware Corporation Law, section 141, as such law may be amended or, any successor provision thereto.

Section 4.9. *Quorum; Voting.* Five (5) Directors shall constitute a quorum of the Board. Except as provided in Section 4.7 of these Bylaws, the affirmative vote of a majority of the Directors present at a meeting is required to constitute any act or decision rendered by the Board.

Section 4.10. *Accounting.* At each quarterly meeting of the Board, or such other time as the Board directs, the Board shall require the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) to submit for Board approval a full

statement of the conditions of MISO, and all business transacted by it, and, when the statement is approved, shall cause a copy of it to be sent to each Member.

Section 4.11. *Minutes and Reports.* The Board shall cause to be kept by the Secretary, elected by it, accurate minutes of all meetings of the Board, Members, and Board Committees. Insofar as non-Members of MISO are concerned, these records shall be conclusive for the Board of the facts and activities stated and recorded therein.

Section 4.12. *Director Compensation and Expenses.* Directors shall receive from MISO such compensation, regular or special, subject to the terms and conditions stated in the MISO Agreement, Article Two, Section Three, Paragraph D, Subparagraph 1. An independent compensation or human resources firm shall set Director compensation following such Director elections, subject to approval of the Members. If two-thirds (2/3) or more of the Members vote to reject the compensation and human resources firm's recommended compensation, then the recommended compensation shall be rejected. If the recommended compensation is rejected, then the compensation and human resources firm shall be requested to submit another recommendation or another compensation and human resources firm may be hired for such purpose. Directors, and their successors and assigns, shall have the right to reimbursement by MISO for all of their actual expenses reasonably incurred or accrued in the performance of their duties as Directors of MISO.

Section 4.13. *Annual Report.* The Board shall annually make a written report showing the financial results of MISO's operations during the preceding fiscal year. A copy of such report shall be furnished to each Member.

Section 4.14. *Board Oversight.* The Board of Directors shall oversee the Chief Executive Officer's and/or the President's performance of the obligations of MISO specified in

the MISO Agreement and these Bylaws. The performance of such obligations shall be carried out and executed by the Chief Executive Officer and/or the President with oversight as appropriate by the Board. The Board shall establish general policies to be followed by the Chief Executive Officer and/or the President and employees of MISO in the conduct of their duties. The Board shall have the obligation to assure that the Chief Executive Officer and/or the President accounts for all transactions on the Transmission System and other activities of MISO; submits bills for such transactions; pays the expenses of operation of MISO; collects monies for transmission service from customers solely as agent for Owners or their designee(s) in accordance with the Tariff; and distributes monies to the Owners or their designee(s) in accordance with the MISO Agreement, any associated agreements referred to in the MISO Agreement and the Tariff, ~~the Funds Trust Agreement, and the Tariff.~~

Section 4.15. *Standards of Conduct.* The Directors shall comply with the Standards of Conduct set forth in Appendix A to the MISO Agreement, and, by direction or oversight, shall require that the Officers and employees of MISO also comply with such standards.

Section 4.16. *Employ Staff.* The Board shall have the power to employ staff, auditors, counsel, and other personnel as necessary to carry out the business of MISO, and may delegate to the Chief Executive Officer and/or the President all or part of such authority to employ such staff, auditors, counsel, and other personnel.

Section 4.17. *Board Committees.* The Board may appoint such committees of the Board of Directors as are necessary and appropriate for the conduct of MISO's business, provided that final responsibility for any action recommended by any such committee remains with the Board.

ARTICLE V

OFFICERS

Section 5.1. *Titles.* The Officers of MISO shall be the Chief Executive Officer, the President, one or more Vice Presidents (at the discretion of the Board), and a Secretary.

Section 5.2. *Election and Term of Office.* The Officers of MISO shall be elected from time to time by the Board. Each Officer shall hold office at the pleasure of the Board.

Section 5.3. *Removal of Officers by Directors.* Any Officer may be removed by the Board whenever, in the Board's judgment, the best interests of MISO will be served thereby.

Section 5.4. *Chief Executive Officer.* At its discretion, the Board shall have the power not to establish the office of the Chief Executive Officer, or if established, to combine the offices of the Chief Executive Officer and the President. The President shall exercise the powers and perform the duties of the Chief Executive Officer as set forth in Article V, Section 5.5 of these Bylaws. The Chief Executive Officer shall serve on the Board of MISO. The Chief Executive Officer may vote on any matter presented at a Board meeting except when the Chief Executive Officer's vote would create a tied Board vote. In that circumstance, the Chief Executive Officer shall be barred from voting. The Chief Executive Officer also may not vote on the selection of, or continued employment of the Chief Executive Officer or on the Chief Executive Officer's compensation. The Chief Executive Officer shall be included in the determination of a quorum of the Board for any meeting of the Board and in the determination of a majority vote of the Board for any purpose. The duties of the Chief Executive Officer are as follows:

- a. Right of Chief Executive Officer to Manage. The right of the Chief Executive Officer to exercise functional control over the operation of the Transmission System, insofar as is necessary to carry out the rights, duties, and

obligations of MISO as set forth in the MISO Agreement, shall be absolute, unconditional, and free from the control and management of the Owners, who shall have only the rights specifically set forth in the MISO Agreement. The Chief Executive Officer shall have the authority to act for MISO before any and all applicable federal or state regulatory authorities to carry out the business of MISO.

b. General Powers. The Chief Executive Officer shall possess and exercise any and all such additional powers as are reasonably implied from the powers contained in the MISO Agreement such as may be necessary or convenient in the conduct of any business or enterprise of MISO. The Chief Executive Officer may (i) do and perform everything that (a) he deems necessary, suitable, or proper for the accomplishment of any of the purposes, or the attainment of any one or more of the objectives, enumerated in the MISO Agreement, or (b) that shall at any time appear conducive to, or expedient for, the protection or benefit of MISO, and (ii) do and perform all other acts or things that are deemed necessary or incidental to the purposes set forth in the MISO Agreement.

c. Acquire Property. The Chief Executive Officer shall have power to purchase, or otherwise acquire through leases, such property, except for transmission facilities which shall be governed by Appendix B to the MISO Agreement, as necessary to carry out the obligations of MISO as specified in Article Three of the MISO Agreement.

- d. Prosecute Claims. The Chief Executive Officer shall have full and exclusive power and authority to demand, sue for, claim, and receive any and all revenues and monies due MISO.
- e. Borrow. The Chief Executive Officer shall have the power to borrow money up to the level authorized by the Board for the purposes of MISO and to give the obligations of MISO to secure such indebtedness.
- f. Contracts. The Chief Executive Officer shall have the authority and power to make all such contracts as he may deem expedient and proper in conducting the business of MISO, except as may be limited by the Board.
- g. Taxes and Assessments. The Chief Executive Officer shall have the power (i) to pay all taxes or assessments of whatever kind or nature imposed upon or against MISO in connection with MISO property, or upon or against MISO property, or any part of such property; (ii) to do all acts and things as may be required or permitted by any present or future law for the purpose of making the activities of MISO exempt from taxation; and (iii) for any of the above-stated purposes, to do all such other acts and things as may be deemed by him necessary or desirable.
- h. Depository. In accordance with policies set by the Board, and subject to any limitations set forth in the MISO Agreement ~~or the Funds Trust Agreement~~, the Chief Executive Officer shall have the power to select a depository, and to deposit any monies or securities held by MISO in connection with the performance of its obligations under the MISO Agreement, with any one or more banks, trust companies, or other banking institutions, that are federally insured

and deemed by the Chief Executive Officer to be responsible, such monies or securities to be subject to withdrawal on notice upon demand or in such manner as the Chief Executive Officer may determine, with no responsibility upon the Chief Executive Officer for any loss that may occur by reason of the failure of the person with whom the monies or securities had been deposited properly to account for the monies or securities so deposited.

Section 5.5. *President.* If the Board has established the office of the Chief Executive Officer, the President shall, in the absence or disability of the Chief Executive Officer, exercise the powers and perform the duties of the Chief Executive Officer. The President shall exercise such other powers and perform such other duties as shall be prescribed by the Chief Executive Officer and/or the Board consistent with this Agreement. The President shall not be eligible to serve on the Board of MISO except when performing the duties of the Chief Executive Officer, as above provided, or except when the Board chooses not to establish the office of the Chief Executive Officer. If the Board chooses not to establish the office of the Chief Executive Officer, the President shall exercise the powers and perform the duties of the Chief Executive Officer.

Section 5.6. *Vice President.* If the Board chooses not to establish the office of the Chief Executive Officer, the Vice President or, if there be more than one, the Vice President designated by the Board, shall in the absence or disability of the President, exercise the powers and perform the duties of the President. Each Vice President shall exercise such other powers and perform such other duties as shall be prescribed by Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) and the Board consistent with the MISO

Agreement and these Bylaws. No Vice President shall be eligible to serve on the Board of MISO except when performing the duties of the President as provided in the MISO Agreement.

Section 5.7. *Secretary.* The Secretary shall be responsible for the following duties:

- a. Keeping the minutes of the applicable meetings in one or more books provided for that purpose;
- b. Seeing that all notices are duly provided in accordance with these Bylaws, policies of MISO, and any and all other documents which provide for the governance of MISO;
- c. Maintaining custody of the records of the business of MISO and the seal of MISO, and affixing such seal to all appropriate documents, the execution of which, on behalf of MISO, under its seal, is duly authorized in accordance with the provisions of these Bylaws;
- d. Keeping a register of the names and post office addresses of all Members and Directors;
- e. Signing letters of membership, the issuance of which shall have been authorized by the Board or Members;
- f. Keeping on file at all times at the principal office of MISO a complete copy of the MISO Agreement, and all amendments thereto, together with these Bylaws and any policies concerning the governance of MISO, and, at the expense of MISO, forwarding or otherwise making available copies of such information to each of the Members and to the public to the extent required by law; and generally performing all duties instant to the office of Secretary and such other duties that, from time to time, may be assigned to the Secretary by the Board.

Section 5.8. *Standards of Conduct.* The Officers, agents, and employees of MISO shall comply with the Standards of Conduct set forth in Appendix A to the MISO Agreement.

Section 5.9. *Bonds of Officers.* Any Officer, employee, or agent of MISO charged with the responsibility for the custody of any of its funds or property shall give bond in such sums, and with such sureties, as the Board shall determine. The Board, in its discretion, may also require any other Officer, agent, or employee of MISO to give bond in such amount, with such surety, as it shall determine. All premiums of the aforesaid bonds shall be paid by MISO.

Section 5.10. *Compensation.* Compensation of the Officers, agents, and employees of MISO shall be established by the Board or pursuant to the policies approved by the Board.

ARTICLE VI

EXTERNAL COMMITTEES

Section 6.1. *Advisory Committee.*

a. At all times there shall exist an Advisory Committee to the Board consisting of a total of twenty four (24) representatives from the following stakeholder groups chosen as follows: (i) three (3) representatives of Owners, with one (1) seat assigned to an Owner who was a member of the Mid-Continent Area Power Pool (“MAPP”) as of March 1, 2000; (ii) three (3) representatives of municipal and cooperative electric utilities and transmission-dependent utilities, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000; (iii) three (3) representatives of independent power producers (“IPPs”) and exempt wholesale generators (“EWGs”), with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (iv) three

(3) representatives of power marketers and brokers, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (v) three (3) representatives of eligible end-use customers, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (vi) four (4) representatives of state regulatory authorities, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000), and one (1) seat assigned to a Member of this group who is a representative of either the Arkansas Public Service Commission, City of New Orleans, Louisiana Public Service Commission, Mississippi Public Service Commission or the Public Utility Commission of Texas; (vii) two (2) representatives of public consumer groups, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (viii) two representatives of environmental and other stakeholder groups, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); and (ix) one (1) representative of Members who, being legally unable to transfer operational control to MISO have, entered into coordination or agency agreements with MISO (“Coordination Members”). The Board may revise or expand the stakeholder groups as circumstances and industry structures change. The Board shall be responsible for facilitating

meetings of the Advisory Committee, which shall be held at least quarterly. At such quarterly meetings, the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) and at least two (2) other members of the Board shall meet with the Advisory Committee. Upon request of the Advisory Committee, Board members and the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) shall use their best efforts to attend other Advisory Committee meetings. The Advisory Committee shall be a forum for its members to be apprised of MISO's activities and to provide information and advice to the Board on policy matters of concern to the Advisory Committee, or its constituent stakeholder groups, but neither the Advisory Committee nor any of its constituent groups shall exercise control over the Board or MISO. Nothing in the MISO Agreement shall prohibit a corporate or other entity from participating in more than one stakeholder group provided it meets the approved eligibility criteria. The reports of the Advisory Committee and any minority reports shall be presented by the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) to the Board. The Board shall determine how and when it shall consider and respond to such reports. The Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) shall inform the Advisory Committee of any Board determination(s) with respect to such report.

- b. Members of the Advisory Committee shall be selected in the following manner:

- i. The Owners' representatives on the Advisory Committee shall be selected in accordance with Section 6.2 of these Bylaws.
- ii. The representatives of municipal and cooperative electric utilities and transmission-dependent utilities, IPPs and EWGs, power marketers and brokers, eligible end-use customers, and Coordination Members on the Advisory Committee shall be chosen by the Members belonging to such groups. Such Member groups shall propose to the Board their own methods of eligibility and voting. Approval by the Board of such procedures shall not be unreasonably withheld.
- iii. The representatives of state regulatory authorities on the Advisory Committee shall be chosen by the entities that regulate the retail electric or distribution rates of the Owners who are signatories to the MISO Agreement.
- iv. The representatives of public consumer groups and environmental and other stakeholder groups on the Advisory Committee shall be chosen by recognized consumer, environmental, and other stakeholder organizations having an interest in the activities of MISO. The Board shall certify the organizations eligible to participate in the selection of such representatives to the Advisory Committee. Such certification shall not unreasonably be withheld. The groups so certified shall propose to the Board their own methods of eligibility and voting. Approval of such procedures shall not unreasonably be withheld.
- v. Meetings of the constituent stakeholder groups represented on the

Advisory Committee need not be open to the public.

- c. In order to ensure appropriate representation on the Advisory Committee, the Board may change the size and composition of the Advisory Committee at three-year (3-year) intervals.

Section 6.2. *Owners' Committee.* An Owners' Committee shall exist throughout the period of the MISO Agreement. The Owners' Committee shall consist of one (1) person representing each of the Owners who are signatories to the MISO Agreement. The Owners' Committee shall meet at its discretion to exercise the authority granted to the Owners as a group under these Bylaws, including voting upon the matters set forth in Sections 4.7(b) and 6.1(b)(i) of these Bylaws, and under the MISO Agreement. The Owners' Committee shall select three (3) representatives to serve on the Advisory Committee established pursuant to Section 6.1 of these Bylaws.

Section 6.3. *OMS Committee.* OMS Committee shall be the committee that is composed of members of the Organization of MISO States, established pursuant to the bylaws of the Organization of MISO States, having the responsibilities and rights defined in section I.B of Attachment FF of the Tariff and associated Business Practices Manual. The OMS Committee has the opportunity to provide input into the transmission planning, resource adequacy, and transmission cost allocation approach and processes, and may report periodically to MISO's Board. To enable it to exercise the authority described herein, the OMS Committee will be adequately supported by the Transmission Provider either through reasonable in-kind services or through the provision of reasonable funding.

ARTICLE VII

OPEN MEETINGS

Section 7.1. *Open Meetings.* Except as provided herein, all meetings of the Board, all meetings of Board Committees and working groups, all meetings of the Advisory Committee and all Members' meetings shall be open to the public. Timely notice of such meetings and copies of all materials to be addressed at such meetings shall be provided to the members of the Advisory Committee, appropriate state regulatory authorities, and the FERC and posted on MISO's Internet World-Wide Web Site or equivalent form of electronic posting. The procedures adopted by the Board for the conduct of such meetings shall allow interested members of the public, including those stakeholders represented on the Advisory Committee, to provide oral and written comments at such meetings concerning any matter that may come before the Board, Board Committees and working groups, Advisory Committee, or Members, whichever is applicable, during the open portion of such meetings.

Section 7.2. *Minutes.* The meeting minutes of all meetings of the Board, Board Committees and working groups, Advisory Committee, and Members shall be made available to the public and furnished to appropriate state regulatory authorities and the FERC, upon request; provided, however, that materials or information which is privileged or confidential pursuant to Section 7.3 of these Bylaws may be redacted from such minutes. Copies of executed or final documents, such as contracts, leases, and agreements, not otherwise required to be treated as confidential shall be made available for review. In the event the basis for information being treated as confidential ceases to exist, said information shall thereafter be available for review.

Section 7.3. *Executive Sessions to Preserve Confidentiality.* Executive sessions (closed to the public) shall be held as necessary to safeguard the confidentiality of (a) personnel-related

information; (b) information subject to the attorney-client privilege or to confidential treatment under the attorney-work product doctrine or concerning pending or threatened litigation; (c) information that is confidential under Appendix A to the MISO Agreement; (d) consideration of assumption of liabilities, business combinations, or the purchase or lease of real property or assets; (e) except as may be required by law, consideration of the sale or purchase of securities, investments, or investment contracts; (f) strategy and negotiation sessions in connection with a collective bargaining agreement; (g) discussion of emergency and security procedures; (h) consideration of matters classified as confidential by federal or state law; (i) matters to protect trade secrets, proprietary information, specifications for competitive bidding, or to discuss a specific proposal if open discussion would jeopardize the cost or siting or give an unfair competitive or bargaining advantage to any person or entity; and (j) discussion of proceedings by the Alternate Dispute Resolution Committee established under Attachment HH of the Tariff.

ARTICLE VIII

DUE DILIGENCE, LIABILITY, AND INDEMNIFICATION

Section 8.1. *Due Diligence Duties.* It shall be the duty of Directors, Officers, employees, agents, and other representatives of MISO (a) to faithfully and diligently administer MISO as would reasonable and prudent persons acting in their own behalf; (b) to keep correct and accurate records of all business transacted; (c) to exercise prudence and economy in the business of MISO, including the minimization of tax liability, if any; (d) to act in good faith, and only for the best interests of MISO; (e) to annually render a full and correct account of MISO business; and (f) at the termination of MISO, to render and to deliver all the properties and funds of MISO in accordance with the MISO Agreement and applicable law.

Section 8.2. *Limitations on Liability.* No Director, Officer, agent, employee, or other representative of MISO, and no corporation or other business organization that employs a Director of MISO, or any Director, Officer, agent, or employee of such corporation or other business organization, shall be personally liable to MISO, any Member, or any User for any act or omission on the part of any such Director, Officer, agent, employee, or other representative of MISO, which was performed or omitted in good faith in his official capacity as a Director, Officer, agent, employee, or other representative of MISO pursuant to the operation of the MISO Agreement, or in any other capacity he may hold, at the request of MISO, as its representative in any other organization. However, this release of liability shall not operate to release such a Director, Officer, agent, employee, or other representative of MISO from any personal liability resulting from willful acts or omissions knowingly or intentionally committed or omitted by him in breach of the MISO Agreement, for improper personal benefit, or in bad faith. Directors, Officers, agents, employees, or other representatives of MISO also shall not be personally liable for any actions or omissions of others, including Owners, whose actions or omissions may relate to MISO, or any property or property rights forming, or intended or believed to form, part of MISO's property, or for any defect in the title to, or liens or encumbrances on, any such property or property rights.

Section 8.3. *Indemnification.* MISO shall indemnify each Director, Officer, agent, employee, or other representative strictly in accordance with the terms and conditions of the Indemnification provisions of the MISO Agreement, Article II, Section VIII.

ARTICLE IX

AMENDMENTS

Section 9.1. *Amendment.* These Bylaws may be amended by the Board from time to time, subject to the receipt of all necessary federal and state regulatory approvals, and provided that no amendment is contrary to the MISO Agreement.

ARTICLE X

MISCELLANEOUS MATTERS

Section 10.1. *Dispute Resolution.* MISO shall resolve disputes between and among MISO and the Owners, individually or collectively, and Users other than the Owners, in accordance with the procedures set forth in Attachment HH of the Tariff.

Section 10.2. *Inspection and Auditing Procedures.* MISO shall grant each Member, its employees or agents, external auditors, and federal and state regulatory authorities having jurisdiction over MISO or an Owner, such access to MISO's books and records as is necessary to verify compliance by MISO with the MISO Agreement and to audit and verify transactions under the MISO Agreement. Such access shall be at reasonable times and under reasonable conditions. MISO shall also comply with the reporting requirements of federal and state regulatory authorities having jurisdiction over MISO with respect to the business aspects of its business operations, including, but not limited to, the State of Delaware. Contacts between Officers, employees, and agents of any Owner and those of MISO pursuant to this Section 10.2 shall be strictly limited to the purposes of this Section 10.2 and shall comply with the Standards of Conduct set forth in Appendix A to the MISO Agreement.

ARTICLE XI

WITHDRAWAL OR TERMINATION OF MEMBERS

Section 11.1. *Withdrawal Notice.* A Member who is not an Owner may, upon submission of a written notice of withdrawal to the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President), withdraw from membership in MISO at any time, which withdrawal shall be effective thirty (30) days after the receipt of such notice by the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President).

A Member who is also an Owner may withdraw under the procedures and rights specified in the MISO Agreement and shall be subject to the regulatory approvals referred to in that Agreement or as provided by applicable law. The effect of such withdrawal shall be as stated in that Agreement.

This Appendix sets forth a general framework for the development and operation of Independent Transmission Companies (“ITCs”) within MISO. Any conflict between Appendix I and other provisions of this Agreement or the Tariff shall be governed by the provisions of this Appendix. Under Appendix I, certain responsibilities which currently reside with MISO may be assigned to an ITC, if it chooses to accept those responsibilities and if the Federal Energy Regulatory Commission (“FERC”) acceptance or approval of the assignment is obtained as provided herein.

This Appendix I is intended to describe broad areas regarding the assignment of certain rights, responsibilities, and functions to an ITC. Any entity or entities submitting a proposal to become an ITC (“Filing Entity”) shall submit a filing with FERC detailing each of the rights, responsibilities, and functions the ITC proposes to assume from MISO together with specifics on implementing any of these assigned rights, responsibilities, and functions. The Filing Entity may do this through multiple filings as the ITC develops or through a single filing. Before submitting any filing to FERC, however, the Filing Entity shall provide details of the filing to MISO at least thirty days before the filing date. In the filing to FERC, the Filing Entity shall demonstrate to FERC that the rights, responsibilities and functions proposed to be assigned to the ITC are appropriate by showing, among other things, that the proposed ITC’s governance and structure assures independence of the ITC from any market participant and that the proposed ITC is of sufficient size and configuration to assume such rights, responsibilities, and functions appropriately. MISO, its Members, and others shall have the right to intervene, comment, or protest any such ITC filing or to file a complaint under Section 206 of the Federal Power Act with regard to any such ITC filing or document.

1. FERC APPROVAL

1.1 FERC Acceptance As A Prerequisite. Before receiving the rights and responsibilities provided for under this Appendix I, the Filing Entity shall apply for and receive a FERC order accepting the ITC proposal to be implemented and finding that the proposed ITC satisfies FERC's independence criteria and any other applicable criteria such that the entity may be treated as an ITC under this Appendix I.

1.2 Effect of FERC Acceptance. Once FERC issues an order accepting the filing and providing the finding required under Section 1.1, then the ITC may operate within MISO consistent with the rights, responsibilities, and functions that have been accepted or approved by FERC.

1.3 Effect of FERC Denial. A Filing Entity which does not receive a FERC order finding satisfaction of FERC's independence and other applicable criteria shall be treated as an Owner under this Agreement once it executes the Agreement and Agency Agreement (if applicable). It shall not be considered an ITC eligible to assign the responsibilities detailed in this Appendix I until such time as it receives the necessary FERC order.

2. RELIABILITY COORDINATION

2.1 Regional Reliability Coordinator. MISO shall be the regional Reliability Coordinator and shall perform the functions specified in Appendix E, Section V of this Agreement for all MISO Transmission Systems, including any ITC transmission systems.

2.2 ITC Actions. An ITC may take actions to preserve the reliability of the ITC system before requesting assistance from MISO. The ITC shall inform MISO of any such actions and coordinate such actions with MISO.

2.3 Ultimate Authority. Notwithstanding any other provision in this Appendix I, MISO may intercede and direct appropriate actions in its role as the regional Reliability Coordinator. If such MISO action is disputed, MISO's position shall control pending resolution of the dispute.

3. BASE TRANSMISSION RATES

3.1 Right to File Rate Changes. The ITC shall possess the unilateral right, without receiving any MISO approval, to make filings at FERC proposing rate or rate structure changes (including incentive rate structures) involving base transmission charges for service to load within the ITC. Base transmission charges as used herein refer to the charges in Schedules 7, 8, and 9 of the Tariff or such other similar schedules used by the ITC. All other service to load outside the ITC is subject to the MISO base transmission charges. However, in the development of the "Drive-through" and "Drive-out" MISO rates, the ITC may submit inputs to the rate calculation for the ITC's facilities and costs which differ from the MISO rate formula that is part of the Tariff so long as the ITC has sought and received FERC authorization for the inclusion of such inputs in the MISO "Drive-through" and "Drive-out" transmission rates.

3.2 Limitations. The ITC may not unilaterally propose transmission rates to FERC that do not preserve revenues or payments due MISO Owners that are outside the ITC.

3.3 No Rate Pancaking. Notwithstanding its rights under Section 3.1, the ITC shall not implement rates or a rate structure which results in a transmission customer paying the ITC and MISO more than one base transmission charge for any one transaction.

4. REVENUE DISTRIBUTION

4.1 ITC Receipt of Transmission Revenues. The ITC shall receive and/or retain revenues resulting from the provision of transmission service under the Tariff in

accordance with Appendix C of this Agreement and the Tariff. The ITC may take no unilateral action which interferes with or affects the revenue distribution provided for in Appendix C of this Agreement or which interferes with the collection by MISO of the revenues due it for services it provides or arranges. If the ITC receives revenues which other Owners or MISO are entitled to receive, the ITC shall forward such revenues to the Owners or MISO as soon as possible.

4.2 Redistribution of Revenues. The ITC may distribute the revenues due it in accordance with Appendix C of this Agreement and the Tariff in any manner it wishes subject to receiving any necessary regulatory approvals, without involvement of MISO.

~~4.3 Funds Trust Agreement. The ITC shall agree to sign the Funds Trust Agreement, to be bound by all of its terms, and to make any and all payments or contributions required under the Funds Trust Agreement, and prior to the existence of any right of the ITC to receive revenues from transmission service under the Tariff shall execute the Funds Trust Agreement.~~

5. CONGESTION MANAGEMENT

5.1 ITC Congestion Management. Before filing any congestion management mechanism for constraints within the ITC, the ITC shall advise MISO of its proposed filing, and both the ITC and MISO shall use reasonable efforts to reach agreement on the filing. After a reasonable consultation process and even without agreement being reached, the ITC shall possess the right to file at FERC, without MISO approval, a mechanism for congestion management for constraints within the ITC.

5.2 Limitations. Any such ITC congestion management mechanism shall not operate in instances where its operation would cause a material adverse effect upon the MISO

transmission system outside of the ITC or upon the users of that system. In addition, before the ITC congestion management mechanism becomes effective, the ITC and MISO shall develop protocols detailing when MISO and ITC congestion management mechanisms would operate. The ITC shall file such protocols with FERC and the protocols must be accepted or approved by FERC before the ITC congestion management mechanism becomes effective.

6. LOSSES

6.1 Right to File. The ITC shall possess the unilateral right to file at FERC, without any MISO approval, a mechanism for determining loss responsibility within the ITC, provided that this method does not affect the losses received by Owners and generators in areas outside of the ITC.

7. TARIFF ADMINISTRATION

7.1 Service under the Tariff. Customers will receive transmission service under a single Tariff which will apply to transmission service over the entire MISO Region (including the ITC), subject to changes to the Tariff accepted by FERC that the ITC may propose pursuant to this Appendix I. Customers will apply for service on the MISO OASIS. MISO will execute the agreements with the customers for service and studies. The ITC shall make all decisions on rate discounts for ITC-only transactions.

7.2 Studies. If a system impact or other study is required to evaluate the ability of the ITC to provide the transmission service and the transaction is within the ITC, then the ITC shall possess the right to assume responsibility for the study, subject to coordination with MISO. If a facilities study is required to study a constraint within the ITC, then the ITC shall possess the right to assume responsibility for the study in coordination with MISO. With regard

to such studies, MISO shall administer the contracts with the customers and shall provide the notices and make the filings under the Tariff.

