

Memorandum of Understanding
between
Saskatchewan Power Corporation (SaskPower)
and
Midwest Reliability Organization (MRO)
and
North American Electric Reliability Corporation (NERC)
(Individually described hereunder as "Party" and collectively described hereunder as the
"Parties")

This Memorandum of Understanding ("MOU") is made effective as of the date that the last Party executes this MOU ("Effective Date").

WHEREAS SaskPower is the legislated Saskatchewan authority to set, monitor, and enforce Bulk Electric System standards within the Province of Saskatchewan;

AND WHEREAS on March 30, 2010, the SaskPower Board of Directors approved the creation of the Saskatchewan Electric Reliability Authority ("SERA"). SERA's mandate is to approve Bulk Electric System standards, to monitor and enforce compliance, and to report to the SaskPower Board of Directors on reliability management;

AND WHEREAS the Parties wish to establish a continuing and cooperative relationship to enhance the reliability of the North American Bulk Electric System;

AND WHEREAS this MOU defines SERA's protocols for accepting, challenging, and remanding standards as well as monitoring reliability in the Province of Saskatchewan;

NOW THEREFORE this MOU sets out the understanding of the Parties as follows:

Purpose

This MOU reflects the desire for a continuing and cooperative relationship in enhancing the reliability of the North American Bulk Electric System, and in the exchange of experience, information, and data related to that system.

The Parties agree that this MOU is generally consistent with the PRINCIPLES FOR AN ELECTRIC RELIABILITY ORGANIZATION THAT CAN FUNCTION ON AN INTERNATIONAL BASIS published by the "Bilateral Group" (with the exception of the potential to apply penalties). The Bilateral Group was established in February 2004 to address issues concerning an international framework for electric reliability. The Bilateral Group has evolved to include Mexico and is now referred to as the Trilateral Group.

This MOU reflects the intent of the province of Saskatchewan, through SaskPower, to support common North American Bulk Electric System standards and to describe the protocols to achieve such a goal.

This MOU sets forth the mutual expectations that the Parties have with respect to jurisdiction, SERA's adoption of Reliability Standards approved by NERC and MRO, monitoring and reporting compliance of entities within Saskatchewan, and the provision of payment for attributable allocation of MRO and NERC's reasonable budget costs applicable to SaskPower.

This MOU is not intended to be an enforceable or binding agreement or contract by or against any Party, notwithstanding the occasional use of the term 'agree' or the use of mandatory language such as 'shall' or 'will' in either the MOU or its appendices. For further clarity, nothing in this MOU is to be construed as creating binding legal relations or any partnership, agency or joint or several liabilities between any of the Parties, and no penalties may be applied or enforced against any of the Parties to this MOU.

Definitions

For the purpose of this MOU: (i) the term 'Reliability Standard' has the definition as provided for in the Glossary of Terms Used in NERC Reliability Standards ("NERC Glossary of Terms") as amended from time to time; and (ii) the term 'Reliability Coordinator' has the definition as provided for in the NERC Glossary of Terms as amended from time to time.

Term, Termination and Amendments

This MOU will commence as of the Effective Date and continue for a term of five years which automatically renews, unless earlier terminated in accordance with the provisions hereof. Any Party may terminate this MOU at any time by providing one-year, written notification to the other two Parties.

If the government of Saskatchewan, at some future date, enacts specific reliability legislation, SaskPower may require amendments to this framework. Any amendment to this MOU requires the written consent of all Parties.

Roles

The Parties recognize the roles that NERC and MRO have with respect to the North American Bulk Electric System as follows:

NERC is an international organization that has been designated as the Electric Reliability Organization under the *Energy Policy Act of 2005* in the United States (the "*Energy Policy Act*"). NERC's mission is to improve the reliability and security of the Bulk Electric System in North America. SaskPower recognizes NERC as an international Electric Reliability Organization and an Electric Reliability Standard Setting Body. NERC approves Reliability Standards, monitors compliance with Reliability Standards, and periodically assesses the reliability of the Bulk Electric System in North America.

MRO operates under a delegation agreement from NERC to perform reliability functions. MRO is recognized by NERC as a Regional Entity as defined in the *Energy Policy Act* with a cross-border scope and is recognized as such in Saskatchewan. SaskPower is a member of MRO and has representation in the organization.

NERC and MRO recognize that SaskPower has taken the concrete steps required to implement NERC compliance, through: membership in NERC and MRO; registration on the NERC Compliance Registry; formal SaskPower Board of Directors approval to adopt NERC Reliability Standards; approval as a Reliability Coordinator; and creation of SERA. NERC and MRO further recognize that SaskPower's transition to full NERC compliance will require a reasonable timeframe as compared to other bulk electric participants who have been committed to NERC Reliability Standards for longer periods.

