

**SECOND AMENDED AND RESTATED  
GENERATION DISPATCH AND  
ENERGY MANAGEMENT AGREEMENT**

**BETWEEN**

**BLACK HILLS POWER, INC.**

**AND**

**CITY OF GILLETTE, WYOMING**

**Dated: ~~September 3, 2014~~ June \_\_, 2020**

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AND  
CITY OF GILLETTE, WYOMING

This Second Amended and Restated Generation Dispatch and Energy Management Agreement ("Agreement") is made and entered into this ~~3rd~~ \_\_\_\_ day of ~~September~~June, 2014, by and between Black Hills Power, Inc. ("BHP"), a South Dakota corporation, and the City of Gillette, a municipal corporation of Gillette, Wyoming ("Gillette"), referred to collectively as "Parties" and singularly as "Party". In consideration of the covenants and premises herein set forth, and other good and sufficient consideration, the Parties mutually agree as follows:

ARTICLE I

RECITALS

The following Recitals are incorporated herein as part and parcel of this Agreement:

- 1.01 Gillette operates a municipal electric system in the Gillette Service Territory.
- 1.02 On July 14, 2010, (a) the Consolidated Wyoming Municipalities Electric Power System Joint Power Board (the "JPB") purchased from BHP a 23% undivided ownership interest in a coal-fired electric generating plant near Gillette, Wyoming known as "Wygen III," which has a net generating capacity of approximately 100 MW, as may be adjusted from time to time (the "Wygen III Facility"), and (b) the JPB leased its 23% undivided ownership interest in the Wygen III Facility to Gillette on a year-to-year basis.
- 1.03 BHP, the JPB, and Montana-Dakota Utilities Company ("MDU," which

owns a 25% undivided ownership interest in the Wygen III Facility) have set forth their agreement with respect to the construction, co-ownership, and operation of the Wygen III Facility in the Amended and Restated Wygen III Participation Agreement, dated as of July 14, 2010 (the "Wygen III Participation Agreement").

1.04 On July 14, 2010, and pursuant to its terms, that certain Power Purchase and Purchase Option Agreement, dated March 15, 2010, between BHP and Gillette (the "PPA") terminated. Under the PPA, BHP supplied Gillette 23 MW of system-firm electric capacity, and 23 MWh of electric energy per hour.

1.05 On July 14, 2010, Gillette and BHP entered into a Generation Dispatch and Energy Management Agreement (the "Original GDEMA") to enhance the reliability of energy supply to serve Gillette's Load in the Gillette Service Territory, including by providing for the dispatch and delivery of energy necessary to serve such Load.

1.06 On September 3, 2014 ~~the date hereof~~, (a) the JPB purchased from Black Hills Wyoming, LLC ("BHW") the gas-fired electric generating plant near Gillette, Wyoming known as "CT II," which has a designed generating capacity of 40 MW (the "CT II Facility" and, together with the Wygen III Facility, the "Facilities"), and (b) the JPB leased the CT II Facility to Gillette on a year-to-year basis.

1.07 BHW and the JPB have set forth their agreement with respect to the operation of the CT II Facility in the CT II Operating and Maintenance Agreement dated as of September 3, 2014 ~~the date hereof~~ (the "CT II O&M Agreement").

1.08 On September 3, 2014 ~~the date hereof~~, Gillette and BHW entered into that certain Economy Energy Power Purchase Agreement (the "Economy Energy PPA"), pursuant to which Gillette has agreed to purchase from BHW, and BHW has agreed to

supply to Gillette, energy under the circumstances described therein and pursuant to the terms and conditions thereof.

1.09 On September 3, 2014, the Parties ~~The purpose of this Agreement is to~~ amended~~ed~~ and restated~~d~~ the Original GDEMA in light of the transactions and agreements described in Sections 1.06, 1.07, and 1.08 above, including with respect to the provision of dispatch and other energy management services by BHP to Gillette, the supply of Replacement Energy, Back-Up Energy, Substitute Economy Energy, and Gillette Call Option Energy by BHP to Gillette, and the supply of BHP Call Option Energy by Gillette to BHP, all on the terms and conditions set forth herein.

~~1.09~~1.10 On the date hereof, the Parties entered into this Agreement which serves to implement limited clerical and ministerial changes to Schedule A as well as other corresponding clerical changes in the body of the Agreement. The changes do not alter the compensation structure from the Amended and Restated Agreement Generation Dispatch and Energy Management Agreement, dated September 3, 2014. The Parties also acknowledge that their May 18, 2017 Letter Amendment to the Amended and Restated Generation Dispatch and Energy Management Agreement, dated September 3, 2014 (“2017 Letter Amendment”), which 2017 Letter Amendment was filed with FERC should be consider as remaining in full force according to its own terms despite this Agreement.

## ARTICLE II

### DEFINITIONS

For the purpose of this Agreement, the following definitions shall apply:

2.01 Agreement means this Agreement, including all attachments hereto, as the same may be amended, supplemented, or modified in accordance with its terms.

2.02 Back-Up Energy means the extent to which, on an hourly basis, Gillette Full Requirements Energy exceeds Gillette Facility Output, Replacement Energy, Economy Energy, Substitute Economy Energy, Gillette Call Option Energy, and Gillette's other power supply resources and firm power supply contracts.

2.03 ~~BHP~~-Dispatched Resources means all Generating Units and all firm long-term purchase arrangements for energy and capacity in respect of which ~~BHP provides~~ dispatch services are provided. The ~~BHP~~-Dispatched Resources in existence on the date of this Agreement are set forth on Schedule B.

2.04 Capacity Resources means all available Generating Units owned or leased by BHP, and all firm long-term purchase arrangements for energy and capacity to which BHP is a party as a buyer.

2.05 CT I Facility means the gas-fired electric generating plant near Gillette, Wyoming known as "CT I," which has designed generating capacity of 40 MW, and which is owned by BHP.

2.06 CT II Capacity means the higher of 40 MW and the CT II Facility's monthly Net Generating Capacity (as defined in the CT II O&M Agreement) as determined by BHW. For this purpose, the CT II Facility's monthly CT II Capacity will be determined by BHW in accordance with the CT II O&M Agreement and will continue in effect without change for the entirety of the relevant month, notwithstanding any de-rate, outage, or unavailability of the CT II Facility for any reason or any duration, or any other fact or circumstance relating to the CT II Facility. However, if during any such month, Gillette's percentage leasehold (or subsequent ownership) interest in the CT II Facility changes, then at the time of the change the CT II Capacity will automatically adjust accordingly for the remainder of that month and

for subsequent months.