7.3 ATC. MISO shall administer the ATC calculation in accordance with this Agreement and shall calculate capacity benefit margin (“CBM”) and transmission reliability margin (“TRM”), provided that the ITC shall possess the unilateral right to provide the ratings, operating guides, and assumptions to be used in calculating ATC over the ITC facilities. If MISO disagrees with these ratings, operating guides, or assumptions, the ITC’s position shall prevail pending dispute resolution.

7.4 Scheduling. Customers will schedule through the processes established by MISO. Scheduling protocols will be between MISO and the Local Balancing Authority Areas and/or the ITC.

8. CURTAILMENTS

8.1 ITC Responsibilities. For curtailments of transmission pursuant to the Tariff, if the curtailment involves a transaction within the ITC or is the result of a system problem or constraint within the ITC, then the ITC will have the first opportunity to address the need for or to carry out the curtailment of transactions within the ITC, subject to MISO’s authority to act as regional Reliability Coordinator. The ITC and MISO shall develop protocols for the coordination of curtailments.

8.2 MISO Responsibilities. If the ITC is unsuccessful in addressing the curtailment as provided in Section 8.1, then MISO shall assume responsibility for carrying out the curtailment provisions of the Tariff. In all circumstances other than those provided in Section 8.1, MISO shall possess full responsibility for addressing the curtailment consistent with the Tariff and this Agreement.

9. OPERATIONS

9.1 Ratings and Operating Procedures. The ITC may establish ratings and operating procedures for its facilities subject to dispute resolution if MISO disagrees. The ITC's position shall prevail pending dispute resolution.

9.2 Transmission Maintenance. The ITC may set its own transmission maintenance and outage schedules consistent with the Tariff and MISO business practices manuals. The ITC shall coordinate such transmission maintenance and outage schedules with MISO. With regard to such schedules, the ITC's position shall prevail during the dispute resolution process unless MISO determines that system reliability is involved, in which case MISO's determination shall prevail pending dispute resolution.

9.3 Generation Maintenance. The ITC may assume from MISO the coordination of generator maintenance for generators within the ITC with regard to those generators which are required to coordinate maintenance pursuant to Appendix E, Section VII of this Agreement. The ITC shall inform MISO of those maintenance activities in accordance with the Tariff and MISO's business practices manuals.

9.4 Congestion Management and Must Run Units. The ITC may control congestion management consistent with Section V of this Appendix I and must run units to the extent permitted by the Tariff and FERC.

9.5 Temporary Operational Control. MISO may assume temporary operational control over the ITC's facilities when required to return the MISO system to a secured state as required by its role as a regional Reliability Coordinator.

10. PLANNING

10.1 ITC Plan. The ITC may develop its plan for the construction of transmission facilities within the ITC. The ITC shall inform and provide a copy of its plan to MISO as soon as it is available and shall coordinate with MISO to the maximum extent practicable. MISO approval is not required for the ITC plan, subject to any dispute resolution as provided in Section 10.2 of this Appendix. Such ITC plan shall become part of the MISO regional plan, subject to Section 10.2. If MISO believes that an ITC planned facility will have a material impact on facilities outside of the ITC which are located within MISO, the ITC planned facility shall not be placed into operation until such time as MISO has a reasonable time to review the ITC plan and any disputes are resolved.

10.2 MISO Disagreement. If MISO disagrees with the ITC's plan, MISO's disagreement with the plan will be resolved through dispute resolution.

10.3 Regional Planning. Nothing in this Section 10 is intended to change the responsibility of MISO to develop a regional plan, including the ITC facilities, as provided in this Agreement.

11. BILLING AND REMITTANCE

11.1 ITC Responsibilities. For transactions occurring solely within the ITC or where the load is located within the ITC, the ITC possesses the right to perform MISO billing, credit, and accounting responsibilities for those transactions.

11.2 Return of Revenues. If the ITC receives revenues which it is not entitled to receive pursuant to Appendix C of this Agreement [and the Tariff](#), it shall as soon as possible remit those revenues to MISO.

12. MONITORING AND PENALTIES

12.1 MISO Responsibilities. MISO will continue to impose and collect penalties as currently provided in the Agreement and Tariff, and to perform the monitoring functions pursuant to this Agreement for transactions involving the ITC.

12.2 Exception. The ITC will be allowed to impose and collect penalties approved by FERC associated with its congestion management program so long as any such penalty does not cause an entity to be subjected to a penalty by both MISO and the ITC for the same violation.

12.3 Monitoring and Assessment of ITC-MISO Relationship. MISO shall monitor the ITC-MISO relationship to determine if the division of functions creates a competitive or reliability problem that affects MISO's ability to provide reliable, non-discriminatory transmission service.

12.4 MISO will monitor markets operating by an ITC.

13. LIABILITY

13.1 Assumption of Liability. The ITC shall assume all liabilities associated with its acts or omissions regarding those functions for which it has assume responsibility. The ITC shall indemnify and hold harmless MISO for any and all liabilities associated with the ITC's actions.

14. DISPUTE RESOLUTION

14.1 Dispute resolution as used in this Appendix I refers to the dispute resolution procedures included as Attachment HH of the Tariff, as it may be amended. MISO shall consider whether any changes to its dispute resolution procedures need to be made to implement this Appendix I.

15. NOTIFICATION OF ASSUMPTION OF RESPONSIBILITIES

15.1 The ITC shall provide notice to MISO of its election to assume the responsibilities described in Sections 7.2-7.4, 8.1, 9.1-9.4, 10.1, and 11.1 of this Appendix I. The ITC must provide notice to allow MISO sufficient time to implement procedures to allow coordinated operation of the ITC together with MISO.

16. OPERATING PROCEDURES AND PROTOCOLS

16.1 The ITC and MISO shall cooperate and use their best efforts to develop the necessary operating procedures and protocols to allow timely start-up of the ITC pursuant to this Appendix I. Any disagreements shall be resolved pursuant to dispute resolution. Once such procedures and protocols have been developed, either through agreement or after dispute resolution, MISO shall post such procedures and protocols on its website.

17. OTHER FILING RIGHTS

17.1 Notwithstanding anything to the contrary in this Appendix I, the ITC shall retain filing rights specified in Appendix K to the Agreement.

TAB B

MISO
MISO RATE SCHEDULES

F.
RESERVED.
31.0.0

RESERVED

By agreeing to and executing this Agreement, the Owners declare that (i) the Transmission System committed to the operation and control of MISO, (ii) the Non-transferred Transmission Facilities, and (iii) all revenues from the provision of transmission service provided by MISO shall be managed, administered, received, and collected, in the manner and subject to the terms and conditions set forth in this Agreement, any amendments to this Agreement, and the Tariff.

The authorization granted by the Owners to MISO, subject to the terms of this Agreement, shall be sufficient to commit the operation and control of the Transmission System to MISO for the following purposes: (i) providing non-discriminatory open access transmission service over the Transmission System to transmission customers, including the Owners, who may lawfully request such service pursuant to a single tariff filed with the FERC; (ii) receiving funds associated with transmission services from transmission customers solely as agent for, and in trust for the benefit of, the Owners or their designee(s) and former Owners who have a right to receive Transmission Trust Revenues and distributing such funds to the Owners or their designee(s) and former Owners who have a right to receive Transmission Trust Revenues in accordance with this Agreement, Appendix C to this Agreement, and the Tariff; (iii) being responsible for regional system Reliability, in accordance with the provisions of this Agreement; and (iv) providing energy market and ancillary services pursuant to the Tariff. With regard to the Non-transferred Transmission Facilities, MISO shall have such authority as is provided for in the Agency Agreement attached hereto as Appendix G.

The Board shall have the obligation to assure that the Chief Executive Officer and/or the President accounts for all transactions on the Transmission System and other activities of MISO; submits bills for such transactions; pays the expenses of operation of MISO; collects monies for transmission service from customers solely as agent for, in trust for the benefit of, the Owners or their designee(s) and former Owners who have a right to receive Transmission Trust Revenues in accordance with the Tariff; and distributes monies to the Owners or their designee(s) in accordance with this Agreement, any associated agreements referred to in this Agreement, and the Tariff.

In accordance with policies set by the Board, and subject to any limitations set forth in this Agreement, the Chief Executive Officer shall have the power to select a depository, and to deposit any monies or securities held by MISO in connection with the performance of its obligations under this Agreement, with any one or more banks, trust companies, or other banking institutions deemed by the Chief Executive Officer to be responsible, such monies or securities to be subject to withdrawal on notice upon demand or in such manner as the Chief Executive Officer may determine, with no responsibility upon the Chief Executive Officer for any loss that may occur by reason of the failure of the person with whom the monies or securities had been deposited properly to account for the monies or securities so deposited.

A new Member may join as an Owner, provided that it (i) owns, operates, or controls facilities used for the transmission of electricity in interstate commerce (as determined by MISO by applying the seven-factor (7-factor) test set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC or the state regulatory authority) that are physically interconnected with the facilities of an existing Owner; and (ii) agrees to sign this Agreement, to be bound by all of its terms, and to make any and all payments or contributions required by this Agreement.

Upon fulfillment of these conditions, and upon completion of any physical integration of the new Owner's facilities with the Transmission System in a fashion consistent with the Chief Executive Officer's (or if the Board chooses not to elect the Chief Executive Officer, the President's) direction, the Board shall allow the new Member to become a signatory to this Agreement. In general, an Owner must own, operate, or control interstate transmission facilities as detailed above; however, on a case-by-case basis, the Board may waive the requirement that such facilities be physically interconnected if allowing the Member also to become an Owner will result in significant net benefits to MISO and its Members.

All revenues for transmission service under the Tariff shall be received, held, used, managed, and distributed in trust for the benefit of the Owners in accordance with this Agreement and the Tariff. MISO shall hold all collected Transmission Trust Revenues in trust for the benefit of the Owners and former Owners who have the right to receive Transmission Trust Revenues in accordance with the Tariff, subject to MISO's right pursuant to Section 7.4(a) of the Tariff to deduct from such funds certain authorized fees and expenses that are payable directly to MISO from time to time for its administration of the Transmission System in accordance with the Tariff and this Agreement. MISO shall hold such collected Transmission Trust Revenues in a separate operating account together with similar amounts for transmission revenues MISO collects and holds in trust for Manitoba Hydro pursuant to the Manitoba Hydro Open Access Transmission Tariff and Coordination Agreement by and between MISO and Manitoba Hydro. The funds described in the preceding sentence held in this separate operating account shall be held separate from any other funds. MISO also shall hold disputed payments collected as Transmission Trust Revenues in trust for the benefit of Owners or former Owners who have a right to such Transmission Trust Revenues in a separate account. This Agreement is intended to create a trust for the benefit of the Owners and former Owners who have the right to receive Transmission Trust Revenues in accordance with the Tariff under applicable law for the foregoing purposes. MISO will take all action reasonably necessary to ensure that the Transmission Trust Revenues are treated under applicable law as trust property held for the benefit of the Owners and former Owners who have a right to receive Transmission Trust Revenues in accordance with the Tariff, and not as separate property of MISO.

MISO shall distribute on a monthly basis to each Owner or its designee(s) an amount determined in accordance with Appendix C to this Agreement and the Tariff.

REVENUE DISTRIBUTION FOR SECA

I. Additional Definitions. Unless the context otherwise specifies or requires, the following additional definitions apply to this Appendix C-4, and, when used in this Appendix C-4, the following terms shall have the respective meanings set forth below.

A. SECA. Seams Elimination Charge/Cost Adjustments/Assignments. The SECA is the mechanism for recovery of the lost revenues resulting from the elimination of through and out rates for transactions between MISO and PJM. The SECA is to be paid by entities in PJM for (1) the period beginning on December 1, 2004 and ending on March 31, 2005, and (2) the subsequent period beginning on April 1, 2005 and ending on March 31, 2006.

B. PJM. PJM Interconnection, L.L.C.

C. Coordinating Owner. Manitoba Hydro.

D. Owner. For the purposes of Appendix C-4, the term Owner includes Manitoba Hydro, which is a Coordinating Owner.

E. MWh. Megawatt hour.

II. Revenue Distribution.

MISO shall cause the distribution of the revenues received (from SECA charges under Schedule 21 of the Tariff or from SECA charges implemented within PJM) to compensate the Owners for lost revenues in proportion to each Owner's lost revenues ratio in accordance with this Appendix C-4. Each Owner's lost revenues ratio is set forth on Appendix C-4, Attachment 1.

The Owners for the purposes of the revenue distribution are listed on Appendix C-4, Attachment 1. Each Owner may designate another entity or other entities to recover the revenues it would be due under this provision.

**APPENDIX C-4
ATTACHMENT 1
Owner's Relative Share of Total Lost Revenues**

Owner

(Dec. 1, 2004

to

Dec. 31, 2004)(Jan. 1, 2005

to

Mar. 31, 2005)(Apr. 1, 2005

to

Apr. 30, 2005)(May 1, 2005

to

Mar. 31, 2006)Ameren Services Company, as agent for its electric utility affiliates, Union Electric Company (d/b/a AmerenUE) and Central Illinois Public Service Company (d/b/a AmerenCIPS)10.44%9.06%9.02%9.27%American Transmission Company, LLC0.68%0.58%2.04%2.04%American Transmission Systems, Incorporated (a subsidiary of FirstEnergy Corp.)34.12%43.53%42.94%42.63%Central Illinois Light Co.0.46%0.39%0.47%0.47% Cinergy Services (includes IMPA & WVPA)12.96%10.97%6.53%6.53%City Water, Light & Power (Springfield, IL)0.12%0.10%0.14%0.14%Great River Energy0.06%0.06%0.08%0.08%Hoosier Energy R.E.C.0.84%0.71%0.55%0.55%Illinois Power Company13.06%10.88%13.32%13.36%Indianapolis Power & Light1.98%1.68%1.16%1.16%International Transmission Company4.42%3.79%3.62%3.62%ITC Midwest LLC¹1.64%1.44%1.29%1.29%Louisville Gas & Electric/Kentucky Utilities4.76%4.06%3.69%3.69%Manitoba Hydro1.78%1.52%1.46%1.46%Michigan Electric Transmission Company, LLC1.96%1.67%2.33%2.33%Minnesota Power, Inc.0.57%0.50%0.43%0.43%Montana-Dakota Utilities Co.0.24%0.20%0.18%0.18%Northern Indiana Public Service Company2.88%2.53%6.48%6.49%

**APPENDIX C-4
ATTACHMENT 1 – cont’d.
Owner’s Relative Share of Total Lost Revenues**

Owner

(Dec. 1, 2004

to

Dec. 31, 2004)(Jan. 1, 2005

to

Mar. 31, 2005)(Apr. 1, 2005

to

Apr. 30, 2005)(May 1, 2005

to

Mar. 31, 2006) Otter Tail Power Co. 0.42% 0.36% 0.34% 0.35% Southern Illinois Power
Cooperative 0.15% 0.13% 0.27% 0.27% Vectren Energy Delivery 0.83% 0.71% 0.59% 0.59% Xcel Energy
Services, Inc. (Northern States Power) 5.63% 5.13% 3.09% 3.09%

¹ See, Joint Application of ITC Holdings Corp., ITC Midwest LLC (“ITC Midwest”), and Interstate Power and Light Company (“IPL”) seeking authorization and approval for the sale by IPL and the purchase by ITC Midwest of IPL’s jurisdictional transmission facilities.

BYLAWS
of the
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.

A Delaware Non-Stock Corporation

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. Unless the context otherwise specifies or requires, certain capitalized terms are used in these Bylaws and the attached appendices with the meanings set forth below or in other provisions of these Bylaws. Any capitalized terms not defined in these Bylaws shall have the meaning as defined in the MISO Agreement and, if not defined there, in the Tariff.

Agency Agreement - The agreement allowing Non-transferred Transmission Facilities to be offered by the Midcontinent Independent System Operator, Inc. ("MISO") for transmission service under the Tariff. The Agency Agreement is Appendix G to the MISO Agreement.

Effective Date - The effective date of the MISO Agreement.

FERC - The Federal Energy Regulatory Commission, or any successor agency.

Good Utility Practice- Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice,

method, or act, to the exclusion of all others, but rather to be a range of acceptable practices, methods, or acts generally accepted in the region.

He, Him, or His - Includes "she," "her," or "hers."

Member - A person or business entity which is (i) an Eligible Customer, as defined in the Tariff, or (ii) an Owner, as defined herein, and which pays to MISO, the non-refundable membership fees as required herein. Such person or entity shall be a Member during the period covered by the applicable membership fees unless earlier terminated pursuant to the Bylaws.

MISO Agreement - The Agreement Of Transmission Facilities Owners To Organize The Midcontinent Independent System Operator, Inc., A Delaware Non-Stock Corporation, and any amendments thereto, and as accepted by the FERC.

Non-owner Member - - A Member which is not an Owner.

Non-Transferred Transmission Facilities - The booked transmission facilities not identified in Appendix H to the MISO Agreement which are the subject of the Agency Agreement.

Owner - A utility or other entity which owns, operates, or controls facilities for the transmission of electricity in interstate commerce (as determined by the MISO by applying the seven-factor (7 – factor) test of the FERC set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC) and which is a signatory to the MISO Agreement. A public utility holding company system shall be treated as a single owner for purposes of the MISO Agreement. Each Owner shall pay the applicable membership fees and become a Member. Any termination of a utility's or entity's status as an Owner shall be determined pursuant to the MISO Agreement and these Bylaws.

Person - Any general partnership, limited partnership, corporation, limited liability company, joint venture, trust, business trust, governmental agency, cooperative, association, other entity, or individual, and the heirs, executors, administrators, legal representatives, successors, and assigns of such person, as the context may require.

Regional Entity. An entity having enforcement authority pursuant to Section 215(e)(4) of the Federal Power Act, 16 U.S.C. § 824o(e)(4), as specifically identified in the Tariff or its successor as may be in effect from time to time.

Tariff - The tariff on file with the FERC under which MISO will offer transmission service, energy and ancillary market services, or any successor tariff.

Transmission System - The transmission facilities of the Owners which are committed to the operation of MISO by the MISO Agreement. The facilities comprising the Transmission System are identified in Appendix H to the MISO Agreement.

User - A Transmission Customer under the Tariff or an entity that is a party to a transaction under the Tariff.

Section 1.2. *Interpretation.* In the event of any conflict between these Bylaws and the MISO Agreement, the MISO Agreement shall control. The descriptive headings of Articles and Sections of these Bylaws have been inserted for convenience of reference only and shall not define, modify, restrict, construe, or otherwise affect their construction or interpretation.

ARTICLE II

GENERAL PROVISIONS

Section 2.1. *Organization.* MISO is a non-stock, not-for-profit corporation, pursuant to Title 8, Chapter 1 of the laws of the State of Delaware. MISO is operated exclusively for the promotion of social welfare, in furtherance of the public policy reflected in the order of the

FERC approving the MISO Agreement and FERC Order No. 888. No part of the net earnings, if any, of MISO shall inure to the benefit of any MISO Member, Director, Officer, employee, or any other interested private person. MISO is authorized and empowered to pay reasonable compensation for services actually rendered and to make payments or distributions in furtherance of the purposes and objectives set forth in the MISO Agreement and the Tariff. No substantial part of the activities of MISO shall be carrying on propaganda or otherwise attempting to influence legislation. MISO shall not participate in or intervene in any political campaign on behalf of any candidate for public office. MISO shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt from taxation under the Internal Revenue Code, or successor provisions in any subsequent federal tax laws, or such other provision or successor provisions under which the Internal Revenue Service may recognize that MISO is exempt from taxation.

Section 2.2. *Offices.* The principal office of MISO shall be located as determined by the Board of Directors. The Board may establish such branch offices or places of business as it shall determine to be in the best interests of MISO.

ARTICLE III

MEMBERS

Section 3.1. *Qualifications; Membership Fees; Term*

- a. Qualifications. Any Person which (i) is an Eligible Customer (as defined in the Tariff) or an Owner and (ii) pays to MISO the non-refundable membership fees set forth in Section 3.1(b) shall be eligible to become a Member. A person may apply to become a Member of MISO by submitting an application in the form then approved by the Chief Executive Officer (or if the Board chooses not to

elect the Chief Executive Officer, the President) and making payment of the membership fees set forth in Section 3.1(b) of these Bylaws. Action upon any application for membership shall be taken at the first meeting of the Board following submission of the membership application.

b. Membership Fees. All entities eligible for membership in MISO shall pay an initial membership fee of \$15,000 in order to become Members. On January 1 of each year, each Member shall pay an additional fee of \$1,000 to MISO to retain its membership. All such fees are nonrefundable and may be adjusted from time to time, as may be appropriate, by the Board.

c. Term. A Person shall be a Member during the period covered by the applicable membership fees unless earlier terminated as provided in these Bylaws.

d. Withdrawal of Members. A Member who is not an Owner may, upon submission of a written notice of withdrawal to the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President), withdraw from membership in MISO at any time, which withdrawal shall be effective thirty (30) days after the receipt of such notice by the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President). A Member who is also an Owner may, upon submission of a written notice of withdrawal to the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President), commence a process of withdrawal of its facilities from the Transmission System. The terms and conditions of such withdrawal are specified in the MISO Agreement.

Section 3.2. *Owner Status.* Members admitted to Membership after the start-up of MISO who wish also to have the status as Owners, must (i) own, operate, or control facilities used for the transmission of electricity in interstate commerce (as determined by MISO by applying the seven factor (7-factor) test set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC) that are physically interconnected with the facilities of an existing Owner; and (ii) express its agreement to become a signatory to the MISO Agreement, to be bound by all of its terms, and to make any and all payments or contributions required by the MISO Agreement. Upon fulfillment of these conditions, and upon completion of any physical integration of the new Owner's facilities with the Transmission System in a fashion consistent with the Chief Executive Officer's (or if the Board chooses not to elect the Chief Executive Officer, the President's) direction, the Board shall allow the new Member to become a signatory to the MISO Agreement. In general, an Owner must own, operate, or control interstate transmission facilities as detailed above; however, on a case-by-case basis, the Board may waive the requirement that such facilities be physically interconnected if allowing the Member also to become an Owner will result in significant net benefits to MISO and its Members.

Section 3.3. *No Rights of Members to Manage or Control.* No Member shall have any rights to manage or control the property, affairs, or business of MISO, or any power to control the Board in these respects.

Section 3.4. *Regular Meetings.* The Members shall hold their meetings at the principal office of MISO, or other location designated by the Board, on the dates designated by the Board. The Members shall also hold their annual meetings at such location on the second Thursday of December each year, or such other day of December as may be designated by the Board, for the

purpose of electing Directors and of exercising and discharging any other powers or duties vested in them by the MISO Agreement and the Bylaws.

Section 3.5. *Special Meetings.* The Board or any twenty-five percent (25%) of the Members may call special meetings of the Members at any time.

Section 3.6. *Notification.*

- a. The Secretary shall provide notice to appropriate state regulatory authorities, FERC, the members of the Advisory Committee (established pursuant to the MISO Agreement), and the public by posting on MISO's Internet World-Wide Web Site or equivalent form of electronic posting at least seven (7) days prior to the meeting, of the time and place of all meetings of Members, whether regular or special.
- b. Notice mailed to a Member, sent by telefacsimile, or other electronic means no later than seven (7) days prior to the date of the meeting, directed to the Member at the address as shown on the books of MISO, shall be deemed sufficient for the provisions of this provision and for all other purposes, unless written notice of change of such address has been previously given to MISO. In the case of special meetings, the Secretary shall also give notice to all Members of the general purpose of the meeting and the nature of the business to be considered at such meeting. Such a special meeting shall be limited to the business thus specified in the notice, unless at least twenty-five percent (25%) of the Members consent in writing to the consideration of other matters. The Members of record eligible to participate in any meeting shall be determined as of the date notice of the meeting is provided to the Members.

Section 3.7. *Conduct of Meetings; Quorum; Voting.* At all meetings of Members, the Chairman of the Board, or such other person as may be designated by the Board, shall preside. Each Member shall be entitled to one vote, and Members may vote by proxy. Twenty-five percent (25%) of the Members, or their proxies, shall constitute a quorum for the purpose of any such meeting. Except where it is otherwise provided in these Bylaws, a vote of a majority of the Members represented and voting at the meeting shall control.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1. *General Powers.* There shall be a Board of Directors of MISO which shall consist of seven (7) persons plus the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President). The Board may exercise all of the powers of the non-stock corporation and do all lawful acts and things (including the adoption of such rules and regulations for the conduct of its meetings, the exercise of its powers, and the management of MISO) as it may deem proper and consistent with applicable law, the MISO Agreement, the Tariff, the articles of incorporation, and these Bylaws, provided that authority for such actions is not reserved to the Members or Owners.

Section 4.2. *Qualifications.* A Director shall not be, and shall not have been at any time within two (2) years prior to or subsequent to election to the Board, a Director, Officer, or employee of a Member, User, or an affiliate of a Member or User engaged in the electric utility industry or participating in wholesale electricity markets. At all times while serving on the Board, and for two (2) years thereafter, a Director shall have no material business relationship or other affiliation with any Member or User or an affiliate of a Member or User engaged in the electric utility industry or participating in wholesale electricity markets. A Director's

participation in a pension plan of a Member or User or an affiliate thereof shall not be deemed to be a material business relationship if the Member's or User's financial performance has no material effect on such pension plan. Similarly, a Director's ownership of securities in a Member or User or affiliate thereof shall not be deemed to be a material business relationship if such securities are held through a mutual fund, retirement fund, blind trust (as defined in Appendix A, Section II.E.6) or similar arrangement where the Director has no discretion to manage the assets in such an account. Of the seven (7) Directors, four (4) shall have expertise and experience in corporate leadership at the senior management or board of directors level, or in the professional disciplines of finance, accounting, engineering, or utility laws and regulation. Of the other three (3) Directors, one (1) shall have expertise and experience in the operation of electric transmission systems, one (1) shall have expertise and experience in the planning of electric transmission systems, and one (1) shall have expertise and experience in commercial markets and trading and associated risk management.

Section 4.3. *Number; Election.*

- a. Board. The Board shall be elected by the Members at their annual meeting from a slate of candidates presented to them by the Nominating Committee. Directors shall be elected to terms of three (3) years, except for any Director elected to fill a vacancy in the remainder of the term of a previously elected Director that has been removed or resigns. Before the term of a Director expires, a nominating committee consisting of three Board Members whose terms are not expiring appointed by the Board and two members of the Advisory Committee selected by the Advisory Committee shall select an executive search

firm to provide at least two (2) candidates, with the qualifications specified below, to the nominating committee for each open Director position. Members may submit the names of candidates directly to the nominating committee. The nominating committee shall then provide at least two (2) candidates to the Board for each open position. The candidates for a specific Director position shall have the same type of qualifications as the Director being replaced, as set forth in Section 4.2 above. At least thirty (30) days prior to the meeting of the Members at which the Directors will be elected, the Board shall distribute to the Members a slate of candidates consisting of at least one (1) candidate for each Director position to be filled. The Board shall also provide the Members with information on the qualifications and experience of the candidate to fill the Director seat for which each candidate is proposed. A candidate receiving a majority of the votes cast by the Members shall be elected. Should the Members fail to elect a candidate from the slate proposed by the Board, the Board shall prepare a new slate using the procedures set forth above for consideration by the Members at a meeting of the Members to be called no later than seventy-five (75) days after such election. Each Director shall serve until the Director's successor shall have been duly elected and qualified, or until the Director's earlier resignation or removal. Vacancies on the Board caused by a Director leaving office before the expiration of the Director's term shall be filled by vote of the Board, which shall choose a candidate having the same type of qualifications as the Director's predecessor from a list prepared by the nominating committee in consultation

with an executive search firm chosen by the nominating committee. A Director selected to fill such a vacancy shall serve out the term of his predecessor.

Section 4.4. *Chairman of the Board.* The Board shall select from among its members a Chairman of the Board. The Chairman shall serve in such capacity at the pleasure of the Board until the first meeting of the Board following the next succeeding annual meeting of the Members, or until his successor shall have been elected and have qualified. The Chairman of the Board shall, unless otherwise determined by the Board, preside over all meetings of the Board and Members. The Chairman shall perform all duties incident to the office of Chairman of the Board and such other duties as from time to time may be assigned to him by the Board.

Section 4.5. *Vice Chairman.* The Board shall select from among its members a Vice Chairman of the Board. The Vice Chairman shall serve in such capacity at the pleasure of the Board until its first meeting following the next succeeding annual meeting of the Members, or until his successor shall have been elected and have qualified. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman of the Board, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chairman of the Board. The Vice Chairman shall also perform such other duties as from time to time may be assigned to him by the Board.

