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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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January 26, 2018

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

Re: *Otter Tail Power Company*, Docket No. ER18-152-001
Compliance Filing of Otter Tail Power Company to Submit Executed Version of Coyote 1 Station Transmission Facilities Agreement Among Otter Tail Power Company; Minnkota Power Cooperative, Inc.; Montana-Dakota Utilities Co.; NorthWestern Corporation d/b/a NorthWestern Energy (Formerly NorthWestern Public Service Company); and Northern Municipal Power Agency

Dear Secretary Bose:

Otter Tail Power Company ("Otter Tail") on October 24, 2017, submitted for filing in this proceeding a restated, conforming version of the Coyote 1 Station Transmission Facilities Agreement among Otter Tail; Minnkota Power Cooperative, Inc.; Montana-Dakota Utilities Co.; NorthWestern Corporation d/b/a NorthWestern Energy (formerly NorthWestern Public Service Company); and Northern Municipal Power Agency ("Restated Agreement"). The Commission accepted the Restated Agreement effective December 24, 2017, subject to Otter Tail submitting an executed copy of the Restated Agreement as a compliance filing.¹

To comply with the Commission's directive in the Letter Order, Otter Tail hereby submits the enclosed executed copy of the Restated Agreement.² Aside from the addition of the parties' signatures, the executed copy of the Restated Agreement is unchanged from the Restated Agreement as accepted by the Letter Order. Otter Tail respectfully requests that the Commission accept the executed Restated Agreement as compliant with the requirements of the Letter Order.

¹ *Otter Tail Power Co.*, Letter Order, Docket No. ER18-152-000 (Dec. 14, 2017) ("Letter Order").

² Pursuant to the Commission's directives in Order No. 714, Otter Tail submits the executed copy of the Restated Agreement as an entire document in PDF format. *Electronic Tariff Filings*, Order No. 714, 2008–2013 FERC Stats. & Regs., Regs. Preambles ¶ 31,276, at P 13 (2008), *final rule*, Order No. 714-A, III FERC Stats. & Regs., Regs. Preambles ¶ 31,356 (2014).

While references to Minnesota Power & Light Company ("MP&L") are included on the conforming agreement to capture the history of the transfer of MP&L's interest to Montana-Dakota Utilities Co., MP&L is no longer a party to the Restated Agreement and therefore is not executing the Restated Agreement being submitted with this filing.

I. Effective Date

Otter Tail requests that the Commission grant an effective date of December 24, 2017, for the executed Restated Agreement, which is the effective date established by the Commission in the Letter Order when it accepted the unexecuted version of the Restated Agreement.

II. Documents Enclosed

Otter Tail encloses with this transmittal the following attachment:

- Executed copy of the restated, conforming Coyote 1 Station Transmission Facilities Agreement among Otter Tail; Minnkota Power Cooperative, Inc.; Montana-Dakota Utilities Co.; NorthWestern Corporation d/b/a NorthWestern Energy (formerly NorthWestern Public Service Company); and Northern Municipal Power Agency.

III. Service

A copy of this filing is being served on each person designated on the Commission's official service list for this proceeding, as well as the Minnesota Public Utilities Commission, the South Dakota Public Utilities Commission, and the North Dakota Public Service Commission.

IV. Conclusion

Based on the foregoing, Otter Tail asks that the Commission accept the executed Restated Agreement effective as of the date requested herein.

Respectfully submitted,

/s/ Paul M. Flynn

Paul M. Flynn
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding, as well as the public service commissions of the states of Minnesota, South Dakota, and North Dakota.

Dated at Washington, D.C., the 26th of January, 2018.

/s/ Sidney L. Fowler
Sidney L. Fowler

Attorney for
Otter Tail Power Company

COYOTE I STATION

TRANSMISSION FACILITIES

AGREEMENT

BY AND BETWEEN

MINNESOTA POWER & LIGHT COMPANY

MINNKOTA POWER COOPERATIVE, INC.

MONTANA-DAKOTA UTILITIES CO.

NORTHWESTERN PUBLIC SERVICE COMPANY

NORTHERN MUNICIPAL POWER AGENCY

AND

OTTER TAIL POWER COMPANY

DATED AS OF NOV. 30, 1978

THIS AGREEMENT is made as of NOVEMBER 30, 1978, by and between MINNESOTA POWER & LIGHT COMPANY, a Minnesota corporation ("Minnesota Power"), MINNKOTA POWER COOPERATIVE, INC., a Minnesota corporation ("Minnkota"), MONTANA-DAKOTA UTILITIES CO., a Delaware corporation ("Montana-Dakota"), NORTHWESTERN PUBLIC SERVICE COMPANY, a Delaware corporation ("Northwestern"), NORTHERN MUNICIPAL POWER AGENCY, a political subdivision and municipal corporation of the State of Minnesota ("Agency"), and OTTER TAIL POWER COMPANY, a Minnesota corporation ("Otter Tail"), which are sometimes referred to collectively herein as the "Owners" or "Parties" or individually as the "Owner" or "Party".

RECITALS

0.1 WHEREAS, the Parties, excluding Agency, heretofore entered into the Agreement for Sharing Ownership of Generating Plant, dated as of July 1, 1977 (the "Basic Agreement"), as supplemented by "Supplemental Agreement No. 1 to Agreement for Sharing Ownership of Coyote Generating Unit No. 1" dated as of November 30, 1978, and "Coyote Station Agreement for Sharing Ownership of Generating Unit No. 1, Amendment No. 2" dated March 1, 1981; (collectively with the Basic Agreement, the "Agreement for Sharing Ownership"), to provide for the construction and sharing of ownership by them of a lignite-fueled electric generating plant, rated nominally at 400 MW, located in Mercer County, North Dakota (the "Coyote 1 Station"); and

0.2 WHEREAS the transmission systems of the Parties shown in Exhibit "A" are presently interconnected at various locations with capacity levels useful as hereinafter provided for transfer of Coyote 1 Station capacity; and

0.3 WHEREAS it is the Parties intention to use the capacity levels of the presently interconnected transmission systems for transfer of Coyote 1 Station capacity so long as such capacity is not required by the owning Party for its own use, or for use in satisfying prior commitments; and

0.4 WHEREAS the Parties have determined that certain additional facilities (hereinafter specified in Section 1.1), are required to provide necessary additional transmission service from the Coyote 1 Station to the present electric systems of the Parties and to provide the capability for transfer of synchronizing power needed for the level of system reliability and stability specified by the Mid-Continent Area Reliability Coordination Agreement. Said existing and additional facilities are shown on Exhibit "A" and made a part hereof; and

0.5 WHEREAS the Parties have agreed to share the costs, and to divide the ownership of the facilities as hereinafter provided;

0.6 WHEREAS Otter Tail, Minnkota, Montana-Dakota, Northwestern and Minnesota Power, together with Knife River Coal Mining Company, a Minnesota corporation ("Knife River"), have entered into the "Coyote Plant Coal Agreement" dated as of January 1, 1978 (the "Coal Agreement");

0.7 WHEREAS Minnkota wishes to transfer to Agency its ownership interest in the Project Transmission (as that term is defined in this Agreement), the other Parties have consented to such transfer, and the Parties have amended this Agreement to make Agency a party hereto and to reflect the transfer of Minnkota's interest in the Project Transmission to Agency;