Jurisdiction over Reliability Standards

NERC and MRO recognize that SaskPower will retain jurisdiction over Bulk Electric System reliability, and that at this time SaskPower has the legislative authority via *The Power Corporation Act* (Saskatchewan) to set standards and enforce compliance for the Bulk Electric System in the Province of Saskatchewan.

SERA is represented by a cross-functional oversight committee accountable to the SaskPower President and CEO and is comprised of SaskPower executive members appointed by the President and CEO.

SERA's mandate includes the following responsibilities:

- (1) to manage the process for review, modification, adoption and remanding of reliability standards governing the planning and operation of the interconnected Bulk Electric System within Saskatchewan;
- (2) to monitor and enforce compliance with the reliability standards by all entities who are subject to these standards in Saskatchewan, including non-utility generation owners and operators and municipal power utilities; and
- (3) to provide a report on SERA's activities to the SaskPower Executive, Governance/Human Resources Committee and Board of Directors on an annual basis.

NERC and MRO recognize that the Government of Saskatchewan at some future date may enact specific reliability legislation, and that this MOU represents interim reliability governance pending future changes.

SaskPower commits to notify NERC and MRO of updates or changes to this framework in advance of when they become effective and to promptly notify NERC and MRO of points of contact associated with SERA and any changes, as appropriate.

Recognition of SERA's Oversight Structure in Saskatchewan

For the purposes of this MOU, the Parties recognize SERA to be Saskatchewan's Electric Reliability standard setting body.

Development, Adoption, Applicability, Challenge, and Compliance Processes of Reliability Standards

The Parties acknowledge the importance of the active participation of any electricity sector participants from the Province of Saskatchewan in the Reliability Standards development process.

NERC commits to notify SERA of the major milestones in the development of each Reliability Standard. NERC will file its proposed Reliability Standards contemporaneously in all relevant jurisdictions. NERC will notify SERA of the actions of other jurisdictions regarding the proposed Reliability Standards. NERC will immediately notify SERA and MRO if any jurisdiction remands a proposed Reliability Standard and will work with all relevant jurisdictions to resolve the issues raised in the remand.

SERA was established to provide transparency and recognition to Saskatchewan's reliability oversight system. SERA has developed an assessment and review process should it be required to remand or set aside a standard, or to make a finding of non-compliance as asserted by NERC or MRO.

Typically Reliability Standards approved by the NERC Board of Trustees shall be viewed as being automatically adopted in Saskatchewan on the date such standards are deemed effective by NERC, unless:

- (1) a particular standard has been remanded by any jurisdiction (in which case the standard will not be applicable); or
- (2) SERA remands, challenges, defers, sets aside or varies a Reliability Standard as a result of a SERA review (requested in writing by any entity within Saskatchewan, or upon the initiative of the SERA) initiated within 120 days of receiving written notice of NERC's adoption of a Reliability Standard. SaskPower shall provide NERC and MRO with written notice of the outcome of such a review within 30 business days of the completion of the review.

The Parties understand that once a Reliability Standard is adopted, and not remanded, challenged, deferred, or set aside, compliance with the Reliability Standard will become required in the Province of Saskatchewan. SERA will be the monitoring, compliance and enforcement authority for Saskatchewan, as per SaskPower's legislative authority. SaskPower may utilize MRO, NERC, or other resources to complete certain of these reviews.

Referring to the 'MRO Compliance and Enforcement Process Map' attached as Appendix 1 to this MOU, SERA will follow the illustrated compliance process. If findings or any dispute occurs, SaskPower may choose to hear arguments through SERA. The arguments shall be heard within Saskatchewan, and in no case shall any United States court or regulatory agency in the United States be utilized. SERA may make

a finding of non-compliance at any time in accordance with the compliance model illustrated. In the event of a finding of non-compliance by SERA, SERA may seek and enforce a mitigation plan from the non-compliant entity.

The Parties also understand that NERC and MRO intend to conduct monitoring activities, including compliance audits in Saskatchewan, with respect to the state of Reliability Standards in the Province of Saskatchewan.

SaskPower, through SERA, agrees to align to the greatest degree possible to the rules and procedures of NERC and MRO, where such rules support the objectives of this MOU, and do not conflict with Saskatchewan or Canadian laws or regulatory requirements.

Funding

The total funding received by NERC and MRO for, among other things, developing standards, monitoring and performing assessments of the reliability of the Bulk Power System in the United States and Canada (and, in the case of NERC only, in Mexico) is established and allocated annually among load serving entities in accordance with a business plan and budget and associated assessment schedule approved by the NERC Board of Trustees (NERC Board) and the Federal Energy Regulatory Commission (FERC).