Section 4.6. *Resignation of Directors.* Any Director may resign his office by submitting a signed notice of resignation, delivered or mailed to the principal office of MISO. Such notice of resignation shall state the effective date of resignation. If the notice does not indicate an effective date, the resignation shall take effect upon receipt of the notice at the principal office of MISO.

Section 4.7. *Removal of Directors.*

- a. Removal by Members. The Members may remove a Director by a vote of a majority of the Members. Removal proceedings may only be initiated by a petition signed by not less than twenty percent (20%) of all Members. The petition shall state the specific grounds for removal. A copy of the petition shall be provided to the FERC and to each appropriate state regulatory authority. A Director sought to be removed shall be given fifteen (15) days to respond in writing to any charges set forth in the petition. The petition shall specify either that the removal vote shall be taken at the next regular meeting of the Members or at a special meeting of the Members at a designated date, place, and time.
- b. Removal by Owners for Unauthorized Acts. If the Board of MISO changes, or attempts to change, any of the provisions of the MISO Agreement identified in Article Two, Section IX, Paragraph C of the MISO Agreement without obtaining the requisite approval of the Owners as specified therein, or if the Board fails to enact these Bylaws or enacts any Bylaws contrary to the MISO Agreement, or if the Board fails or refuses to fulfill the duties owed to the Owners set forth in Article Three, Section III, Paragraphs B and C of the MISO Agreement, then the Board shall be deemed to have acted without authorization, and may be removed in its entirety by unanimous vote of the Owners' Committee (established by Article Two, Section VI, Paragraph B of the MISO Agreement), provided that such removal shall be subject to approval by the FERC. Removal proceedings hereunder shall be initiated only by the delivery by the Owners' Committee to the Chairman of the Board of a statement specifying in detail the manner in which the Board has acted without authorization. The Board shall have

sixty (60) days to respond to such a statement, after which the Owners may, by unanimous vote of the Owners' Committee, reaffirm their proposal to remove the Board if they are not satisfied with the Board's response. If the Owners vote unanimously to reaffirm their proposal, they shall file such proposal with the FERC and provide notice to the appropriate state regulatory authorities. Upon the FERC's approval of such proposal, the Board shall be removed in its entirety and a new Board shall be selected in accordance with the provisions for the selection of an initial Board specified in these Bylaws. The new Board so selected shall have all of the powers specified herein as belonging to the Board, including the power to replace the Chief Executive Officer, the President and other Officers, employees, or agents of MISO chosen by the removed Board or its predecessors. Nothing herein shall be deemed to prejudice any right any Owner may otherwise have under the FPA or other provisions of law.

Section 4.8. *Meetings; Notification.* Regular meetings of the Board shall be held at least quarterly, and other meetings shall be held from time to time on the call of the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President), Chairman, or a majority of the Board. A Director may participate in a meeting personally or by electronic means. Written notice of the date, location, and time of each meeting of the Board must be provided by first-class mail or by telefacsimile to each Director no later than seven (7) calendar days prior to the date of the meeting. Participation in a meeting by a Director is a waiver of any objection that the Director may make to any failure to give adequate notice under this provision. Any action required or permitted to be taken at any meeting of the Board, or of any Board Committee, may be taken without a meeting if all Directors or Board

Committee members, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Board Committee. Consistent with the MISO Agreement, the Board shall have all procedural authority provided and options available under Title 8 of the Delaware Corporation Law, section 141, as such law may be amended or, any successor provision thereto.

Section 4.9. *Quorum; Voting.* Five (5) Directors shall constitute a quorum of the Board. Except as provided in Section 4.7 of these Bylaws, the affirmative vote of a majority of the Directors present at a meeting is required to constitute any act or decision rendered by the Board.

Section 4.10. *Accounting.* At each quarterly meeting of the Board, or such other time as the Board directs, the Board shall require the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) to submit for Board approval a full statement of the conditions of MISO, and all business transacted by it, and, when the statement is approved, shall cause a copy of it to be sent to each Member.

Section 4.11. *Minutes and Reports.* The Board shall cause to be kept by the Secretary, elected by it, accurate minutes of all meetings of the Board, Members, and Board Committees. Insofar as non-Members of MISO are concerned, these records shall be conclusive for the Board of the facts and activities stated and recorded therein.

Section 4.12. *Director Compensation and Expenses.* Directors shall receive from MISO such compensation, regular or special, subject to the terms and conditions stated in the MISO Agreement, Article Two, Section Three, Paragraph D, Subparagraph 1. An independent compensation or human resources firm shall set Director compensation following such Director elections, subject to approval of the Members. If two-thirds (2/3) or more of the Members vote to reject the compensation and human resources firm's recommended compensation, then the

recommended compensation shall be rejected. If the recommended compensation is rejected, then the compensation and human resources firm shall be requested to submit another recommendation or another compensation and human resources firm may be hired for such purpose. Directors, and their successors and assigns, shall have the right to reimbursement by MISO for all of their actual expenses reasonably incurred or accrued in the performance of their duties as Directors of MISO.

Section 4.13. *Annual Report.* The Board shall annually make a written report showing the financial results of MISO's operations during the preceding fiscal year. A copy of such report shall be furnished to each Member.

Section 4.14. *Board Oversight.* The Board of Directors shall oversee the Chief Executive Officer's and/or the President's performance of the obligations of MISO specified in the MISO Agreement and these Bylaws. The performance of such obligations shall be carried out and executed by the Chief Executive Officer and/or the President with oversight as appropriate by the Board. The Board shall establish general policies to be followed by the Chief Executive Officer and/or the President and employees of MISO in the conduct of their duties. The Board shall have the obligation to assure that the Chief Executive Officer and/or the President accounts for all transactions on the Transmission System and other activities of MISO; submits bills for such transactions; pays the expenses of operation of MISO; collects monies for transmission service from customers solely as agent for Owners or their designee(s) in accordance with the Tariff; and distributes monies to the Owners or their designee(s) in accordance with the MISO Agreement, any associated agreements referred to in the MISO Agreement and the Tariff.

Section 4.15. *Standards of Conduct.* The Directors shall comply with the Standards of Conduct set forth in Appendix A to the MISO Agreement, and, by direction or oversight, shall require that the Officers and employees of MISO also comply with such standards.

Section 4.16. *Employ Staff.* The Board shall have the power to employ staff, auditors, counsel, and other personnel as necessary to carry out the business of MISO, and may delegate to the Chief Executive Officer and/or the President all or part of such authority to employ such staff, auditors, counsel, and other personnel.

Section 4.17. *Board Committees.* The Board may appoint such committees of the Board of Directors as are necessary and appropriate for the conduct of MISO's business, provided that final responsibility for any action recommended by any such committee remains with the Board.

ARTICLE V

OFFICERS

Section 5.1. *Titles.* The Officers of MISO shall be the Chief Executive Officer, the President, one or more Vice Presidents (at the discretion of the Board), and a Secretary.

Section 5.2. *Election and Term of Office.* The Officers of MISO shall be elected from time to time by the Board. Each Officer shall hold office at the pleasure of the Board.

Section 5.3. *Removal of Officers by Directors.* Any Officer may be removed by the Board whenever, in the Board's judgment, the best interests of MISO will be served thereby.

Section 5.4. *Chief Executive Officer.* At its discretion, the Board shall have the power not to establish the office of the Chief Executive Officer, or if established, to combine the offices of the Chief Executive Officer and the President. The President shall exercise the powers and perform the duties of the Chief Executive Officer as set forth in Article V, Section 5.5 of these Bylaws. The Chief Executive Officer shall serve on the Board of MISO. The Chief Executive

Officer may vote on any matter presented at a Board meeting except when the Chief Executive Officer's vote would create a tied Board vote. In that circumstance, the Chief Executive Officer shall be barred from voting. The Chief Executive Officer also may not vote on the selection of, or continued employment of the Chief Executive Officer or on the Chief Executive Officer's compensation. The Chief Executive Officer shall be included in the determination of a quorum of the Board for any meeting of the Board and in the determination of a majority vote of the Board for any purpose. The duties of the Chief Executive Officer are as follows:

- a. Right of Chief Executive Officer to Manage. The right of the Chief Executive Officer to exercise functional control over the operation of the Transmission System, insofar as is necessary to carry out the rights, duties, and obligations of MISO as set forth in the MISO Agreement, shall be absolute, unconditional, and free from the control and management of the Owners, who shall have only the rights specifically set forth in the MISO Agreement. The Chief Executive Officer shall have the authority to act for MISO before any and all applicable federal or state regulatory authorities to carry out the business of MISO.
- b. General Powers. The Chief Executive Officer shall possess and exercise any and all such additional powers as are reasonably implied from the powers contained in the MISO Agreement such as may be necessary or convenient in the conduct of any business or enterprise of MISO. The Chief Executive Officer may (i) do and perform everything that (a) he deems necessary, suitable, or proper for the accomplishment of any of the purposes, or the attainment of any one or more of the objectives, enumerated in the MISO Agreement, or (b) that shall at any

time appear conducive to, or expedient for, the protection or benefit of MISO, and
(ii) do and perform all other acts or things that are deemed necessary or incidental
to the purposes set forth in the MISO Agreement.

c. Acquire Property. The Chief Executive Officer shall have power to
purchase, or otherwise acquire through leases, such property, except for
transmission facilities which shall be governed by Appendix B to the MISO
Agreement, as necessary to carry out the obligations of MISO as specified in
Article Three of the MISO Agreement.

d. Prosecute Claims. The Chief Executive Officer shall have full and
exclusive power and authority to demand, sue for, claim, and receive any and all
revenues and monies due MISO.

e. Borrow. The Chief Executive Officer shall have the power to borrow
money up to the level authorized by the Board for the purposes of MISO and to
give the obligations of MISO to secure such indebtedness.

f. Contracts. The Chief Executive Officer shall have the authority and
power to make all such contracts as he may deem expedient and proper in
conducting the business of MISO, except as may be limited by the Board.

g. Taxes and Assessments. The Chief Executive Officer shall have the
power (i) to pay all taxes or assessments of whatever kind or nature imposed upon
or against MISO in connection with MISO property, or upon or against MISO
property, or any part of such property; (ii) to do all acts and things as may be
required or permitted by any present or future law for the purpose of making the
activities of MISO exempt from taxation; and (iii) for any of the above-stated

purposes, to do all such other acts and things as may be deemed by him necessary or desirable.

h. Depository. In accordance with policies set by the Board, and subject to any limitations set forth in the MISO Agreement, the Chief Executive Officer shall have the power to select a depository, and to deposit any monies or securities held by MISO in connection with the performance of its obligations under the MISO Agreement, with any one or more banks, trust companies, or other banking institutions, that are federally insured and deemed by the Chief Executive Officer to be responsible, such monies or securities to be subject to withdrawal on notice upon demand or in such manner as the Chief Executive Officer may determine, with no responsibility upon the Chief Executive Officer for any loss that may occur by reason of the failure of the person with whom the monies or securities had been deposited properly to account for the monies or securities so deposited.

Section 5.5. *President*. If the Board has established the office of the Chief Executive Officer, the President shall, in the absence or disability of the Chief Executive Officer, exercise the powers and perform the duties of the Chief Executive Officer. The President shall exercise such other powers and perform such other duties as shall be prescribed by the Chief Executive Officer and/or the Board consistent with this Agreement. The President shall not be eligible to serve on the Board of MISO except when performing the duties of the Chief Executive Officer, as above provided, or except when the Board chooses not to establish the office of the Chief Executive Officer. If the Board chooses not to establish the office of the Chief Executive

Officer, the President shall exercise the powers and perform the duties of the Chief Executive Officer.

Section 5.6. *Vice President.* If the Board chooses not to establish the office of the Chief Executive Officer, the Vice President or, if there be more than one, the Vice President designated by the Board, shall in the absence or disability of the President, exercise the powers and perform the duties of the President. Each Vice President shall exercise such other powers and perform such other duties as shall be prescribed by Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) and the Board consistent with the MISO Agreement and these Bylaws. No Vice President shall be eligible to serve on the Board of MISO except when performing the duties of the President as provided in the MISO Agreement.

Section 5.7. *Secretary.* The Secretary shall be responsible for the following duties:

- a. Keeping the minutes of the applicable meetings in one or more books provided for that purpose;
- b. Seeing that all notices are duly provided in accordance with these Bylaws, policies of MISO, and any and all other documents which provide for the governance of MISO;
- c. Maintaining custody of the records of the business of MISO and the seal of MISO, and affixing such seal to all appropriate documents, the execution of which, on behalf of MISO, under its seal, is duly authorized in accordance with the provisions of these Bylaws;
- d. Keeping a register of the names and post office addresses of all Members and Directors;
- e. Signing letters of membership, the issuance of which shall have been

authorized by the Board or Members;

f. Keeping on file at all times at the principal office of MISO a complete copy of the MISO Agreement, and all amendments thereto, together with these Bylaws and any policies concerning the governance of MISO, and, at the expense of MISO, forwarding or otherwise making available copies of such information to each of the Members and to the public to the extent required by law; and generally performing all duties instant to the office of Secretary and such other duties that, from time to time, may be assigned to the Secretary by the Board.

Section 5.8. *Standards of Conduct.* The Officers, agents, and employees of MISO shall comply with the Standards of Conduct set forth in Appendix A to the MISO Agreement.

Section 5.9. *Bonds of Officers.* Any Officer, employee, or agent of MISO charged with the responsibility for the custody of any of its funds or property shall give bond in such sums, and with such sureties, as the Board shall determine. The Board, in its discretion, may also require any other Officer, agent, or employee of MISO to give bond in such amount, with such surety, as it shall determine. All premiums of the aforesaid bonds shall be paid by MISO.

Section 5.10. *Compensation.* Compensation of the Officers, agents, and employees of MISO shall be established by the Board or pursuant to the policies approved by the Board.

ARTICLE VI

EXTERNAL COMMITTEES

Section 6.1. *Advisory Committee.*

a. At all times there shall exist an Advisory Committee to the Board consisting of a total of twenty four (24) representatives from the following stakeholder groups chosen as follows: (i) three (3) representatives of Owners, with

one (1) seat assigned to an Owner who was a member of the Mid-Continent Area Power Pool (“MAPP”) as of March 1, 2000; (ii) three (3) representatives of municipal and cooperative electric utilities and transmission-dependent utilities, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000; (iii) three (3) representatives of independent power producers (“IPPs”) and exempt wholesale generators (“EWGs”), with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (iv) three (3) representatives of power marketers and brokers, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (v) three (3) representatives of eligible end-use customers, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (vi) four (4) representatives of state regulatory authorities, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000), and one (1) seat assigned to a Member of this group who is a representative of either the Arkansas Public Service Commission, City of New Orleans, Louisiana Public Service Commission, Mississippi Public Service Commission or the Public Utility Commission of Texas; (vii) two (2) representatives of public consumer groups, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed

on March 1, 2000); (viii) two representatives of environmental and other stakeholder groups, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); and (ix) one (1) representative of Members who, being legally unable to transfer operational control to MISO have, entered into coordination or agency agreements with MISO (“Coordination Members”). The Board may revise or expand the stakeholder groups as circumstances and industry structures change. The Board shall be responsible for facilitating meetings of the Advisory Committee, which shall be held at least quarterly. At such quarterly meetings, the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) and at least two (2) other members of the Board shall meet with the Advisory Committee. Upon request of the Advisory Committee, Board members and the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) shall use their best efforts to attend other Advisory Committee meetings. The Advisory Committee shall be a forum for its members to be apprised of MISO’s activities and to provide information and advice to the Board on policy matters of concern to the Advisory Committee, or its constituent stakeholder groups, but neither the Advisory Committee nor any of its constituent groups shall exercise control over the Board or MISO. Nothing in the MISO Agreement shall prohibit a corporate or other entity from participating in more than one stakeholder group provided it meets the approved eligibility criteria. The reports of the Advisory Committee and any minority reports shall be presented by the Chief Executive Officer (or if the

Board chooses not to elect the Chief Executive Officer, the President) to the Board.

The Board shall determine how and when it shall consider and respond to such reports. The Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President) shall inform the Advisory Committee of any Board determination(s) with respect to such report.

b. Members of the Advisory Committee shall be selected in the following manner:

i. The Owners' representatives on the Advisory Committee shall be selected in accordance with Section 6.2 of these Bylaws.

ii. The representatives of municipal and cooperative electric utilities and transmission-dependent utilities, IPPs and EWGs, power marketers and brokers, eligible end-use customers, and Coordination Members on the Advisory Committee shall be chosen by the Members belonging to such groups. Such Member groups shall propose to the Board their own methods of eligibility and voting. Approval by the Board of such procedures shall not be unreasonably withheld.

iii. The representatives of state regulatory authorities on the Advisory Committee shall be chosen by the entities that regulate the retail electric or distribution rates of the Owners who are signatories to the MISO Agreement.

iv. The representatives of public consumer groups and environmental and other stakeholder groups on the Advisory Committee shall be chosen by recognized consumer, environmental, and other stakeholder

organizations having an interest in the activities of MISO. The Board shall certify the organizations eligible to participate in the selection of such representatives to the Advisory Committee. Such certification shall not unreasonably be withheld. The groups so certified shall propose to the Board their own methods of eligibility and voting. Approval of such procedures shall not unreasonably be withheld.

v. Meetings of the constituent stakeholder groups represented on the Advisory Committee need not be open to the public.

c. In order to ensure appropriate representation on the Advisory Committee, the Board may change the size and composition of the Advisory Committee at three-year (3-year) intervals.

Section 6.2. *Owners' Committee.* An Owners' Committee shall exist throughout the period of the MISO Agreement. The Owners' Committee shall consist of one (1) person representing each of the Owners who are signatories to the MISO Agreement. The Owners' Committee shall meet at its discretion to exercise the authority granted to the Owners as a group under these Bylaws, including voting upon the matters set forth in Sections 4.7(b) and 6.1(b)(i) of these Bylaws, and under the MISO Agreement. The Owners' Committee shall select three (3) representatives to serve on the Advisory Committee established pursuant to Section 6.1 of these Bylaws.

Section 6.3. *OMS Committee.* OMS Committee shall be the committee that is composed of members of the Organization of MISO States, established pursuant to the bylaws of the Organization of MISO States, having the responsibilities and rights defined in section I.B of Attachment FF of the Tariff and associated Business Practices Manual. The OMS Committee

has the opportunity to provide input into the transmission planning, resource adequacy, and transmission cost allocation approach and processes, and may report periodically to MISO's Board. To enable it to exercise the authority described herein, the OMS Committee will be adequately supported by the Transmission Provider either through reasonable in-kind services or through the provision of reasonable funding.

ARTICLE VII

OPEN MEETINGS

Section 7.1. *Open Meetings.* Except as provided herein, all meetings of the Board, all meetings of Board Committees and working groups, all meetings of the Advisory Committee and all Members' meetings shall be open to the public. Timely notice of such meetings and copies of all materials to be addressed at such meetings shall be provided to the members of the Advisory Committee, appropriate state regulatory authorities, and the FERC and posted on MISO's Internet World-Wide Web Site or equivalent form of electronic posting. The procedures adopted by the Board for the conduct of such meetings shall allow interested members of the public, including those stakeholders represented on the Advisory Committee, to provide oral and written comments at such meetings concerning any matter that may come before the Board, Board Committees and working groups, Advisory Committee, or Members, whichever is applicable, during the open portion of such meetings.

Section 7.2. *Minutes.* The meeting minutes of all meetings of the Board, Board Committees and working groups, Advisory Committee, and Members shall be made available to the public and furnished to appropriate state regulatory authorities and the FERC, upon request; provided, however, that materials or information which is privileged or confidential pursuant to Section 7.3 of these Bylaws may be redacted from such minutes. Copies of executed or final

documents, such as contracts, leases, and agreements, not otherwise required to be treated as confidential shall be made available for review. In the event the basis for information being treated as confidential ceases to exist, said information shall thereafter be available for review.

Section 7.3. *Executive Sessions to Preserve Confidentiality.* Executive sessions (closed to the public) shall be held as necessary to safeguard the confidentiality of (a) personnel-related information; (b) information subject to the attorney-client privilege or to confidential treatment under the attorney-work product doctrine or concerning pending or threatened litigation; (c) information that is confidential under Appendix A to the MISO Agreement; (d) consideration of assumption of liabilities, business combinations, or the purchase or lease of real property or assets; (e) except as may be required by law, consideration of the sale or purchase of securities, investments, or investment contracts; (f) strategy and negotiation sessions in connection with a collective bargaining agreement; (g) discussion of emergency and security procedures; (h) consideration of matters classified as confidential by federal or state law; (i) matters to protect trade secrets, proprietary information, specifications for competitive bidding, or to discuss a specific proposal if open discussion would jeopardize the cost or siting or give an unfair competitive or bargaining advantage to any person or entity; and (j) discussion of proceedings by the Alternate Dispute Resolution Committee established under Attachment HH of the Tariff.

ARTICLE VIII

DUE DILIGENCE, LIABILITY, AND INDEMNIFICATION

Section 8.1. *Due Diligence Duties.* It shall be the duty of Directors, Officers, employees, agents, and other representatives of MISO (a) to faithfully and diligently administer MISO as would reasonable and prudent persons acting in their own behalf; (b) to keep correct and accurate records of all business transacted; (c) to exercise prudence and economy in the

business of MISO, including the minimization of tax liability, if any; (d) to act in good faith, and only for the best interests of MISO; (e) to annually render a full and correct account of MISO business; and (f) at the termination of MISO, to render and to deliver all the properties and funds of MISO in accordance with the MISO Agreement and applicable law.

Section 8.2. *Limitations on Liability.* No Director, Officer, agent, employee, or other representative of MISO, and no corporation or other business organization that employs a Director of MISO, or any Director, Officer, agent, or employee of such corporation or other business organization, shall be personally liable to MISO, any Member, or any User for any act or omission on the part of any such Director, Officer, agent, employee, or other representative of MISO, which was performed or omitted in good faith in his official capacity as a Director, Officer, agent, employee, or other representative of MISO pursuant to the operation of the MISO Agreement, or in any other capacity he may hold, at the request of MISO, as its representative in any other organization. However, this release of liability shall not operate to release such a Director, Officer, agent, employee, or other representative of MISO from any personal liability resulting from willful acts or omissions knowingly or intentionally committed or omitted by him in breach of the MISO Agreement, for improper personal benefit, or in bad faith. Directors, Officers, agents, employees, or other representatives of MISO also shall not be personally liable for any actions or omissions of others, including Owners, whose actions or omissions may relate to MISO, or any property or property rights forming, or intended or believed to form, part of MISO's property, or for any defect in the title to, or liens or encumbrances on, any such property or property rights.

Section 8.3. *Indemnification.* MISO shall indemnify each Director, Officer, agent, employee, or other representative strictly in accordance with the terms and conditions of the Indemnification provisions of the MISO Agreement, Article II, Section VIII.

ARTICLE IX

AMENDMENTS

Section 9.1. *Amendment.* These Bylaws may be amended by the Board from time to time, subject to the receipt of all necessary federal and state regulatory approvals, and provided that no amendment is contrary to the MISO Agreement.

ARTICLE X

MISCELLANEOUS MATTERS

Section 10.1. *Dispute Resolution.* MISO shall resolve disputes between and among MISO and the Owners, individually or collectively, and Users other than the Owners, in accordance with the procedures set forth in Attachment HH of the Tariff.

Section 10.2. *Inspection and Auditing Procedures.* MISO shall grant each Member, its employees or agents, external auditors, and federal and state regulatory authorities having jurisdiction over MISO or an Owner, such access to MISO's books and records as is necessary to verify compliance by MISO with the MISO Agreement and to audit and verify transactions under the MISO Agreement. Such access shall be at reasonable times and under reasonable conditions. MISO shall also comply with the reporting requirements of federal and state regulatory authorities having jurisdiction over MISO with respect to the business aspects of its business operations, including, but not limited to, the State of Delaware. Contacts between Officers, employees, and agents of any Owner and those of MISO pursuant to this Section 10.2

shall be strictly limited to the purposes of this Section 10.2 and shall comply with the Standards of Conduct set forth in Appendix A to the MISO Agreement.

ARTICLE XI

WITHDRAWAL OR TERMINATION OF MEMBERS

Section 11.1. *Withdrawal Notice.* A Member who is not an Owner may, upon submission of a written notice of withdrawal to the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President), withdraw from membership in MISO at any time, which withdrawal shall be effective thirty (30) days after the receipt of such notice by the Chief Executive Officer (or if the Board chooses not to elect the Chief Executive Officer, the President).

A Member who is also an Owner may withdraw under the procedures and rights specified in the MISO Agreement and shall be subject to the regulatory approvals referred to in that Agreement or as provided by applicable law. The effect of such withdrawal shall be as stated in that Agreement.

This Appendix sets forth a general framework for the development and operation of Independent Transmission Companies (“ITCs”) within MISO. Any conflict between Appendix I and other provisions of this Agreement or the Tariff shall be governed by the provisions of this Appendix. Under Appendix I, certain responsibilities which currently reside with MISO may be assigned to an ITC, if it chooses to accept those responsibilities and if the Federal Energy Regulatory Commission (“FERC”) acceptance or approval of the assignment is obtained as provided herein.

This Appendix I is intended to describe broad areas regarding the assignment of certain rights, responsibilities, and functions to an ITC. Any entity or entities submitting a proposal to become an ITC (“Filing Entity”) shall submit a filing with FERC detailing each of the rights, responsibilities, and functions the ITC proposes to assume from MISO together with specifics on implementing any of these assigned rights, responsibilities, and functions. The Filing Entity may do this through multiple filings as the ITC develops or through a single filing. Before submitting any filing to FERC, however, the Filing Entity shall provide details of the filing to MISO at least thirty days before the filing date. In the filing to FERC, the Filing Entity shall demonstrate to FERC that the rights, responsibilities and functions proposed to be assigned to the ITC are appropriate by showing, among other things, that the proposed ITC’s governance and structure assures independence of the ITC from any market participant and that the proposed ITC is of sufficient size and configuration to assume such rights, responsibilities, and functions appropriately. MISO, its Members, and others shall have the right to intervene, comment, or protest any such ITC filing or to file a complaint under Section 206 of the Federal Power Act with regard to any such ITC filing or document.

1. FERC APPROVAL

1.1 FERC Acceptance As A Prerequisite. Before receiving the rights and responsibilities provided for under this Appendix I, the Filing Entity shall apply for and receive a FERC order accepting the ITC proposal to be implemented and finding that the proposed ITC satisfies FERC's independence criteria and any other applicable criteria such that the entity may be treated as an ITC under this Appendix I.

1.2 Effect of FERC Acceptance. Once FERC issues an order accepting the filing and providing the finding required under Section 1.1, then the ITC may operate within MISO consistent with the rights, responsibilities, and functions that have been accepted or approved by FERC.

1.3 Effect of FERC Denial. A Filing Entity which does not receive a FERC order finding satisfaction of FERC's independence and other applicable criteria shall be treated as an Owner under this Agreement once it executes the Agreement and Agency Agreement (if applicable). It shall not be considered an ITC eligible to assign the responsibilities detailed in this Appendix I until such time as it receives the necessary FERC order.

2. RELIABILITY COORDINATION

2.1 Regional Reliability Coordinator. MISO shall be the regional Reliability Coordinator and shall perform the functions specified in Appendix E, Section V of this Agreement for all MISO Transmission Systems, including any ITC transmission systems.

2.2 ITC Actions. An ITC may take actions to preserve the reliability of the ITC system before requesting assistance from MISO. The ITC shall inform MISO of any such actions and coordinate such actions with MISO.

2.3 Ultimate Authority. Notwithstanding any other provision in this Appendix I, MISO may intercede and direct appropriate actions in its role as the regional Reliability Coordinator. If such MISO action is disputed, MISO's position shall control pending resolution of the dispute.

3. BASE TRANSMISSION RATES

3.1 Right to File Rate Changes. The ITC shall possess the unilateral right, without receiving any MISO approval, to make filings at FERC proposing rate or rate structure changes (including incentive rate structures) involving base transmission charges for service to load within the ITC. Base transmission charges as used herein refer to the charges in Schedules 7, 8, and 9 of the Tariff or such other similar schedules used by the ITC. All other service to load outside the ITC is subject to the MISO base transmission charges. However, in the development of the "Drive-through" and "Drive-out" MISO rates, the ITC may submit inputs to the rate calculation for the ITC's facilities and costs which differ from the MISO rate formula that is part of the Tariff so long as the ITC has sought and received FERC authorization for the inclusion of such inputs in the MISO "Drive-through" and "Drive-out" transmission rates.