2.07 CT II Energy means the hourly amount of the CT II Capacity (i.e., without regard to the actual energy output of the CT II Facility) expressed in kilowatt hours.

2.08 CT II Output means the hourly energy actually capable of being delivered from Gillette's percentage leasehold (or subsequent ownership) interest in the CT II Facility at any particular time (taking into account any planned or unplanned outage or curtailment of the CT II Facility for any reason) to the Metering Points, as reasonably determined by BHP.

2.09 CT II Replacement Energy means the extent to which, on an hourly basis, CT II Energy exceeds CT II Output.

2.10 Delivery Points means any Point of Receipt under the NITS Agreement, and such other delivery points as may be established from time to time by mutual agreement of the Parties.

2.11 Economy Energy means energy that BHW is entitled to provide to Gillette under the Economy Energy PPA.

2.12 Full Forced Outage means any full, unscheduled outage of the CT I Facility or the CT II Facility, and any unplanned extension of a scheduled outage of the CT I Facility or the CT II Facility.

2.13 Generating Unit means an electric generator, together with its prime mover, and all auxiliary and appurtenant devices and equipment designed to be operated as a unit for the production of energy.

2.14 Gillette Facility Capacity means, for any month, the sum of CT II Capacity and Gillette Share of Wygen III Capacity.

2.15 Gillette Facility Energy means the hourly amount of Gillette Facility Capacity (i.e., without regard to the actual energy output of the Facilities) expressed in kilowatt hours.

2.16 Gillette Facility Output means the sum of CT II Output and Gillette Share of Wygen III Output.

2.17 Gillette Full Requirements Energy means the amount of energy required to satisfy Gillette's Load in the Gillette Service Territory.

2.18 Gillette Service Territory means the area in and around Gillette, Wyoming in which Gillette operates a municipal electric system.

2.19 Gillette Share of Wygen III Capacity means the product of (A) the Wygen III Facility's monthly Net Generating Capacity (as defined in the Wygen III Participation Agreement) as determined by BHP multiplied by (B) Gillette's percentage leasehold (or subsequent ownership) interest in the Wygen III Facility at such time. For this purpose, the Wygen III Facility's monthly Net Generating Capacity will be determined by BHP in accordance with the Wygen III Participation Agreement and will continue in effect without change for the entirety of the relevant month, notwithstanding any de-rate, outage, or unavailability of the Wygen III Facility for any reason or any duration, or any other fact or circumstance relating to the Wygen III Facility. However, if during any such month, Gillette's percentage leasehold (or subsequent ownership) interest in the Wygen III Facility changes, then at the time of the change the Gillette Share of Wygen III Capacity will automatically adjust accordingly for the remainder of that month and for subsequent months.

2.20 Gillette Share of Wygen III Energy means the hourly amount of the Gillette Share of Wygen III Capacity (i.e., without regard to the actual energy output of the Wygen III Facility) expressed in kilowatt hours.



2.21 Gillette Share of Wygen III Output means the hourly energy actually delivered (a) from Gillette's percentage leasehold (or subsequent ownership) interest in the Wygen III Facility to the Metering Points, as reasonably determined by BHP, and (b) to Gillette pursuant to the Wygen III Shaft Sharing Agreement.

2.22 Good Utility Practice means 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 a 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 acceptable practices, methods, or acts generally accepted in the region.

2.23 Load means an end-use device or customer that receives power.

2.24 Metering Points means the metering points utilized as of the date hereof to measure Gillette Full Requirements Energy, and such other metering points as may be established from time to time by mutual agreement of the Parties.

2.25 MPT means prevailing time in the Mountain Time Zone of North America.

2.26 NITS Agreement means the Service Agreement for Network Integration Transmission Service between BHP, as Joint Tariff Administrator, and Gillette, effective as of October 15, 2003, or any replacement agreement.

2.27 Replacement Energy means Wygen III Replacement Energy and CT II Replacement Energy.

2.28 Substitute Economy Energy means energy that would be Economy Energy

except that "BHW Energy Cost" exceeds "CT II Generating Cost" for the relevant hour (as such terms are defined in the Economy Energy PPA).

2.29 System Purchases means all short-term purchases of capacity, energy, and transmission by BHP from third parties (including affiliates) to deliver Replacement Energy, Back-Up Energy, or Substitute Economy Energy to the Delivery Points.

2.30 Wygen III Replacement Energy means the extent to which, on an hourly basis, the Gillette Share of Wygen III Energy exceeds the Gillette Share of Wygen III Output.

2.31 Wygen III Shaft Sharing Agreement means that certain Shaft Sharing Agreement, dated July 14, 2010, between Gillette and Cheyenne Light, Fuel and Power Company.

### ARTICLE III

#### TERM OF AGREEMENT

This Agreement shall become effective as of 11:59:59 p.m. (prevailing time in Gillette, Wyoming) on the date hereof, shall have an initial term of five years, and shall automatically renew for successive one-year terms thereafter; provided, however, that either Party may terminate this Agreement at the end of the initial or any renewal term for any or no reason by delivering a written notice of termination to the other Party at least two years prior to the termination date. Notwithstanding the foregoing, however, this Agreement shall terminate immediately (i) at such time as Gillette no longer owns or leases an interest in the Wygen III Facility, (ii) at such time as Gillette no longer owns or leases an interest in the CT II Facility, (iii) at such time as BHP (or one or more of its affiliates) no longer operates the Wygen III Facility, or (iv) at such time as BHW (or one or more of its affiliates) no longer operates the CT II Facility. Gillette acknowledges that following the termination of this Agreement for any reason,

BHP shall have no obligation to provide to Gillette the energy or services described herein, unless otherwise agreed to by BHP in writing, but provided that BHP agrees to negotiate in good faith any such replacement agreement to provide Gillette the energy or services described herein.

#### ARTICLE IV

##### BHP'S SERVICES FOR GILLETTE

4.01 Agency. Subject to the terms of this agreement, Gillette appoints BHP as its agent for the purpose of performing the applicable duties set forth in Section 4.02.