0.8 WHEREAS the Parties determined that certain changes had to be made and that additional or substitute facilities were required to provide necessary additional transmission service from the Coyote 1 Station to the present electric system of the Parties, and that such

changes, substitutions, and additional facilities would be shown on a revised exhibit to this Agreement and described herein;

0.9 WHEREAS the Parties desire to supplement this Agreement to provide for an equitable division of the cost and ownership of the facilities constructed by them, and to acknowledge changes, substitutions, and additions to this Agreement;

0.10 WHEREAS the Parties have agreed upon the meaning of this Agreement with respect to the Jamestown Reactor addition to the Center to Maple River transmission line;

0.11 WHEREAS Minnesota Power has agreed to transfer to Montana-Dakota its ownership interest in the Coyote 1 Station and in this Agreement, the other Parties have consented to such transfer, and the Parties have amended this Agreement to reflect such transfer;

0.12 WHEREAS the Parties have determined that the Center to Maple River 345 kV transmission line became unavailable and inadequate for use in providing transmission service from the Coyote 1 Station to the electric systems of the Parties, due to unforeseen flooding; a reroute of the 345 kV transmission line (also referred to herein as the "Horsehead Lake reroute") was necessary and constituted necessary additional or substitute facilities; and the Parties have amended this Agreement to reflect the equitable division of the cost and ownership of such reroute facilities;

0.13 WHEREAS the Parties have prepared this restated and conforming Agreement to reflect the effects of all amendments and supplements to this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the Parties hereby agree as follows:

ARTICLE I.

REQUIRED TRANSMISSION FACILITIES

1.1 In addition to the substation on the site of the Coyote 1 Station (the “Plant Substation”) and existing facilities of the Parties as shown on Exhibit “A”, the Parties agree that the following major facilities are required to provide the necessary transmission service from the Coyote 1 Station to the present electric systems of the Parties:

- 1.11 The Center 345 to 230 kV substation to be located adjacent to Minnkota’s Milton R. Young Station near Center, North Dakota.
- 1.12 A 345 to 230 kV substation to be located adjacent to Minnkota’s Maple River substation near Fargo, North Dakota.
- 1.13 Modification and additions to Otter Tail’s Jamestown substation located near Jamestown, North Dakota for 345 kV operation, and installation of 345 kV reactors at Jamestown, North Dakota, as shown on Exhibit “D” attached hereto and described in Article VII to this Agreement, if reliability and operating voltage levels of the Center-Maple River 345 kV line are deemed by the Parties to be unacceptable.
- 1.14 Modification of Otter Tail’s and Minnkota’s Buffalo substation located near Buffalo, North Dakota for 345 kV operation.
- 1.15 One single circuit wood pole 345 kV transmission line extending from the Coyote 1 Station substation to the Center 345 kV substation, a distance of approximately 32 miles. This single-circuit 345 kV transmission line shall include single-phase tripping on the Coyote to Center 345 kV line in lieu of the second 345 kV line that had originally been contemplated between

the Parties and the Rural Electrification Administration. The Parties shall share all costs associated with additional facilities deemed necessary to make single-pole switching operate reliably in proportion to their ownership share of the Coyote 1 Station. The Parties shall initially proceed with the construction of one single circuit wood pole 345 kV line from Coyote to Center, and then initiate a study of alternatives to construction of a second line. Following this study the Parties shall actively pursue negotiations for contractual arrangements on feasible alternatives revealed by the study, in an attempt to provide an optimum transmission system in the vicinity.

- 1.16 Modification and additions to the existing Minnkota 230 kV transmission line for 345 kV operation, extending from the Center 345 kV substation to the Maple River 345 kV substation, a distance of approximately 212 miles.
- 1.17 Two 115 kV tie lines extending from the existing Montana-Dakota Beulah-Dickinson 115 kV line to the Plant Substation, a distance of approximately one mile.

1.2 The facilities specified herein (Section 1.11 through 1.17) will be constructed by the Parties essentially as detailed in Exhibit "C" attached hereto.

1.3 Additional or substitute facilities may be required in the future to provide transmission service from the Coyote 1 Station to the electric systems of the Parties. If any facility described herein becomes unavailable or inadequate for such use before the expiration of this Agreement, the facilities required to provide such necessary transmission service shall be

added or substituted and the Parties shall enter into a supplement to this Agreement to designate such facilities and to provide for the construction and the ownership thereof.

ARTICLE II.

CONSTRUCTION AND COST SHARING OF FACILITIES

2.1 The Plant Substation is a part of the Plant and Plant Property under Section 3.1(e) and other provisions of the Basic Agreement and its cost and ownership are to be shared by the Parties as provided in the Basic Agreement.

2.2 Montana-Dakota through Fidelity Gas Company, a wholly owned subsidiary will acquire right of way easements, together with all associated permits, licenses and property rights associated therewith, for the two Coyote to Center 345 kV transmission lines (Section 1.15), and will contract for the construction of said lines, subject to ultimate division among the Parties as herein provided.

2.3 Minnkota has acquired or will acquire right of way easements together with all associated permits, licenses and property rights associated therewith, for the modification and uprating of the Center-Maple River transmission line from 230 to 345 kV (Section 1.16) and will contract for the construction thereof in the sole name of Minnkota and will be the sole owner thereof.

2.4 Otter Tail or Minnkota has acquired or will acquire sites and all associated permits for the construction, additions and modification of the Center 345 kV and Maple River 345 kV substations (Section 1.11 and 1.12) and will provide for the construction thereof.

2.5 Otter Tail or Minnkota will provide for the construction and modification of the Jamestown and Buffalo substation (Section 1.13 and 1.14). The portion of the cost of the

construction and modification of the Jamestown and Buffalo substations chargeable to the Parties as Coyote 1 related costs will be determined as follows:

Cost allocable to Coyote Parties shall be 50 percent of the following:

- (a) Total cost of construction (except transformers) less original cost of salvageable materials and equipment removed (except transformers), plus
- (b) The cost of 345 kV transformers of equal capacity to existing 230 kV units less the original cost of the existing 230 kV transformers.

2.6 Montana-Dakota will be responsible for the construction of and will be the sole owner of the 115 kV transmission lines connecting to the Plant Substation.

2.7 The costs of acquiring or constructing the facilities described above in ARTICLE I will be shared by the Parties in proportion to the percentages shown below:

PERCENTAGE PARTICIPATION IN COSTS

<u>Item</u>	<u>Otter Tail & Minnkota</u>	<u>Montana Dakota</u>	<u>Northwestern</u>	<u>Minnesota Power</u>
115 kV Tie Lines	65	20	10	5
Coyote-Center 345 kV Lines	65	20	10	5
Center 345 kV substation	65	20	10	5
Maple River 345 kV substation	65	20	10	5
Convert the Center-Maple River 230 kV line to 345 kV	82.5	10	5	2.5
Convert the Jamestown and Buffalo substations to 345 kV	82.5	10	5	2.5

2.8 The Parties agree that Otter Tail will act as Transmission Facilities Coordinator for purposes of this Agreement. As construction costs pursuant to this Agreement are incurred

by any of the Parties, they will be billed to the Coordinator, Otter Tail. The Coordinator will reimburse that Party for the billing that Party has rendered. The Coordinator will then bill each Party in accordance with its percentage participation as shown in Section 2.7.

