



Montana-Dakota Utilities Co.

400 N 4th Street
Bismarck, ND 58501

State of Montana Electric Rate Schedule

Volume No. 5
Original Sheet No. 47

INTERCONNECTION COST AMORTIZATION OPTION Rate 95

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In addition to the parties' contract agreement, Company and Seller agree to the following interconnection cost amortization option:

1. Description: Under this option, Seller's obligation to reimburse Company for its cost of interconnection with Seller shall be made in monthly installments, such installments to include a finance charge as provided herein.
2. Finance Charge: Company's Cost of Interconnection shall be deemed to be the principal amount due and owing Company by Seller. The term of the loan shall be deemed to be the class life used by the Company for depreciating the special facilities required for interconnection or the length of the parties' contract, whichever is shorter. Seller shall repay the principal to Company in equal monthly installments over the term of the loan. Seller shall pay to Company each month interest on the unpaid balance computed, on an annual basis, to be equal to the incremental cost of capital to Company as of the date of the execution of this agreement. The incremental cost of capital to Company shall consist of the last cost of equity capital authorized by the Montana Public Service Commission, the current cost of new debt issues rate similarly to the bonds issued by Company, and the last cost of preferred stock experienced by Company.
3. Mortgage Requirement: Seller shall execute a first mortgage upon the Seller's property in favor of Company securing to Company full payment of all amounts due Company under this financing arrangement. In the event of a prior mortgage commitment, Seller shall secure for Company an adequate subordination agreement placing the mortgage required herein in a first position.

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Director - Regulatory Affairs

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4. Nonpayment by Seller: In the event of nonpayment by Seller of any monthly installment due Company under this financing arrangement, Company may:
 - (a) Offset the late payment against any amount due Seller from Company and thereafter deduct from each month's payments due Seller from Company an amount sufficient to cover the next month's installment of principal and interest due Company under this financing arrangement.
 - (b) In the event the nonpayment exists for three consecutive months, declare the entire principal amount due and owing, together with any interest accrued thereon, declare the Seller in default, and exercise its rights under the parties' mortgage, and cease interconnection with Seller as a qualifying facility.
5. Necessary Documents: Seller shall execute all documents deemed necessary by Company to perfect a secured loan transaction including, but not limited to, a note, mortgage, and Truth in Lending disclosure statement. Upon satisfaction of all of Seller's obligations under this financing arrangement, Company shall promptly release its mortgage interest in the property of the qualifying facility.
6. Election: The election of the Interconnection Cost Amortization Option shall be the sole prerogative of Seller. Seller's election shall be manifested by the parties' separate execution of this option. This option is merely an addendum to the parties' contract which binds the parties in all respects. In case of a conflict between a specific provision in this option and the parties' contract, the specific provision in this option controls.

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