4.02 Duties of Agent. In its capacity as agent for Gillette, and subject to Section 4.02(i) below, BHP shall perform the following duties in accordance with Good Utility Practice:

- (a) Coordinate and direct the dispatch of the Gillette Full Requirements Energy. Gillette shall compensate BHP for dispatch services in accordance with Schedule A.
- (b) Arrange for the transmission and delivery, every hour, of Replacement Energy, Back-Up Energy, Substitute Economy Energy, and/or Gillette Call Option Energy to the Delivery Points.
- (c) Using commercially reasonable efforts to minimize the amount payable by Gillette for Replacement Energy, (i) supply Gillette, on a system firm basis, with Replacement Energy from System Purchases or Capacity Resources (including, at Gillette's request when a future need for Replacement Energy is known in advance, and to the extent available on commercially reasonable terms, from advance purchases); and (ii) plan, coordinate, and schedule System Purchases or deliveries from Capacity Resources, as the case may be, as needed to supply

Replacement Energy to Gillette. Gillette shall compensate BHP for the supply of Replacement Energy under this Agreement in accordance with Schedule C.

- (d) Subject in all respects to BHW's right to supply Economy Energy under the Economy Energy PPA, (i) supply Gillette, on a non-firm basis (i.e., to the extent available after satisfying BHP's Load in its service territory and any other energy supply obligations of BHP at the time), with Substitute Economy Energy from System Purchases or Capacity Resources; and (ii) plan, coordinate, and schedule System Purchases or deliveries from Capacity Resources, as the case may be, as needed to supply Substitute Economy Energy. Gillette shall compensate BHP for the supply of Substitute Economy Energy under this Agreement in accordance with Schedule D.
- (e) Using commercially reasonable efforts to minimize the amount payable by Gillette for Back-Up Energy, (i) supply Gillette, on a non-firm basis (i.e., to the extent available after satisfying BHP's Load in its service territory and any other energy supply obligations of BHP at the time), with Back-Up Energy from System Purchases or Capacity Resources (including, at Gillette's request when a future need for Back-Up Energy is known in advance, and to the extent available on commercially reasonable terms, from advance purchases); and (ii) plan, coordinate, and schedule System Purchases or deliveries from Capacity Resources, as the case may be, as needed to supply Back-Up

Energy to Gillette. Gillette shall compensate BHP for the supply of Back-Up Energy under this Agreement in accordance with Schedule C. Gillette agrees to give BHP as much advance notice of Gillette's need for Back-Up Energy (including the amount of Back-Up Energy required and the duration of the requirement) as is reasonably practicable under the circumstances.

- (f) Provide, or arrange for the provision of, (i) regulation service for the Gillette Full Requirements Energy, (ii) energy imbalance service for the Gillette Full Requirements Energy, (iii) spinning reserves for the Gillette Facility Capacity (in an amount determined by BHP in accordance with Good Utility Practice), (iv) planning reserves for 63 MW of capacity, irrespective of the actual Gillette Facility Capacity (in an amount determined by BHP in accordance with Good Utility Practice). Gillette shall compensate BHP for these services and reserves in accordance with Schedule E.
- (g) Procure natural gas and interstate natural gas transportation services (together, “the Natural Gas Services”) in support of, and as needed by, the CT II Facility. The Natural Gas Services shall be procured on an interruptible basis, unless Gillette requests in writing that BHP use commercially reasonable efforts to procure the Natural Gas Services on a firm basis. Gillette shall compensate BHP for the Natural Gas Services in accordance with Schedule E. Except to the extent Gillette requests in writing that BHP procure the Natural Gas Services on

terms inconsistent with the procurement of natural gas and interstate natural gas transportation services for the CT I Facility, the Natural Gas Services shall be procured on generally the same terms as such are procured in support of, and as needed for, the CT I Facility, and any interruption or curtailment of the Natural Gas Services will be made on a pro rata basis with the CT I Facility. The Natural Gas Services shall be delivered to Gillette at the WBI Landeck Station, unless the Parties agree otherwise (the "Natural Gas Delivery Point").

- (h) Use commercially reasonable efforts to market and sell, on commercially reasonable terms, excess Gillette Facility Capacity and excess Gillette Facility Energy, but only if (i) Gillette has, in advance, provided BHP with clear conditions and criteria for any such sale and (ii) BHP determines, acting reasonably, that the sale will meet such conditions and criteria and not interfere with the expected use of the Facilities to satisfy Gillette Full Requirements Energy. BHP will be entitled to a 10% commission on all amounts received by Gillette under any such agreement. Gillette will be fully responsible for all obligations and liabilities under any such agreement, except to the extent attributable to the negligence or willful misconduct of BHP (subject to the limitations and requirements set forth in Section 26.2 of the CT II O&M Agreement, which shall apply even if this Agreement survives the CT II O&M Agreement), and BHP will have no liability to Gillette for any failure by BHP to enter into any such agreement.

Without limiting the generality of the foregoing, Gillette acknowledges (i) that BHP may, as a condition to entering into any such agreement on Gillette's behalf, require Gillette's prior written approval of such agreement's terms and conditions, and (ii) that BHP may, without any liability to Gillette, market and sell its own excess energy and capacity, and the excess energy and capacity of its affiliates, before marketing or selling excess Gillette Facility Capacity and excess Gillette Facility Energy under this Agreement.

- (i) BHP shall have no obligation to perform the duties set forth in this Agreement (including this Section 4.02) following a payment default by the JPB or Gillette under the Wygen III Participation Agreement, the CT II O&M Agreement, or any other agreement between BHP or BHW, on the one hand, and the JPB or Gillette, on the other hand, relating to either Facility or both Facilities.

4.03 Reporting to Gillette. BHP shall communicate regularly with and provide periodic reports of its activities under this Agreement to Gillette, in a format agreed upon by the Parties, at least on a monthly basis. BHP shall promptly notify Gillette of any Force Majeure (as defined herein) that may adversely affect the performance of BHP's duties under this Agreement. Within thirty (30) days following any change in the ~~BHP~~-Dispatched Resources that causes Schedule B to be incorrect, BHP shall revise Schedule B to reflect such change and provide Gillette a copy of the revised Schedule B.

4.04 Renewable Energy Requirements. Upon Gillette's request, (a) BHP agrees to consult with Gillette from time to time regarding any renewable energy requirements applicable to Gillette, and (b) BHP will use commercially reasonable efforts to ensure that

its supply of Back-Up Energy to Gillette under this Agreement will be consistent with such requirements.

