MONTANA-DAKOTA UTILITIES CO. ("MDU") / ENERWISE GLOBAL TECHNOLOGIES, INC. DBA CPOWER ("CPOWER")

DEMAND RESPONSE PROGRAM (THE "PROGRAM")

RULES – REVISED JUNE 2016 ("RULES")

1. Primary Program Features.

The Program is available to electric customers of MDU ("**Customers**") served under the rate classes specified in Section 2 of these Rules with the capability of providing dispatchable load curtailment ("**Demand Response**") within one-hour of notification. The amount of curtailment committed to be provided by the Demand Response resources of Enrolled Customers (as defined in Section 4) is referred to herein as "**Enrolled MWs**". Payments to Enrolled Customers are based in part on Enrolled MWs. Enrolled MWs shall be measured as specified in Section 7 of these Rules.

Each Capacity Planning Year shall have two seasons, Summer and Winter. The Summer Season shall occur from June 1 through September 30, and the Winter Season from October 1 through May 31.

2. Customer Eligibility.

To be eligible to participate in the program, Customers must satisfy the following criteria:

- Non-Residential;
- Have an interval meter (may be installed for program participation);
- If using back-up (distributed, on-site) generation ("DG") to curtail, such DG must (i) have all required environmental permits that allow at least 50 hours of operation each calendar year and (ii) have a total nameplate rating per utility account of less than 500 kW. MDU has the right to waive the back-up generation nameplate rating restriction on a case by case basis; and
- Served under any of the following rate schedules in the table below:

Rate Schedules Eligible for Dispatchable Load:
Montana
Irrigation Power Service Rate 25 Large General Electric Service Rate 30 Optional Time-of-Day Large General Electric Service Rate 31 CONTRACT SERVICE Rate 35 Municipal, Lighting, Pumping Rates
North Dakota
Irrigation Power Service Rate 25 GENERAL ELECTRIC SERVICE Rate 30 OPTIONAL TIME-OF-DAY GENERAL ELECTRIC SERVICE Rate 31 FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34 Municipal, Lighting, Pumping Rates
South Dakota

Rate Schedules Eligible for Dispatchable Load:
LARGE GENERAL ELECTRIC SERVICE Rate 30 OPTIONAL TIME-OF-DAY LARGE GENERAL ELECTRIC SERVICE Rate 33 FIRM SERVICE ECONOMIC DEVELOPMENT Rate 34 Municipal, Lighting, Pumping Rates

CPower has the right to negotiate the terms and conditions of individual Customer contracts for Program enrollment, participation and services ("**Customer Contracts**") in its sole discretion. As part of the process for contracting and preparing Customer sites to participate in the program, CPower shall work with Customer personnel to develop a curtailment plan for such Customer (a "Curtailment Plan"). Each Curtailment Plan will specify the means by which a Customer will curtail load when called upon, and will determine the expected amount of load reduction. MDU shall verify Customer's eligibility, review each Curtailment Plan and approve the estimated curtailment amount for setting initial Payment prior to each Customer's initial Demand Response Test.

3. Testing.

Each Enrolled Customer shall be tested at least twice (once per each season) during each Capacity Planning Year to verify their Enrolled MWs. The following requirements shall apply:

- Demand Response Tests shall be conducted by CPower at least once during each Summer Season, between June 1 and August 31, and at least once during each Winter Season, between December 1 and February 28 (February 29th if a leap year). Demand Response Tests are scheduled at MDU's discretion within the parameters set forth in this section.

- Demand Response Tests shall last for 1 hour, and shall occur during MDU's traditional On-Peak hours, between 12 p.m. and 8 p.m. on non-holiday weekdays.

- CPower will provide Enrolled Customers notice of the scheduled Demand Response Test date and time by 3:00PM Central Standard Time the day prior to the scheduled test date. Upon notice of the scheduled test, individual Enrolled Customers may request to reschedule their test. Further, if any Enrolled Customer load drop during a Demand Response Test is less or more than expected, the Enrolled Customer or MDU can request a re-test.

- If an actual MDU-initiated Demand Response Event occurs prior to a scheduled Demand Response Test for a given season, performance in response to the Demand Response Event may be used to satisfy the seasonal Demand Response Test requirement and the Enrolled Customer may elect not to participate in any further Demand Response Tests for that particular season. If the Enrolled Customer elects to participate in a Demand Response Test following a Demand Response Event, performance shall be measured as

prescribed in Section 7 of these Rules and Enrolled MW shall be updated per Section 4 of these Rules.

