

**LONG TERM POWER SUPPLY AGREEMENT  
MCLAUGHLIN RESEARCH INSTITUTE**

This Long Term Power Supply Agreement (the "*Agreement*") is made as of the Effective Date between Electric City Power, Inc., a Montana nonprofit corporation ("*Electric City*"), an electricity supplier licensed by the Montana Public Service Commission, and McLaughlin Research Institute ("*Customer*"), a Montana non-profit corporation, each a "*Party*" and, collectively, the "*Parties*" to this Agreement.

**RECITALS**

The circumstances and facts under which this Agreement is made and executed are as follows:

1. The City of Great Falls, Montana (the "*City*") authorized the organization of Electric City as an instrumentality of the City pursuant to the provisions of the Montana Nonprofit Corporation Act, Title 31, Chapter 2, Montana Code Annotated, as amended, to own, construct, finance, operate and maintain the properties, facilities, rights and interests comprising the City's municipal electric utility established pursuant to Section 5.20.030, OCCGF, and to provide reliable electricity supply services to consumers within and outside of the boundaries of the City at stable, cost-based rates, all for and on behalf of the City.

2. Electric City has previously been licensed by the Montana Public Service Commission as an "electricity supplier" under the Electric Utility Restructuring and Customer Choice Act, Title 69, Chapter 8, Montana Code Annotated, as amended (the "*Customer Choice Act*"), with the authority to provide electricity supply services to certain classes of electricity consumers within the State.

3. Effective October 1, 2007, Montana House Bill 25 prospectively repeals the primary elements of the Customer Choice Act but preserves electricity supply contracts that are in effect prior to October 1, 2007 and requires that licensed electricity suppliers under the Customer Choice Act provide, and their customers be afforded, fair and open long-term access to transmission and distribution facilities, as determined by the Montana Public Service Commission.

4. Electric City, through the City, is a member of Southern Montana Electric Generation & Transmission Cooperative, Inc., ("*SME*"), a rural electric cooperative organized and doing business under the provisions of Title 35, Chapter 18 of the Montana Code Annotated.

5. Through the City, Electric City purchases electricity under a full requirements contract with SME, which in turn maintains certain portfolio power supply resources in order to provide reliable, cost-based electricity service to the City and its other member customers.

6. Among other power supply resources, SME is undertaking the development of a 250 megawatt coal-fired electric generating facility located in Cascade County, Montana near the City of Great Falls known as the Highwood Generating Station (“HGS”), presently anticipated to begin commercial operation in 2012, which will be operated by SME and which is anticipated to become a major component of SME’s portfolio power supply resources.

7. Electric City presently intends to acquire a 15% ownership interest in HGS and, in connection with the acquisition and financing of such ownership interest, desires to enter into long-term power supply agreements with retail customers in order to sell the electricity from its ownership interest at cost-based rates that will provide Electric City with revenues sufficient to enable it to pay the costs of operation, maintenance and debt service costs of its ownership interest in HGS as well as to otherwise acquire and provide low-cost power supply resources to Electric City’s customers.

8. Customer operates one or more facilities located in Montana (collectively, the “Facility”) as more fully described on Schedule A attached hereto and made part hereof.

9. Customer desires to purchase and receive from Electric City its total electricity requirements for operation of its Facility, and Electric City is willing and able to secure and furnish Customer the electric power to meet Customer’s needs, during the term of this Agreement and any extension thereof.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises of the parties, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

The following definitions and terms apply to this Agreement and all communications under this Agreement.

“*Billing Month*” means the time elapsed between two successive meter readings by Northwestern.

“*Delinquency Date*” has the meaning given to it in Section 4.2.

“*Delivery Point*” means the Northwestern electrical substation facility providing service to each of Customer’s Facilities, as designated by Northwestern, or such other location as agreed by the Parties.

“*Delivered Electricity*” means the total metered kilowatt hours of Electricity received by Customer as recorded at the Metering Facilities.

*“Effective Date”* has the meaning given to it in Section 3.2.

*“Electricity”* shall mean electric demand and energy consisting of alternating current, three phase, sixty hertz cycle.

*“Extension Term”* has the meaning given to it in Section 3.1.

*“Facility”* has the meaning given to it in the Recitals.