4.05 Order of Supply to Satisfy Gillette Full Requirements Energy. For clarity, energy supply resources shall be assigned to Gillette Full Requirements Energy for each hour in the following order:

- (a) Gillette Share of Wygen III Output;
- (b) Wygen III Replacement Energy or other energy as agreed by the Parties (subject to the terms of this Agreement);
- (c) Gillette's WAPA energy allocation (or energy provided by a third party in exchange for Gillette's actual WAPA energy allocation on a MWh for MWh basis, or as otherwise agreed by the Parties), to the extent scheduled by Gillette or its designated Scheduling Entity on or before 06:00 a.m. MPT for the subsequent prescheduled day(s) (in accordance with then-applicable WECC prescheduling calendar);
- (d) Economy Energy (when the CT II Facility is available for dispatch and subject to the terms of the Economy Energy PPA);
- (e) Substitute Economy Energy (when the CT II Facility is available for dispatch and subject to the terms of this Agreement);
- (f) CT II Output;
- (g) Gillette Call Option Energy (if requested by Gillette, and subject to the terms of this Agreement);
- (h) CT II Replacement Energy (subject to the terms of this Agreement);



- (i) Gillette's WAPA energy allocation (or energy provided by a third party in exchange for Gillette's actual WAPA energy allocation on a MWh for MWh basis, or as otherwise agreed by the Parties), to the extent scheduled by Gillette or its designated Scheduling Entity after 06:00 a.m. MPT for the current or subsequent prescheduled day(s) or at any time in the real-time scheduling timeframe (in accordance with the then-applicable WECC scheduling calendar);
- j) Properly scheduled purchase obligations of Gillette under power purchase agreements entered into after the date hereof; and
- (k) Back-Up Energy (subject to the terms of this Agreement). Subject to the mutual agreement of the Parties from time to time, BHP may supply Back-Up Energy to Gillette ahead of other categories of energy supply set forth in this Section 4.05.

4.06 Gillette Real-Time Access. At Gillette's request and cost, and subject to all applicable laws and regulatory and industry requirements, BHP will cooperate with Gillette to install equipment to allow Gillette to monitor in real time the Gillette Share of Wygen III Energy and the actual net energy output of the CT II Facility.

## ARTICLE V

### CALL OPTION ENERGY

5.01 Gillette Right to Call Option Energy. During any Full Forced Outage of the CT II Facility, Gillette shall have the right, upon request but subject to the limitations set forth in Section 5.05 below, to deliveries of energy by BHP from the CT I Facility to serve Gillette's Load in the Gillette Service Territory and otherwise satisfy Gillette's energy supply

obligations at the time ("Gillette Call Option Energy"). BHP will schedule, dispatch, and otherwise administer deliveries of Gillette Call Option Energy as part of its responsibilities under Article IV above.

5.02 BHP Right to Call Option Energy. During any Full Forced Outage of the CT I Facility, BHP shall have the right, upon request but subject to the limitations set forth in Section 5.05 below, to deliveries of energy by Gillette from the CT II Facility to serve BHP's Load in its service territory and otherwise satisfy BHP's energy supply obligations at the time ("BHP Call Option Energy" and, together with Gillette Call Option Energy, "Call Option Energy"). BHP will schedule, dispatch, and otherwise administer deliveries of BHP Call Option Energy.

5.03 Transmission and Gas Supply. The Parties acknowledge and agree that neither long-term firm transmission reservations nor long-term gas supply contracts will be made solely to support deliveries of Call Option Energy. Rather, to the extent available, existing transmission rights, short-term transmission arrangements, existing gas supply contracts, and short-term gas supply contracts will be used to support deliveries of Call Option Energy.

5.04 Reimbursement and Compensation. As consideration for the supply of Call Option Energy, the Party receiving Call Option Energy will (a) reimburse all variable costs incurred by the other Party in supplying the Call Option Energy and (b) additionally pay the other Party 10% of such variable costs. Each Party agrees to promptly provide the other Party with such information as the other Party may reasonably request regarding the variable costs that the first Party expects to incur in supplying Call Option Energy.

5.05 Limitations. The obligation to supply Call Option Energy shall not apply under the following circumstances:

- (a) In carrying out its obligation to supply Call Option Energy, neither Party will be required to curtail, in whole or in part, its Load obligations in its service territory or any other energy supply obligations that exist at the time the Call Option Energy is requested;
- (b) The obligation to supply Call Option Energy shall cease when the Full Forced Outage giving rise to such obligation has ended (and provided that each Party agrees to work diligently and in good faith to remedy any Full Forced Outage as soon as reasonably practicable, consistent with Good Utility Practice);
- (c) Neither Party will be required to supply Call Option Energy to the extent that the CT I Facility (in the case of BHP) or the CT II Facility (in the case of Gillette) is unavailable due to any planned or unplanned outage or curtailment or for any other reason;
- (d) Neither Party shall be required to supply Call Option Energy during any partial outage of the CT I Facility (in the case of BHP) or the CT II Facility (in the case of Gillette);
- (e) The obligation to supply Call Option Energy shall cease after 168 hours for any single Full Forced Outage, unless the Parties mutually agree otherwise in writing; and
- (f) The obligation to supply Call Option Energy shall not exist if the

supplying Party is unable to deliver the Call Option Energy due to a Force Majeure.

## ARTICLE VI

### RESPONSIBILITIES OF GILLETTE

6.01 Transmission Arrangements. Except as set forth in Articles IV and V above, Gillette shall be responsible for all transmission and ancillary service arrangements and costs required to receive the Replacement Energy, Back-Up Energy, Substitute Economy Energy, and Gillette Call Option Energy to be supplied by BHP to Gillette under this Agreement at the Delivery Points, and to deliver such Replacement Energy, Back-Up Energy, Substitute Economy Energy, and Gillette Call Option Energy to the Metering Points. Without limiting the generality of the foregoing, to facilitate the performance of BHP's obligations hereunder, Gillette agrees (i) to designate as "network resources" under the NITS Agreement the facilities and such other electric generating units specified by BHP, and to maintain such designations, and (ii) as necessary, to replace the NITS Agreement with a transmission services agreement or agreements suitable for delivering the Replacement Energy, Back-Up Energy, Substitute Economy Energy, and Gillette Call Option Energy under this Agreement from the network resources previously designated under the NITS Agreement.