3.2 Limitations. The ITC may not unilaterally propose transmission rates to FERC that do not preserve revenues or payments due MISO Owners that are outside the ITC.

3.3 No Rate Pancaking. Notwithstanding its rights under Section 3.1, the ITC shall not implement rates or a rate structure which results in a transmission customer paying the ITC and MISO more than one base transmission charge for any one transaction.

4. REVENUE DISTRIBUTION

4.1 ITC Receipt of Transmission Revenues. The ITC shall receive and/or retain revenues resulting from the provision of transmission service under the Tariff in

accordance with Appendix C of this Agreement and the Tariff. The ITC may take no unilateral action which interferes with or affects the revenue distribution provided for in Appendix C of this Agreement or which interferes with the collection by MISO of the revenues due it for services it provides or arranges. If the ITC receives revenues which other Owners or MISO are entitled to receive, the ITC shall forward such revenues to the Owners or MISO as soon as possible.

4.2 Redistribution of Revenues. The ITC may distribute the revenues due it in accordance with Appendix C of this Agreement and the Tariff in any manner it wishes subject to receiving any necessary regulatory approvals, without involvement of MISO.

5. CONGESTION MANAGEMENT

5.1 ITC Congestion Management. Before filing any congestion management mechanism for constraints within the ITC, the ITC shall advise MISO of its proposed filing, and both the ITC and MISO shall use reasonable efforts to reach agreement on the filing. After a reasonable consultation process and even without agreement being reached, the ITC shall possess the right to file at FERC, without MISO approval, a mechanism for congestion management for constraints within the ITC.

5.2 Limitations. Any such ITC congestion management mechanism shall not operate in instances where its operation would cause a material adverse effect upon the MISO transmission system outside of the ITC or upon the users of that system. In addition, before the ITC congestion management mechanism becomes effective, the ITC and MISO shall develop protocols detailing when MISO and ITC congestion management mechanisms would operate. The ITC shall file such protocols with FERC and the protocols must be accepted or approved by FERC before the ITC congestion management mechanism becomes effective.

6. LOSSES

6.1 Right to File. The ITC shall possess the unilateral right to file at FERC, without any MISO approval, a mechanism for determining loss responsibility within the ITC, provided that this method does not affect the losses received by Owners and generators in areas outside of the ITC.

7. TARIFF ADMINISTRATION

7.1 Service under the Tariff. Customers will receive transmission service under a single Tariff which will apply to transmission service over the entire MISO Region (including the ITC), subject to changes to the Tariff accepted by FERC that the ITC may propose pursuant to this Appendix I. Customers will apply for service on the MISO OASIS. MISO will execute the agreements with the customers for service and studies. The ITC shall make all decisions on rate discounts for ITC-only transactions.

7.2 Studies. If a system impact or other study is required to evaluate the ability of the ITC to provide the transmission service and the transaction is within the ITC, then the ITC shall possess the right to assume responsibility for the study, subject to coordination with MISO. If a facilities study is required to study a constraint within the ITC, then the ITC shall possess the right to assume responsibility for the study in coordination with MISO. With regard to such studies, MISO shall administer the contracts with the customers and shall provide the notices and make the filings under the Tariff.

7.3 ATC. MISO shall administer the ATC calculation in accordance with this Agreement and shall calculate capacity benefit margin (“CBM”) and transmission reliability margin (“TRM”), provided that the ITC shall possess the unilateral right to provide the ratings, operating guides, and assumptions to be used in calculating ATC over the ITC facilities. If

MISO disagrees with these ratings, operating guides, or assumptions, the ITC's position shall prevail pending dispute resolution.

7.4 Scheduling. Customers will schedule through the processes established by MISO. Scheduling protocols will be between MISO and the Local Balancing Authority Areas and/or the ITC.

8. CURTAILMENTS

8.1 ITC Responsibilities. For curtailments of transmission pursuant to the Tariff, if the curtailment involves a transaction within the ITC or is the result of a system problem or constraint within the ITC, then the ITC will have the first opportunity to address the need for or to carry out the curtailment of transactions within the ITC, subject to MISO's authority to act as regional Reliability Coordinator. The ITC and MISO shall develop protocols for the coordination of curtailments.

8.2 MISO Responsibilities. If the ITC is unsuccessful in addressing the curtailment as provided in Section 8.1, then MISO shall assume responsibility for carrying out the curtailment provisions of the Tariff. In all circumstances other than those provided in Section 8.1, MISO shall possess full responsibility for addressing the curtailment consistent with the Tariff and this Agreement.

9. OPERATIONS

9.1 Ratings and Operating Procedures. The ITC may establish ratings and operating procedures for its facilities subject to dispute resolution if MISO disagrees. The ITC's position shall prevail pending dispute resolution.

9.2 Transmission Maintenance. The ITC may set its own transmission maintenance and outage schedules consistent with the Tariff and MISO business practices

manuals. The ITC shall coordinate such transmission maintenance and outage schedules with MISO. With regard to such schedules, the ITC's position shall prevail during the dispute resolution process unless MISO determines that system reliability is involved, in which case MISO's determination shall prevail pending dispute resolution.

9.3 Generation Maintenance. The ITC may assume from MISO the coordination of generator maintenance for generators within the ITC with regard to those generators which are required to coordinate maintenance pursuant to Appendix E, Section VII of this Agreement. The ITC shall inform MISO of those maintenance activities in accordance with the Tariff and MISO's business practices manuals.

9.4 Congestion Management and Must Run Units. The ITC may control congestion management consistent with Section V of this Appendix I and must run units to the extent permitted by the Tariff and FERC.

9.5 Temporary Operational Control. MISO may assume temporary operational control over the ITC's facilities when required to return the MISO system to a secured state as required by its role as a regional Reliability Coordinator.

10. PLANNING

10.1 ITC Plan. The ITC may develop its plan for the construction of transmission facilities within the ITC. The ITC shall inform and provide a copy of its plan to MISO as soon as it is available and shall coordinate with MISO to the maximum extent practicable. MISO approval is not required for the ITC plan, subject to any dispute resolution as provided in Section 10.2 of this Appendix. Such ITC plan shall become part of the MISO regional plan, subject to Section 10.2. If MISO believes that an ITC planned facility will have a material impact on facilities outside of the ITC which are located within MISO, the ITC planned

facility shall not be placed into operation until such time as MISO has a reasonable time to review the ITC plan and any disputes are resolved.

10.2 MISO Disagreement. If MISO disagrees with the ITC's plan, MISO's disagreement with the plan will be resolved through dispute resolution.

10.3 Regional Planning. Nothing in this Section 10 is intended to change the responsibility of MISO to develop a regional plan, including the ITC facilities, as provided in this Agreement.

11. BILLING AND REMITTANCE

11.1 ITC Responsibilities. For transactions occurring solely within the ITC or where the load is located within the ITC, the ITC possesses the right to perform MISO billing, credit, and accounting responsibilities for those transactions.

11.2 Return of Revenues. If the ITC receives revenues which it is not entitled to receive pursuant to Appendix C of this Agreement and the Tariff, it shall as soon as possible remit those revenues to MISO.

12. MONITORING AND PENALTIES

12.1 MISO Responsibilities. MISO will continue to impose and collect penalties as currently provided in the Agreement and Tariff, and to perform the monitoring functions pursuant to this Agreement for transactions involving the ITC.

12.2 Exception. The ITC will be allowed to impose and collect penalties approved by FERC associated with its congestion management program so long as any such penalty does not cause an entity to be subjected to a penalty by both MISO and the ITC for the same violation.

12.3 Monitoring and Assessment of ITC-MISO Relationship. MISO shall monitor the ITC-MISO relationship to determine if the division of functions creates a competitive or reliability problem that affects MISO's ability to provide reliable, non-discriminatory transmission service.

12.4 MISO will monitor markets operating by an ITC.

13. LIABILITY

13.1 Assumption of Liability. The ITC shall assume all liabilities associated with its acts or omissions regarding those functions for which it has assume responsibility. The ITC shall indemnify and hold harmless MISO for any and all liabilities associated with the ITC's actions.

14. DISPUTE RESOLUTION

14.1 Dispute resolution as used in this Appendix I refers to the dispute resolution procedures included as Attachment HH of the Tariff, as it may be amended. MISO shall consider whether any changes to its dispute resolution procedures need to be made to implement this Appendix I.

15. NOTIFICATION OF ASSUMPTION OF RESPONSIBILITIES

15.1 The ITC shall provide notice to MISO of its election to assume the responsibilities described in Sections 7.2-7.4, 8.1, 9.1-9.4, 10.1, and 11.1 of this Appendix I. The ITC must provide notice to allow MISO sufficient time to implement procedures to allow coordinated operation of the ITC together with MISO.

16. OPERATING PROCEDURES AND PROTOCOLS

16.1 The ITC and MISO shall cooperate and use their best efforts to develop the necessary operating procedures and protocols to allow timely start-up of the ITC pursuant to

this Appendix I. Any disagreements shall be resolved pursuant to dispute resolution. Once such procedures and protocols have been developed, either through agreement or after dispute resolution, MISO shall post such procedures and protocols on its website.

17. OTHER FILING RIGHTS

17.1 Notwithstanding anything to the contrary in this Appendix I, the ITC shall retain filing rights specified in Appendix K to the Agreement.

TAB C

**COORDINATION AGREEMENT
BY AND BETWEEN**

MIDCONTINENT INDEPENDENT SYSTEM OPERATOR INC.

AND

MANITOBA HYDRO

This agreement, made on the 27th day of September, 2001, is amended this ~~1st~~ day of ~~June, 2014, December, 2013~~ by and between the Midcontinent Independent System Operator Inc. ("ISO") and Manitoba Hydro (each a "Party" and collectively the "Parties").

WHEREAS Manitoba Hydro is a Canadian Crown corporation incorporated pursuant to the provisions of *The Manitoba Hydro Act*, (Revised Statutes of Manitoba 1987, chapter H190) that owns and operates electric transmission facilities in the Province of Manitoba; and

WHEREAS the ISO is a Delaware non-stock, not-for-profit corporation incorporated pursuant to Title 8, Chapter 1 of the laws of the State of Delaware of the United States of America, and established by U.S. transmission facility Owners pursuant to the ISO Agreement; and

WHEREAS the ISO has functional control and provides transmission service over the transmission facilities of Owners pursuant to the ISO Agreement and also administers Energy and Operating Reserve Markets for the ISO Tariff Zone; and

WHEREAS Manitoba Hydro is not an Owner as defined in the ISO Agreement, but wishes to retain the services of the ISO to ensure the coordination of transmission service over the facilities comprising Manitoba Hydro's transmission system with transmission service over the facilities of Owners, collectively referred to as the "Combined Systems" and to administer a Reserve Sharing Group between the Parties; and

WHEREAS the Parties recognize the benefits of having comparable, non-discriminatory access, the elimination of Transmission Service charge pancaking and coordinated congestion management procedures for the transmission facilities comprising the Combined Systems;

WHEREAS the Parties, as NERC-certified Balancing Authorities, wish to establish a Reserve Sharing Group for the purposes of collectively maintaining, allocating and supplying Contingency Reserve in accordance with NERC Reliability Standards; and

WHEREAS each of the Parties is a Planning Coordinator and recognizes the benefits of coordinated transmission planning; and

WHEREAS the Parties desire to enter into this Coordination Agreement to supercede that certain amended Coordination Agreement entered into between Manitoba Hydro and MISO dated October 9, 2009.

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

I. DEFINITIONS

1.1 The capitalized terms used herein shall have the same meaning as set forth in the Manitoba Hydro Tariff, unless defined otherwise in this Article I.

1.2 The following terms shall have the following meanings:

"Access Charge" shall mean any additional Transmission Service charge or penalty assessed on certain Transmission Customers based on whether any party to the transaction has not transferred functional operational control of their transmission facilities to a regional transmission organization or otherwise joined the organization.

"Agreed Interest Rate" shall mean the rate of two percent per annum plus the prime lending rate per annum in effect and applicable to each day of the interest period. The prime lending rate shall be the rate of interest per annum, publicly announced from time to time by the Royal Bank of Canada at its main office in the City of Winnipeg, Manitoba as its preferred lending rate of interest charged to its most creditworthy Canadian customers, whether or not such interest rate per annum is actually charged by said bank to any customer. Notwithstanding the foregoing, in no event shall the Agreed Interest Rate ever exceed the maximum rate of interest allowed under Canadian Law.

"Agreement" shall mean this Agreement, and any amendments thereto in writing agreed between the Parties.

"Area Control Error" or "ACE" shall have the same meaning as defined in the NERC Glossary of Terms.

"Balancing Authority" or "BA" shall have the same meaning as defined in the NERC Glossary of Terms.

"Canadian Law" shall mean the substantive common law of Canada as amended by and in addition to Canadian federal statutes and regulations and Manitoba provincial statutes, regulations, orders-in-council and applicable municipal by-laws.

"Canadian Transmission Facilities" shall mean the transmission facilities of Manitoba Hydro over which Transmission Service is offered pursuant to the Manitoba Hydro Tariff.

"Combined Systems" shall mean the Transmission System (as defined in the ISO Tariff) and Canadian Transmission Facilities.

"Contingency" shall have the same meaning as defined in the NERC Glossary of Terms.

"Contingency Reserve" shall have the same meaning as defined in the NERC Glossary of Terms.

"Contingency Reserve Activation" shall mean the initiation of the supply of Contingency Reserve, at the request of a Party, in response to a Contingency or Disturbance.

“Contingency Reserve Obligation” shall mean the total amount of Contingency Reserve, expressed in MW, to be carried by the Reserve Sharing Group, equal to the sum of the Contingency Reserve Requirement of both Parties.

“Contingency Reserve Requirement” or “CRR” shall mean the amount of Contingency Reserve, expressed in MW, to be carried by a Party pursuant to Appendix B of this Agreement.

“Contingency Reserve Sharing Group Committee” shall mean the committee established pursuant to Section 2 of Appendix B of this Agreement to implement and oversee the operation of the MISO-MBHydro Contingency Reserve Sharing Group.

“Contingency Resource(s)” shall mean electric generating resource that meets the requirements of a Network Resource under the applicable tariff of the supplying Party, or interruptible load, that is capable of providing Contingency Reserve.

“Contingent System” shall mean the Party requesting Contingency Reserve Activation.

“CP Node” shall have the same meaning as defined in the ISO Tariff.

“Coordinated Flowgate” shall mean a flowgate impacted by an operating entity, as determined by the Parties in accordance with the Seams Operating Agreement between the Parties dated September 25, 2006 as amended from time to time.

“Day-Two Congestion Management” shall mean the ISO’s market-based mechanism for managing congestion on the Transmission System using Locational Marginal Pricing pursuant to the provisions in Module C of the ISO Tariff.

“Delivery System” shall mean the Party that has deployed Contingency Resources in response to a Contingency Reserve Activation.

“Disturbance” shall have the same meaning as defined in the NERC Glossary of Terms.

“Disturbance Control Standard” or “DCS” shall mean NERC Reliability Standard BAL-002-0, or its successor thereto, as amended from time to time.

“Disturbance Recovery Period” shall mean the period of time within which a Balancing Authority or Reserve Sharing Group must return its ACE to zero or its pre-Disturbance Value after a Reportable Disturbance, in accordance with NERC DCS.

“Emergency Energy” shall mean the energy supplied by a Delivery System through the deployment of Contingency Resources in response to a Contingency Reserve Activation, pursuant to Section 3 of Appendix B to this Agreement.

“Energy Markets” shall mean collectively the Real-Time and Day-Ahead Energy Markets, pursuant to Module C of the ISO Tariff as administered by the ISO commencing on April 1, 2005.

“Energy and Operating Reserve Markets” shall mean collectively the Real-Time and Day-Ahead Energy and Operating Reserve Markets administered by the ISO pursuant to Module C of the ISO Tariff.

"FERC" shall mean the U.S. Federal Energy Regulatory Commission, or a successor agency.

“Financial Transmission Right(s)” shall mean a financial instrument that entitles the holder to receive compensation for or requires the holder to pay certain congestion related transmission charges that arise when the Transmission System is congested and differences in LMPs result for the redispatch of resources out of economic merit order to relieve the congestion.

~~**“Funds Trust Agreement”** shall mean the Funds Trust Agreement among JP Morgan Chase Bank N.A., Midcontinent Independent System Operator, Inc., and the Beneficiaries, as may be amended from time to time, under which agreement a trust is established and maintained for the receipt and distribution of revenues resulting from the provision of transmission service under the ISO Tariff and the Manitoba Hydro Tariff.~~

“Generation Resource” shall mean an electricity producing facility, with the appropriate metering facilities and ability to comply with the ISO’s dispatch instructions, capable of supplying energy, capacity and/or ancillary services.

“Group Administrator” shall mean the entity responsible for providing administrative services to the Reserve Sharing Group pursuant to Appendix B of this Agreement.

"ISO" shall mean the Midcontinent Independent System Operator Inc. or any successor organization.

"ISO Agreement" shall mean the Agreement of Transmission Facilities Owners to Organize The Midcontinent Independent System Operator Inc., a Delaware Non-Stock Corporation as may be amended from time to time.

“ISO Cost Adder” shall mean the charge assessed pursuant to Schedule 10 of the ISO Tariff, but shall not include charges assessed pursuant to Schedules 16 and 17 of the ISO Tariff.

"ISO Tariff" shall mean the Open-Access-Transmission, Energy, and Operating Reserve Markets Tariff for the ISO on file with FERC, as may be amended from time to time.

"ISO Tariff Zone" shall mean the combination of all rate zones included within the ISO Tariff.

“Interconnection Service” shall mean the design, construction, installation or modification of transmission facilities in response to a request by a generator to interconnect with the transmission system of a transmission provider or modify an existing interconnection.

“Interconnection Study” shall mean a study conducted under the Manitoba Hydro Open Access Interconnection Tariff or the ISO Tariff (as "Interconnection Study" is defined in each of the respective tariffs) pursuant to a request for Interconnection Service.

“Locational Marginal Price” or “LMP” shall mean the market clearing price for energy at a given commercial node in the Transmission Provider Region which shall be equivalent to the marginal cost of serving demand at the commercial node.

"Manitoba Hydro Tariff" shall mean the applicable Open Access Transmission Tariff governing Manitoba Hydro’s Canadian Transmission Facilities.

"Manitoba Hydro Zone" shall have the same meaning as set forth in Section 4.4.1 of this Agreement.

“Manitoba-ISO Interface” shall mean the interface between the international transmission lines owned by Manitoba Hydro and the interconnected transmission lines of the United States transmission owners.

“Market Participant” shall mean an entity that (i) has successfully completed the registration process with the ISO and is qualified by the ISO as a Market Participant, (ii) is financially responsible to the ISO for all of its market activities and obligations, and (iii) has demonstrated the capability to participate in its relevant market activities.

"Member" shall mean a member of the ISO as defined in the ISO Agreement.

"MISO Transmission Expansion Plan" shall mean the regional transmission plan developed by the ISO as referred to in Appendix B of the ISO Agreement and Attachment FF of the ISO Tariff and defined in Module A of the ISO Tariff.

"NEB Cost Adder" shall mean an administrative charge imposed under the Manitoba Hydro Tariff to recover the costs imposed by the National Energy Board of Canada on Manitoba Hydro, as a Canadian international power line owner, related to the regulatory costs associated with electricity exports to the United States over Manitoba Hydro's international power lines.

"NERC" shall mean the North American Electric Reliability Corporation, or its successor.

"NERC Glossary of Terms" shall mean the "Glossary of Terms Used in Reliability Standards" adopted by NERC, as amended from time to time.

"NERC Reliability Standards" or "Reliability Standard(s)" shall mean the standards promulgated by NERC and which are legally in force in both Manitoba and the ISO Tariff Zone, as amended from time to time.

"OASIS" shall mean the Open Access Same Time Information System referred to in Part 37 of the FERC's regulations as amended from time to time.

"Operating Guide" shall mean a written set of operating practices that affect the Combined Systems to be followed for transmission and generation operation, including implementing procedures, actions, and sequences of actions to be taken to maintain operations within operating reliability criteria.

"Operating Reserve-Spinning" shall have the same meaning as defined in the NERC Glossary of Terms. For further clarity, however, the MISO-MBHydro CRSG Agreement does not impose Regulating Reserve requirements upon the Parties.

"Operating Reserve-Supplemental" shall have the same meaning as defined in the NERC Glossary of Terms.

"Owner" shall have the same meaning as defined in the ISO Agreement.

“Planning Coordinator” shall have the same meaning as defined in the NERC Reliability Functional Model.

“Point of Delivery” shall mean, for the purposes of Appendix B to this Agreement only, the point at which title to and risk of loss for Emergency Energy passes from the Delivery System to the Contingent System.

"Public Utilities Board" shall mean the Manitoba regulatory board established pursuant to The Public Utilities Board Act, Revised Statutes of Manitoba 1987, chapter P280.

“Reciprocal Coordinated Flowgate” or “RCF” shall mean a Coordinated Flowgate with respect to which a reciprocal agreement has been written and to which apply reciprocal coordination procedures. An RCF is either (1) a Coordinated Flowgate affected by the transmission of energy by both Parties, or by both Parties and one or more other Reciprocal Entities, or (2) a Flowgate which both Parties mutually agree should be a Reciprocal Coordinated Flowgate, and for which reciprocal coordination will occur. An RCF may be under the operational control of one of the Parties, or may be under the operational control of a third party Reciprocal Entity.

“Reciprocal Entity” shall mean an entity that coordinates the future-looking management of flowgate capacity in accordance with a reciprocal agreement, or pursuant to a congestion management process approved by the Federal Energy Regulatory Commission.

“Regional Entity” or “RE” shall mean a regional reliability organization that has enforcement authority with respect to NERC Reliability Standards in the ISO Tariff Zone and/or the province of Manitoba.

"Reliability Coordinator" shall mean the entity responsible for security monitoring and emergency response functions for transmission facilities, as outlined in Appendix A hereto.

“Reliability Transmission Plan(s)” shall mean Manitoba Hydro’s long term transmission development plan for the Manitoba Hydro Tariff region and/or the MISO Transmission Expansion Plan.

“Reportable Disturbance” shall have the same meaning as defined in the NERC Glossary of Terms.

“Reserve Sharing Group” or “RSG” shall have the same meaning as defined in the NERC Glossary of Terms.

"Services" shall mean the services provided by the ISO as set forth in Article II hereof.

“System Operating Limit” shall have the same meaning as defined in the NERC Glossary of Terms.

“Transfer Capability” shall have the same meaning as defined in the NERC Glossary of Terms.

"Transmission Customer" shall mean a customer receiving Point-to-Point Transmission Service or Network Integration Transmission Service under a Party's transmission tariff.

“Transmission Provider Region” shall mean the transmission system, load and Generation Resources interconnected to the Transmission System that: (i) function as a centrally coordinated system and (ii) operate, subject to the single set of dispatch instructions determined and issued by the ISO and does not include Manitoba Hydro's Canadian Transmission Facilities.

"Transmission Service" shall mean all forms of transmission service available under a Party's transmission tariff, including Point-to-Point Transmission Service and Network Integration Transmission Service.

"Transmission System" shall mean the transmission facilities owned or controlled by entities that have conveyed operational control to the ISO, and that are used to provide Transmission Service under Module B of the ISO Tariff, including facilities subject to an Agency Agreement, as defined in the ISO Tariff.

"Zone" shall mean the rate zones referred to in Schedules 7, 8 and 9 of the ISO Tariff.

II. SERVICES TO BE PROVIDED BY THE ISO

2.1 Manitoba Hydro agrees to retain the ISO as an independent contractor to provide the following Services and the ISO agrees to provide said Services on the terms and conditions set forth herein:

2.1.1. establish an OASIS web page for Transmission Service under the Manitoba Hydro Tariff;

2.1.2. post available transmission capability calculations for Manitoba Hydro's Canadian Transmission Facilities on the OASIS based on component data submitted by Manitoba Hydro;

2.1.3. provide notification to Manitoba Hydro of all requests for Long-Term Firm Point-to-Point Transmission Service under the Manitoba Hydro Tariff;

2.1.4. evaluate requests for Non-Firm Point-to-Point Transmission Service and Short-Term Firm Point-to-Point Transmission Service against Manitoba Hydro's posted available transmission capability;

2.1.5. accept, counter offer, or reject requests for Non-firm Point-to-Point Transmission Service and Short-Term Firm Point-to-Point Transmission Service based on the evaluation performed pursuant to Section 2.1.4 and the Manitoba Hydro Tariff, provided that the ISO shall obtain the concurrence of Manitoba Hydro prior to accepting requests for monthly Short-Term Firm Point-to-Point Transmission Service.

2.1.6. post the status of all Point-to-Point Transmission Service requests over Manitoba Hydro's Canadian Transmission Facilities on the OASIS, based on the ISO's determinations pursuant to Section 2.1.5 and information submitted by Manitoba Hydro for Long-Term Firm Point-to-Point Transmission Service requests;

2.1.7. upon request, collect and provide Manitoba Hydro with Transmission Service transaction information for Manitoba Hydro's Canadian Transmission Facilities, except that the ISO shall not be required to retain such information for a period longer than that required by FERC regulations for similar transactions on the Transmission System;

2.1.8. provide financial administration of Point-to-Point Transmission Service transactions under the Manitoba Hydro Tariff. This shall include the determination, collection, and payment of monies owing to Manitoba Hydro for Transmission Service and related services provided by Manitoba Hydro under the Manitoba Hydro Tariff, including but not limited to Ancillary Services and the NEB Cost Adder. Notwithstanding the foregoing, financial administration of Point-to-Point Transmission Service shall not include the collection of deposits or payments for studies under the Manitoba Hydro Tariff.

2.1.9. act as Reliability Coordinator for Manitoba Hydro's Canadian Transmission Facilities in accordance with the responsibilities specified in Appendix A hereto;

2.1.10 serve as Group Administrator for the Reserve Sharing Group pursuant to Appendix B of this Agreement; and

2.1.11 any other services equivalent to those provided by the ISO to Owners pursuant to the ISO Agreement, as mutually agreed to by the Parties.

2.2 The ISO shall not be deemed to be an employee of Manitoba Hydro for any purpose.

2.3 The ISO shall have full discretion as to the manner of providing the Services, provided that the ISO acts in compliance with the provisions of this Agreement, ~~the Funds Trust Agreement~~, the applicable tariffs governing Manitoba Hydro's Canadian Transmission Facilities, and Canadian Law.

III. MANITOBA HYDRO'S TARIFF OBLIGATIONS

3.1 Manitoba Hydro shall calculate the components of available transmission capability for its Canadian Transmission Facilities in accordance with NERC requirements and any regional reliability requirements binding on Manitoba Hydro by way of contract or Canadian legislation.

3.2 Manitoba Hydro shall offer to provide Ancillary Services pursuant to the provisions of the Manitoba Hydro Tariff. To the maximum extent permitted by Canadian Law, all such

services will be provided and offered under rates, terms and conditions that are consistent with FERC standards. Manitoba Hydro shall not be required to continue to provide and offer these services if FERC no longer requires a utility operating as a Control Area to offer them.

3.3 Manitoba Hydro shall determine the facilities to be included as Canadian Transmission Facilities in accordance with the seven factor test set forth in FERC Order No. 888.

3.4 To facilitate the billing, collection and distribution of monies required by Section 2.1.8 of this Agreement, Manitoba Hydro shall require that each Transmission Customer taking service under the Manitoba Hydro Tariff provide the ISO with adequate financial and customer information to perform the Services.

3.5 Manitoba Hydro shall provide the ISO with all such information as is reasonably necessary for the ISO to provide the Services herein, including, but not limited to, the following information:

3.5.1 transmission-related Operating Guides;

3.5.2 information regarding the ratings of all transmission facilities;

3.5.3 schedules for planned outages and the status of forced outages of Canadian Transmission Facilities and any generation facilities connected to those facilities where any such outage would affect transfer capability on the Combined Systems;

3.5.4 information regarding the operation of Manitoba Hydro's Canadian Transmission Facilities, including, but not limited to, information relating to all breakers, switches, capacitor banks, reactors, phase shifters, and flows;

3.5.5 Manitoba Hydro shall provide the ISO with any additional information requested by the ISO after the initiation of the ISO's Energy Markets unless the incremental costs to Manitoba Hydro of providing such data would exceed \$50,000.00 (Cdn) per data request, and such costs are not reimbursable by the ISO. This restriction shall not apply to information required by the ISO pursuant to Sections 3.5.1 through 3.5.4, to the extent that such information was routinely provided prior to initiation of the ISO's Energy

Market, nor to information required by the ISO pursuant to its obligations as Reliability Coordinator as set forth in Appendix A.