2.9 The Parties individually will ultimately be the sole owners of separate segments of the facilities to be constructed pursuant to ARTICLE II, such segments to be determined so that the facilities described above in Section 1.11 through 1.17 inclusive, will be funded by the Parties in the proportions (based upon costs) provided for in Section 2.7 of this Agreement. There is attached hereto as "Revised Exhibit B" and made a part hereof, detailing the cost of constructing or providing such facilities and the Parties' agreement to a final division of ownership of the facilities for purposes of transfer of respective interests.

2.10 The Parties having agreed on such final division of ownership of the facilities and the determination of costs for purposes of such division, further agree that they shall forthwith sell, assign, transfer, convey, and quit claim to one another, that portion of the facilities described in "Revised Exhibit B," and this Agreement, all of the right of way easements, together with all associated permits, licenses, and property rights associated with the facilities, free from the lien of the Parties' Indentures, as said Indentures have been amended and supplemented. Appropriate documents to accomplish said division, as required by counsel for the Parties, will be executed and delivered, conveying the separate segments free of liens.

2.11 Said transfers and conveyances shall be made without payment to any Party, therefore, except that the Parties recognize and agree that their respective ownership of any portion of the transmission or their required contribution toward the final cost of the transmission facilities is determined in accordance with this Agreement or any Supplement hereto.

2.12 In the event all of the costs of all of the transmission facilities and of the lines transferred to any of the Parties in accord with Sections 2.9 through 2.12 of this Agreement are such that the portion of the lines described in "Revised Exhibit B," hereto, sold and conveyed to any of the Parties, hereby exceeds the portion of said line to which any of the Parties is entitled pursuant to this Agreement, or any Supplement hereto, such Party agrees forthwith to retransfer and reconvey free from mortgage liens of such Party and without payment to the Party whose portions of the line sold and conveyed to it pursuant thereto, the cost of which is in excess of the portion of said line to which it is entitled pursuant to this Agreement or any Supplement hereto.

ARTICLE III.

LICENSE RIGHTS, MAINTENANCE AND OPERATING LIMITATIONS

3.1 Each Party agrees that the addition of the facilities specified herein (Section 1.11 through 1.17) are adequate, together with existing facilities to deliver the full output of the Coyote 1 Plant to the Parties at Coyote, Center, Heskett, Ellendale and Maple River. Each Party agrees that the facilities shown on Exhibit "A" are subject to a license and right to use the same hereby granted by each Party to each of the other Parties to provide the transmission service to the delivery points specified above. Should the facilities of a Party be overloaded by Coyote 1 power delivery schedules, said Party shall be held harmless by the Party or Parties causing the overloaded condition. Each Party shall be the sole judge as to the overloading of its facilities.

3.2 Each Party shall have the right to tap at its own expense the Plant Substation and the other facilities shown on Exhibit "A" for deliveries to its own loads. Such taps shall not interfere with the use of such facilities by its owner (s) or to provide the necessary transmission service from the Coyote 1 Station to the electric systems of the Parties.

3.3 Each of the respective Owners of the facilities described above in ARTICLE I shall bear its own costs of maintenance and property taxes, including all capital expenditures and maintenance expenses, associated with the portions of such facilities owned by it and shall keep them in serviceable condition. If ownership of Plant Property changes the Parties shall, as a part of the Agreement providing for such change, negotiate appropriate transfers of transmission property to correspond to the change in ownership of Plant Property.

3.4 At the request of the Owner thereof, any other Party may maintain any of the facilities described above in ARTICLE I. As such Party incurs costs for such maintenance, they may be billed to the Owner and will be due upon billing. The term "costs" shall mean fully allocated costs and include reasonable overhead, administrative and general and fixed costs.

3.5 The Design Review Committee of the Mid-Continent Area Reliability Coordination Agreement in its approval dated January 6, 1977 of the Coyote 1 Transmission Study, imposed operating restrictions on the systems of the Parties. Prior to commercial operation of the Coyote 1 Station, the Parties agree to perform Operating Studies to determine the specific operating limitations, if any, required to meet the then current System Design Standards promulgated by the Mid-Continent Area Reliability Coordination Agreement. Should generation level reductions be required by said established operating limitations, the Parties agree to minimize impact to existing generating stations of the Parties by making any required generation reductions, to the maximum possible extent, at the Coyote 1 Station.

3.6 It is specifically agreed by the Parties to this Agreement that, irrespective of the other provisions of this Agreement, the Center-to-Heskett and the Heskett-to-Ellendale 230 kV lines as referred to herein and as set out on Exhibit "A" to this Agreement, shall be considered as facilities to provide transmission service hereunder only until the capacity in the Center-to-

Heskett line is needed by Minnkota Power Cooperative for its use or for use in satisfying prior capacity commitments made by Minnkota Power Cooperative or until the capacity in the Heskett-to-Ellendale 230 kV line is needed by Montana-Dakota Utilities Co. for its use or for use in satisfying prior capacity commitments by Montana-Dakota Utilities Co.; and if said line or lines become unavailable for the reason stated herein for Coyote 1 transmission, neither Minnkota Power Cooperative nor Montana-Dakota Utilities Co. shall be obligated, as the case may be, to provide or share in, in any manner, directly or indirectly, for the construction of facilities or substitute facilities which may be necessitated by the unavailability of the Center-to-Heskett or the Heskett-to-Ellendale lines for Coyote 1 transmission purposes.

ARTICLE IV.

SYSTEM OPERATION AND LOSSES

4.1 It is the intent of the Parties to operate their respective systems including the facilities associated with the Coyote 1 Station to minimize, in accordance with good practice, the occurrence of hardship to other systems due solely to line losses, electrical disturbances and real and reactive power flows.

4.2 Each Party will provide in its system the facilities necessary for such telemetering, load control, communication, billing metering, and relay protection which are necessary for proper operation of the transmission facilities contemplated hereunder.

4.3 Losses on Coyote Station Substation, and lines from Coyote to Center will be provided by the Parties in proportion to the schedules of Coyote 1. Losses occurring on other portions of the systems of the Parties, will be provided by the Parties in accordance with the schedules and flows resulting from operation of Coyote 1 and Young No. 1 generating units which are delivered to the systems of the Parties or to others. Such losses will be determined on

the basis of the average of incremental losses on the system of a Party resulting from the aggregate of losses due to schedules of the other Parties.

4.4 Losses will be determined on the basis of schedules and incorporated into the loss schedules between Otter Tail and the other Parties. After the fact corrections for energy losses will be made for deviations from scheduled amounts.

ARTICLE V.

GENERAL

5.1 Any sale by any Owner of any of the facilities described above in ARTICLE I shall, unless specifically consented to in writing by the other Parties, reserve to the other Parties, and except from such sale, the license, rights and obligations set forth above in Section 3.1 and 3.2, so that said license, rights, and obligations shall survive any such sale and continue in effect for the full term of this Agreement.