- Individual Enrolled Customers may request two re-tests per Capacity Planning Year.

- On the day of a Demand Response Test, CPower shall initiate dispatch notification procedures as outlined in Section 5 below.

4. Monthly Enrollment and Nomination.

Enrolled MW Values

Once a Customer has executed a Customer Contract and been approved by MDU (such Customer, an "***Enrolled Customer***"), CPower will include that Enrolled Customer's Enrolled MWs in ongoing monthly nominations to MDU beginning the first day of the following month. An Enrolled Customer's initial Enrolled MW value shall be set to the estimated load reduction value determined in its Curtailment Plan. This initial Enrolled MW value shall be in effect until an Enrolled Customer participates in their first Demand Response Event or Demand Response Test. Enrolled MW values shall subsequently be updated as follows:

- When a Customer is initially dispatched for a Demand Response Event or a Demand Response Test during the Summer Season or Winter Season, the corresponding Enrolled MWs will be updated to reflect the Customer's actual performance as calculated per Section 7 of these Rules.
- A Customer's ongoing Enrolled MWs for a given season shall reflect its hourly average performance during the most recent Demand Response Event or Demand Response Test within a like season. The Enrolled MW value shall remain in effect until the next Demand Response Event or Demand Response Test occurs within the applicable season (Summer or Winter) or within the corresponding season during the next Capacity Planning Year.
- Updates to Enrolled MW values following an event or test shall occur as soon as practical, but no later than the 20th of the month following the month in which the corresponding event or test occurred.
- Enrolled MW may be adjusted to correct for errors or anomalies occurring during a Demand Response Event or Demand Response Test. CPower shall provide MDU justification for any such adjustments, and MDU shall approve or amend the proposed corrections prior to any adjustment to Enrolled MWs.
- Enrolled MWs may be increased or decreased for a Customer to account for the addition or removal of plant and equipment, provided CPower has updated their Curtailment Plan, and that MDU has reviewed and approved the proposed changes.
- For Customers using back-up generation for 100% of their load curtailment and for Customers that are shutting down their entire operations, the initial Enrolled MWs will be limited to the peak demand from the same month of the prior year if the Customer's

demand is seasonal or weather dependent, or the peak demand from the immediately preceding month if the Customer's demand is process dependent.

5. Dispatch.

A dispatch will be initiated by MDU to CPower, which shall in turn be communicated to all or a portion of Enrolled Customers, in the event MDU determines a system need for curtailing Enrolled Customer load ("Demand Response Event") or to demonstrate curtailment capability through a Demand Response Test. MDU may issue a dispatch instruction the day before a Demand Response Event if it reasonably anticipates system conditions to require load curtailment, as further described below. Demand Response Events may last no longer than 4 hours within a 24-hour calendar day, except when MDU has determined the existence of Emergency Conditions, as defined in these Rules, which may require a longer period of curtailment. During any particular Capacity Planning Year, MDU may dispatch Customers for up to a total of 50 Event Hours. Customer load curtailment beyond 4 hours per Demand Response Event or 50 hours per Capacity Planning Year is voluntary, but shall be compensated at an increased Energy Payment rate. The length of Demand Response Events and annual hourly program limits is subject to change based on changes in rules by the Midcontinent ISO that are applicable to this Program.

MDU shall have the option to dispatch Customer load on a geographical basis, and shall define and designate corresponding load zones. The currently effective load zones are 1) Bismarck-Mandan, 2) Williston District and 3) All System. No less than 90 days before the beginning of a new Capacity Planning Year, and upon consultation with CPower, MDU may opt to add, delete, or change designated load zones. Any new load zone schema shall be effective for whole Capacity Planning Years. MDU shall be responsible for determining the appropriate load zone for specific Customers as part of verifying Customer eligibility per Section 2.

1) The following steps will be taken in the event MDU determines a system need for curtailment:

   - CPower shall send notification of the Demand Response Event to all Enrolled Customers via the CPower dispatch system. This system sends email and phone messages to Enrolled Customers that a Demand Response Event has been called. The message shall specify the Demand Response Event start date and time by when Enrolled MWs should be fully curtailed.