6.02 Information. To facilitate BHP's performance of its obligations hereunder, Gillette agrees to keep BHP informed on a timely basis of all of Gillette's energy supply arrangements applicable during the term of this Agreement, to notify BHP as soon as possible of Gillette's expected need for Replacement Energy, Back-Up Energy, Substitute

Economy Energy, or Gillette Call Option Energy, and to provide BHP such other information as BHP shall reasonably request.

## ARTICLE VII

### METERING AND ELECTRIC LOSSES

7.01 Metering. Gillette Full Requirements Energy shall be metered at the Metering Points, and the amount of Replacement Energy, Back-Up Energy, Gillette Call Option Energy, and Substitute Economy Energy included in Gillette Full Requirements Energy shall be determined by BHP in accordance with past practice under the Original GDEMA and the Amended and Restated GDEMA and any changes made by BHP to such past practice from time to time in accordance with Good Utility Practice. The meters at the Metering Points shall be owned by either BHP or Gillette, and each such meter shall be maintained by the Party that owns it in accordance with Good Utility Practice. The Party owning any such meter shall test and calibrate the meter by comparison with accurate standards at intervals of not more than 12 months (unless circumstances justify tests and calibrations less frequently, in accordance with Good Utility Practice, and with notice to the other Party), and such Party shall notify the other Party of its intention to conduct such tests and calibrations so that representatives of the other Party have the opportunity to witness them. The Party owning any such meter shall also conduct meter tests and calibrations from time to time at the other Party's reasonable request, and at the other Party's cost (except as otherwise provided in the next sentence). If any meter is found to be more than 2% in error, (i) proper correction shall be made of previous readings for the period of time the meter was in service since last tested or from the time that it can be ascertained the meter was in error, but in no case shall readings be adjusted for a period of more than six months immediately preceding the discovery of the error, (ii) the amount payable by Gillette for Replacement Energy, Back-Up Energy, Substitute Economy Energy, or Gillette Call Option Energy for the

adjusted readings will be adjusted accordingly by agreement of the Parties, acting reasonably, and (iii) if the test or calibration resulting in the discovery of the error was requested under the immediately preceding sentence, then the Party owning the meter shall pay all reasonable costs of such test or calibration. If, however, any meter shall fail to register for any period, then absent clear evidence (such as, but not limited to, schedules for delivery of energy) to the contrary (in which case the adjustments in the preceding sentence will be made on the basis of such evidence), BHP will be deemed to have supplied the full amount of electric capacity and energy it is required to provide under this Agreement.

7.02 Electric Losses. Meter readings at the Metering Points shall be adjusted for electric losses in accordance with the terms of the NITS Agreement and Gillette agrees to make BHP whole, under arrangements reasonably acceptable to BHP, for all electric losses between the Delivery Points and the Metering Points.

## ARTICLE VIII

### GENERAL

8.01 Effect on Other Agreements. Except as expressly provided herein, this Agreement shall not modify the obligations of either Party under any other agreement between the Parties that is in effect as of the date of this Agreement, or the obligation of others not parties to this Agreement.

8.02 Compensation and Payment Arrangements. The basis of compensation or payment between the Parties under this Agreement shall be in accordance with arrangements agreed upon from time to time between the Parties. In addition to arrangements set forth in the body of this Agreement, such arrangements shall be in the form of Schedules attached to this Agreement on the date hereof, or agreed to and signed by the Parties subsequent to the

date hereof, each of which shall be part and parcel of this Agreement.

8.03 Billings

- (a) Billing Invoices. Bills for services rendered or energy supplied hereunder shall be calculated in accordance with this Agreement (including applicable Schedules), and shall be issued on a monthly basis for services performed or energy supplied during the preceding calendar month. No later than ten (10) business days after the end of each calendar month, BHP shall provide to Gillette, by first-class mail or electronic mail, a consolidated invoice for the total amount due BHP by Gillette for the services provided and energy supplied by BHP and purchased by Gillette under this Agreement. BHP's invoice will show all billing parameters, rates and factors, and any other data reasonably pertinent to the calculation of monthly payments due to BHP from Gillette under this Agreement. The amounts shown as payable on such invoices for services provided and energy supplied under this Agreement may be estimated, and all estimated amounts will be confirmed or adjusted by BHP as soon as reasonably practicable, with any such adjustment reflected on the next invoice following the determination thereof.
- (b) Payments. Payments due under this Agreement shall be due and payable by check or by electronic funds transfer, as designated by BHP, on or before the fifteenth (15<sup>th</sup>) business day following receipt of the consolidated billing invoice, unless the Parties agree otherwise in a

particular instance. Remittances received by mail will be considered to have been paid when due if the postmark indicates the payment was mailed on or before the fifteenth (15<sup>th</sup>) business day following receipt of the consolidated billing invoice. If the amount due is not paid on or before the due date, a late payment charge shall be applied to the unpaid balance and shall be added to the next billing statement. Such late payment charge shall be calculated based on an annual interest rate equal the LIBOR three month rate published on the date of the invoice in *The Wall Street Journal* plus three hundred basis points (or, if *The Wall Street Journal* is not published on that day, the next succeeding date of publication). If the due date occurs on a day that is not a business day, the late payment charge shall begin to accrue on the next succeeding business day. For purposes of this Section 8.03, the term "business day" shall mean any day except Saturday, Sunday or days generally observed as holidays by banks in New York, New York.

- (c) Billing Disputes. Gillette may dispute invoiced amounts, but shall pay to BHP at least the undisputed portion of invoiced amounts on or before the invoice due date. When the billing dispute is resolved, the Party owing shall pay the amount owed within five (5) business days of the date of such resolution, with late payment interest charges calculated on the amount owed in accordance with the provisions of Section 8.03(b). Undisputed portions of amounts invoiced under this



Agreement shall be paid on or before the due date or shall be subject to the late payment interest charges set forth in Section 8.03(b).

8.04 Waivers. Any waiver at any time by either Party of any right with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right.

8.05 Assignment: Successors and Assigns

(a) Except as permitted in this Section 8.05, neither Party shall assign this Agreement, or any portion thereof, without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed; provided, that (i) at least thirty (30) days prior notice of any such assignment shall be given to the other Party; (ii) any assignee shall expressly assume the assignor's obligations hereunder, unless otherwise agreed to by the other Party, and no assignment, whether or not consented to, shall relieve the assignor of its obligations hereunder in the event the assignee fails to perform, unless the other Party agrees in writing in advance to waive the assignor's continuing obligations pursuant to this Agreement; and (iii) before any assignment, the assignee must first obtain such approvals as may be required by all applicable regulatory bodies.