*“Force Majeure”* has the meaning given to it in Section 7.1.

*“General Administrative Charges”* means Electric City’s reasonable administrative and operational costs and expenses, including overhead.

*“HGS”* has the meaning given to it in the Recitals.

*“Initial Term”* has the meaning given to it in Section 3.1.

*“Metering Facilities”* means the electric meter(s) located at the Customer’s Facility, which Metering Facilities are owned and maintained by Northwestern.

*“Northwestern”* means Northwestern Energy and any successor thereto that operates the electric distribution system which provides the delivery of Electricity to the Facility under this Agreement.

*“Supply Costs”* means, for any Billing Month, all of the actual costs and expenses incurred by Electric City and reasonably allocated to the Billing Month in generating, purchasing or otherwise acquiring sufficient supplies of Electricity to provide service to Customer under this Agreement. “Supply Costs” include, but are not limited to, all fixed and variable expenses, operation, maintenance, power management, and fuel costs of generating resources owned by Electric City, debt service costs, reserve requirements, and other amounts payable in respect of indebtedness incurred by Electric City to finance the costs of generating and power supply resources, purchased electric power costs and expenses, costs of renewable electric resources as and to the extent required by law, Taxes and Assessments, Transmission Costs, General Administrative Charges, and all other costs and expenses allocable to the Electricity supply service to Customer.

*“Taxes and Assessments”* means all applicable present and future taxes, charges, levies, duties, licenses, fees, charges, permits and assessments of any nature (including, without limitation, any universal systems benefits charge or like assessment imposed under Montana law), including interest, penalties, and additions thereto, imposed by any government, taxing, or regulatory authority in respect of or relating to any payments by Customer to Electric City, or deliveries of Electricity from Electric City to Customer, under this Agreement.

*“Transmission Costs”* means Electric City’s actual costs of transmitting electricity to Customer under this Agreement, including transmission losses.

## ARTICLE II

### SALE AND PURCHASE

*Section 2.1 Sale and Purchase of Electricity.* During the Initial Term of this Agreement, and any Extension Term, Electric City hereby agrees to sell and deliver or make available, or cause to be delivered or made available, and Customer agrees to purchase and receive, or cause to be purchased and received, the amount of Electricity as set forth in Section 2.2. In consideration thereof, Customer shall pay Electric City the Supply Costs set forth in Section 4.1 of this Agreement, and shall otherwise comply with the terms and conditions of this Agreement.

*Section 2.2 Full Requirements.* The quantity of Electricity that Customer shall purchase and receive from Electric City under this Agreement shall be the full amount of electricity that is required for all of Customer's operations at its Facility during the Initial Term and any Extension Term of this Agreement. This Section shall not be deemed to prohibit Customer from utilizing electricity generated by a standby generation plant, owned and/or operated by Customer, to the extent the use of such electricity may be required for short-term emergency or reliability purposes.

*Section 2.3 Load Forecasts; Changes in Load Requirements.* On or before May 1st for the 12 month period commencing July 1st of each year, Customer shall provide Electric City with a written forecast of its average and peak load requirements during the next calendar year. Customer further agrees to provide Electric City with reasonable advance notice of any significant changes in its load requirements due to events such as scheduled Facility maintenance and Facility expansions. Customer further agrees to comply with reasonable dispatch and scheduling procedures as Electric City may adopt or amend from time to time.

*Section 2.4 No Resale.* Customer agrees that it will not sell or otherwise transfer any of the Electricity delivered to it under this Agreement to any third party without Electric City's prior written consent.

*Section 2.5 Transmission and Scheduling.* Electric City shall arrange and be responsible for transmission service to the Delivery Point, and shall schedule or arrange for scheduling services with its transmission providers.

*Section 2.6 Distribution.* Under the Customer Choice Act, electricity purchased from licensed electricity suppliers is delivered by the supplier to Northwestern for distribution to the retail customer. As between Customer and Electric City, Customer shall be solely responsible for compliance with all public utility tariffs, rules, regulations, and orders, as may be changed and amended from time to time, relating to the distribution of Electricity provided under this Agreement, including payment of all applicable fees and charges directly to Northwestern. Customer has provided to Electric City copies of any contracts with Northwestern for distribution services and agrees to provide to Electric City any amendments or supplements thereto.