   - CPower shall send an event restore notice to all Enrolled Customers via the CPower dispatch system specifying the end-time of the Demand Response Event.

2) The following steps will be taken in the event MDU has provided notice for a scheduled Demand Response Test to demonstrate capability by 3 p.m. the day before:

- At least one-hour before the Demand Response Test is scheduled to begin, CPower shall send confirmation of the Demand Response Test to all scheduled Enrolled Customers via the CPower dispatch system. The message shall specify the test start date and time by when enrolled load should be fully curtailed.

- CPower shall send an event restore notice to all scheduled Enrolled Customers via the CPower dispatch system specifying the end-time of the Demand Response Test.

6. Curtailment Plans

Prior to the standard Program Equipment installation at the Customer site, CPower and the Customer will jointly develop a Curtailment Plan that defines the Customer's initial Enrolled MW value for monthly nomination as well as outline the Customer's strategy for achieving the committed load reduction during a Demand Response Test or Event. The Curtailment Plan should include the following information:

- Customer name and date of Curtailment Plan
- MDU Customer account number(s) of the accounts to be enrolled in the Program
- List of key Customer contacts that will be notified when a Demand Response Test or Demand Response Event is called. At least two contacts are required with at least two forms of communication for each contact (office phone, email, cell phone, etc.)
- The initial Enrolled MW value for each month, or by season (Summer or Winter)
- List of equipment to be curtailed and the associated kW load reduction value for each piece of equipment used for curtailment
- The generator loading factor for generators being used for partial load curtailment
- List of event actions and responsibilities
- Event end and restore procedures
- Contingency curtailment measures

*Note that the monthly Nominated MW value cannot exceed the initial Enrolled MW value listed on the Curtailment Plan. Nominated MW values can be less than or equal to the Curtailment Plan value. Curtailment Plans must be signed by the Customer and CPower and also signed and approved by an MDU representative prior to any equipment installation. MDU reserves the right to waive this requirement on a case-by-case basis.

7. Performance Measurement.

Individual Enrolled Customer performance during a Demand Response Event or Demand Response Test shall be measured on an average hourly basis against an hourly baseline. To the extent Enrolled Customer metering captures kWh consumption in shorter intervals, intervals shall be averaged accordingly to determine the average kW load across each hour. An Enrolled Customer may provide CPower notification of any expected shutdowns or other outages that will impact its ability to provide load curtailment. Notice must be provided to CPower by 12 p.m. on the day before the shutdown or outage is to start and shall include the expected duration of the outage.

An Enrolled Customer's baseline will be based on average hourly load from recent preceding days with a current day adjustment, per the following specifications:

- For each hour, the baseline will represent the average kW demand during the previous ten (10) non-holiday weekdays with the following exceptions:

    - A weekday in which an Enrolled Customer is dispatched for a Demand Response Event or Demand Response Test shall not be considered a non-holiday weekday for baseline calculations, and

    - A weekday for which an Enrolled Customer has provided prior advanced notification of a plant or facility shutdown shall not be considered a non-holiday weekday for baseline calculations.

- If a dispatch instruction for the Demand Response Event was communicated to the Enrolled Customer for the first time on the event day, the baseline may be increased or decreased based on current-day consumption. The baseline adjustment will be calculated as the average hourly difference between actual load and baseline load during the two-hour period prior to the one-hour dispatch notification period. The baseline load during the Event Hours will be adjusted by this hourly average difference.

- If a dispatch instruction for a Demand Response Event or Demand Response Test was communicated the day prior to the start date, the baseline shall be recalculated to equal the hourly average of the three non-holiday weekdays out of the most recent ten, as defined above, with the highest consumption during the dispatched Event Hours or Test Hours.

Performance for each Event Hour shall be calculated as the difference between actual load and baseline load. Overall Demand Response Event performance shall be the average of each Event Hour's calculated performance. If the Demand Response Event includes any partial Event Hours, performance for that hour shall be prorated to reflect the average kW demand reduced during the partial hour, and overall Demand Response Event or Demand Response Test performance shall be weighted accordingly. Calculating aggregate performance in a given Demand Response Event or Demand Response Test, whether for a multi-site Enrolled Customer or the overall portfolio, shall consist of simply adding together the calculated performance for individually measured Enrolled Customer sites.