(b) Gillette's consent shall not be required for BHP to assign this

Agreement to an affiliate of BHP, provided that BHP provides assurances and executes documents reasonably required by Gillette regarding BHP's continued liability for all of BHP's obligations under this Agreement in the event of any nonperformance on the part of such assignee.

- (c) Each Party agrees that the other Party may assign, mortgage, pledge or otherwise encumber all or any portion of the other Party's interest in and to this Agreement in favor of any lender or other entity providing project-level financing to such Party, and their successors and assigns. Each of the Parties agree to execute such documents as reasonably may be requested by any such lender or subsequent assignee to evidence and acknowledge its consent and the effectiveness of any such assignment or lien, to the extent that such documents do not reduce its rights or increase its obligations under this Agreement.
- (d) This Agreement shall inure to and be binding upon the successors in interest of substantially all of the electric properties of the respective Parties.

8.06 No Third Party Beneficiaries. This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity, or power suppliers, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of said Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person,

corporation, association, entity, or power suppliers, other than the Parties, any rights hereunder or in any of the Generating Units or other assets owned by the Parties, or the use thereof.

8.07 Amendment. It is contemplated by the Parties that it may be appropriate from time to time to change, amend, or supplement this Agreement. This Agreement may be changed, amended, modified, or supplemented by an instrument in writing executed by both of the Parties, subject to approval or acceptance for filing, if necessary, by the appropriate regulatory authorities.

8.08 Liability and Indemnification. Subject to any applicable state or federal law which may specifically restrict limitations on liability, and without limiting any of BHP's liabilities under the Wygen III Participation Agreement or the CT II O&M Agreement, BHP, in its capacity as agent for Gillette under this Agreement, will not have any liability to Gillette, either directly or as a result of any third-party claim, and irrespective of whether pursuant to a contract, tort, or other claim, for any claim, damage, liability, loss, obligation, cost, or expense incurred by Gillette and resulting or arising from activities in respect of, or any failure to act in respect of, BHP's obligations as agent for Gillette under this Agreement, except to the extent attributable to the negligence or willful misconduct of BHP (subject to the limitations and requirements set forth in Section 26.2 of the CT II O&M Agreement, which shall apply even if this Agreement survives the CT II O&M Agreement). Neither Party shall be liable to the other Party for any consequential, special, exemplary, or indirect damages, irrespective of whether such damages were reasonably foreseeable or caused by the negligence of a Party, arising in connection with this Agreement.

8.09. Force Majeure. The term "Force Majeure" means any cause beyond the control of the Party affected, including, but not limited to, failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, labor disturbance, sabotage or terrorist act, and restraint by court order or public authority, which by exercise of due foresight such Party could not reasonably have been expected to avoid, and which by exercise of due diligence it shall be unable to overcome. In addition to other Force Majeure events described herein, unavailability of physical energy supply shall be considered a Force Majeure under this Section, provided that reasonable efforts were taken to procure such supply. If, because of a Force Majeure, either Party is unable to carry out and perform any of its obligations under this Agreement (other than any obligation to make any required payment hereunder), and if that Party promptly gives the other Party written notice of the Force Majeure (including a description of the particulars of the Force Majeure, an estimate of its duration, and a description of its probable impact on the performance of the Party's obligations under this Agreement), then the obligations of the Party giving the notice will be suspended to the extent made necessary by the Force Majeure and during its continuance (but of no greater scope and no longer duration than the Force Majeure requires), provided the Party exercises commercially reasonable efforts to mitigate and overcome the effect of the Force Majeure (except that nothing herein shall be construed to require any Party to settle any strike or labor dispute in which it may be involved). Any Party whose obligations have been suspended by reason of Force Majeure shall furnish timely, regular written reports updating the information in such Party's written notice and provide such other information that the other Party reasonably requests.

8.10 Audit Rights. During the term of this Agreement, each Party, at any time, may review the previous twenty-four (24) months of records and supporting documents associated with the performance of billing arrangements under this Agreement. Audit rights pertaining to the last twenty-four (24) months of this Agreement must be asserted not later than one (1) year following the termination of this Agreement. If any audit discloses that an overpayment or an underpayment has been made, the amount of such overpayment or underpayment, for the applicable audit period, shall promptly be paid to the Party to whom it is owed by the other Party, with interest as determined pursuant to Section 8.03(b). Any inspection and audit may be made by Gillette directly, by Gillette's auditors or authorized representatives, or by representatives of any governmental authority with jurisdiction over Gillette.

8.11 Regulatory Changes or Approvals. If any regulatory agency having jurisdiction over either Party passes laws or regulations that make the obligations of this Agreement vary in any way other than that originally contemplated, then the Parties shall negotiate in good faith to make necessary amendments, if any, to this Agreement to conform the rights and obligations hereunder to the applicable laws or regulations so as to maintain the benefits of the bargain struck by the Parties on the date hereof.

8.12 Specific Performance. The Parties acknowledge and agree that in the event of a breach of this Agreement, the non-breaching Party may be irreparably harmed and may not be made whole by monetary damages. It is accordingly agreed that, in addition to the other remedies available under this Agreement to which a Party may be entitled to at law or in equity, the Parties shall be entitled to compel specific performance of this Agreement.

8.13 Dispute Resolution. Any dispute arising out of or relating to this Agreement shall be resolved in a manner consistent with the dispute resolution procedures of the CT II O&M Agreement.

8.14 Governing Law. The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the applicable laws of the State of Wyoming.

8.15 Section Headings. The descriptive headings of the Articles and sections of this Agreement are used for convenience only, and shall not modify or restrict any of the terms and provisions thereof.

*[Signature page follows]*

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

BLACK HILLS POWER, INC.