- 3.6 For greater certainty of interpretation, Manitoba Hydro shall be solely responsible for determining the energy resources required to meet load in Manitoba, notwithstanding any provisions in the ISO Agreement or ISO Tariff.

IV. TRANSMISSION SERVICE AVAILABILITY, PRICING AND REVENUE DISTRIBUTION

Availability

- 4.1 The Parties acknowledge that, pursuant to Section 6 of the ISO Tariff and Section 6 of the Manitoba Hydro Tariff, the Parties provide comparable Transmission Service under the terms and conditions of their respective tariffs.
- 4.2 It is a continuing condition of this Agreement that Manitoba Hydro and any of its power marketing affiliates shall be entitled to all forms of Transmission Service available under the ISO Tariff and that all ISO Members and eligible customers under the ISO Tariff shall be entitled to all forms of Transmission Service available under the Manitoba Hydro Tariff. Failure of this condition to be fulfilled, for reasons other than as specified in Section 10.2 of this Agreement, shall result in either the immediate termination or lack of effectiveness of this Agreement, whichever is applicable.

Pricing

- 4.3 The Parties agree that Manitoba Hydro shall not be subject to Access Charges for Transmission Service under the ISO Tariff and that Members of the ISO shall not be subject to Access Charges for Transmission Service under the Manitoba Hydro Tariff.
- 4.4 In order to eliminate the pancaking of Transmission Service charges between the Canadian Transmission Facilities and the Transmission System, the Parties agree as follows:

4.4.1 For the purposes of Transmission Service pricing, generation or load located in the Province of Manitoba and connected directly to Manitoba Hydro's Canadian Transmission Facilities shall be considered in the "Manitoba Hydro Zone";

4.4.2 The Parties acknowledge that their respective Transmission Service rates for Point-to-Point and Network Integration Transmission Service shall be priced independently.

4.4.3 For Point-to-Point and Network Integration Transmission Service charges under the ISO Tariff involving service from a generating source located either inside or outside the ISO Tariff Zone to load in the Manitoba Hydro Zone, the ISO shall waive all Transmission Service charges (including the ISO Cost Adder) under the ISO Tariff with the exception of charges associated with the following: Regulating Reserve; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; and Generator Imbalance Service.

4.4.4 Manitoba Hydro shall waive all Transmission Service charges (including the administrative charge imposed pursuant to Section 4.6) for Point-to-Point and Network Integration Transmission Service involving service from a generating source inside or outside the Manitoba Hydro Zone and through the Manitoba Hydro Zone to a load that is located inside the ISO Tariff Zone, with the exception of charges associated with the following: Regulation and Frequency Response Service; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; Generator Imbalance Service; and NEB Cost Adder. For greater certainty of interpretation, this Section shall apply regardless of whether the ISO applies a Transmission Service charge for Transmission Service provided under the ISO Tariff associated with Energy and Operating Reserve Markets transactions.

4.5 For greater certainty of interpretation:

- (a) A Transmission Customer shall be entitled to reserve Transmission Service from a Point of Receipt in the Manitoba Hydro Zone to the Canada-United States international boundary as the designated Point of Delivery, and the Transmission Service charges for said transaction shall be determined based on the location of the load being served, as follows:

- (i) if the load being served is in the ISO Tariff Zone, there shall be no Transmission Service charges under the Manitoba Hydro Tariff except for: Regulation and Frequency Response Service; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; Generator Imbalance Service and NEB Cost Adder.
 - (ii) if the load being served is outside the ISO Tariff Zone, all applicable Transmission Service charges under the Manitoba Hydro Tariff shall be applied.
 - (b) The provisions of this Section 4.5 shall apply to Transmission Service reserved for Energy and Operating Reserve Markets transactions, regardless of whether the ISO charges for Transmission Service under the ISO Tariff to serve load in the ISO Tariff Zone.
- 4.6 Subject to the provisions of Section 4.4.4, Manitoba Hydro shall impose an administrative charge equal to the ISO Cost Adder on all Point-to-Point transactions under the Manitoba Hydro Tariff and the recovery received under that adder shall be provided to the ISO pursuant to Section 8.3.

Revenue Distribution

- 4.7 The ISO shall remit to Manitoba Hydro all transmission revenues for Transmission Service administered by the ISO under the Manitoba Hydro Tariff on a monthly basis. All funds shall be remitted in accordance with the provisions of this ~~the Funds Trust~~ Agreement.
- 4.8 All revenues for Transmission Service under the Manitoba Hydro Tariff shall be received, held, used, managed, and distributed in trust for the benefit of Manitoba Hydro in accordance with this Agreement and the Manitoba Hydro Tariff. The ISO shall hold all such collected revenues for Transmission Service provided pursuant to the Manitoba Hydro Tariff, in trust for the benefit of Manitoba Hydro, subject to the ISO's right pursuant to Section 8.3 of this Agreement to deduct from such funds certain authorized fees and expenses that are payable directly to the ISO in accordance with the Manitoba

Hydro Tariff and this Agreement. The ISO shall hold such collected revenues for Transmission Service in a separate operating account from other funds, with the exception of funds collected by the ISO for Transmission Service under the ISO Tariff and held in trust for Owners pursuant to the ISO Tariff and the ISO Agreement. The ISO shall also hold disputed payments collected for Transmission Service under the Manitoba Hydro Tariff in trust for the benefit of Manitoba Hydro in a separate account from other funds, with the exception of similar funds for disputed payments collected for Owners under the ISO Tariff. This Agreement is intended to create a trust for the benefit of Manitoba Hydro under applicable law for the foregoing purposes. The ISO will take all action reasonably necessary to ensure that the revenues for Transmission Service under the Manitoba Hydro Tariff are treated under applicable law as trust property held for the benefit of Manitoba Hydro and not as separate property of the ISO.

V. COORDINATION OF TRANSMISSION PLANNING

- 5.1 The Parties agree to coordinate transmission planning in their respective Planning Coordinator regions through the exchange of information as provided herein and through the development and adoption of planning coordination procedures in accordance with Section 5.4.
- 5.2 The Parties shall exchange information, in accordance with planning coordination procedures adopted pursuant to Section 5.4, regarding Transmission Service requests, Interconnection Service requests and their respective proposed Regional Transmission Plans that could directly or indirectly impact the Combined Systems and information concerning the Parties' respective methodologies for calculating System Operating Limits and Transfer Capability.
- 5.3 The Parties shall coordinate, in accordance with planning coordination procedures adopted pursuant to Section 5.4, the performance of System Impact Studies, Facilities Studies, Interconnection Studies and other studies for Transmission Service requests, Interconnection Service requests and Regional Transmission Plans that could directly or indirectly impact the Combined Systems.
- 5.4 The Planning Coordination Sub-Committee shall develop planning coordination procedures for adoption by the Coordinating Committee pursuant to Section 9.2 of this

Agreement. Such planning coordination procedures shall include, but not be limited to, procedures governing:

- (a) Review and coordination of methodologies (including use of consistent input and modeling assumptions) for determination of Transfer Capability as required of Planning Coordinators pursuant to applicable NERC Reliability Standards to ensure consistency;
- (b) Review and coordination of methodologies (including base case assumptions and reliability margins) for performing System Impact Studies, Facilities Studies (including those System Impact Studies and Facilities Studies related to redirect requests) and Interconnection Studies to ensure consistency;
- (c) Coordination of queues for Transmission Service requests and Interconnection Service requests received by a Party under the ISO Tariff or the Manitoba Hydro Tariff that may impact the transmission system operated by the other Party;
- (d) Establishment of criteria for determining when a request for Transmission Service or Interconnection Service received by a Party under the ISO Tariff or Manitoba Hydro Tariff shall be considered as materially impacting the system owned or operated by the other Party;
- (e) Development of procedures to ensure the mitigation of material impacts by third parties resulting from Transmission Service and Interconnection Requests under the other Party's Tariff;
- (f) Collaboration on the nature of new and/or modified facilities, including special protection systems, required or best suited to grant Transmission Service and Interconnection Service requests involving improvements to the Manitoba-ISO Interface;
- (g) Coordination of planning procedures adopted pursuant to this Agreement with those developed pursuant to interconnection agreements between Manitoba Hydro and owners of interconnected transmission facilities;

(h) Coordination of data provided to NERC regarding the Manitoba-ISO Interface pursuant to NERC Reliability Standards, such as, data required to perform loss of load expectation studies for the annual NERC long term reliability assessment.

- 5.5 The Parties may consider, on a case by case basis, inter-regional cost sharing for transmission projects that benefit the Combined Systems, subject to any necessary government, regulatory or other approvals.

VI. COORDINATION OF DAY TWO CONGESTION MANAGEMENT

- 6.1 The Parties acknowledge that, unlike the ISO Tariff, the Manitoba Hydro Tariff will not be revised to include congestion charges based on Locational Marginal Pricing or to make available Financial Transmission Rights;
- 6.2 The Parties acknowledge that Manitoba Hydro will not employ economic redispatch of generation facilities in Manitoba as a congestion management mechanism available to Transmission Customers under the Manitoba Hydro Tariff in order to reduce or eliminate congestion on Canadian Transmission facilities;
- 6.3 Notwithstanding the foregoing, the ISO shall model and identify flows over Manitoba Hydro's Canadian Transmission Facilities in order to monitor congestion on Manitoba Hydro's Canadian Transmission Facilities caused by flows from the Transmission System and the transmission systems of Reciprocal Entities.
- 6.4 In order to coordinate Manitoba Hydro's use of curtailment procedures for the relief of transmission congestion on Canadian Transmission Facilities with the ISO's use of economic redispatch for the relief of transmission congestion on the Transmission System and the congestion management procedures of Reciprocal Entities, which coordination shall have the purpose of observing transfer capability for Coordinated Flowgates and transfer capability allocations for Reciprocal Coordinated Flowgates, the Parties have entered into that certain "Seams Operating Agreement Between the Midwest Independent Transmission System Operator, Inc. And Manitoba Hydro" dated September 25, 2006.

VII. RESERVE SHARING

- 7.1 Commencing January 1, 2010, the Parties shall implement the Contingency Reserve sharing provisions of Appendix B to this Agreement.

VIII. COMPENSATION FOR SERVICES

- 8.1 (a) The ISO's costs of providing the Services to Manitoba Hydro, excluding Group Administrator services, shall be included in the ISO's operating costs used to determine the ISO Cost Adder pursuant to Schedule 10 of the ISO Tariff which shall be charged to Transmission Customers under the Parties' respective tariffs in accordance with this Agreement and the ISO Tariff.
- (b) In addition, Manitoba Hydro shall pay the ISO such sums equivalent to that which would be paid by Manitoba Hydro if it were a Transmission Owner serving Manitoba Hydro's bundled native load customers under the ISO Tariff and on the same basis as they would become due under the ISO Tariff, provided that all FERC jurisdictional Transmission Owners are required by FERC to make such payments.
- 8.2 The ISO's costs of providing Group Administrator services shall be paid by Manitoba Hydro on a monthly basis in accordance with Schedule CR-2 of this Agreement.
- 8.3 Payment of the ISO Cost Adder collected by the ISO from Transmission Customers pursuant to Section 8.1(a) hereof and any payments made by Manitoba Hydro pursuant to Sections 8.1(b) and 8.2 hereof shall be considered full and sufficient compensation to the ISO for performing the Services.
- 8.4 If Manitoba Hydro terminates this Agreement or if the ISO terminates this Agreement either for default under Article XIII or pursuant to Section 10.2, Manitoba Hydro shall be bound by the provisions of Article Five, subsection II.A of the ISO Agreement as if it were a signatory.

IX. COORDINATING COMMITTEE

- 9.1 A Coordinating Committee is hereby established. The Coordinating Committee shall only administer this Agreement, excluding Article VII which shall be administered by the

Contingency Reserve Sharing Group Committee, and shall not be used as a mechanism to effect changes in the Agreement that would have cost consequences.

- 9.2 The Coordinating Committee shall be responsible for:
- (a) developing and/or adopting procedures for the implementation of the operating and technical requirements of this Agreement, excluding Article VII;
 - (b) the creation of sub-committees, including an Operating Sub-Committee and a Planning Coordination Sub-Committee, to undertake work related to the implementation of this Agreement;
 - (c) approval of any terms of reference for such sub-committees, subject to the requirement that any decision made by such sub-committee shall be subject to approval by the Coordinating Committee;
 - (d) any other matters referred to herein or necessary for implementation, administration or operation of this Agreement, excluding Article VII.
- 9.3 The ISO and Manitoba Hydro shall each appoint one member to the Coordinating Committee and each Party shall pay the expenses of its member(s) on the Coordinating Committee and any of its sub-committees.
- 9.4 A Party's Coordinating Committee representative shall be a person of reasonable competency and with such authority as to uphold the decisions made. Subcommittee members appointed by the Coordinating Committee shall be employees of the respective Parties with appropriate qualifications and competency for the tasks that are delegated to them.
- 9.5 The Coordinating Committee shall meet at least semi-annually.
- 9.6 Decisions of the Coordinating Committee and its sub-committees shall be unanimous. If a sub-committee is unable to reach consensus on a proposal or other matter, the subcommittee shall present the matter to the Coordinating Committee for further discussion and attempt at resolution at the next meeting of the Coordinating Committee.
- 9.7 All procedures and decisions of the Coordinating Committee shall be in writing and signed by the Coordinating Committee representatives and shall form part of this

Agreement, but shall not be inconsistent with and shall not serve to contradict any terms or conditions of this Agreement in effect at the time of such procedures or decisions being made or developed.

- 9.8 Subject to consent of the Owners, Manitoba Hydro's representative on the Coordinating Committee shall be considered a voting member of the Owners Committee established pursuant to the ISO Agreement.
- 9.9 Within thirty days of the effective date of this Agreement, the Coordinating Committee shall establish a Planning Coordination Sub-Committee responsible for the coordination of transmission planning of the Combined Systems pursuant to Article V of this Agreement.
- 9.10 The Planning Coordination Sub-Committee shall consist of three representatives from each Party. The Parties may from time to time change their respective representatives on the Planning Coordination Sub-Committee and shall fill any vacancy promptly. Written notice of appointments, removals and replacements shall be given by each Party to the other.
- 9.11 The Planning Coordination Sub-Committee shall meet at least annually, in person at the request of either party, and at such other times agreed to by the Parties either in person or via teleconference.
- 9.12 Within thirty days of the effective date of this Agreement, the Coordinating Committee shall establish an Operating Sub-Committee responsible for implementing the provisions of this Agreement related to transmission operations.
- 9.13 The Operating Sub-Committee shall consist of two representatives from each Party. The Parties may from time to time change their respective representatives on the Operating Sub-Committee and shall fill any vacancy promptly. Written notice of appointments, removals and replacements shall be given by each Party to the other.
- 9.14 The Operating Sub-Committee shall meet at least annually, in person at the request of either party, and shall meet either in person or via teleconference, at such other times agreed to by the Parties.

- 9.15 The Operating Sub-Committee shall develop operating coordination procedures for adoption by the Coordinating Committee pursuant to Section 9.2 of this Agreement. Such operating coordination procedures shall include, but not be limited to, procedures governing:
- (a) Data required pursuant to Sections 3.5 and Appendix A, Section 3;
 - (b) Methods of transferring data required pursuant to this Agreement;
 - (c) Coordination of changes to protection systems under the operational control of a Party that may impact the reliable operations of the other Party;
- 9.16 The Operating Sub-Committee shall develop a list of operating coordination procedures that the Operating Sub-Committee shall review on an annual or seasonal basis.

X. TERM

- 10.1 Subject to Sections 4.2 and 10.2 of this Agreement, this Agreement shall continue in effect until the earlier of:
- 10.1.1 termination for default in accordance with Article XIII; or
 - 10.1.2 termination upon 12 months written notice by either Party.
- 10.2 Notwithstanding the foregoing, this Agreement is conditional upon each Party's ability under Canadian Law and U.S law to satisfy their obligations hereunder and is entered into in reliance upon the terms and conditions of the ISO Agreement, ISO Tariff and Manitoba Hydro Tariff in effect as of the effective date of this Agreement. If there is any change to the ISO Agreement, ISO Tariff, the Manitoba Hydro Tariff, Canadian Law or U.S., law or U.S. regulatory order that would affect: 1) either Party's ability to satisfy its obligations hereunder, or 2) the substance of a Party's obligations hereunder, the Parties shall enter into good faith negotiations to amend this Agreement, provided that the Party disadvantaged by any such change, shall have the right to terminate this Agreement on no less than sixty days notice. The ISO shall provide Manitoba Hydro with timely written notice of any changes to the ISO Agreement, ISO Tariff, U.S. laws or U.S. regulatory orders that affect performance or the substance of the ISO's obligations under this Agreement. Manitoba Hydro shall provide the ISO with timely written notice of any

changes in the Manitoba Hydro Tariff or Canadian Law that affect performance of or the substance of Manitoba Hydro's obligations hereunder.

- 10.3 Upon termination of this Agreement, Manitoba Hydro and the ISO shall each remain responsible for any financial obligations incurred under this Agreement prior to termination until completion of any such obligation.

XI. INDEMNITIES AND ASSUMPTION OF LIABILITY

- 11.1 The ISO shall indemnify and hold Manitoba Hydro harmless from and against all claims, costs, expenses, liabilities, obligations, losses or damages, paid or incurred by Manitoba Hydro arising out of or related to the ISO's performance or neglect of its obligations under this Agreement, except in cases where and only to the extent that the negligence or intentional wrongdoing of Manitoba Hydro contributes to the claimed loss, damage, liability, cost or expense.
- 11.2 Manitoba Hydro shall indemnify and hold the ISO harmless from and against all claims, costs, expenses, liabilities, obligations, losses or damages, paid or incurred by the ISO arising out of or related to Manitoba Hydro's performance or neglect of its obligations under this Agreement, except in cases where and only to the extent that the negligence or intentional wrongdoing of the ISO contributes to the claimed loss, damage, liability, cost or expense.
- 11.3 Manitoba Hydro shall accept and abide by Article Four, Section II, paragraph D of the ISO Agreement as if it were a signatory to that agreement and the Owners under the ISO Agreement agree to provide Manitoba Hydro the same protections under that paragraph provided to all signatories.

XII. INSURANCE

- 12.1 The ISO shall obtain and maintain in full force and effect at all times during the term of this Agreement, professional liability insurance (errors and omission) through insurance policies with authorized insurance companies in such amounts and for such coverage and upon such terms conforming to standard commercial practice. The ISO shall supply

Manitoba Hydro with a Certificate of Insurance and shall be responsible for any deductible amounts under the policy.

XIII. DEFAULT

- 13.1 The ISO shall be deemed to be in default if the ISO fails to compensate Manitoba Hydro for all amounts due to Manitoba Hydro pursuant to this Agreement for ninety (90) days.
- 13.2 Manitoba Hydro shall be deemed to be in default if Manitoba Hydro fails to compensate the ISO for all amounts due to the ISO pursuant to this Agreement for ninety (90) days.
- 13.3 If a default is deemed to have occurred under this Section, upon providing 30 days written notice, the non-defaulting party may terminate this Agreement.

XIV. GENERAL

14.1 Governing Law and Jurisdiction

This Agreement shall be governed by and construed in accordance with Canadian Law. The Parties agree to the exclusive jurisdiction of the Manitoba Court of Queen's Bench and the Manitoba Court of Appeal for the resolution of disputes arising from this Agreement which are not resolved by arbitration pursuant to Article XV hereof.

14.2 Headings

Headings are inserted solely for convenience of reference, do not form part of this Agreement, and are not to be used as an aid in the interpretation of this Agreement.

14.3 Severability

Any provision of this Agreement that is declared or rendered unlawful by a court of law, or deemed unlawful because of statutory change, will not otherwise affect the lawfulness, enforceability and applicability of the remaining provisions of this Agreement. The Parties will use their best efforts to agree on the replacement of the unlawful provision(s) with legally acceptable clauses that correspond as closely as possible to the purpose of the affected

provision(s) and this Agreement as a whole. If the Parties are unable to reach agreement on a change to a material provision, either party may terminate this Agreement effective immediately.

14.4 Inspection and Auditing

The ISO shall grant Manitoba Hydro, its employees or agents, such access to the books and records of the ISO as is necessary to verify compliance by the ISO with this Agreement and to audit and verify the calculation of the ISO Cost Adder and any other financial transactions pursuant to this Agreement. Such access shall be at reasonable times and upon reasonable notice.

14.5 Notice of Claims

Each Party shall promptly notify the other Party of claims, demands or actions which may result in a claim for indemnity. Failure to notify shall not relieve a Party from liability unless and then only to the extent that such failure results in the forfeiture by such Party of a substantial right or defence. No settlement of any claim which may result in a claim for indemnity shall be made by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld. A Party shall not be liable under this Agreement in respect of any settlement of a claim unless said Party has consented in writing to such settlement.

14.6 Assignment

This Agreement shall not be assigned by a Party without the written consent of the other Party.

14.7 Waiver of Default

The failure on the part of either party to exercise or enforce any right conferred upon it under or pursuant to this Agreement shall not be deemed to be a waiver of any such right or operate to bar the exercise or enforcement thereof at any time or times thereafter.

14.8 Force Majeure

The Parties shall not be responsible or liable to each other for any loss or damage resulting from failure to perform obligations hereunder as a result of any cause beyond their control which

could not have been reasonably foreseen and which could not have reasonably been avoided, including but not limited to, acts of God, strikes, injunctions, breakdowns or repairs. The Parties shall be prompt and diligent in removing, if practicable, the cause of such failure to perform after said cause has been removed; however a Party shall not be obligated to agree to any settlement of a strike or labour dispute which, in that Party's sole opinion, may be inadvisable or detrimental.

14.9 Entire Agreement

Subject to Section 9.7, this Agreement represents the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral and written proposals and communications pertaining hereto. There are no representations, conditions, warranties or agreements, express or implied, statutory or otherwise, with respect to or collateral to this Agreement other than contained herein or expressly incorporated herein.

14.10 Amendments

No amendments, addition to or modification of any provision of this Agreement shall be binding upon either Party, and neither Party shall be deemed to have waived any provision hereof or any remedy available to it unless such amendment, addition, modification or waiver is in writing and signed by duly authorized representatives of Manitoba Hydro and the ISO.

14.11 Notices

14.11.1 Any notice, demand, request or communication required or authorized by this Agreement shall be delivered either by hand, facsimile, electronic mail, overnight courier or mailed by certified mail, return receipt requested, with postage prepaid to:

Manitoba Hydro:
820 Taylor Avenue
WINNIPEG, MB R3C 2P4
Canada
ATTENTION: Vice-President – Transmission Business Unit

ISO:
P.O. Box 4202
CARMEL, IN 46082-4202

U.S.A.
ATTENTION: President

14.11.2 Delivery of any such notice, request or communication shall be deemed received upon actual receipt by the Party to whom addressed, or at least three business days after being sent.

14.11.3 The designation and titles of the person to be notified or the address of such person may be changed at any time by written notice by either Party.

14.12 Confidentiality

Any data submitted by Manitoba Hydro to the ISO pursuant to Section 3.5 and Appendix A of this Agreement shall be deemed confidential and shall not be disclosed by the ISO to a third party without the prior written consent of Manitoba Hydro, except as authorized herein or required by NERC Reliability Standards. Notwithstanding the foregoing, this obligation of confidentiality does not extend to data which is required to be disclosed by subpoena, applicable law or a directive of a court, or administrative agency or arbitrator that has jurisdiction over such data. Notwithstanding the foregoing, the Parties acknowledge that FERC does not have jurisdiction over Manitoba Hydro's data regarding its Canadian Transmission Facilities provided to the ISO pursuant to this Agreement. The ISO agrees to provide Manitoba Hydro with prompt written notice of a request or requirement for disclosure in order to: (a) enable Manitoba Hydro to seek injunctive relief, a protective order or other remedy; and/or (b) consult with the ISO regarding steps to resist or narrow the scope of such request or legal process. In the event that the confidential data becomes subject to disclosure, the ISO agrees to furnish only that portion of the confidential data which the ISO's legal counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such data. In addition, the ISO shall ensure that its employees, subcontractors and agents to whom confidential data is exposed agree to be bound by the provisions of this Section 14.12 and the ISO shall be liable for any breach of this Section by its employees, subcontractors and agents.

XV. DISPUTE RESOLUTION

15.1 Condition Precedent to Arbitration

Prior to initiation of arbitration or legal proceedings, any controversy, claim or dispute regarding an alleged breach of this Agreement shall be first submitted to the Coordinating Committee for review and decision. If the controversy, claim or dispute is not resolved within 30 calendar days after submission to the Coordinating Committee, it shall be referred in writing by the Coordinating Committee to the Executive Officers of the Parties, as specified in Section 14.11 of this Agreement, who shall meet for the purpose of discussing and resolving the controversy, claim or dispute to the satisfaction of the Parties. Any decision by the Executive Officers to resolve a controversy, claim or dispute must be unanimous. If the controversy, claim or dispute is not resolved within 30 calendar days after referral to the Executive officers, either Party with the consent of the other Party, may proceed to arbitration, in accordance with Sections 15.2 through 15.10 hereof.

15.2 Initiation

Arbitration proceedings must be initiated within 120 calendar days of the date the controversy, claim or dispute was first submitted to the Coordinating Committee and shall be initiated by written notice to the other Party setting forth the point or points in dispute. Unless otherwise agreed to in writing by the Parties, failure to initiate arbitration within such 120 day period shall be deemed a waiver of the right to arbitrate that controversy, claim or dispute. Provided however, that any such waiver shall not preclude a Party from initiating arbitration proceedings in respect of a similar claim, controversy or dispute based on facts which arise subsequent to the date the controversy, claim or dispute was first submitted to the Coordinating Committee.

15.3 Arbitration Proceedings

For greater clarity and certainty, arbitration shall not be available to anyone who is not a Party to this Agreement, and an agreement by the Parties to arbitrate shall not preclude a Party from seeking contribution, indemnification or damages from the other Party in proceedings instituted by third parties in courts of competent jurisdiction. Unless otherwise agreed or specified herein, the arbitration shall be conducted in Winnipeg, Manitoba before three arbitrators and shall be conducted in accordance with *The Arbitration Act* of Manitoba (Chapter A120 of the Consolidated Statutes of Manitoba as amended and then in effect). All arbitrators shall be competent by virtue of education and experience in the particular matter subject to arbitration. The arbitrators shall require witnesses to testify under oath administered by a duly qualified person. The arbitrators shall have jurisdiction and authority only to interpret, apply or determine

compliance with the provisions of this Agreement insofar as shall be necessary to determine the particular matter subject to arbitration. The arbitrators shall not have jurisdiction or authority to add to, detract from, or alter the provisions of this Agreement or any applicable law or rule of civil procedure. The arbitrators shall have the power to order specific performance under any and all provisions of this Agreement and no Party can avoid specific performance based on an argument that the other Party has an adequate remedy at law.

15.4 Jurisdiction

The arbitrators may rule on their own jurisdiction, including any objections with respect to the existence or validity of an agreement to arbitrate. If a Party disputes the authority or jurisdiction of the arbitrators, the Party shall notify the other Party as soon as the matter alleged to be beyond the authority or jurisdiction of the arbitrators is raised during the arbitration proceedings. The arbitrators may rule on the issue as to whether or not they have the authority or jurisdiction in dispute, either as a preliminary question or in an award on the merits.

15.5 Discovery

Each Party shall have the rights of discovery in accordance with the applicable rules of *The Arbitration Act* of Manitoba. All issues subject to discovery shall be determined by order of the arbitrators upon motion made to them by either Party. When a Party is asked to reveal material which the Party considers to be proprietary information or trade secrets, the Party shall bring the matter to the attention of the arbitrators who shall make such protective orders as are reasonable and necessary or as otherwise provided by law.

15.6 Continuation of Performance

Pending the final decision of the arbitrators, the Parties agree to diligently proceed with the performance of all obligations, including the payment of all sums required by this Agreement. Interest shall accrue at the Agreed Interest Rate and shall be compounded daily on all overpayments and underpayments which occur pending resolution of a controversy, claim or dispute.

15.7 Costs

All fees, costs and expenses of the arbitrators and the Parties incurred in connection with the arbitration shall be allocated between the Parties by the arbitrators. The nature of the dispute and the outcome of the arbitration shall be factors considered by the arbitrators when allocating such fees, costs and expenses. Fees, costs and expenses to be allocated shall include the Party's own employees, expert consultants and legal fees, the costs of exhibits and other incidental costs.