SaskPower's share of such approved total funding shall reflect the NERC Board's currently effective Expanded Policy on Allocation of Certain Compliance and Enforcement Costs, which gives recognition to the compliance and enforcement activities conducted by Canadian entities such as SaskPower in the form of a credit for certain compliance and enforcement costs set forth in the NERC and MRO budgets for such year. SaskPower's share of such total funding shall cover all the services provided by NERC and MRO under this Agreement.

NERC and MRO shall provide SaskPower with the draft versions of their respective annual business plans and budgets by May 31st of each year and the final versions of the said business plans and budgets as soon as practical after being approved by the NERC Board, but in no event later than August 30th of each year.

On or before December 1st of each year, NERC and MRO shall provide SaskPower with a copy of the FERC approved NERC and MRO business plans and budgets and SaskPower's share of the total funding as set forth above. NERC shall invoice SaskPower quarterly. Each invoice shall be paid by SaskPower within 30 days of the date of such invoice.

Points of Contact

The points of contact shall be:

MRO

Sara Patrick, Vice President Regulatory Affairs and Enforcement
380 St. Peter Street, Suite 800
St Paul, MN 55102
United States
(651) 855-1708

NERC

Charles Berardesco, Senior Vice President & General Counsel
1325 G Street N.W., Suite 600
Washington, DC 20005
United States
(202) 400-3000

SaskPower and SERA
Rachelle Verret Morphy, Vice President Law, Land & Regulatory Affairs
2025 Victoria Avenue
Regina, Saskatchewan
Canada S4P 0S1
(306) 566-2121

These points of contact can be amended at any time by notification to the other Parties.

Signatures

MIDWEST RELIABILITY ORGANIZATION



Daniel P. Skaar
President & Chief Executive Officer

8/28/15
DATE

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION



Gerald W. Cauley
President & Chief Executive Officer

8/31/15
DATE

SASKATCHEWAN POWER CORPORATION



Rachelle Verret Morphy
Vice President Law, Land & Regulatory Affairs

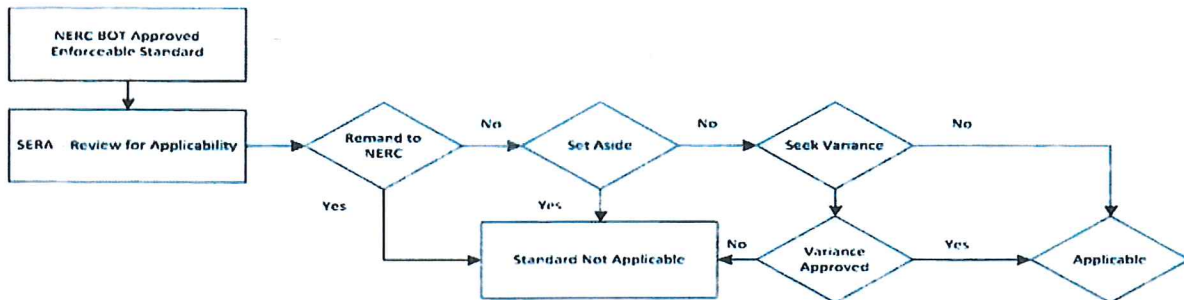
9/4/15
DATE

| SaskPower | |
|---|----------|
| BUSINESS | LAW |
|  | MH |
| APPROVED | REVIEWED |

Appendix 1 to MOU between SaskPower, MRO and NERC

Midwest Reliability Organization Compliance and Enforcement Process Map (Saskatchewan, Canada)

Step 0 – Applicability of Standards



Step 1 – Discovery

Compliance Audit
Spot Checks
Self-Certifications

Complaints
Data Submittals
Periodic Reporting

Self-Reporting
Investigations

Set of Applicable Standards

Alleged Violations

Step 2 – Review and Validation

Initial MRO Staff Review

No Violation

Documented in
MRO Log

MRO Validation

Informal Notice sent to
SaskPower, SERA, NERC

Possible Remedial
Action Directive
From SERA

Validated

No Violation

Dismissal sent to SaskPower,
SERA, NERC

Step 3 – Formal Notification

Notice of Alleged Violations

Notice sent to SaskPower,
SERA, NERC, MRO
Board

Conference between
SaskPower, SERA, MRO

Not Resolved
SaskPower Requests
MRO Review

Resolved and Settled
Confirmed Opinion
of Violation

SERA Confirms
Violation or Not

Final Report of Alleged Violation is
issued to SaskPower, SERA, NERC

Step 4 – MRO Board Review

MRO Board Review

Not Resolved
Registered Entity
Proceeds with NERC
Review

Resolved and Settled
Confirmed Opinion
of Violation

SERA Confirms
Violation or Not

Final Report of Alleged Violation is
issued to SaskPower, SERA, NERC

Step 5 – NERC Review

NERC Review

SERA Confirms
Violation or Not

Final Report of Alleged Violation is
issued to SaskPower, SERA, NERC