5.2 No Party shall be held responsible or liable for any loss or damage resulting from failure to perform its obligations hereunder as a result of any cause beyond its control.

5.3 Each Party shall defend, indemnify, and hold harmless the other Party or Parties from and against any and all claims, liability, loss, damage, injury, or expense sustained by any third person, including any employee of the Parties, caused by or resulting from the negligent acts or omissions of a Party, its employees or agents.

5.4 This Agreement is not intended to and shall not create rights of any character whatsoever in favor of any person, corporation, association, or entity other than the Parties hereto, and the obligations herein assumed are solely for the use and benefit of the Parties.

5.5 This Agreement shall be binding upon and inure to the benefit of the Parties, their successors and assigns, except that this Agreement shall not be assigned by one Party without the written consent of the other Parties, which consent shall not be unreasonably withheld.

5.6 Any notices, demands, or requests, required or authorized by this Agreement, shall be given by personal service, telegraph, or mailed postage prepaid to the following officers of the Parties, namely: to the President, Minnesota Power & Light Company, 30 West Superior Street, Duluth, Minnesota 55802, if to Minnesota Power; to the Manager, Minnkota Power Cooperative, Inc., Post Office Box 1318, Grand Forks, North Dakota 58201, if to Minnkota; to the President, Montana-Dakota Utilities Co., 400 North Fourth Street, Bismarck, North Dakota 58501, if to Montana-Dakota; to the President, Northwestern Public Service Company, Northwest National Bank Building, Huron, South Dakota 57350, if to Northwestern; and to the President, Otter Tail Power Company, 215 South Cascade Street, Fergus Falls, Minnesota 56537, if to Otter Tail. The designation of the persons to be notified or the address of such person may be changed at any time by similar notice.

5.7 This Agreement and any amendments thereto is subject to the regulation of any regulatory body having jurisdiction thereof, including the approval in writing by the Administrator of the Rural Electrification Administration.

5.8 This Agreement shall not become effective unless the Coyote Station-Agreement for Sharing Ownership of Generating Unit No. 1, dated July 1, 1977 becomes effective and until all necessary governmental approvals as required by Section 5.7 have been secured.

5.9 This Agreement may not be altered or amended save by a written document signed by all of the Parties signatory hereto.

5.10 This Agreement shall terminate upon the termination of the Coyote Station-Agreement for Sharing Ownership of Generating Unit No. 1, dated July 1, 1977.

ARTICLE VI.

TRANSFER OF PROJECT TRANSMISSION

6.1 Otter Tail, Montana-Dakota, Northwestern, and Minnesota Power hereby consent to the transfer of Minnkota's Ownership Share (as that term is defined in the Agreement for Sharing Ownership), its 100% undivided ownership interest in the modifications and additions to the existing Minnkota 230kV transmission line extending from the Center 345kV substation to the Maple River 345kV substation for 345kV operation (the "Project Transmission"), and all of its right, title and interest in the Agreement for Sharing Ownership and the Coal Agreement and this Agreement as it pertains to the Project Transmission, and hereby waive any and all rights of purchase of Minnkota's Ownership Share pursuant to Article 5 of the Agreement for Sharing Ownership with respect to the sale by Minnkota to Agency contemplated by the Power Supply Coordination Agreement, dated as of March 1, 1981, between Minnkota and Agency (the "Coordination Agreement") and all such rights of purchase in the event of any future repurchase by Minnkota from Agency of said Ownership Share pursuant to the Coordination Agreement.

6.2 Minnesota Power, Montana-Dakota, Northwestern and Otter Tail hereby specifically consent to the sale of the Project Transmission.

6.3 Knife River has consented to the assignment by Minnkota of its rights, duties, obligations, responsibilities and interest in the Coal Agreement to Agency; Agency hereby assumes all liabilities and obligations of Minnkota under the Coal Agreement and Knife River has consented to release Minnkota from its liabilities and obligations under the Coal Agreement.

6.4 Agency shall be a party to the Agreement for Sharing Ownership and Coal Agreement and wherever used in the Agreement for Sharing Ownership and the Coal Agreement or any exhibits attached thereto, the word "Minnkota" and "Minnkota Power Cooperative, Inc." shall be read as "Agency".

6.5 Agency shall be a party to this Agreement with respect to the Project Transmission and wherever used in this Agreement or any exhibits attached thereto, the word "Minnkota", "Owner" or "Owners" or "Party" or "Parties" as such terms relate to the Project Transmission shall be read as or shall include, as the case may be, "Agency".

6.6 Minnkota shall no longer be a party to the Agreement for Sharing Ownership or the Coal Agreement or this Agreement insofar as it pertains to the Project Transmission.

6.7 This ARTICLE VI shall become effective only upon the closing of the sale of the Ownership Share and Project Transmission under the terms of the Coordination Agreement.

ARTICLE VII

JAMESTOWN REACTORS

7.1 As provided in Section 1.13 to this Agreement, 345 kV reactors are to be installed at Jamestown, North Dakota, as shown on Exhibit D attached hereto, if reliability and operating voltage levels of the Center-Maple River 345 kV line are deemed by the Parties to be unacceptable. The Center-Maple River 345 kV line has experienced numerous inadvertent service interruptions due to line to ground faults of an unknown nature resulting in unacceptable levels of reliability prior to November 1, 1982, following which additional modifications were completed under provisions of Paragraph 1.16 of this Agreement. Also, the Center-Maple River 345 kV line has experienced abnormally high operating voltages during its initial period of operation with closer control of the Coyote Station bus voltage and improved coordination with

other coal field generation plants being undertaken in an attempt to alleviate this condition. It is agreed that the purpose of the Jamestown reactor installation would be to alleviate both of the above unacceptable operating conditions should they persist. The Jamestown Reactor will facilitate single pole switching on the Center to Jamestown section of the Center to Maple River 345 kV Line, and will provide improved voltage regulation for the entire system. The Parties are not bound by this agreement to share in costs to facilitate single pole switching on the Jamestown to Maple River section of the Center to Maple River 345 kV Line.

7.2 Costs of construction and installation of the Jamestown reactors shall be divided on the basis of 50% assigned to the Coyote ownership shares and 50% assigned to Agency and Otter Tail.

7.3 Furthermore, the Parties wish to recognize that with the advent of numerous line to ground faults on the Center-Maple River 345 kV transmission line, there is a potential risk that the operational life of the Center Substation 345/230 kV transformer may be significantly diminished and therefore may require additional maintenance and future replacement. It is agreed that the cost of repair or replacement of the Center transformer shall be borne by the Parties in proportion to their ownership share of the Coyote 1 Station should failure occur before June 1, 1989, and the failure be reasonably attributable to the previously stated numerous line to ground faults on the Center-Maple River 345 kV transmission line.