15.8 Enforcement

Any decision (including orders arising out of disputes as to the scope or appropriateness of a request for, or a response to, discovery) of an arbitrator may be enforced in a court of competent jurisdiction. All costs of enforcing an arbitral decision including court costs and attorney's fees (on a party and party basis) and disbursements shall be paid by the Party in default or in error. Judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction.

15.9 Correction and Interpretation of Award; Additional Award

Within 30 calendar days after receipt of an award, a Party, with notice to the other Party, may request the arbitrators to correct in the award any errors in computation, any clerical or typographical errors or any errors of similar nature, or may request the arbitrators to give an interpretation of a specific point or a part of the request. The interpretation shall form part of the award. The arbitrators may correct any error as herein-before referred to on their own initiative within 30 calendar days after the date of an award. In addition, within 30 calendar days after receipt of an award, a Party with notice to the other Party, may request the arbitrators to make an additional award as to claims presented in the arbitration but omitted from the award. If the arbitrators consider the request to be justified, they shall make an additional award within 60 calendar days after receipt of the request. The arbitrators may extend, if necessary, the period of time within which it shall make a correction, interpretation or an additional award.

15.10 Survival

The provisions of this Article shall survive beyond the term of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed and attested to by the signatures of their respective duly authorized officers on the day and date first above written.

SIGNED, SEALED AND DELIVERED

MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.

By: /s/ Stephen G. Kozey

Name: Stephen G. Kozey

Title: Sr. V.P., General Counsel & Secretary

Date: ~~December 20, 2013~~ April 10, 2014

By: /s/ John R. Bear

Name: John R. Bear

Title: President & Chief Executive Officer

Date: ~~December 20, 2013~~ April 15, 2014

MANITOBA HYDRO

By: /s/ K.M. Tennenhouse

Name: K. M. Tennenhouse

Title: General Counsel & Corp. Secretary

Date: ~~December 17, 2013~~ April 8, 2014

By: /s/ S. Mailey

Name: S. Mailey

Title: ~~President & CEO~~ Vice President, Transmission

Date: ~~December 18, 2013~~ April 7, 2014

Appendix A

RELIABILITY COORDINATOR RESPONSIBILITY

1. Interpretation

- 1.1 Capitalized terms used in this Appendix A and not otherwise defined in Article I of this Coordination Agreement shall have the meanings specified in the NERC “Glossary of Terms Used in Reliability Standards” as revised from time to time.

2. Reliability Coordinator Responsibilities

- | 2.1 As Reliability Coordinator for Manitoba Hydro, the ISO shall have the authority to monitor and direct Manitoba Hydro’s actions with respect to Manitoba Hydro’s Canadian Transmission Facilities (“Manitoba Transmission Facilities”) as provided in Section 2 of this Appendix, in order to preserve the integrity and reliability of the Bulk Electric System.

Notwithstanding the foregoing, the Parties acknowledge that Manitoba Hydro may also monitor the Manitoba Transmission Facilities.

- | 2.2 The ISO shall monitor, on a continuous basis and direct actions with respect to the Manitoba Transmission Facilities, so as to ensure that operating parameters are maintained within NERC and regional reliability limits.

- | 2.3 The ISO shall periodically perform load-flow and stability studies of the Manitoba Facilities to identify and address reliability problems.

- | 2.4 The ISO shall be responsible for the exchange of operating information related to the Manitoba Transmission Facilities with adjoining Reliability Coordinators and other operating entities within the ISO’s Reliability Coordinator Area that require Manitoba Hydro’s operational data for reliability-related purposes or for calculation of ATC and its components.

- | 2.5 The ISO shall develop, for approval by the NERC Operating Committee, a regional reliability plan and procedures for responding to emergencies which include the Manitoba Transmission Facilities.

- | 2.6 For the purposes of mitigating an IROL or SOL violation so as to return the Bulk Electric System to a reliable state, the ISO shall have authority to direct Manitoba Hydro to:
 - (a) redispach generation;
 - (b) reconfigure transmission, including the rescheduling of transmission outages;
 - (c) manage interchange transactions;
 - (d) reduce system demand.
- | 2.7 Actions directed by the ISO pursuant to Section 2.6 shall be consistent with Operating Guides for the Manitoba Transmission Facilities.
- | 2.8 The ISO shall have a Reliability Coordinator Area restoration plan that provides coordination between the restoration plans of Manitoba Hydro and other transmission operators and that ensures that reliability is maintained during system restoration events.
- | 2.9 The ISO shall monitor Manitoba Hydro's restoration progress when implementing Manitoba Hydro's system restoration plan and shall coordinate any assistance needed by Manitoba Hydro.
- | 2.10 The ISO shall act in the interests of reliability for the overall Reliability Coordinator Area and the Interconnection, rather than any individual entity.

3. Manitoba Hydro Responsibilities

- | 3.1 Manitoba Hydro shall have responsibility for taking actions with respect to the Manitoba Transmission Facilities, so as to maintain the reliability of the Bulk Electric System in a manner consistent with NERC and applicable regional reliability requirements.
- | 3.2 All actions taken by Manitoba Hydro pursuant to Section 3.1 shall be consistent with Operating Guides.
- | 3.3 Manitoba Hydro shall be responsible for developing, maintaining and implementing a set of plans to mitigate operating emergencies.
- | 3.4 Manitoba Hydro shall be responsible for developing a system restoration plan for the Manitoba Transmission Facilities that is consistent with the ISO's Reliability Coordinator Area system restoration plan, provided that such consistency: (a) does not endanger the supply of electricity in Manitoba; (b) does not endanger equipment or physical safety; (c) does not contravene Canadian law or regulatory orders.

- | 3.5 Manitoba Hydro shall provide the ISO with all of Manitoba Hydro's operational data required by the ISO to perform its role as Reliability Coordinator as described in this Appendix A.
- | 3.6 Upon request, Manitoba Hydro shall provide to other Balancing Authorities and Transmission Operators, operating data necessary to allow the Balancing Authorities and Transmission Operators to perform operational reliability assessments and to coordinate reliable operations.
- | 3.7 Manitoba Hydro shall provide the ISO with a document defining the criteria used by Manitoba Hydro in developing its Operating Guides.
- | 3.8 Manitoba Hydro shall take such action with respect to the Manitoba Facilities as directed by the ISO pursuant to Section 2.6 and Operating Guides for the MHEX, SPC and IESO interfaces within 30 minutes of receiving direction from the ISO, unless such actions would endanger safety or equipment or violate Canadian Law or regulatory requirements. Under these circumstances, Manitoba Hydro shall immediately inform the ISO of its inability to perform the directive so that the ISO may implement alternate remedial actions.
- | 3.9 Manitoba Hydro shall obtain approval of the ISO before taking out of service or reconnecting the Manitoba Transmission Facilities, except where doing so would endanger the safety of employees or the public or would cause damage to facilities or the environment.

Appendix B

CONTINGENCY RESERVE SHARING

1. Formation of Reserve Sharing Group
- 1.1 The Parties elect to fulfill their NERC Contingency Reserve obligations as a Reserve Sharing Group, referred to herein as the “MISO-MBHydro Contingency Reserve Sharing Group” or “MISO-MBHydro CRSG.” Accordingly, the Parties shall collectively maintain, allocate and supply Contingency Reserve required for each Party’s use in recovering from Contingencies or Disturbances occurring on the transmission systems operated by either Party in accordance with the provisions of this Appendix B.
2. Establishment and Responsibilities of Contingency Reserve Sharing Group Committee
- 2.1 The Contingency Reserve Sharing Group Committee (“CRSGC”) is hereby established to implement and oversee the operation of the MISO-MB Hydro CRSG in compliance with applicable NERC Reliability Standards, Regional Entity (“RE”) requirements and this Appendix.
- 2.2 The CRSGC shall be composed of one primary member and one alternate member representing each of the Parties.
- 2.3 The CRSGC shall meet at least once annually, and at such other times as agreed to by the CRSGC.
- 2.4 Meetings shall be held in person or by teleconference.
- 2.5 The CRSGC shall act solely by written resolutions agreed to by both Parties.
- 2.6 The CRSGC has the following duties and responsibilities under this Agreement:
 - 2.6.1 Development and revision, from time to time, of Operating Protocols necessary for the implementation of the RSG provisions of this Agreement. The Operating Protocols shall include, but not be limited to the following:
 - (i) the criteria for Contingency Resources, including any limitations imposed on interruptible load;
 - (ii) specification of the Reserve Sharing Group Reportable Disturbance;
 - (iii) requirements related to the deliverability of Contingency Resources;
 - (iv) specification of the permissible mix of Operating Reserve - Spinning and Operating Reserve - Supplemental for a Party’s Contingency Reserve Requirement;

- (v) the procedures for initiating a Contingency Reserve Activation;
- (vi) the procedures for apportioning NERC penalties and/or sanctions between the Parties for MISO-MB Hydro CRSG violations of NERC Reliability Standards.

2.6.2 Reviewing the total Contingency Reserve Obligation of the MISO-MB Hydro CRSG and its allocation among the Parties in accordance with applicable NERC Reliability Standards, to determine if any adjustments are necessary.

2.6.3 Ensuring that Appendix B of this Agreement and any Operating Protocols developed by the CRSGC are consistent with applicable NERC and RE standards. The CRSGC shall review proposed new and revised NERC and RE requirements and implement or recommend implementation of amendments to this Appendix and/or the Operating Protocols to reflect those requirements.

2.6.4 Overseeing the activities of the Group Administrator.

2.6.5 Review and approval of the budget of the Group Administrator and the costs to be recovered pursuant to Schedule CR-2. No later than December 31 of each year, the RSGC shall recommend to the Group Administrator any changes to the budget for the next January 1 to December 31 twelve-month period, and Schedule CR-2 hereof shall be modified accordingly, subject to the receipt of any required regulatory approvals.

3. Reserve Sharing Obligations

3.1 The Contingency Reserve Obligation of the MISO-MB Hydro CRSG shall be 2000 MWs unless specified otherwise in the NERC Disturbance Control Standard as a result of non-compliance with DCS.

3.2 Each Party shall maintain during each hour, its allocation of Contingency Reserve in an amount equal to or greater than its Contingency Reserve Requirement. The Contingency Reserve Requirement for the ISO shall be 1850 MWs and the Contingency Reserve Requirement for Manitoba Hydro shall be 150 MWs. If the Contingency Reserve Obligation is changed as set forth in Section 3.1, the Parties shall determine each Party's adjusted Contingency Reserve Requirement as set forth in the Operating Protocols.

3.3 Each Party shall maintain its allocation of Contingency Reserve through providing or arranging for Contingency Resources that are capable of supplying that Party's Contingency Reserve Requirement on a firm basis, without interruption for economic conditions, and with such other characteristics as set forth in the Operating Protocols.

3.4 The Parties shall not both count the same Contingency Resources, or portion thereof, as Contingency Reserve.

- 3.5 Each Party shall ensure that their Contingency Resources are deliverable to the Point of Delivery, as specified in Section 3.1 of Schedule CR-1, through applicable arrangements specified in the Operating Protocols.
- 3.6 A Party supplying Emergency Energy during a Contingency Reserve Activation shall provide or arrange for Network Integration Transmission Service or Firm Point-to-Point Transmission Service to the Point of Delivery, as specified in Section 3.1 of Schedule CR-1.
- 3.7 Each Party shall respond to a Contingency Reserve Activation by delivering its Contingency Resources to the Contingent System on the terms and conditions set forth in the Operating Protocols.
- 3.8 Each Party shall pay the other Party for Emergency Energy supplied as a result of the deployment of the other Party's Contingency Resources, pursuant to Schedule CR-1 of this Agreement.
- 3.9 The Disturbance Recovery Period shall be 15 minutes.
- 3.10 DCS compliance shall be reported using ACE values as permitted by NERC Standard BAL-002-0, Requirement 5.1 or 5.2.
- 3.11 Each Party shall adhere to the provisions of the Operating Protocols, developed by the CRSGC, and as duly amended from time to time.
- 3.12 Each Party shall have or make arrangements for the necessary metering and data recording capability as determined by the CRSGC to measure Contingency Reserve deployment and adherence to applicable NERC Reliability Standards or RE requirements.
- 3.13 A Party to this Agreement may have a different Balancing Authority provide its Contingency Reserve Requirement, and/or may enter into other reserve sharing arrangements in addition to this Agreement if agreed to by the CRSGC.
- 3.14 The parties acknowledge that as of the effective date of this Appendix B, the most severe Contingency is 1500 MW.
- 4. Group Administrator
 - 4.1 The ISO shall perform the services of Group Administrator to assist the Parties in implementing the provisions of this Appendix B and the Operating Protocols.
 - 4.2 The duties of the Group Administrator shall be determined by the CRSGC and shall include, but not be limited to:

- (i) Maintaining a secure and reliable software application (ARS System) for the entry of a request for Contingency Reserve Activation; such application shall provide information on Contingency Reserve levels in real-time;
 - (ii) Implementing changes to the software application so as to fulfill the requirements of this Appendix B and the Operating Protocols;
 - (iii) Collecting and maintaining data necessary to perform the Group Administrator's duties including, but not limited to, data regarding the most severe single contingency, and ARS System data;
 - (iv) Collecting and reviewing real-time data from each Party to make an initial determination, subject to CRSGC review, of the amount and allocation of any NERC penalties;
 - (v) Keeping financial records, and invoicing and collecting any costs and charges due from and to the Parties pursuant to this Appendix B, and distributing those funds in accordance with this Agreement;
 - (vi) Performing forecasts, studies, or analyses required to administer the provisions of this Appendix B and the Operating Protocols as directed by the CRSGC;
 - (vii) Supporting the development and implementation, with the participation of the CRSGC, of training programs, the relevant manuals describing the practices, rules and procedures for the operation, planning, and accounting requirements of the CRSG;
 - (viii) Calculating the MISO-MB Hydro CRSG's compliance with NERC Disturbance Control Standard, for approval by the CRSGC, and reporting approved calculations to NERC and, if applicable, the RE;
 - (ix) Billing and settlement of charges for Emergency Energy and associated delivery costs pursuant to Schedule CR-1 of this Agreement, including the collection of revenue for Emergency Energy and associated delivery costs from the Contingent System, collection of billing determinants from the Parties to determine revenue distribution, and dispersing the revenue to the Delivery System;
 - (x) Assisting in preparing responses relating to the MISO-MBHydro CRSG including, but not limited to, compliance audits and inquiries from third parties.
- 4.3 The ISO's costs of performing the functions of Group Administrator pursuant to Section 4.2 hereof shall be allocated to and recovered from the Parties pursuant to Schedule CR-2 attached hereto and incorporated herein by this reference.
5. Billing and Payment
- 5.1 The Group Administrator shall issue invoices to the Parties: (i) periodically, setting forth any amounts due from or to that Party as a result of any charges imposed for Contingency Reserve Activation pursuant to Schedule CR-1 of this Agreement; and (ii) monthly, setting forth that Party's share of any costs related to Group Administrator services allocated to that Party pursuant to Schedule CR-2 to this Agreement.

- 5.2 Promptly after each Contingency Reserve Activation, the Group Administrator shall prepare, or cause to be prepared, and, within fifteen (15) days of the end of the calendar month in which such transaction occurs, render to the Party requesting Contingency Reserve Activation (“Contingent System”) an invoice for any amounts payable to the Party that has deployed Contingency Resources (“Delivery System”) hereunder.
- 5.3 All invoices issued to a Party under this Appendix B shall be due and payable in immediately available same-day funds, in accordance with the invoice instructions, within seven (7) days following the Party’s receipt of the invoice. If such a day is not a banking day, then payment is due and payable on the first banking day common to the Parties following the due date. Each Party shall make payments by electronic funds transfer in the currency of the United States of America, or by other mutually agreeable method(s), to the account designated by the Group Administrator.
- 5.4 If the rendering of an invoice hereunder is unavoidably delayed, the Group Administrator may issue an interim invoice based on estimated charges. Each final invoice shall be subject to adjustment for any errors in calculation, meter readings, estimating or otherwise. Any such adjustments shall be made as promptly as practical, but in no event later than six months after issuing the invoice.
- 5.5 If no mutual debts or payment obligations under this Appendix B exist and only one of the Parties owes a debt or obligation under this Appendix B to the other Party during the billing period, including, but not limited to, any payment or credits, that Party shall pay such sum in full when due.
- 5.6 Any amount not paid by the due date shall be deemed delinquent.
- 5.7 If a Party objects to all or a portion of any invoice issued pursuant to Section 5.1 of this Appendix, that Party shall, on or before the date payment of the invoice is due, pay the full amount of the invoice and give notice to the invoicing Party, within thirty (30) days from the date the invoice is rendered, setting forth in specific details the basis for its objection and the amount thereof in dispute. The authorized officers of the Parties, or their designees, shall use their best efforts to develop a solution to the billing dispute. The authorized officers may submit the billing dispute to the dispute resolution procedures set forth in Article XV of this Agreement. If the objection is upheld resulting in a refund, the disputing Party shall receive interest upon such amount at the Agreed Interest Rate from the date payment was received until the date upon which refund is made. Any refunds will be paid, with interest, on or before the thirtieth (30th) day following the date an agreement or determination is reached. If such a day is not a banking day, then payment is due and payable on the first banking day common to the Parties following the due date.
- 5.8 Notwithstanding any other provision of this Appendix B, the ISO Tariff shall govern the billing and payment terms for all amounts owing as between the ISO and its Market Participants for Transmission Service provided by the ISO and for Energy and Operating

Reserves Market transactions administered by the ISO to fulfill its obligations under this Agreement.

SCHEDULE CR-1
CONTINGENCY RESERVE ACTIVATION CHARGES

1. Emergency Energy

The rate to be charged by each Party when supplying Emergency Energy during a Contingency Reserve Activation shall be the rate as stated in this Schedule CR-1 as such rate may be changed from time to time, subject to regulatory approval where required by a Party.

- 1.1 The rate for Emergency Energy supplied by the ISO to Manitoba Hydro from the Energy and Operating Reserve Markets shall be the hourly LMP at the MHEB Interface CP Node plus \$50.00 per megawatt hour of Emergency Energy supplied.
- 1.2 The rate for Emergency Energy supplied by Manitoba Hydro to the ISO (for and on behalf of its Market Participants), shall be the hourly LMP at the MHEB Interface CP Node plus \$50.00 per megawatt hour of Emergency Energy supplied.
- 1.3 Quantities of Emergency Energy shall be accounted for in whole megawatt hours.

2. Transmission Service

- 2.1 In addition to the charges outlined above, the Contingent System shall pay any applicable Transmission Service charges incurred by the Delivery System for delivering Emergency Energy to the Point of Delivery, including charges for losses, if any.

3. Point of Delivery

- 3.1 The Point of Delivery for Emergency Energy shall be the Canada-United States international border.

SCHEDULE CR-2
COST RECOVERY FOR GROUP ADMINISTRATOR SERVICES

- 1.0 Manitoba Hydro shall pay the lesser of \$3,000.00/month, or fifty percent (50%) of the ISO's annual RSG Administration Costs, as defined in section 2.0 hereof. The ISO shall pay the remainder. The Parties agree to negotiate in good faith adjustments to these cost sharing provisions, in the event of unanticipated increases in RSG Administration Costs.
- 2.0 RSG Administration Costs shall include the operating costs incurred by the Group Administrator on behalf of the MISO-MB Hydro CRSG to implement the terms and conditions of Appendix B to this Agreement and Operating Protocols. Such costs shall include software and hardware maintenance costs. RSG Administration Costs do not include software and hardware capital costs required to implement the terms and conditions of Appendix B to this Agreement and the Operating Protocols.
- 3.0 Cost recovery for capital projects undertaken by the Group Administrator shall be determined by the RSGC in advance of the proposed project.

TAB D

**COORDINATION AGREEMENT
BY AND BETWEEN**

MIDCONTINENT INDEPENDENT SYSTEM OPERATOR INC.

AND

MANITOBA HYDRO

This agreement, made on the 27th day of September, 2001, is amended this 1st day of June, 2014, by and between the Midcontinent Independent System Operator Inc. ("ISO") and Manitoba Hydro (each a "Party" and collectively the "Parties").

WHEREAS Manitoba Hydro is a Canadian Crown corporation incorporated pursuant to the provisions of *The Manitoba Hydro Act*, (Revised Statutes of Manitoba 1987, chapter H190) that owns and operates electric transmission facilities in the Province of Manitoba; and

WHEREAS the ISO is a Delaware non-stock, not-for-profit corporation incorporated pursuant to Title 8, Chapter 1 of the laws of the State of Delaware of the United States of America, and established by U.S. transmission facility Owners pursuant to the ISO Agreement; and

WHEREAS the ISO has functional control and provides transmission service over the transmission facilities of Owners pursuant to the ISO Agreement and also administers Energy and Operating Reserve Markets for the ISO Tariff Zone; and

WHEREAS Manitoba Hydro is not an Owner as defined in the ISO Agreement, but wishes to retain the services of the ISO to ensure the coordination of transmission service over the facilities comprising Manitoba Hydro's transmission system with transmission service over the facilities of Owners, collectively referred to as the "Combined Systems" and to administer a Reserve Sharing Group between the Parties; and

WHEREAS the Parties recognize the benefits of having comparable, non-discriminatory access, the elimination of Transmission Service charge pancaking and coordinated congestion management procedures for the transmission facilities comprising the Combined Systems;

WHEREAS the Parties, as NERC-certified Balancing Authorities, wish to establish a Reserve Sharing Group for the purposes of collectively maintaining, allocating and supplying Contingency Reserve in accordance with NERC Reliability Standards; and

WHEREAS each of the Parties is a Planning Coordinator and recognizes the benefits of coordinated transmission planning; and

WHEREAS the Parties desire to enter into this Coordination Agreement to supercede that certain amended Coordination Agreement entered into between Manitoba Hydro and MISO dated October 9, 2009.

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

I. DEFINITIONS

1.1 The capitalized terms used herein shall have the same meaning as set forth in the Manitoba Hydro Tariff, unless defined otherwise in this Article I.

1.2 The following terms shall have the following meanings:

"Access Charge" shall mean any additional Transmission Service charge or penalty assessed on certain Transmission Customers based on whether any party to the transaction has not transferred functional operational control of their transmission facilities to a regional transmission organization or otherwise joined the organization.

"Agreed Interest Rate" shall mean the rate of two percent per annum plus the prime lending rate per annum in effect and applicable to each day of the interest period. The prime lending rate shall be the rate of interest per annum, publicly announced from time to time by the Royal Bank of Canada at its main office in the City of Winnipeg, Manitoba as its preferred lending rate of interest charged to its most creditworthy Canadian customers, whether or not such interest rate per annum is actually charged by said bank to any customer. Notwithstanding the foregoing, in no event shall the Agreed Interest Rate ever exceed the maximum rate of interest allowed under Canadian Law.

"Agreement" shall mean this Agreement, and any amendments thereto in writing agreed between the Parties.

"Area Control Error" or "ACE" shall have the same meaning as defined in the NERC Glossary of Terms.

"Balancing Authority" or "BA" shall have the same meaning as defined in the NERC Glossary of Terms.

"Canadian Law" shall mean the substantive common law of Canada as amended by and in addition to Canadian federal statutes and regulations and Manitoba provincial statutes, regulations, orders-in-council and applicable municipal by-laws.

"Canadian Transmission Facilities" shall mean the transmission facilities of Manitoba Hydro over which Transmission Service is offered pursuant to the Manitoba Hydro Tariff.

"Combined Systems" shall mean the Transmission System (as defined in the ISO Tariff) and Canadian Transmission Facilities.

"Contingency" shall have the same meaning as defined in the NERC Glossary of Terms.

"Contingency Reserve" shall have the same meaning as defined in the NERC Glossary of Terms.

"Contingency Reserve Activation" shall mean the initiation of the supply of Contingency Reserve, at the request of a Party, in response to a Contingency or Disturbance.

“Contingency Reserve Obligation” shall mean the total amount of Contingency Reserve, expressed in MW, to be carried by the Reserve Sharing Group, equal to the sum of the Contingency Reserve Requirement of both Parties.

“Contingency Reserve Requirement” or “CRR” shall mean the amount of Contingency Reserve, expressed in MW, to be carried by a Party pursuant to Appendix B of this Agreement.

“Contingency Reserve Sharing Group Committee” shall mean the committee established pursuant to Section 2 of Appendix B of this Agreement to implement and oversee the operation of the MISO-MBHydro Contingency Reserve Sharing Group.

“Contingency Resource(s)” shall mean electric generating resource that meets the requirements of a Network Resource under the applicable tariff of the supplying Party, or interruptible load, that is capable of providing Contingency Reserve.

“Contingent System” shall mean the Party requesting Contingency Reserve Activation.

“CP Node” shall have the same meaning as defined in the ISO Tariff.

“Coordinated Flowgate” shall mean a flowgate impacted by an operating entity, as determined by the Parties in accordance with the Seams Operating Agreement between the Parties dated September 25, 2006 as amended from time to time.

“Day-Two Congestion Management” shall mean the ISO’s market-based mechanism for managing congestion on the Transmission System using Locational Marginal Pricing pursuant to the provisions in Module C of the ISO Tariff.

“Delivery System” shall mean the Party that has deployed Contingency Resources in response to a Contingency Reserve Activation.

“Disturbance” shall have the same meaning as defined in the NERC Glossary of Terms.

“Disturbance Control Standard” or “DCS” shall mean NERC Reliability Standard BAL-002-0, or its successor thereto, as amended from time to time.

“Disturbance Recovery Period” shall mean the period of time within which a Balancing Authority or Reserve Sharing Group must return its ACE to zero or its pre-Disturbance Value after a Reportable Disturbance, in accordance with NERC DCS.

“Emergency Energy” shall mean the energy supplied by a Delivery System through the deployment of Contingency Resources in response to a Contingency Reserve Activation, pursuant to Section 3 of Appendix B to this Agreement.

“Energy Markets” shall mean collectively the Real-Time and Day-Ahead Energy Markets, pursuant to Module C of the ISO Tariff as administered by the ISO commencing on April 1, 2005.

“Energy and Operating Reserve Markets” shall mean collectively the Real-Time and Day-Ahead Energy and Operating Reserve Markets administered by the ISO pursuant to Module C of the ISO Tariff.

“FERC” shall mean the U.S. Federal Energy Regulatory Commission, or a successor agency.

“Financial Transmission Right(s)” shall mean a financial instrument that entitles the holder to receive compensation for or requires the holder to pay certain congestion related transmission charges that arise when the Transmission System is congested and differences in LMPs result for the redispatch of resources out of economic merit order to relieve the congestion.

“Generation Resource” shall mean an electricity producing facility, with the appropriate metering facilities and ability to comply with the ISO’s dispatch instructions, capable of supplying energy, capacity and/or ancillary services.

“Group Administrator” shall mean the entity responsible for providing administrative services to the Reserve Sharing Group pursuant to Appendix B of this Agreement.

“ISO” shall mean the Midcontinent Independent System Operator Inc. or any successor organization.

“ISO Agreement” shall mean the Agreement of Transmission Facilities Owners to Organize The Midcontinent Independent System Operator Inc., a Delaware Non-Stock Corporation as may be amended from time to time.

“ISO Cost Adder” shall mean the charge assessed pursuant to Schedule 10 of the ISO Tariff, but shall not include charges assessed pursuant to Schedules 16 and 17 of the ISO Tariff.

“ISO Tariff” shall mean the Open-Access-Transmission, Energy, and Operating Reserve Markets Tariff for the ISO on file with FERC, as may be amended from time to time.

"ISO Tariff Zone" shall mean the combination of all rate zones included within the ISO Tariff.

"Interconnection Service" shall mean the design, construction, installation or modification of transmission facilities in response to a request by a generator to interconnect with the transmission system of a transmission provider or modify an existing interconnection.

"Interconnection Study" shall mean a study conducted under the Manitoba Hydro Open Access Interconnection Tariff or the ISO Tariff (as "Interconnection Study" is defined in each of the respective tariffs) pursuant to a request for Interconnection Service.

"Locational Marginal Price" or "LMP" shall mean the market clearing price for energy at a given commercial node in the Transmission Provider Region which shall be equivalent to the marginal cost of serving demand at the commercial node.

"Manitoba Hydro Tariff" shall mean the applicable Open Access Transmission Tariff governing Manitoba Hydro's Canadian Transmission Facilities.

"Manitoba Hydro Zone" shall have the same meaning as set forth in Section 4.4.1 of this Agreement.

"Manitoba-ISO Interface" shall mean the interface between the international transmission lines owned by Manitoba Hydro and the interconnected transmission lines of the United States transmission owners.