8. Payment and Settlement.

CPower shall remit payment to each Enrolled Customer for performance of such Customer's Enrolled MWs ("**Payment**"), after retaining CPower's portion of the Payment ("**CPower Service Fee**") and deducting any Deficiency Charges related to the non-performance of such Enrolled Customer's

Enrolled MWs in addition to any Program Equipment costs in accordance with the terms of each Customer Contract.

CPower will pay Enrolled Customers on a quarterly basis via check or ACH within 60 days of the end of the last month in the calendar quarter. The quarterly Enrolled Customer Payment will represent the total of the corresponding three monthly Payments.

An Enrolled Customer's monthly Payment will be based on its Enrolled MWs for that month, adjusted for any Demand Response Event or Demand Response Test performance that occurs during the month. The CPower Service Fee and any unrecovered Program Equipment costs or Deficiency Charges associated with such Enrolled Customer will be deducted from each Payment.

9. Deficiency Charges.

If an Enrolled Customer's load curtailment during any Demand Response Event in any month of the Capacity Planning Year does not meet the minimum performance levels described below, CPower shall calculate a "**Deficiency Charge**" payable such Enrolled Customer as follows:

- Shortage = Nominated MW MINUS Enrolled Customer Performance
- Shortage% = Shortage / Nominated MW
- If Shortage% > 50%, Deficiency Charge of 25% of the Capacity Payment rate assessed for all Shortage MW

10. Metering and Other Equipment.

The standard installation for an Enrolled Customer shall be the Program Equipment. Any special metering or measurement circumstances may be accommodated as mutually agreeable between MDU, CPower, and the Customer. Any Customer-specific exceptions shall be documented in a separate measurement & verification plan, signed copies of which shall be kept by all parties. The following general standards shall apply:

- MDU shall install their standard meter with KYZ pulse output if not already available.
- CPower shall install applicable metering and communications equipment and software.
- Absent any direct funding or subsidy from MDU or other third-parties, the cost of such equipment shall be deducted from initial Payment to Enrolled Customers.
- The Enrolled Customer shall receive title to any and all equipment installed at its facilities.

11. Customer Service.

Once a Customer is enrolled and participating in the Program, CPower shall provide a single phone contact number for customer service. Enrolled Customers may address all questions regarding payments, program rules, equipment, software, etc. to CPower's customer service team who will take point on answering questions and resolving any issues related to Program participation.

12. Definitions: The following terms shall have the following meaning under the Rules:

Capacity Planning Year

A one-year period of time which commences on June 1 of a given calendar year and concludes on May 31 of the following calendar year.

Curtailment Plan(s)

A document jointly developed by the Customer and CPower that defines the Customer's initial Enrolled MW value for monthly nomination as well as outlines the Customer's strategy for achieving the committed load reduction during a Demand Response Test or Event.

Customer

An electric customer of MDU.

Demand Response Event

A period of time during which MDU requests Enrolled Customer load curtailment for purposes of managing or balancing their electric supply.

Demand Response Test

A period of time during which MDU requests Enrolled Customer load curtailment for purposes of testing Enrolled Customer load response capability.

Demand Response Test Period

The period of time during each Summer Season from June 1 to August 31 and each Winter Season from December 1 to February 28 (February 29th if a leap year) during which an applicable Demand Response Test may be conducted to establish or update an Enrolled Customer's load response capability.

Emergency Conditions

MISO Reliability Coordinator declares a Capacity or Energy Emergency Event, or MDU declares a local Capacity or Energy Emergency Event.

Enrolled MW

The amount of Enrolled Customer load deemed available for curtailment, initially as estimated in an Enrolled Customer's Curtailment Plan, and subsequently as measured during each applicable Season through Demand Response Tests and/or Demand Response Events.

Event Hour

Each hour of a Demand Response Event.

Nominated MW

The amount of available customer load that CPower reports to MDU on a monthly basis. By default, Nominated MW are equal to Enrolled MW except as described in Section 4 of these Rules.

Payment

Compensation for Enrolled MWs comprised of a "Capacity Payment" per kW-month and "Energy Payment" for kWh curtailed during a Demand Response Event.

Program Equipment

The metering and related equipment necessary for Program participation, including required software and monitoring equipment.

Summer Season

The period of time within a Capacity Planning Year from June 1 through September 30.

Test Hour

Each hour of a Demand Response Test.

Winter Season

The period of time within a Capacity Planning Year from October 1 through May 31.