ARTICLE VIII

MINNESOTA POWER TRANSFER TO MONTANA-DAKOTA

8.1 Minnesota Power has agreed to sell, transfer, convey, and assign to Montana-Dakota its entire 5 percent undivided share of the Coyote 1 Station, including but not limited to, all plant property, substation and transmission facilities and property and all lignite coal and

interest in lignite coal fuel supply and all right, title and interest in the Agreement for Sharing Ownership, the Coal Agreement and this Agreement. A written Purchase Agreement dated July 3, 1985 between Minnesota Power and Montana-Dakota has been entered into providing for a three part sale, under which one-fourth of Minnesota Power's interests were transferred on September 5, 1985, one-fourth are to be transferred on or about May 2, 1986, and the remaining one-half of Minnesota Power's interests are to be transferred on about May 2, 1988. Otter Tail, Agency, and Northwestern have consented to this sale and waived any rights of first refusal to any proportionate share of Minnesota Power's undivided interest in the Coyote 1 Station.

8.2 Minnesota Power has assigned, and Montana-Dakota has assumed, Minnesota Power's rights and liabilities under the Agreement for Sharing Ownership, this Agreement, and the Coal Agreement, in the respective proportions of ownership transfer as set forth in the Purchase Agreement to become effective on the respective closing dates for each portion of the sale as described above. Knife River has consented to the assignment by Minnesota Power of Minnesota Power's rights, duties, obligations, responsibilities and interest in the Coal Agreement to Montana-Dakota.

8.3 Effective as of the first closing under the Purchase Agreement, Section 3.3 of the Agreement for Sharing Ownership shall be amended to read as follows:

Section 3.3 Otter Tail, Agency, Montana-Dakota, Northwestern and Minnesota Power shall be the Owners and their Ownership Shares, unless and until changed in accordance with the provisions of this Agreement, shall be as follows:

Otter Tail	-35%
Agency	-30%
Montana-Dakota	-21.25%
Northwestern	-10%
Minnesota Power	-3.75%

8.4 Effective upon the second closing under the Purchase Agreement, Section 3.3 of the Agreement for Sharing Ownership shall be amended to read as follows:

Section 3.3 Otter Tail, Agency, Montana-Dakota and Northwestern shall be the owners and their Ownership Shares, unless and until changed in accordance with the provisions of the Agreement, shall be as follows:

Otter Tail	-35%
Agency	-30%
Montana-Dakota	-22.5%
Northwestern	-10%
Minnesota Power	-2.5%

8.5 Effective upon the third closing under the Purchase Agreement, Section 3.3 of the Agreement for Sharing Ownership shall be amended to read as follows:

Section 3.3 Otter Tail, Agency, Montana-Dakota and Northwestern shall be the owners and their Ownership Shares unless and until changed in accordance with the provisions of the Agreement, shall be as follows:

Otter Tail	-35%
Agency	-30%
Montana-Dakota	-25%
Northwestern	-10%

8.6 This Agreement and the Coal Agreement are hereby amended to reflect this modification in ownership shares under the Agreement for Sharing Ownership.

6.8 Minnesota Power shall no longer be a party to the Agreement for Sharing Ownership, this Agreement, or the Coal Agreement following the third closing under the Purchase Agreement.

ARTICLE IX

CENTER-TO-MAPLE RIVER 345 KV REROUTE

9.1 The Parties agree that the reroute of the Center-to-Maple River 345 kV transmission line (also referred to herein as the "Horsehead Lake reroute"), described in section 1.16 of this Agreement by Agency, through its agent, Minnkota, in response to unforeseen

flooding, was required to provide the necessary transmission service from the Coyote 1 Station to the present electric systems of the Parties.

9.2 The Parties further agree that said reroute, which is 10.69 miles long and begins at structure 400 and extends through structure 448 as illustrated in Exhibit E, constituted necessary added or substitute facilities under section 1.3 of this Agreement, and did not constitute customary capital expenditure or maintenance expense under section 3.3 of this Agreement.

9.3 The Parties further agree that the cost of construction of the reroute facilities shall be as set forth on Exhibit F attached hereto (which is consistent with, and based upon, Revised Exhibit B to this Agreement). The Parties agree to forward their respective share of said costs to Minnkota, as agent for Agency.

9.4 The Parties further agree that each Party shall have undivided ownership in the reroute facilities in an amount equal to the respective Party's share of costs set forth in section 9.3 and attached Exhibit F. In the event the Parties need title documentation for specific property, Minnkota, as agent for Agency, will work with the Parties to provide the required documentation.

9.5 Operation and Maintenance Service (O&M). Agency, through its agent, Minnkota, agrees to operate, maintain and replace each Party's owned portion of the reroute facilities in accordance with the normal practices of the industry. The maintenance to be performed will be determined on the basis of air inspections and/or ground inspections. Required emergency inspections, repairs and maintenance will be performed as soon as practical upon discovery of the need thereof.

9.6 Agency, through its agent, Minnkota, will perform all maintenance and operational inspections, either with its own crew or with crews hired under special contract.

9.7 Agency, through its agent, Minnkota, will purchase and stock at convenient locations, an adequate supply of necessary transmission line materials, such as insulators, conductor, shield wire, other supporting structural members and special hardware which shall remain the property of Minnkota.

9.8 Billing Calculation for O&M Service. The following procedure shall be utilized to determine the amount of annual payment due Agency by the Parties for O&M work performed by Minnkota on Agency’s behalf for the Parties’ account and associated with the Parties’ interests in the reroute portion of the line:

Annual O&M Payment	=	Total Annual Actual Minnkota Transmission System O&M Cost	x	The Parties’ Adjusted 345 kV Transmission Line Ownership
		Total Adjusted Transmission Line Mileage		

Where

- Total annual actual Minnkota transmission system O&M costs are equal to the sum of all expenses included in the FPC Uniform Systems of Accounts, Accounts Numbers 563 Overhead Line Expenses and 571 Maintenance of Overhead Lines.
- Adjusted total transmission line mileage is the sum of:

$$\begin{array}{ccccccc} 69 \text{ kV and } 41 \text{ kV} & + & 115\text{kV and } 230 \text{ kV} & + & 345 \text{ kV} & & \text{Miles in the Minnkota System} \\ 1.0 & & 1.5 & & 2 & & \end{array}$$

$$\begin{array}{ccccccc} \text{As of Jan. 1, 2001:} & 2128.15 & + & 587.97 & + & 214.32 & = 2,627.4 \text{ Miles} \\ & 1.0 & & 1.5 & & 2.0 & \end{array}$$

- Each Party's adjusted 345 kV line mileage is equal to:

$$\frac{\text{Each party's investment in the Horsehead Lake reroute}}{\text{Total investment in the Horsehead Lake reroute}} \times \text{Horsehead Lake reroute length}$$

or

MPC/Agency	$\frac{\$4,205,030}{\$5,425,845}$	x	10.69	=	8.28 miles
OTPC	$\frac{\$746,054}{\$5,425,845}$	x	10.69	=	1.47 miles
MDU	$\frac{\$339,115}{\$5,425,845}$	x	10.69	=	0.67 miles
NWPS	$\frac{\$135,646}{\$5,425,842}$	x	10.69	=	0.27 miles

- For example, the year 2000 O&M payment would be calculated as:

$$\text{The OTPC annual O\&M payment} = \frac{\$2,308,152.10}{2,627.4 \text{ miles}} \times 1.47 \text{ miles} = \$1,291.38$$

$$\text{The MDU annual O\&M payment} = \frac{\$2,308,152.10}{2,627.4 \text{ miles}} \times 0.67 \text{ miles} = \$588.59$$

$$\text{The NWPS annual O\&M payment} = \frac{\$2,308,152.10}{2,627.4 \text{ miles}} \times 0.27 \text{ miles} = \$237.19$$

The Parties shall promptly pay Minnkota for each year's service within fifteen (15) days after receipt of billing therefor.