"Market Participant" shall mean an entity that (i) has successfully completed the registration process with the ISO and is qualified by the ISO as a Market Participant, (ii) is financially responsible to the ISO for all of its market activities and obligations, and (iii) has demonstrated the capability to participate in its relevant market activities.

"Member" shall mean a member of the ISO as defined in the ISO Agreement.

"MISO Transmission Expansion Plan" shall mean the regional transmission plan developed by the ISO as referred to in Appendix B of the ISO Agreement and Attachment FF of the ISO Tariff and defined in Module A of the ISO Tariff.

“NEB Cost Adder” shall mean an administrative charge imposed under the Manitoba Hydro Tariff to recover the costs imposed by the National Energy Board of Canada on Manitoba Hydro, as a Canadian international power line owner, related to the regulatory costs associated with electricity exports to the United States over Manitoba Hydro’s international power lines.

“NERC” shall mean the North American Electric Reliability Corporation, or its successor.

“NERC Glossary of Terms” shall mean the “Glossary of Terms Used in Reliability Standards” adopted by NERC, as amended from time to time.

“NERC Reliability Standards” or “Reliability Standard(s)” shall mean the standards promulgated by NERC and which are legally in force in both Manitoba and the ISO Tariff Zone, as amended from time to time.

“OASIS” shall mean the Open Access Same Time Information System referred to in Part 37 of the FERC’s regulations as amended from time to time.

“Operating Guide” shall mean a written set of operating practices that affect the Combined Systems to be followed for transmission and generation operation, including implementing procedures, actions, and sequences of actions to be taken to maintain operations within operating reliability criteria.

“Operating Reserve-Spinning” shall have the same meaning as defined in the NERC Glossary of Terms. For further clarity, however, the MISO-MBHydro CRSG Agreement does not impose Regulating Reserve requirements upon the Parties.

“Operating Reserve-Supplemental” shall have the same meaning as defined in the NERC Glossary of Terms.

“Owner” shall have the same meaning as defined in the ISO Agreement.

“Planning Coordinator” shall have the same meaning as defined in the NERC Reliability Functional Model.

“Point of Delivery” shall mean, for the purposes of Appendix B to this Agreement only, the point at which title to and risk of loss for Emergency Energy passes from the Delivery System to the Contingent System.

"Public Utilities Board" shall mean the Manitoba regulatory board established pursuant to The Public Utilities Board Act, Revised Statutes of Manitoba 1987, chapter P280.

"Reciprocal Coordinated Flowgate" or **"RCF"** shall mean a Coordinated Flowgate with respect to which a reciprocal agreement has been written and to which apply reciprocal coordination procedures. An RCF is either (1) a Coordinated Flowgate affected by the transmission of energy by both Parties, or by both Parties and one or more other Reciprocal Entities, or (2) a Flowgate which both Parties mutually agree should be a Reciprocal Coordinated Flowgate, and for which reciprocal coordination will occur. An RCF may be under the operational control of one of the Parties, or may be under the operational control of a third party Reciprocal Entity.

"Reciprocal Entity" shall mean an entity that coordinates the future-looking management of flowgate capacity in accordance with a reciprocal agreement, or pursuant to a congestion management process approved by the Federal Energy Regulatory Commission.

"Regional Entity" or "RE" shall mean a regional reliability organization that has enforcement authority with respect to NERC Reliability Standards in the ISO Tariff Zone and/or the province of Manitoba.

"Reliability Coordinator" shall mean the entity responsible for security monitoring and emergency response functions for transmission facilities, as outlined in Appendix A hereto.

"Reliability Transmission Plan(s)" shall mean Manitoba Hydro's long term transmission development plan for the Manitoba Hydro Tariff region and/or the MISO Transmission Expansion Plan.

"Reportable Disturbance" shall have the same meaning as defined in the NERC Glossary of Terms.

"Reserve Sharing Group" or "RSG" shall have the same meaning as defined in the NERC Glossary of Terms.

"Services" shall mean the services provided by the ISO as set forth in Article II hereof.

“System Operating Limit” shall have the same meaning as defined in the NERC Glossary of Terms.

“Transfer Capability” shall have the same meaning as defined in the NERC Glossary of Terms.

"Transmission Customer" shall mean a customer receiving Point-to-Point Transmission Service or Network Integration Transmission Service under a Party's transmission tariff.

“Transmission Provider Region” shall mean the transmission system, load and Generation Resources interconnected to the Transmission System that: (i) function as a centrally coordinated system and (ii) operate, subject to the single set of dispatch instructions determined and issued by the ISO and does not include Manitoba Hydro's Canadian Transmission Facilities.

"Transmission Service" shall mean all forms of transmission service available under a Party's transmission tariff, including Point-to-Point Transmission Service and Network Integration Transmission Service.

"Transmission System" shall mean the transmission facilities owned or controlled by entities that have conveyed operational control to the ISO, and that are used to provide Transmission Service under Module B of the ISO Tariff, including facilities subject to an Agency Agreement, as defined in the ISO Tariff.

"Zone" shall mean the rate zones referred to in Schedules 7, 8 and 9 of the ISO Tariff.

II. SERVICES TO BE PROVIDED BY THE ISO

2.1 Manitoba Hydro agrees to retain the ISO as an independent contractor to provide the following Services and the ISO agrees to provide said Services on the terms and conditions set forth herein:

2.1.1. establish an OASIS web page for Transmission Service under the Manitoba Hydro Tariff;

2.1.2. post available transmission capability calculations for Manitoba Hydro's Canadian Transmission Facilities on the OASIS based on component data submitted by Manitoba Hydro;

2.1.3. provide notification to Manitoba Hydro of all requests for Long-Term Firm Point-to-Point Transmission Service under the Manitoba Hydro Tariff;

2.1.4. evaluate requests for Non-Firm Point-to-Point Transmission Service and Short-Term Firm Point-to-Point Transmission Service against Manitoba Hydro's posted available transmission capability;

2.1.5. accept, counter offer, or reject requests for Non-firm Point-to-Point Transmission Service and Short-Term Firm Point-to-Point Transmission Service based on the evaluation performed pursuant to Section 2.1.4 and the Manitoba Hydro Tariff, provided that the ISO shall obtain the concurrence of Manitoba Hydro prior to accepting requests for monthly Short-Term Firm Point-to-Point Transmission Service.

2.1.6. post the status of all Point-to-Point Transmission Service requests over Manitoba Hydro's Canadian Transmission Facilities on the OASIS, based on the ISO's determinations pursuant to Section 2.1.5 and information submitted by Manitoba Hydro for Long-Term Firm Point-to-Point Transmission Service requests;

2.1.7. upon request, collect and provide Manitoba Hydro with Transmission Service transaction information for Manitoba Hydro's Canadian Transmission Facilities, except that the ISO shall not be required to retain such information for a period longer than that required by FERC regulations for similar transactions on the Transmission System;

2.1.8. provide financial administration of Point-to-Point Transmission Service transactions under the Manitoba Hydro Tariff. This shall include the determination, collection, and payment of monies owing to Manitoba Hydro for Transmission Service and related services provided by Manitoba Hydro under the Manitoba Hydro Tariff, including but not limited to Ancillary Services and the NEB Cost Adder. Notwithstanding the foregoing, financial administration of Point-to-Point Transmission Service shall not include the collection of deposits or payments for studies under the Manitoba Hydro Tariff.

- 2.1.9. act as Reliability Coordinator for Manitoba Hydro's Canadian Transmission Facilities in accordance with the responsibilities specified in Appendix A hereto;
 - 2.1.10 serve as Group Administrator for the Reserve Sharing Group pursuant to Appendix B of this Agreement; and
 - 2.1.11 any other services equivalent to those provided by the ISO to Owners pursuant to the ISO Agreement, as mutually agreed to by the Parties.
- 2.2 The ISO shall not be deemed to be an employee of Manitoba Hydro for any purpose.
 - 2.3 The ISO shall have full discretion as to the manner of providing the Services, provided that the ISO acts in compliance with the provisions of this Agreement, the applicable tariffs governing Manitoba Hydro's Canadian Transmission Facilities, and Canadian Law.

III. MANITOBA HYDRO'S TARIFF OBLIGATIONS

- 3.1 Manitoba Hydro shall calculate the components of available transmission capability for its Canadian Transmission Facilities in accordance with NERC requirements and any regional reliability requirements binding on Manitoba Hydro by way of contract or Canadian legislation.
- 3.2 Manitoba Hydro shall offer to provide Ancillary Services pursuant to the provisions of the Manitoba Hydro Tariff. To the maximum extent permitted by Canadian Law, all such services will be provided and offered under rates, terms and conditions that are consistent with FERC standards. Manitoba Hydro shall not be required to continue to provide and offer these services if FERC no longer requires a utility operating as a Control Area to offer them.
- 3.3 Manitoba Hydro shall determine the facilities to be included as Canadian Transmission Facilities in accordance with the seven factor test set forth in FERC Order No. 888.
- 3.4 To facilitate the billing, collection and distribution of monies required by Section 2.1.8 of this Agreement, Manitoba Hydro shall require that each Transmission Customer taking

service under the Manitoba Hydro Tariff provide the ISO with adequate financial and customer information to perform the Services.

- 3.5 Manitoba Hydro shall provide the ISO with all such information as is reasonably necessary for the ISO to provide the Services herein, including, but not limited to, the following information:

3.5.1 transmission-related Operating Guides;

3.5.2 information regarding the ratings of all transmission facilities;

3.5.3 schedules for planned outages and the status of forced outages of Canadian Transmission Facilities and any generation facilities connected to those facilities where any such outage would affect transfer capability on the Combined Systems;

3.5.4 information regarding the operation of Manitoba Hydro's Canadian Transmission Facilities, including, but not limited to, information relating to all breakers, switches, capacitor banks, reactors, phase shifters, and flows;

3.5.5 Manitoba Hydro shall provide the ISO with any additional information requested by the ISO after the initiation of the ISO's Energy Markets unless the incremental costs to Manitoba Hydro of providing such data would exceed \$50,000.00 (Cdn) per data request, and such costs are not reimbursable by the ISO. This restriction shall not apply to information required by the ISO pursuant to Sections 3.5.1 through 3.5.4, to the extent that such information was routinely provided prior to initiation of the ISO's Energy Market, nor to information required by the ISO pursuant to its obligations as Reliability Coordinator as set forth in Appendix A.

- 3.6 For greater certainty of interpretation, Manitoba Hydro shall be solely responsible for determining the energy resources required to meet load in Manitoba, notwithstanding any provisions in the ISO Agreement or ISO Tariff.

IV. TRANSMISSION SERVICE AVAILABILITY, PRICING AND REVENUE DISTRIBUTION

Availability

- 4.1 The Parties acknowledge that, pursuant to Section 6 of the ISO Tariff and Section 6 of the Manitoba Hydro Tariff, the Parties provide comparable Transmission Service under the terms and conditions of their respective tariffs.
- 4.2 It is a continuing condition of this Agreement that Manitoba Hydro and any of its power marketing affiliates shall be entitled to all forms of Transmission Service available under the ISO Tariff and that all ISO Members and eligible customers under the ISO Tariff shall be entitled to all forms of Transmission Service available under the Manitoba Hydro Tariff. Failure of this condition to be fulfilled, for reasons other than as specified in Section 10.2 of this Agreement, shall result in either the immediate termination or lack of effectiveness of this Agreement, whichever is applicable.

Pricing

- 4.3 The Parties agree that Manitoba Hydro shall not be subject to Access Charges for Transmission Service under the ISO Tariff and that Members of the ISO shall not be subject to Access Charges for Transmission Service under the Manitoba Hydro Tariff.
- 4.4 In order to eliminate the pancaking of Transmission Service charges between the Canadian Transmission Facilities and the Transmission System, the Parties agree as follows:
 - 4.4.1 For the purposes of Transmission Service pricing, generation or load located in the Province of Manitoba and connected directly to Manitoba Hydro's Canadian Transmission Facilities shall be considered in the "Manitoba Hydro Zone";
 - 4.4.2 The Parties acknowledge that their respective Transmission Service rates for Point-to-Point and Network Integration Transmission Service shall be priced independently.
 - 4.4.3 For Point-to-Point and Network Integration Transmission Service charges under the ISO Tariff involving service from a generating source located either inside or outside the ISO Tariff Zone to load in the Manitoba Hydro Zone, the ISO shall waive all

Transmission Service charges (including the ISO Cost Adder) under the ISO Tariff with the exception of charges associated with the following: Regulating Reserve; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; and Generator Imbalance Service.

4.4.4 Manitoba Hydro shall waive all Transmission Service charges (including the administrative charge imposed pursuant to Section 4.6) for Point-to-Point and Network Integration Transmission Service involving service from a generating source inside or outside the Manitoba Hydro Zone and through the Manitoba Hydro Zone to a load that is located inside the ISO Tariff Zone, with the exception of charges associated with the following: Regulation and Frequency Response Service; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; Generator Imbalance Service; and NEB Cost Adder. For greater certainty of interpretation, this Section shall apply regardless of whether the ISO applies a Transmission Service charge for Transmission Service provided under the ISO Tariff associated with Energy and Operating Reserve Markets transactions.

4.5 For greater certainty of interpretation:

- (a) A Transmission Customer shall be entitled to reserve Transmission Service from a Point of Receipt in the Manitoba Hydro Zone to the Canada-United States international boundary as the designated Point of Delivery, and the Transmission Service charges for said transaction shall be determined based on the location of the load being served, as follows:
 - (i) if the load being served is in the ISO Tariff Zone, there shall be no Transmission Service charges under the Manitoba Hydro Tariff except for: Regulation and Frequency Response Service; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; Generator Imbalance Service and NEB Cost Adder.
 - (ii) if the load being served is outside the ISO Tariff Zone, all applicable Transmission Service charges under the Manitoba Hydro Tariff shall be applied.

- (b) The provisions of this Section 4.5 shall apply to Transmission Service reserved for Energy and Operating Reserve Markets transactions, regardless of whether the ISO charges for Transmission Service under the ISO Tariff to serve load in the ISO Tariff Zone.

4.6 Subject to the provisions of Section 4.4.4, Manitoba Hydro shall impose an administrative charge equal to the ISO Cost Adder on all Point-to-Point transactions under the Manitoba Hydro Tariff and the recovery received under that adder shall be provided to the ISO pursuant to Section 8.3.

Revenue Distribution

4.7 The ISO shall remit to Manitoba Hydro all transmission revenues for Transmission Service administered by the ISO under the Manitoba Hydro Tariff on a monthly basis. All funds shall be remitted in accordance with the provisions of this Agreement.

4.8 All revenues for Transmission Service under the Manitoba Hydro Tariff shall be received, held, used, managed, and distributed in trust for the benefit of Manitoba Hydro in accordance with this Agreement and the Manitoba Hydro Tariff. The ISO shall hold all such collected revenues for Transmission Service provided pursuant to the Manitoba Hydro Tariff, in trust for the benefit of Manitoba Hydro, subject to the ISO's right pursuant to Section 8.3 of this Agreement to deduct from such funds certain authorized fees and expenses that are payable directly to the ISO in accordance with the Manitoba Hydro Tariff and this Agreement. The ISO shall hold such collected revenues for Transmission Service in a separate operating account from other funds, with the exception of funds collected by the ISO for Transmission Service under the ISO Tariff and held in trust for Owners pursuant to the ISO Tariff and the ISO Agreement. The ISO shall also hold disputed payments collected for Transmission Service under the Manitoba Hydro Tariff in trust for the benefit of Manitoba Hydro in a separate account from other funds, with the exception of similar funds for disputed payments collected for Owners under the ISO Tariff. This Agreement is intended to create a trust for the benefit of Manitoba Hydro under applicable law for the foregoing purposes. The ISO will take all action reasonably necessary to ensure that the revenues for Transmission Service under the Manitoba Hydro Tariff are treated under applicable law as trust property held for the benefit of Manitoba Hydro and not as separate property of the ISO.

V. COORDINATION OF TRANSMISSION PLANNING

- 5.1 The Parties agree to coordinate transmission planning in their respective Planning Coordinator regions through the exchange of information as provided herein and through the development and adoption of planning coordination procedures in accordance with Section 5.4.
- 5.2 The Parties shall exchange information, in accordance with planning coordination procedures adopted pursuant to Section 5.4, regarding Transmission Service requests, Interconnection Service requests and their respective proposed Regional Transmission Plans that could directly or indirectly impact the Combined Systems and information concerning the Parties' respective methodologies for calculating System Operating Limits and Transfer Capability.
- 5.3 The Parties shall coordinate, in accordance with planning coordination procedures adopted pursuant to Section 5.4, the performance of System Impact Studies, Facilities Studies, Interconnection Studies and other studies for Transmission Service requests, Interconnection Service requests and Regional Transmission Plans that could directly or indirectly impact the Combined Systems.
- 5.4 The Planning Coordination Sub-Committee shall develop planning coordination procedures for adoption by the Coordinating Committee pursuant to Section 9.2 of this Agreement. Such planning coordination procedures shall include, but not be limited to, procedures governing:
- (a) Review and coordination of methodologies (including use of consistent input and modeling assumptions) for determination of Transfer Capability as required of Planning Coordinators pursuant to applicable NERC Reliability Standards to ensure consistency;
 - (b) Review and coordination of methodologies (including base case assumptions and reliability margins) for performing System Impact Studies, Facilities Studies (including those System Impact Studies and Facilities Studies related to redirect requests) and Interconnection Studies to ensure consistency;

- (c) Coordination of queues for Transmission Service requests and Interconnection Service requests received by a Party under the ISO Tariff or the Manitoba Hydro Tariff that may impact the transmission system operated by the other Party;
- (d) Establishment of criteria for determining when a request for Transmission Service or Interconnection Service received by a Party under the ISO Tariff or Manitoba Hydro Tariff shall be considered as materially impacting the system owned or operated by the other Party;
- (e) Development of procedures to ensure the mitigation of material impacts by third parties resulting from Transmission Service and Interconnection Requests under the other Party's Tariff;
- (f) Collaboration on the nature of new and/or modified facilities, including special protection systems, required or best suited to grant Transmission Service and Interconnection Service requests involving improvements to the Manitoba-ISO Interface;
- (g) Coordination of planning procedures adopted pursuant to this Agreement with those developed pursuant to interconnection agreements between Manitoba Hydro and owners of interconnected transmission facilities;
- (h) Coordination of data provided to NERC regarding the Manitoba-ISO Interface pursuant to NERC Reliability Standards, such as, data required to perform loss of load expectation studies for the annual NERC long term reliability assessment.

5.5 The Parties may consider, on a case by case basis, inter-regional cost sharing for transmission projects that benefit the Combined Systems, subject to any necessary government, regulatory or other approvals.

VI. COORDINATION OF DAY TWO CONGESTION MANAGEMENT

- 6.1 The Parties acknowledge that, unlike the ISO Tariff, the Manitoba Hydro Tariff will not be revised to include congestion charges based on Locational Marginal Pricing or to make available Financial Transmission Rights;
- 6.2 The Parties acknowledge that Manitoba Hydro will not employ economic redispatch of generation facilities in Manitoba as a congestion management mechanism available to Transmission Customers under the Manitoba Hydro Tariff in order to reduce or eliminate congestion on Canadian Transmission facilities;
- 6.3 Notwithstanding the foregoing, the ISO shall model and identify flows over Manitoba Hydro's Canadian Transmission Facilities in order to monitor congestion on Manitoba Hydro's Canadian Transmission Facilities caused by flows from the Transmission System and the transmission systems of Reciprocal Entities.
- 6.4 In order to coordinate Manitoba Hydro's use of curtailment procedures for the relief of transmission congestion on Canadian Transmission Facilities with the ISO's use of economic redispatch for the relief of transmission congestion on the Transmission System and the congestion management procedures of Reciprocal Entities, which coordination shall have the purpose of observing transfer capability for Coordinated Flowgates and transfer capability allocations for Reciprocal Coordinated Flowgates, the Parties have entered into that certain "Seams Operating Agreement Between the Midwest Independent Transmission System Operator, Inc. And Manitoba Hydro" dated September 25, 2006.

VII. RESERVE SHARING

- 7.1 Commencing January 1, 2010, the Parties shall implement the Contingency Reserve sharing provisions of Appendix B to this Agreement.

VIII. COMPENSATION FOR SERVICES

- 8.1 (a) The ISO's costs of providing the Services to Manitoba Hydro, excluding Group Administrator services, shall be included in the ISO's operating costs used to

determine the ISO Cost Adder pursuant to Schedule 10 of the ISO Tariff which shall be charged to Transmission Customers under the Parties' respective tariffs in accordance with this Agreement and the ISO Tariff.

- (b) In addition, Manitoba Hydro shall pay the ISO such sums equivalent to that which would be paid by Manitoba Hydro if it were a Transmission Owner serving Manitoba Hydro's bundled native load customers under the ISO Tariff and on the same basis as they would become due under the ISO Tariff, provided that all FERC jurisdictional Transmission Owners are required by FERC to make such payments.

- 8.2 The ISO's costs of providing Group Administrator services shall be paid by Manitoba Hydro on a monthly basis in accordance with Schedule CR-2 of this Agreement.
- 8.3 Payment of the ISO Cost Adder collected by the ISO from Transmission Customers pursuant to Section 8.1(a) hereof and any payments made by Manitoba Hydro pursuant to Sections 8.1(b) and 8.2 hereof shall be considered full and sufficient compensation to the ISO for performing the Services.
- 8.4 If Manitoba Hydro terminates this Agreement or if the ISO terminates this Agreement either for default under Article XIII or pursuant to Section 10.2, Manitoba Hydro shall be bound by the provisions of Article Five, subsection II.A of the ISO Agreement as if it were a signatory.

IX. COORDINATING COMMITTEE

- 9.1 A Coordinating Committee is hereby established. The Coordinating Committee shall only administer this Agreement, excluding Article VII which shall be administered by the Contingency Reserve Sharing Group Committee, and shall not be used as a mechanism to effect changes in the Agreement that would have cost consequences.
- 9.2 The Coordinating Committee shall be responsible for:
 - (a) developing and/or adopting procedures for the implementation of the operating and technical requirements of this Agreement, excluding Article VII;

- (b) the creation of sub-committees, including an Operating Sub-Committee and a Planning Coordination Sub-Committee, to undertake work related to the implementation of this Agreement;
 - (c) approval of any terms of reference for such sub-committees, subject to the requirement that any decision made by such sub-committee shall be subject to approval by the Coordinating Committee;
 - (d) any other matters referred to herein or necessary for implementation, administration or operation of this Agreement, excluding Article VII.
- 9.3 The ISO and Manitoba Hydro shall each appoint one member to the Coordinating Committee and each Party shall pay the expenses of its member(s) on the Coordinating Committee and any of its sub-committees.
- 9.4 A Party's Coordinating Committee representative shall be a person of reasonable competency and with such authority as to uphold the decisions made. Subcommittee members appointed by the Coordinating Committee shall be employees of the respective Parties with appropriate qualifications and competency for the tasks that are delegated to them.
- 9.5 The Coordinating Committee shall meet at least semi-annually.
- 9.6 Decisions of the Coordinating Committee and its sub-committees shall be unanimous. If a sub-committee is unable to reach consensus on a proposal or other matter, the subcommittee shall present the matter to the Coordinating Committee for further discussion and attempt at resolution at the next meeting of the Coordinating Committee.
- 9.7 All procedures and decisions of the Coordinating Committee shall be in writing and signed by the Coordinating Committee representatives and shall form part of this Agreement, but shall not be inconsistent with and shall not serve to contradict any terms or conditions of this Agreement in effect at the time of such procedures or decisions being made or developed.
- 9.8 Subject to consent of the Owners, Manitoba Hydro's representative on the Coordinating Committee shall be considered a voting member of the Owners Committee established pursuant to the ISO Agreement.

- 9.9 Within thirty days of the effective date of this Agreement, the Coordinating Committee shall establish a Planning Coordination Sub-Committee responsible for the coordination of transmission planning of the Combined Systems pursuant to Article V of this Agreement.
- 9.10 The Planning Coordination Sub-Committee shall consist of three representatives from each Party. The Parties may from time to time change their respective representatives on the Planning Coordination Sub-Committee and shall fill any vacancy promptly. Written notice of appointments, removals and replacements shall be given by each Party to the other.
- 9.11 The Planning Coordination Sub-Committee shall meet at least annually, in person at the request of either party, and at such other times agreed to by the Parties either in person or via teleconference.
- 9.12 Within thirty days of the effective date of this Agreement, the Coordinating Committee shall establish an Operating Sub-Committee responsible for implementing the provisions of this Agreement related to transmission operations.
- 9.13 The Operating Sub-Committee shall consist of two representatives from each Party. The Parties may from time to time change their respective representatives on the Operating Sub-Committee and shall fill any vacancy promptly. Written notice of appointments, removals and replacements shall be given by each Party to the other.
- 9.14 The Operating Sub-Committee shall meet at least annually, in person at the request of either party, and shall meet either in person or via teleconference, at such other times agreed to by the Parties.
- 9.15 The Operating Sub-Committee shall develop operating coordination procedures for adoption by the Coordinating Committee pursuant to Section 9.2 of this Agreement. Such operating coordination procedures shall include, but not be limited to, procedures governing:
- (a) Data required pursuant to Sections 3.5 and Appendix A, Section 3;
 - (b) Methods of transferring data required pursuant to this Agreement;

- (c) Coordination of changes to protection systems under the operational control of a Party that may impact the reliable operations of the other Party;

9.16 The Operating Sub-Committee shall develop a list of operating coordination procedures that the Operating Sub-Committee shall review on an annual or seasonal basis.

X. TERM

10.1 Subject to Sections 4.2 and 10.2 of this Agreement, this Agreement shall continue in effect until the earlier of:

10.1.1 termination for default in accordance with Article XIII; or

10.1.2 termination upon 12 months written notice by either Party.

10.2 Notwithstanding the foregoing, this Agreement is conditional upon each Party's ability under Canadian Law and U.S. law to satisfy their obligations hereunder and is entered into in reliance upon the terms and conditions of the ISO Agreement, ISO Tariff and Manitoba Hydro Tariff in effect as of the effective date of this Agreement. If there is any change to the ISO Agreement, ISO Tariff, the Manitoba Hydro Tariff, Canadian Law or U.S., law or U.S. regulatory order that would affect: 1) either Party's ability to satisfy its obligations hereunder, or 2) the substance of a Party's obligations hereunder, the Parties shall enter into good faith negotiations to amend this Agreement, provided that the Party disadvantaged by any such change, shall have the right to terminate this Agreement on no less than sixty days notice. The ISO shall provide Manitoba Hydro with timely written notice of any changes to the ISO Agreement, ISO Tariff, U.S. laws or U.S. regulatory orders that affect performance or the substance of the ISO's obligations under this Agreement. Manitoba Hydro shall provide the ISO with timely written notice of any changes in the Manitoba Hydro Tariff or Canadian Law that affect performance of or the substance of Manitoba Hydro's obligations hereunder.

10.3 Upon termination of this Agreement, Manitoba Hydro and the ISO shall each remain responsible for any financial obligations incurred under this Agreement prior to termination until completion of any such obligation.

XI. INDEMNITIES AND ASSUMPTION OF LIABILITY

- 11.1 The ISO shall indemnify and hold Manitoba Hydro harmless from and against all claims, costs, expenses, liabilities, obligations, losses or damages, paid or incurred by Manitoba Hydro arising out of or related to the ISO's performance or neglect of its obligations under this Agreement, except in cases where and only to the extent that the negligence or intentional wrongdoing of Manitoba Hydro contributes to the claimed loss, damage, liability, cost or expense.
- 11.2 Manitoba Hydro shall indemnify and hold the ISO harmless from and against all claims, costs, expenses, liabilities, obligations, losses or damages, paid or incurred by the ISO arising out of or related to Manitoba Hydro's performance or neglect of its obligations under this Agreement, except in cases where and only to the extent that the negligence or intentional wrongdoing of the ISO contributes to the claimed loss, damage, liability, cost or expense.
- 11.3 Manitoba Hydro shall accept and abide by Article Four, Section II, paragraph D of the ISO Agreement as if it were a signatory to that agreement and the Owners under the ISO Agreement agree to provide Manitoba Hydro the same protections under that paragraph provided to all signatories.

XII. INSURANCE

- 12.1 The ISO shall obtain and maintain in full force and effect at all times during the term of this Agreement, professional liability insurance (errors and omission) through insurance policies with authorized insurance companies in such amounts and for such coverage and upon such terms conforming to standard commercial practice. The ISO shall supply Manitoba Hydro with a Certificate of Insurance and shall be responsible for any deductible amounts under the policy.