CITY OF GILLETTE, WYOMING

\_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## SCHEDULE A

### Compensation for Dispatch-Related Services

~~BHP shall be compensated~~ Gillette will pay for generation dispatch-related services ~~provided under this Agreement~~ on a monthly basis, based upon Black Hills Service Company, LLC's ("BHSC")~~BHP's monthly~~ generation dispatch and energy management department operations and maintenance costs ("Monthly Departmental Costs"). Monthly Departmental Costs will be determined by totaling the costs accrued by ~~BHP~~ BHSC in that month in the generation dispatch and energy management department. ~~Department 5123 (or its successor department or other accounting subdivision) as identified in BHP's accounting system, consistent with past practice.~~ The generation dispatch and energy management department will then record its costs to FERC Accounts 556, 926, or other appropriate accounts based on the actual duties performed by department personnel or the type of expense incurred by the generation dispatch and energy management department in the performance of those duties, with such costs to be allocated to the appropriate FERC account based on the description for each such account in FERC's Uniform System of Accounts regulations, 18 C.F.R. Part 101. The total Monthly Departmental Costs that will be allocated to Gillette will be based on a ratio (i) the numerator of which is the total gross capacity of the ~~BHP-Dispatched R~~resources identified in Schedule B under "Dispatched Resources - Gillette" and (ii) the denominator of which is the total gross capacity of all ~~BHP-Dispatched Resources~~ identified in Schedule B (in either case as Schedule B may be revised from time to time in accordance with Section 4.03 of this Agreement). In addition, but without double-counting, Gillette shall reimburse BHP for any and all charges for applicable transmission costs, ancillary services costs, governmental impositions, and third-party costs incurred by BHP as a result of the dispatch-related services provided by BHP under this Agreement.



## SCHEDULE B Capacity Resources

### **Dispatched Resources – Black Hills Power**

	<b><u>Gross Capacity</u></b>
Ben French Diesels	10.0 MW
Ben French CTs	80.0 MW
Lange CT	40.0 MW
Neil Simpson II	90.0 MW
Neil Simpson CT	40.0 MW
Colstrip Long Term Purchase	50.0 MW
Happy Jack Long-Term Purchase	15.0 MW
Silver Sage Long-Term Purchase	20.0 MW
Wygen III – 52%	57.2 MW
Wyodak – 20%	72.4 MW
<a href="#">PRPA Wind PPA</a>	<a href="#">12.0 MW</a>
<u>Cheyenne Prairie Generating Station (CPGS) I – 57.89%</u>	<u>55.0 MW</u>

<b>TOTAL</b>	<b><a href="#">529.6541.6</a> MW</b>
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### **Dispatched Resources – Cheyenne Light, Fuel & Power Co.**

	<b><u>Gross Capacity</u></b>
Wygen II	95.0 MW
Wygen I	60.0 MW
Happy Jack Long-Term Purchase	15.0 MW
Silver Sage Long-Term Purchase	10.0 MW
Cheyenne Prairie Generating Station (CPGS) I – 42.11%	40.0 MW
<u>Cheyenne Prairie Generating Station (CPGS) II</u>	<u>37.0 MW</u>

<b>TOTAL</b>	<b>257.0 MW</b>
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### **Dispatched Resources – Black Hills / Colorado Electric, LLC Utility** **Gross Capacity**

Pueblo Diesels	10.0 MW
Rocky Ford Diesels	<a href="#">108.0</a> MW
Airport Diesels	10.0 MW
Pueblo Airport Generation Station (PAGS)	380.00 MW
Busch Ranch Wind Farm – 50%	14.5 MW
<a href="#">Alta Gas</a> <a href="#">Black Hills Colorado</a> Wind Farm–Term Purchase	14.5 <a href="#">MW</a>

Peak View	60.0 MW
PAGS Unit 6	40.0 MW
<u>Busch Ranch II</u>	<u>59.4 MW</u>
<u>PRPA PPA I</u>	<u>25.0 MW</u>
Other Long-Term Purchases	5.0 MW
<b>TOTAL</b>	<b><u>544.9626.4</u> MW</b>

<u>Dispatched Resources – Black Hills Wyoming</u>	<u>Gross Capacity</u>
Wygen I	5.0 MW

<b>TOTAL</b>	<b>5.0 MW</b>
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<u>Dispatched Resources – MDU</u>	<u>Gross Capacity</u>
Wygen III-25.0%	27.5 MW

<b>TOTAL</b>	<b>27.5 MW</b>
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<u>Dispatched Resources – City of Gillette</u>	<u>Gross Capacity</u>
Wygen III – 23%	25.3 MW
Gillette CT	40.0 MW

<b>TOTAL</b>	<b>65.3 MW</b>
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## **SCHEDULE C**

### **Compensation for Replacement Energy and Back-Up Energy**

The price of each MWh of Replacement Energy or Back-Up Energy supplied by BHP under this Agreement shall equal the actual cost to BHP of supplying the Replacement Energy or Back-Up Energy, plus applicable transmission costs, ancillary services costs, and governmental impositions, plus, for Back-Up Energy, 10%. When determining the actual cost to BHP of supplying the Replacement Energy or Back-Up Energy under the preceding sentence, (i) if the Replacement Energy or Back-Up Energy is supplied from Capacity Resources, the actual cost will equal BHP's variable costs associated with supplying such Replacement Energy or Back-Up Energy, and (ii) if the Replacement Energy or Back-Up Energy is supplied from System Purchases, the actual cost will equal BHP's actual cost for the System Purchase used to satisfy BHP's supply obligations under this Agreement. For purposes of this Agreement, "variable costs" shall mean start-up costs (if applicable) and costs that change directly with the amount of energy produced (including costs for fuel, lime, water, chemicals, and ash handling and disposal).

## **SCHEDULE D**

### **Compensation for Substitute Economy Energy**

Subject in all respects to BHW's right to supply Economy Energy under the Economy Energy PPA, BHP shall be entitled, during the term of the Economy Energy PPA, to supply Substitute Economy Energy to Gillette when the CT II Generating Cost ("CGC") exceeds the BHP Energy Cost ("BEC") for the relevant hour. In such case, BHP shall supply Substitute Economy Energy to Gillette at the "Substitute Economy Energy Price," which shall be calculated on a per MWh basis according to the following formula:

$$\text{Substitute Economy Energy Price} = \text{BEC} + \frac{1}{2}(\text{CGC} - \text{BEC})$$

Where:

**BEC** = "BHP Energy Cost," which means the cost to BHP of supplying a MWh of Substitute Economy Energy to Gillette, and which shall equal, as applicable, (i) BHP's hourly cost for Substitute Economy Energy acquired by BHP from a third party (including an Affiliate) including transmission costs to the Delivery Points, whether in the Day Ahead Market "the DA Market," the Real Time Market "the RT Market," or otherwise (e.g., from a long-term power purchase agreement), or (ii) the hourly Variable Costs associated with Substitute Economy Energy supplied from BHP's own generation resources, as determined reasonably and in good faith by BHP. For this purpose, "Variable Costs" means, as applicable, start-up costs, transmission costs, and costs that change directly with the amount of energy produced or supplied, as the case may be (including, as applicable, costs for fuel, lime, water, chemicals, and ash handling and disposal); and

**CGC** = "CT II Generating Cost," which shall be calculated on an hourly basis in the manner set forth in the Economy Energy PPA.