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

(CORPORATE SEAL)

MINNESOTA POWER & LIGHT COMPANY

In Presence of:

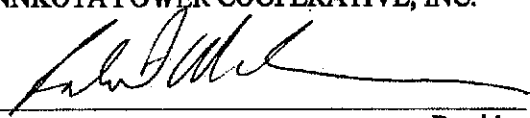
By _____
President


Secretary

(CORPORATE SEAL)

MINNKOTA POWER COOPERATIVE, INC.

In Presence of:

By 
President


Asst. Secretary

(CORPORATE SEAL)

MONTANA-DAKOTA UTILITIES CO.

In Presence of:

By _____
President

Secretary

(CORPORATE SEAL)

NORTHWESTERN PUBLIC SERVICE CO.

In Presence of:

By _____
President

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

(CORPORATE SEAL)

In Presence of:

MINNESOTA POWER & LIGHT COMPANY

By _____
President

Secretary

(CORPORATE SEAL)

In Presence of:

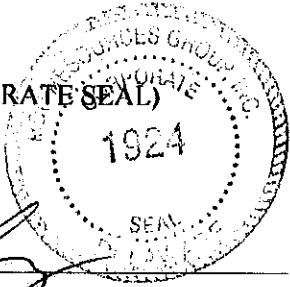
MINNKOTA POWER COOPERATIVE, INC.

By _____
President

Secretary

(CORPORATE SEAL)

In Presence of:


Kelly

MONTANA-DAKOTA UTILITIES CO.

By *Mike Armito*
President *kl*

Secretary

(CORPORATE SEAL)

In Presence of:

NORTHWESTERN PUBLIC SERVICE CO.

By _____
President

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

(CORPORATE SEAL)

MINNESOTA POWER & LIGHT COMPANY

In Presence of:

By _____ President

Secretary

(CORPORATE SEAL)

MINNKOTA POWER COOPERATIVE, INC.

In Presence of:

By _____ President

Secretary

(CORPORATE SEAL)

MONTANA-DAKOTA UTILITIES CO.

In Presence of:

By _____ President

Secretary

(CORPORATE SEAL)

NORTHWESTERN PUBLIC SERVICE CO.
NorthWestern Energy

In Presence of:

By *Rou Rou* President

Gary Jowl

[Signature] Secretary

Secretary

(CORPORATE SEAL)

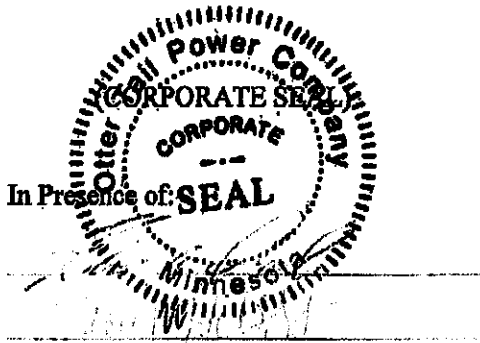
NORTHERN MUNICIPAL POWER AGENCY

In Presence of:

[Handwritten signatures]

By *Les Smith* President

Dale Monstrotter Secretary

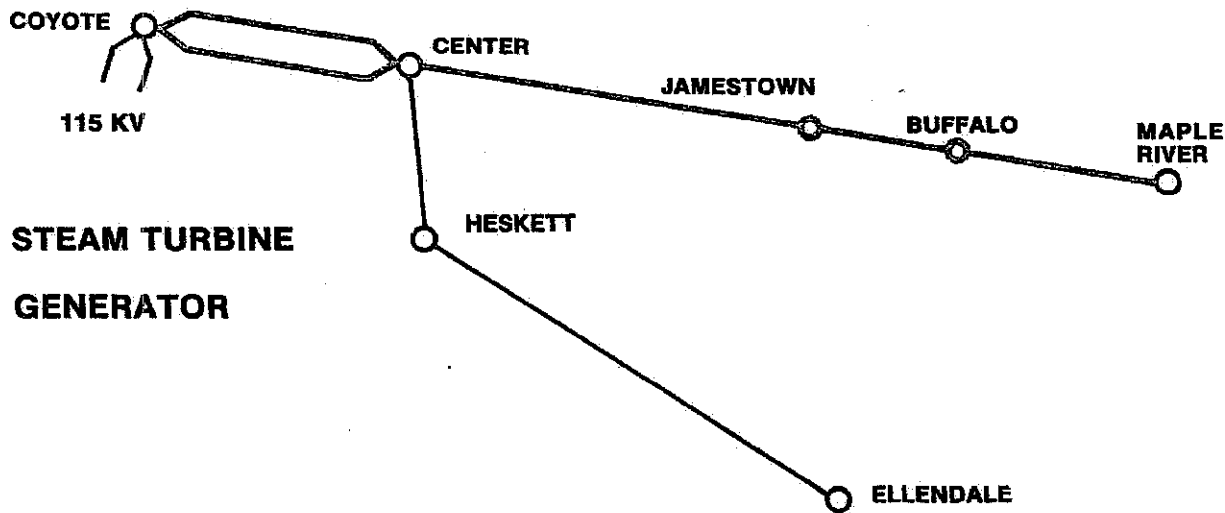


OTTER TAIL POWER CO.

By *J. Boyette* President

[Handwritten signature] Secretary

Exhibit A



——— EXISTING FACILITIES (230KV EXCEPT WHERE NOTED OTHERWISE)
 ——— 345KV FACILITIES ASSOCIATED WITH COYOTE NO. 1 (NEW OR UPDATED FROM EXISTING 230KV FACILITIES)

EXHIBIT "A"
COYOTE PLANT TRANSMISSION FACILITIES
AGREEMENT BETWEEN
MINNESOTA POWER, MINNKOTA,
MONTANA DAKOTA, NORTHWESTERN
AND OTTER TAIL

Exhibit B

REVISED EXHIBIT B
 AMENDMENT NO. 2
 TO THE COYOTE TRANSMISSION FACILITIES AGREEMENT

DIVISION OF OWNERSHIP OF COYOTE TRANSMISSION FACILITIES

<u>Item</u>	<u>Owner (s)</u>	<u>Per Cent Ownership</u>	<u>2/29/84 Installed Cost</u>
Maple River 345KV Substation	Otter Tail and Northern Municipal Power Agency	100.0	3,752,015
Buffalo Substation 230KV to 345KV Uprate	Otter Tail and Northern Municipal Power Agency	100.0	957,805
Jamestown Substation 230KV to 345KV Uprate	Otter Tail and Northern Municipal Power Agency	100.0	2,022,667
Center 345KV Substation	Otter Tail and Northern Municipal Power Agency	100.0	4,285,173
Uprate Center-Maple River 230KV Line to 345KV	Otter Tail and Northern Municipal Power Agency	100.0	22,439,594
Coyote-Center 345KV Line	Northwestern Minnesota Power	66.667 33.333 <hr/> 100.0	3,041,100 1,520,527 <hr/> 4,561,627
Coyote 345/115KV Substation	Montana-Dakota Northwestern Minnesota Power Otter Tail Northern Municipal Power Agency	95.169 2.958 1.480 0.176 0.217 <hr/> 100.0	5,392,826 167,640 83,845 9,970 12,313 <hr/> 5,666,594
Coyote 345KV Tie Line	Montana-Dakota	100.0	621,239
Two Coyote 115KV Tie Lines	Montana-Dakota	100.0	172,469
Microwave Communications and Control	Montana-Dakota Otter Tail Northern Municipal Power Agency	66.915 6.394 26.691 <hr/> 100.0	230,957 22,068 92,124 <hr/> 345,149