XIII. DEFAULT

- 13.1 The ISO shall be deemed to be in default if the ISO fails to compensate Manitoba Hydro for all amounts due to Manitoba Hydro pursuant to this Agreement for ninety (90) days.

- 13.2 Manitoba Hydro shall be deemed to be in default if Manitoba Hydro fails to compensate the ISO for all amounts due to the ISO pursuant to this Agreement for ninety (90) days.
- 13.3 If a default is deemed to have occurred under this Section, upon providing 30 days written notice, the non-defaulting party may terminate this Agreement.

XIV. GENERAL

14.1 Governing Law and Jurisdiction

This Agreement shall be governed by and construed in accordance with Canadian Law. The Parties agree to the exclusive jurisdiction of the Manitoba Court of Queen's Bench and the Manitoba Court of Appeal for the resolution of disputes arising from this Agreement which are not resolved by arbitration pursuant to Article XV hereof.

14.2 Headings

Headings are inserted solely for convenience of reference, do not form part of this Agreement, and are not to be used as an aid in the interpretation of this Agreement.

14.3 Severability

Any provision of this Agreement that is declared or rendered unlawful by a court of law, or deemed unlawful because of statutory change, will not otherwise affect the lawfulness, enforceability and applicability of the remaining provisions of this Agreement. The Parties will use their best efforts to agree on the replacement of the unlawful provision(s) with legally acceptable clauses that correspond as closely as possible to the purpose of the affected provision(s) and this Agreement as a whole. If the Parties are unable to reach agreement on a change to a material provision, either party may terminate this Agreement effective immediately.

14.4 Inspection and Auditing

The ISO shall grant Manitoba Hydro, its employees or agents, such access to the books and records of the ISO as is necessary to verify compliance by the ISO with this Agreement and to audit and verify the calculation of the ISO Cost Adder and any other financial transactions

pursuant to this Agreement. Such access shall be at reasonable times and upon reasonable notice.

14.5 Notice of Claims

Each Party shall promptly notify the other Party of claims, demands or actions which may result in a claim for indemnity. Failure to notify shall not relieve a Party from liability unless and then only to the extent that such failure results in the forfeiture by such Party of a substantial right or defence. No settlement of any claim which may result in a claim for indemnity shall be made by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld. A Party shall not be liable under this Agreement in respect of any settlement of a claim unless said Party has consented in writing to such settlement.

14.6 Assignment

This Agreement shall not be assigned by a Party without the written consent of the other Party.

14.7 Waiver of Default

The failure on the part of either party to exercise or enforce any right conferred upon it under or pursuant to this Agreement shall not be deemed to be a waiver of any such right or operate to bar the exercise or enforcement thereof at any time or times thereafter.

14.8 Force Majeure

The Parties shall not be responsible or liable to each other for any loss or damage resulting from failure to perform obligations hereunder as a result of any cause beyond their control which could not have been reasonably foreseen and which could not have reasonably been avoided, including but not limited to, acts of God, strikes, injunctions, breakdowns or repairs. The Parties shall be prompt and diligent in removing, if practicable, the cause of such failure to perform after said cause has been removed; however a Party shall not be obligated to agree to any settlement of a strike or labour dispute which, in that Party's sole opinion, may be inadvisable or detrimental.

14.9 Entire Agreement

Subject to Section 9.7, this Agreement represents the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral and written proposals and communications pertaining hereto. There are no representations, conditions, warranties or agreements, express or implied, statutory or otherwise, with respect to or collateral to this Agreement other than contained herein or expressly incorporated herein.

14.10 Amendments

No amendments, addition to or modification of any provision of this Agreement shall be binding upon either Party, and neither Party shall be deemed to have waived any provision hereof or any remedy available to it unless such amendment, addition, modification or waiver is in writing and signed by duly authorized representatives of Manitoba Hydro and the ISO.

14.11 Notices

14.11.1 Any notice, demand, request or communication required or authorized by this Agreement shall be delivered either by hand, facsimile, electronic mail, overnight courier or mailed by certified mail, return receipt requested, with postage prepaid to:

Manitoba Hydro:
820 Taylor Avenue
WINNIPEG, MB R3C 2P4
Canada
ATTENTION: Vice-President – Transmission Business Unit

ISO:
P.O. Box 4202
CARMEL, IN 46082-4202
U.S.A.
ATTENTION: President

14.11.2 Delivery of any such notice, request or communication shall be deemed received upon actual receipt by the Party to whom addressed, or at least three business days after being sent.

14.11.3 The designation and titles of the person to be notified or the address of such person may be changed at any time by written notice by either Party.

14.12 Confidentiality

Any data submitted by Manitoba Hydro to the ISO pursuant to Section 3.5 and Appendix A of this Agreement shall be deemed confidential and shall not be disclosed by the ISO to a third party without the prior written consent of Manitoba Hydro, except as authorized herein or required by NERC Reliability Standards. Notwithstanding the foregoing, this obligation of confidentiality does not extend to data which is required to be disclosed by subpoena, applicable law or a directive of a court, or administrative agency or arbitrator that has jurisdiction over such data. Notwithstanding the foregoing, the Parties acknowledge that FERC does not have jurisdiction over Manitoba Hydro's data regarding its Canadian Transmission Facilities provided to the ISO pursuant to this Agreement. The ISO agrees to provide Manitoba Hydro with prompt written notice of a request or requirement for disclosure in order to: (a) enable Manitoba Hydro to seek injunctive relief, a protective order or other remedy; and/or (b) consult with the ISO regarding steps to resist or narrow the scope of such request or legal process. In the event that the confidential data becomes subject to disclosure, the ISO agrees to furnish only that portion of the confidential data which the ISO's legal counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such data. In addition, the ISO shall ensure that its employees, subcontractors and agents to whom confidential data is exposed agree to be bound by the provisions of this Section 14.12 and the ISO shall be liable for any breach of this Section by its employees, subcontractors and agents.

XV. DISPUTE RESOLUTION

15.1 Condition Precedent to Arbitration

Prior to initiation of arbitration or legal proceedings, any controversy, claim or dispute regarding an alleged breach of this Agreement shall be first submitted to the Coordinating Committee for review and decision. If the controversy, claim or dispute is not resolved within 30 calendar days after submission to the Coordinating Committee, it shall be referred in writing by the Coordinating Committee to the Executive Officers of the Parties, as specified in Section 14.11 of this Agreement, who shall meet for the purpose of discussing and resolving the controversy, claim or dispute to the satisfaction of the Parties. Any decision by the Executive Officers to

resolve a controversy, claim or dispute must be unanimous. If the controversy, claim or dispute is not resolved within 30 calendar days after referral to the Executive officers, either Party with the consent of the other Party, may proceed to arbitration, in accordance with Sections 15.2 through 15.10 hereof.

15.2 Initiation

Arbitration proceedings must be initiated within 120 calendar days of the date the controversy, claim or dispute was first submitted to the Coordinating Committee and shall be initiated by written notice to the other Party setting forth the point or points in dispute. Unless otherwise agreed to in writing by the Parties, failure to initiate arbitration within such 120 day period shall be deemed a waiver of the right to arbitrate that controversy, claim or dispute. Provided however, that any such waiver shall not preclude a Party from initiating arbitration proceedings in respect of a similar claim, controversy or dispute based on facts which arise subsequent to the date the controversy, claim or dispute was first submitted to the Coordinating Committee.

15.3 Arbitration Proceedings

For greater clarity and certainty, arbitration shall not be available to anyone who is not a Party to this Agreement, and an agreement by the Parties to arbitrate shall not preclude a Party from seeking contribution, indemnification or damages from the other Party in proceedings instituted by third parties in courts of competent jurisdiction. Unless otherwise agreed or specified herein, the arbitration shall be conducted in Winnipeg, Manitoba before three arbitrators and shall be conducted in accordance with *The Arbitration Act* of Manitoba (Chapter A120 of the Consolidated Statutes of Manitoba as amended and then in effect). All arbitrators shall be competent by virtue of education and experience in the particular matter subject to arbitration. The arbitrators shall require witnesses to testify under oath administered by a duly qualified person. The arbitrators shall have jurisdiction and authority only to interpret, apply or determine compliance with the provisions of this Agreement insofar as shall be necessary to determine the particular matter subject to arbitration. The arbitrators shall not have jurisdiction or authority to add to, detract from, or alter the provisions of this Agreement or any applicable law or rule of civil procedure. The arbitrators shall have the power to order specific performance under any and all provisions of this Agreement and no Party can avoid specific performance based on an argument that the other Party has an adequate remedy at law.

15.4 Jurisdiction

The arbitrators may rule on their own jurisdiction, including any objections with respect to the existence or validity of an agreement to arbitrate. If a Party disputes the authority or jurisdiction of the arbitrators, the Party shall notify the other Party as soon as the matter alleged to be beyond the authority or jurisdiction of the arbitrators is raised during the arbitration proceedings. The arbitrators may rule on the issue as to whether or not they have the authority or jurisdiction in dispute, either as a preliminary question or in an award on the merits.

15.5 Discovery

Each Party shall have the rights of discovery in accordance with the applicable rules of *The Arbitration Act* of Manitoba. All issues subject to discovery shall be determined by order of the arbitrators upon motion made to them by either Party. When a Party is asked to reveal material which the Party considers to be proprietary information or trade secrets, the Party shall bring the matter to the attention of the arbitrators who shall make such protective orders as are reasonable and necessary or as otherwise provided by law.

15.6 Continuation of Performance

Pending the final decision of the arbitrators, the Parties agree to diligently proceed with the performance of all obligations, including the payment of all sums required by this Agreement. Interest shall accrue at the Agreed Interest Rate and shall be compounded daily on all overpayments and underpayments which occur pending resolution of a controversy, claim or dispute.

15.7 Costs

All fees, costs and expenses of the arbitrators and the Parties incurred in connection with the arbitration shall be allocated between the Parties by the arbitrators. The nature of the dispute and the outcome of the arbitration shall be factors considered by the arbitrators when allocating such fees, costs and expenses. Fees, costs and expenses to be allocated shall include the Party's own employees, expert consultants and legal fees, the costs of exhibits and other incidental costs.

15.8 Enforcement

Any decision (including orders arising out of disputes as to the scope or appropriateness of a request for, or a response to, discovery) of an arbitrator may be enforced in a court of competent jurisdiction. All costs of enforcing an arbitral decision including court costs and attorney's fees (on a party and party basis) and disbursements shall be paid by the Party in default or in error. Judgment upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction.

15.9 Correction and Interpretation of Award; Additional Award

Within 30 calendar days after receipt of an award, a Party, with notice to the other Party, may request the arbitrators to correct in the award any errors in computation, any clerical or typographical errors or any errors of similar nature, or may request the arbitrators to give an interpretation of a specific point or a part of the request. The interpretation shall form part of the award. The arbitrators may correct any error as herein-before referred to on their own initiative within 30 calendar days after the date of an award. In addition, within 30 calendar days after receipt of an award, a Party with notice to the other Party, may request the arbitrators to make an additional award as to claims presented in the arbitration but omitted from the award. If the arbitrators consider the request to be justified, they shall make an additional award within 60 calendar days after receipt of the request. The arbitrators may extend, if necessary, the period of time within which it shall make a correction, interpretation or an additional award.

Appendix A

RELIABILITY COORDINATOR RESPONSIBILITY

1. Interpretation

- 1.1 Capitalized terms used in this Appendix A and not otherwise defined in Article I of this Coordination Agreement shall have the meanings specified in the NERC “Glossary of Terms Used in Reliability Standards” as revised from time to time.

2. Reliability Coordinator Responsibilities

- 2.1 As Reliability Coordinator for Manitoba Hydro, the ISO shall have the authority to monitor and direct Manitoba Hydro’s actions with respect to Manitoba Hydro’s Canadian Transmission Facilities (“Manitoba Transmission Facilities”) as provided in Section 2 of this Appendix, in order to preserve the integrity and reliability of the Bulk Electric System.

Notwithstanding the foregoing, the Parties acknowledge that Manitoba Hydro may also monitor the Manitoba Transmission Facilities.

- 2.2 The ISO shall monitor, on a continuous basis and direct actions with respect to the Manitoba Transmission Facilities, so as to ensure that operating parameters are maintained within NERC and regional reliability limits.
- 2.3 The ISO shall periodically perform load-flow and stability studies of the Manitoba Facilities to identify and address reliability problems.
- 2.4 The ISO shall be responsible for the exchange of operating information related to the Manitoba Transmission Facilities with adjoining Reliability Coordinators and other operating entities within the ISO’s Reliability Coordinator Area that require Manitoba Hydro’s operational data for reliability-related purposes or for calculation of ATC and its components.
- 2.5 The ISO shall develop, for approval by the NERC Operating Committee, a regional reliability plan and procedures for responding to emergencies which include the Manitoba Transmission Facilities.

- 2.6 For the purposes of mitigating an IROL or SOL violation so as to return the Bulk Electric System to a reliable state, the ISO shall have authority to direct Manitoba Hydro to:
- (a) redispatch generation;
 - (b) reconfigure transmission, including the rescheduling of transmission outages;
 - (c) manage interchange transactions;
 - (d) reduce system demand.
- 2.7 Actions directed by the ISO pursuant to Section 2.6 shall be consistent with Operating Guides for the Manitoba Transmission Facilities.
- 2.8 The ISO shall have a Reliability Coordinator Area restoration plan that provides coordination between the restoration plans of Manitoba Hydro and other transmission operators and that ensures that reliability is maintained during system restoration events.
- 2.9 The ISO shall monitor Manitoba Hydro's restoration progress when implementing Manitoba Hydro's system restoration plan and shall coordinate any assistance needed by Manitoba Hydro.
- 2.10 The ISO shall act in the interests of reliability for the overall Reliability Coordinator Area and the Interconnection, rather than any individual entity.

3. Manitoba Hydro Responsibilities

- 3.1 Manitoba Hydro shall have responsibility for taking actions with respect to the Manitoba Transmission Facilities, so as to maintain the reliability of the Bulk Electric System in a manner consistent with NERC and applicable regional reliability requirements.
- 3.2 All actions taken by Manitoba Hydro pursuant to Section 3.1 shall be consistent with Operating Guides.
- 3.3 Manitoba Hydro shall be responsible for developing, maintaining and implementing a set of plans to mitigate operating emergencies.
- 3.4 Manitoba Hydro shall be responsible for developing a system restoration plan for the Manitoba Transmission Facilities that is consistent with the ISO's Reliability Coordinator Area system restoration plan, provided that such consistency: (a) does not endanger the supply of electricity in Manitoba; (b) does not endanger equipment or physical safety; (c) does not contravene Canadian law or regulatory orders.

- 3.5 Manitoba Hydro shall provide the ISO with all of Manitoba Hydro's operational data required by the ISO to perform its role as Reliability Coordinator as described in this Appendix A.
- 3.6 Upon request, Manitoba Hydro shall provide to other Balancing Authorities and Transmission Operators, operating data necessary to allow the Balancing Authorities and Transmission Operators to perform operational reliability assessments and to coordinate reliable operations.
- 3.7 Manitoba Hydro shall provide the ISO with a document defining the criteria used by Manitoba Hydro in developing its Operating Guides.
- 3.8 Manitoba Hydro shall take such action with respect to the Manitoba Facilities as directed by the ISO pursuant to Section 2.6 and Operating Guides for the MHEX, SPC and IESO interfaces within 30 minutes of receiving direction from the ISO, unless such actions would endanger safety or equipment or violate Canadian Law or regulatory requirements. Under these circumstances, Manitoba Hydro shall immediately inform the ISO of its inability to perform the directive so that the ISO may implement alternate remedial actions.
- 3.9 Manitoba Hydro shall obtain approval of the ISO before taking out of service or reconnecting the Manitoba Transmission Facilities, except where doing so would endanger the safety of employees or the public or would cause damage to facilities or the environment.

Appendix B

CONTINGENCY RESERVE SHARING

1. Formation of Reserve Sharing Group

- 1.1 The Parties elect to fulfill their NERC Contingency Reserve obligations as a Reserve Sharing Group, referred to herein as the “MISO-MBHydro Contingency Reserve Sharing Group” or “MISO-MBHydro CRSG.” Accordingly, the Parties shall collectively maintain, allocate and supply Contingency Reserve required for each Party’s use in recovering from Contingencies or Disturbances occurring on the transmission systems operated by either Party in accordance with the provisions of this Appendix B.

2. Establishment and Responsibilities of Contingency Reserve Sharing Group Committee

- 2.1 The Contingency Reserve Sharing Group Committee (“CRSGC”) is hereby established to implement and oversee the operation of the MISO-MB Hydro CRSG in compliance with applicable NERC Reliability Standards, Regional Entity (“RE”) requirements and this Appendix.
- 2.2 The CRSGC shall be composed of one primary member and one alternate member representing each of the Parties.
- 2.3 The CRSGC shall meet at least once annually, and at such other times as agreed to by the CRSGC.
- 2.4 Meetings shall be held in person or by teleconference.
- 2.5 The CRSGC shall act solely by written resolutions agreed to by both Parties.
- 2.6 The CRSGC has the following duties and responsibilities under this Agreement:
- 2.6.1 Development and revision, from time to time, of Operating Protocols necessary for the implementation of the RSG provisions of this Agreement. The Operating Protocols shall include, but not be limited to the following:
- (i) the criteria for Contingency Resources, including any limitations imposed on interruptible load;
 - (ii) specification of the Reserve Sharing Group Reportable Disturbance;
 - (iii) requirements related to the deliverability of Contingency Resources;
 - (iv) specification of the permissible mix of Operating Reserve - Spinning and Operating Reserve - Supplemental for a Party’s Contingency Reserve Requirement;

- (v) the procedures for initiating a Contingency Reserve Activation;
- (vi) the procedures for apportioning NERC penalties and/or sanctions between the Parties for MISO-MB Hydro CRSG violations of NERC Reliability Standards.

2.6.2 Reviewing the total Contingency Reserve Obligation of the MISO-MB Hydro CRSG and its allocation among the Parties in accordance with applicable NERC Reliability Standards, to determine if any adjustments are necessary.

2.6.3 Ensuring that Appendix B of this Agreement and any Operating Protocols developed by the CRSGC are consistent with applicable NERC and RE standards. The CRSGC shall review proposed new and revised NERC and RE requirements and implement or recommend implementation of amendments to this Appendix and/or the Operating Protocols to reflect those requirements.

2.6.4 Overseeing the activities of the Group Administrator.

2.6.5 Review and approval of the budget of the Group Administrator and the costs to be recovered pursuant to Schedule CR-2. No later than December 31 of each year, the RSGC shall recommend to the Group Administrator any changes to the budget for the next January 1 to December 31 twelve-month period, and Schedule CR-2 hereof shall be modified accordingly, subject to the receipt of any required regulatory approvals.

3. Reserve Sharing Obligations

3.1 The Contingency Reserve Obligation of the MISO-MB Hydro CRSG shall be 2000 MWs unless specified otherwise in the NERC Disturbance Control Standard as a result of non-compliance with DCS.

3.2 Each Party shall maintain during each hour, its allocation of Contingency Reserve in an amount equal to or greater than its Contingency Reserve Requirement. The Contingency Reserve Requirement for the ISO shall be 1850 MWs and the Contingency Reserve Requirement for Manitoba Hydro shall be 150 MWs. If the Contingency Reserve Obligation is changed as set forth in Section 3.1, the Parties shall determine each Party's adjusted Contingency Reserve Requirement as set forth in the Operating Protocols.

3.3 Each Party shall maintain its allocation of Contingency Reserve through providing or arranging for Contingency Resources that are capable of supplying that Party's Contingency Reserve Requirement on a firm basis, without interruption for economic conditions, and with such other characteristics as set forth in the Operating Protocols.

3.4 The Parties shall not both count the same Contingency Resources, or portion thereof, as Contingency Reserve.

- 3.5 Each Party shall ensure that their Contingency Resources are deliverable to the Point of Delivery, as specified in Section 3.1 of Schedule CR-1, through applicable arrangements specified in the Operating Protocols.
- 3.6 A Party supplying Emergency Energy during a Contingency Reserve Activation shall provide or arrange for Network Integration Transmission Service or Firm Point-to-Point Transmission Service to the Point of Delivery, as specified in Section 3.1 of Schedule CR-1.
- 3.7 Each Party shall respond to a Contingency Reserve Activation by delivering its Contingency Resources to the Contingent System on the terms and conditions set forth in the Operating Protocols.
- 3.8 Each Party shall pay the other Party for Emergency Energy supplied as a result of the deployment of the other Party's Contingency Resources, pursuant to Schedule CR-1 of this Agreement.
- 3.9 The Disturbance Recovery Period shall be 15 minutes.
- 3.10 DCS compliance shall be reported using ACE values as permitted by NERC Standard BAL-002-0, Requirement 5.1 or 5.2.
- 3.11 Each Party shall adhere to the provisions of the Operating Protocols, developed by the CRSGC, and as duly amended from time to time.
- 3.12 Each Party shall have or make arrangements for the necessary metering and data recording capability as determined by the CRSGC to measure Contingency Reserve deployment and adherence to applicable NERC Reliability Standards or RE requirements.
- 3.13 A Party to this Agreement may have a different Balancing Authority provide its Contingency Reserve Requirement, and/or may enter into other reserve sharing arrangements in addition to this Agreement if agreed to by the CRSGC.
- 3.14 The parties acknowledge that as of the effective date of this Appendix B, the most severe Contingency is 1500 MW.
- 4. Group Administrator
 - 4.1 The ISO shall perform the services of Group Administrator to assist the Parties in implementing the provisions of this Appendix B and the Operating Protocols.
 - 4.2 The duties of the Group Administrator shall be determined by the CRSGC and shall include, but not be limited to:

- (i) Maintaining a secure and reliable software application (ARS System) for the entry of a request for Contingency Reserve Activation; such application shall provide information on Contingency Reserve levels in real-time;
 - (ii) Implementing changes to the software application so as to fulfill the requirements of this Appendix B and the Operating Protocols;
 - (iii) Collecting and maintaining data necessary to perform the Group Administrator's duties including, but not limited to, data regarding the most severe single contingency, and ARS System data;
 - (iv) Collecting and reviewing real-time data from each Party to make an initial determination, subject to CRSGC review, of the amount and allocation of any NERC penalties;
 - (v) Keeping financial records, and invoicing and collecting any costs and charges due from and to the Parties pursuant to this Appendix B, and distributing those funds in accordance with this Agreement;
 - (vi) Performing forecasts, studies, or analyses required to administer the provisions of this Appendix B and the Operating Protocols as directed by the CRSGC;
 - (vii) Supporting the development and implementation, with the participation of the CRSGC, of training programs, the relevant manuals describing the practices, rules and procedures for the operation, planning, and accounting requirements of the CRSG;
 - (viii) Calculating the MISO-MB Hydro CRSG's compliance with NERC Disturbance Control Standard, for approval by the CRSGC, and reporting approved calculations to NERC and, if applicable, the RE;
 - (ix) Billing and settlement of charges for Emergency Energy and associated delivery costs pursuant to Schedule CR-1 of this Agreement, including the collection of revenue for Emergency Energy and associated delivery costs from the Contingent System, collection of billing determinants from the Parties to determine revenue distribution, and dispersing the revenue to the Delivery System;
 - (x) Assisting in preparing responses relating to the MISO-MBHydro CRSG including, but not limited to, compliance audits and inquires from third parties.
- 4.3 The ISO's costs of performing the functions of Group Administrator pursuant to Section 4.2 hereof shall be allocated to and recovered from the Parties pursuant to Schedule CR-2 attached hereto and incorporated herein by this reference.
5. Billing and Payment
- 5.1 The Group Administrator shall issue invoices to the Parties: (i) periodically, setting forth any amounts due from or to that Party as a result of any charges imposed for Contingency Reserve Activation pursuant to Schedule CR-1 of this Agreement; and (ii) monthly, setting forth that Party's share of any costs related to Group Administrator services allocated to that Party pursuant to Schedule CR-2 to this Agreement.

- 5.2 Promptly after each Contingency Reserve Activation, the Group Administrator shall prepare, or cause to be prepared, and, within fifteen (15) days of the end of the calendar month in which such transaction occurs, render to the Party requesting Contingency Reserve Activation (“Contingent System”) an invoice for any amounts payable to the Party that has deployed Contingency Resources (“Delivery System”) hereunder.
- 5.3 All invoices issued to a Party under this Appendix B shall be due and payable in immediately available same-day funds, in accordance with the invoice instructions, within seven (7) days following the Party’s receipt of the invoice. If such a day is not a banking day, then payment is due and payable on the first banking day common to the Parties following the due date. Each Party shall make payments by electronic funds transfer in the currency of the United States of America, or by other mutually agreeable method(s), to the account designated by the Group Administrator.
- 5.4 If the rendering of an invoice hereunder is unavoidably delayed, the Group Administrator may issue an interim invoice based on estimated charges. Each final invoice shall be subject to adjustment for any errors in calculation, meter readings, estimating or otherwise. Any such adjustments shall be made as promptly as practical, but in no event later than six months after issuing the invoice.
- 5.5 If no mutual debts or payment obligations under this Appendix B exist and only one of the Parties owes a debt or obligation under this Appendix B to the other Party during the billing period, including, but not limited to, any payment or credits, that Party shall pay such sum in full when due.
- 5.6 Any amount not paid by the due date shall be deemed delinquent.
- 5.7 If a Party objects to all or a portion of any invoice issued pursuant to Section 5.1 of this Appendix, that Party shall, on or before the date payment of the invoice is due, pay the full amount of the invoice and give notice to the invoicing Party, within thirty (30) days from the date the invoice is rendered, setting forth in specific details the basis for its objection and the amount thereof in dispute. The authorized officers of the Parties, or their designees, shall use their best efforts to develop a solution to the billing dispute. The authorized officers may submit the billing dispute to the dispute resolution procedures set forth in Article XV of this Agreement. If the objection is upheld resulting in a refund, the disputing Party shall receive interest upon such amount at the Agreed Interest Rate from the date payment was received until the date upon which refund is made. Any refunds will be paid, with interest, on or before the thirtieth (30th) day following the date an agreement or determination is reached. If such a day is not a banking day, then payment is due and payable on the first banking day common to the Parties following the due date.
- 5.8 Notwithstanding any other provision of this Appendix B, the ISO Tariff shall govern the billing and payment terms for all amounts owing as between the ISO and its Market Participants for Transmission Service provided by the ISO and for Energy and Operating

Reserves Market transactions administered by the ISO to fulfill its obligations under this Agreement.

SCHEDULE CR-1
CONTINGENCY RESERVE ACTIVATION CHARGES

1. Emergency Energy

The rate to be charged by each Party when supplying Emergency Energy during a Contingency Reserve Activation shall be the rate as stated in this Schedule CR-1 as such rate may be changed from time to time, subject to regulatory approval where required by a Party.

- 1.1 The rate for Emergency Energy supplied by the ISO to Manitoba Hydro from the Energy and Operating Reserve Markets shall be the hourly LMP at the MHEB Interface CP Node plus \$50.00 per megawatt hour of Emergency Energy supplied.
- 1.2 The rate for Emergency Energy supplied by Manitoba Hydro to the ISO (for and on behalf of its Market Participants), shall be the hourly LMP at the MHEB Interface CP Node plus \$50.00 per megawatt hour of Emergency Energy supplied.
- 1.3 Quantities of Emergency Energy shall be accounted for in whole megawatt hours.

2. Transmission Service

- 2.1 In addition to the charges outlined above, the Contingent System shall pay any applicable Transmission Service charges incurred by the Delivery System for delivering Emergency Energy to the Point of Delivery, including charges for losses, if any.

3. Point of Delivery

- 3.1 The Point of Delivery for Emergency Energy shall be the Canada-United States international border.

SCHEDULE CR-2
COST RECOVERY FOR GROUP ADMINISTRATOR SERVICES

- 1.0 Manitoba Hydro shall pay the lesser of \$3,000.00/month, or fifty percent (50%) of the ISO's annual RSG Administration Costs, as defined in section 2.0 hereof. The ISO shall pay the remainder. The Parties agree to negotiate in good faith adjustments to these cost sharing provisions, in the event of unanticipated increases in RSG Administration Costs.
- 2.0 RSG Administration Costs shall include the operating costs incurred by the Group Administrator on behalf of the MISO-MB Hydro CRSG to implement the terms and conditions of Appendix B to this Agreement and Operating Protocols. Such costs shall include software and hardware maintenance costs. RSG Administration Costs do not include software and hardware capital costs required to implement the terms and conditions of Appendix B to this Agreement and the Operating Protocols.
- 3.0 Cost recovery for capital projects undertaken by the Group Administrator shall be determined by the RSGC in advance of the proposed project.