## SCHEDULE E

### Compensation for Regulation Service, Energy Imbalance Services, Reserves, and Natural Gas Services

#### 1. Regulation Service

This service will be provided at cost. In particular, initially this service will be provided by the U.S. Department of Energy Western Area Power Administration Rocky Mountain Region Balancing Authority ("WAPA"), and BHP will pass through to Gillette that portion of the amount payable to WAPA that BHP reasonably determines is attributable to the regulation service provided in respect of the Gillette Full Requirements Energy.

#### 2. Energy Imbalance Service

This service will be provided at cost. In particular, initially this service will be provided by WAPA, and BHP will pass through to Gillette that portion of the amount payable to WAPA, or that portion of the credit received from WAPA, that BHP reasonably determines is attributable to the energy imbalance service provided in respect of the Gillette Full Requirements Energy.

#### 3. Spinning Reserves

BHP will provide spinning reserves to Gillette at the actual cost to BHP of supplying the spinning reserves, from the least cost option available to BHP at the particular time (determined after satisfying (i) the Load and any other energy supply obligations at the time of BHP and its affiliates and (ii) the spinning reserve requirements and other spinning reserve supply obligations, if such obligations pre-date the effective date of this Agreement, of BHP and its affiliates). When determining the actual cost to BHP of supplying the spinning reserves under the preceding sentence, (x) if the spinning reserves are provided from Capacity Resources, the actual cost will equal BHP's variable costs associated with supplying such spinning reserves, and (y) if the spinning reserves are procured from a third party (including an affiliate), the actual cost will equal BHP's actual cost for the spinning reserves so procured.

#### 4. Planning Reserves

BHP will provide planning reserves to Gillette for a monthly fee (the "Planning Reserve Fee") equal to the product of:

- 63 MW; multiplied by:

- The planning reserves percentage used by BHP for its own Load and other energy supply obligations (currently, 15%); multiplied by:
- A \$/MW charge determined by (i) adding the following fixed charges, for the calendar year two years earlier, associated with the resources used by BHP to supply such planning reserves (the "Planning Reserve Resources"): insurance premiums, interest expenses, equity returns, property taxes, and federal income taxes (the "Planning Reserve Fixed Charges"), (ii) dividing that sum by 12 to establish a monthly fixed charge amount, and (iii) dividing that quotient by the gross capacity of the Planning Reserve Resources.

If any of the Planning Reserve Fixed Charges are allocated internally among BHP and its affiliates, or among assets of BHP and its affiliates, pursuant to a cost allocation methodology (and provided that such costs are commercially reasonable and allocated to BHP or the Planning Reserve Resources on the same basis that corresponding costs are allocated to BHP's affiliates or other generating resources, as the case may be, or otherwise on a reasonable basis that shall be without adverse distinction to the Planning Reserve Resources), then such Planning Reserve Fixed Charges will be determined using such methodology.

In establishing the Planning Reserve Fixed Charge referred to above as "equity returns," BHP will apply (i) the debt-to-equity ratio and return on equity components of its capital structure utilized by the Wyoming Public Service Commission in BHP's then-most-recently concluded rate case to set rates for BHP's electric utility customers in Wyoming (or, in the event that BHP no longer has electric utility customers in Wyoming, then BHP's capital structure used by the applicable regulatory authority in BHP's then-most-recently concluded rate case to set rates for BHP's electric utility customers in the state with the highest number of BHP's electric utility customers, and in the event that BHP no longer has electric utility customers in the United States, then BHP's capital structure last used to calculate equity returns hereunder), to (ii) the net book value of the Planning Reserve Resources as of the last day of the year two years prior to the year in respect of which the Planning Reserve Fixed Charges are determined.

Any Planning Reserve Fixed Charges not covered by either of the two preceding paragraphs will be determined by BHP on a reasonable basis.

For clarity, the net book value of the Planning Reserve Resources as of December 31, 2010 and the Planning Reserve Fixed Charges in 2010 will be used to determine the Planning Reserve Fee for 2012.

For 2013, the Planning Reserve Fee under the Original GDEMA (for 23 MW of capacity) was \$8,549.54, which was determined by BHP in accordance with information and calculations provided to Gillette (which Gillette hereby acknowledges receiving). For future years, BHP will provide Gillette with an estimate of the Planning Reserve Fee on or before December 10 of the preceding year (together with the underlying information and calculations); provided, however, that BHP may reasonably adjust the Planning Reserve Fee at any time to take into account corrected or updated information (e.g., if actual numbers differ from estimates) or other changed circumstances (e.g., BHP's use of a different Planning Reserve Resource).

5. Natural Gas Services

Gillette shall be responsible for payment of the following charges:

The actual Cost of Gas procured by BHP and delivered to Gillette at the Natural Gas Delivery Point, plus the Natural Gas Procurement Fee.

The "Cost of Gas" shall be defined as the commodity price paid by BHP, along with the cost of all storage, interstate pipeline transportation costs, and other costs paid by BHP to provide the Natural Gas Services, along with any lost and unaccounted for gas, fuel, scheduling or imbalance fees, penalties, or other charges incurred by BHP in accordance with Good Utility Practice from any and all transporting pipelines as a result of the procurement of natural gas transportation services in support of the CT II Facility.

The "Natural Gas Procurement Fee" shall be defined as the fee paid by Gillette for the Natural Gas Services, determined by allocating a pro rata portion of BHP's allocated share of imbedded gas supply costs. Gillette's pro rata portion of imbedded gas supply costs shall be calculated by determining the percentage of natural gas commodity procured in support of the CT II Facility, among all of the natural gas commodity procured to support all of the generation resources for which BHP supports the arrangement of natural gas supply.