Exhibit C

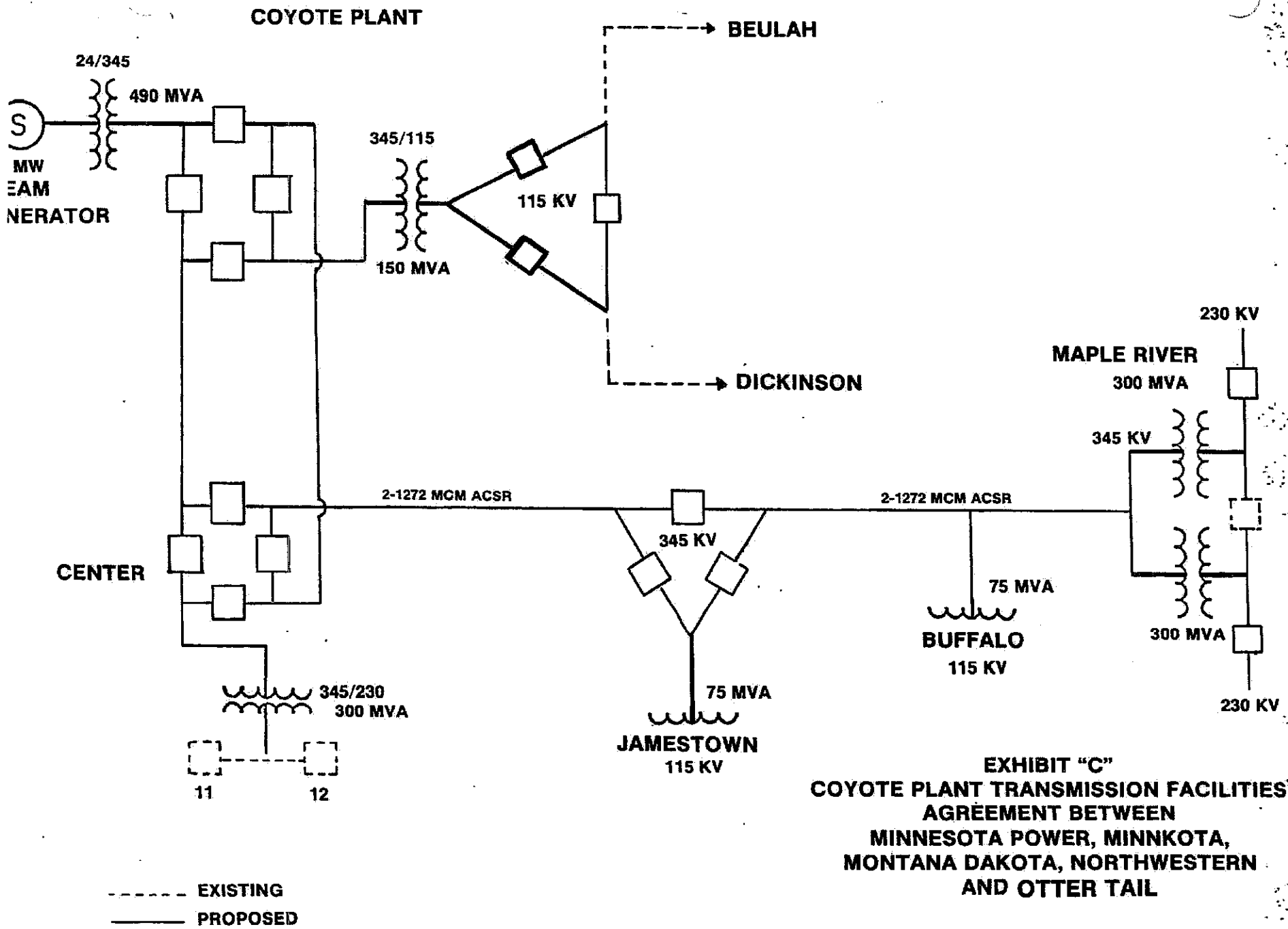


EXHIBIT "C"
COYOTE PLANT TRANSMISSION FACILITIES
AGREEMENT BETWEEN
MINNESOTA POWER, MINNKOTA,
MONTANA DAKOTA, NORTHWESTERN
AND OTTER TAIL

Exhibit D

TO CENTER
345KV SUBSTATION
121.5 MILES

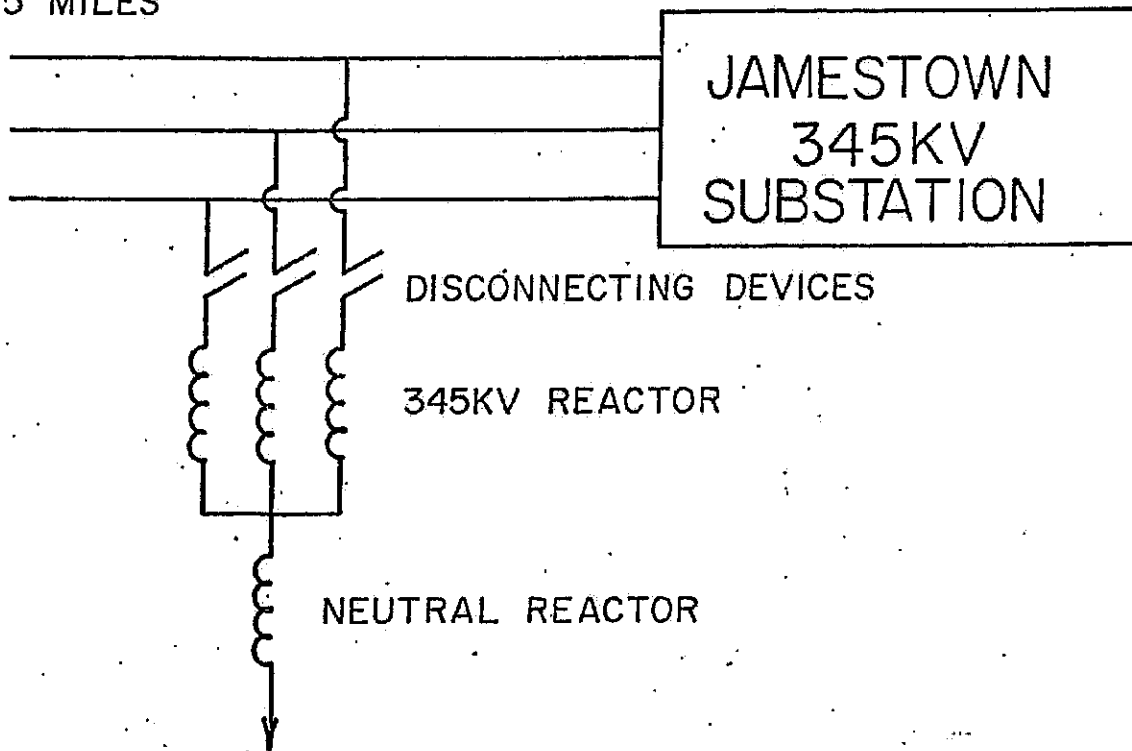


EXHIBIT A
SUPPLEMENTAL AGREEMENT NO. 1
TO THE COYOTE TRANSMISSION
FACILITIES AGREEMENT

Exhibit E

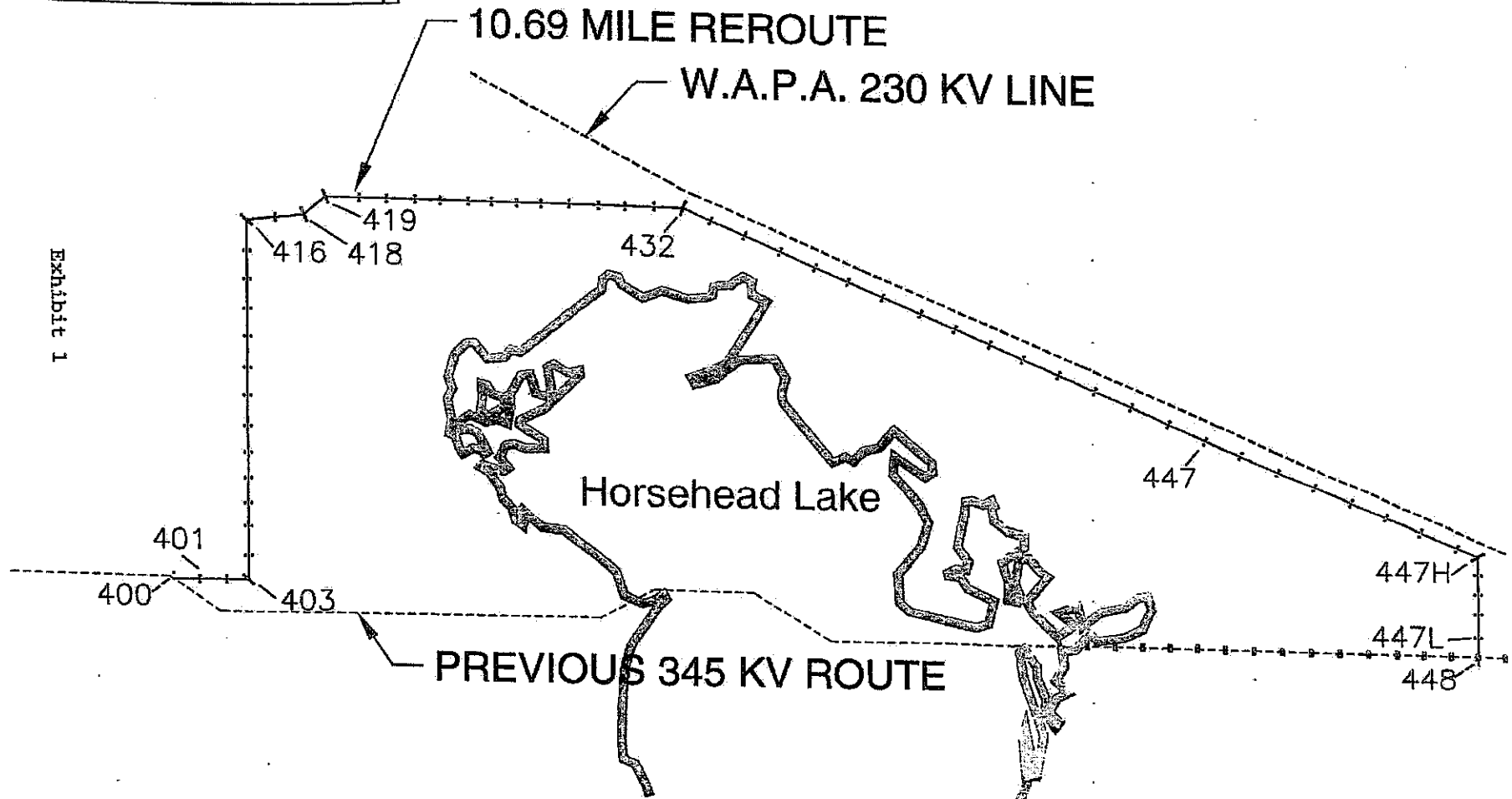
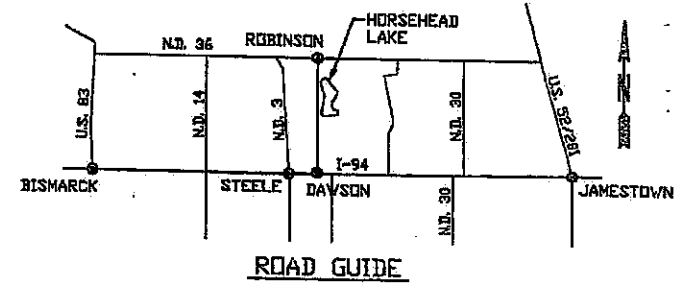
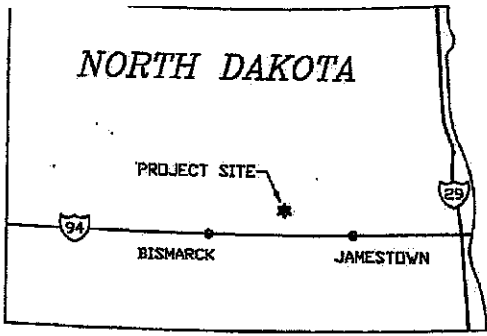


Exhibit 1

**Horsehead Lake Re-route
Kidder County, North Dakota**

Exhibit F

**ALLOCATION OF COSTS
345 KV REROUTE AROUND
HORSEHEAD LAKE**

<u>Ownership Responsibility</u>	<u>Allocation</u>			
	<u>MPC/NMPA</u>	<u>OTPC</u>	<u>MDU</u>	<u>NWPS</u>
230 kV Portion (50%)				
Minnkota (100% x 50%)	50%			
345 kV Uprate Portion (50%)				
NMPA (55.0% x 50%)	27.5%			
Otter Tail (27.5% x 50%)		13.75%		
MDU (12.5% x 50%)			6.25%	
NWPS (5.0% x 50%)				<u>2.5%</u>
	77.5%	13.75%	6.25%	2.5%
 Cost of				
Reroute \$5,425,845	\$4,205,030	\$746,054	\$339,115	\$135,646

NOTE: The 50/50 split between 230 kV and 345 kV responsibility is based on previous agreement and past practices. The 345 kV uprate split is documented in Exhibit B of the Coyote 1 Station Transmission Facilities Agreement as amended.