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December 16, 2020

Regulatory Commission of Alaska  
701 West Eighth Avenue, Suite 300  
Anchorage, Alaska 99501

Subject: Alaska Electric Light and Power Company  
Tariff Advice Letter No. 493-1  
Amendment No. 2 to  
AELP-HGCMC Special Contract for Power Sales

Dear Commissioners:

On behalf of Alaska Electric Light and Power Company (“AELP”), the tariff filing described below is transmitted to you for filing in compliance with the Alaska Public Utilities Regulatory Act (AS 42.05) and 3 AAC 48.200 — 3 AAC 48.430. This filing is for the extension of the term of a special contract. AELP also proposes to revise Tariff Sheet No. 149, Special Contracts, to update the name of Hecla Greens Creek Mining Company.

Tariff Sheet Number		Cancels Sheet Number		Schedule or Rule Number
Original	Revised	Original	Revised	
149	9th	149	8th	Special Contracts

**I. Summary.**

By this filing, AELP requests approval of Amendment No. 2, dated December 10, 2020 (“Amendment No. 2”)<sup>1</sup> to the Agreement for the Sale and Purchase of Interruptible Energy between AELP and Hecla Greens Creek Mining Company<sup>2</sup> (“HGCMC”), dated July 13, 2005, as amended (“Special Contract”). Amendment No. 2 extends the term of the Special Contract, which

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<sup>1</sup> Amendment No. 2 is enclosed as Exhibit 1.

<sup>2</sup> The initial title page of the Special Contract for Power Sales refers to the contract as the “Agreement for the Sale and Purchase of Interruptible Energy between Alaska Electric Light and Power Company and Kennecott Greens Creek Mining Company.” In 2008, Kennecott Greens Creek Mining Company changed its name to Hecla Greens Creek Mining Company.

will otherwise expire on August 31, 2021. AELP requests that Amendment No. 2 be approved effective February 1, 2021, upon expiration of the 45-day statutory notice period.

## **II. Background.**

HGCMC owns and operates the Greens Creek Mine (“Mine”) and the Hawk Inlet Tails/Ore Loading Facility (“Tails/Ore Loading Facility”) on Admiralty Island. Prior to the Special Contract, HGCMC supplied all of its electric power requirements from its own on-site diesel electric generation units.

The Special Contract between AELP and HGCMC was approved by the Commission effective October 3, 2005,<sup>3</sup> and has a term that expires on August 31, 2021. A copy of the Special Contract and Amendment No. 1 to that agreement are enclosed as Exhibit 2. In general, the Special Contract requires HGCMC to purchase interruptible energy from AELP in the amount of the actual then-operating electric power requirements of the Mine and the Tails/Ore Loading Facility if and to the extent such energy is available from AELP’s hydroelectric resources. AELP may interrupt or curtail such sales at any time and for any reason.<sup>4</sup>

The Special Contract provides for AELP to sell to HGCMC, and for HGCMC to purchase, hydroelectric energy that is in excess of the requirements of AELP’s firm service customers.<sup>5</sup> Thus, the hydroelectric energy that is sold to HGCMC is energy that would otherwise be wasted as “spilled water” from hydroelectric project reservoirs. Whenever such excess hydroelectric energy is not available, whether due to inadequate water levels, transmission line outages, firm service customer load growth, or other causes, AELP interrupts or curtails HGCMC hydroelectric energy sales, and HGCMC meets its remaining load requirements from its own generation. Interruptible hydroelectric energy is transmitted to HGCMC over AELP transmission facilities located on Douglas Island and KWAAN Electric Transmission Intertie Cooperative, Inc. (“KWETICO”) transmission facilities located between Douglas Island and Admiralty Island.

The Special Contract has provided several significant benefits to AELP’s firm service customers and HGCMC. First, the Special Contract facilitated AELP’s construction of

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<sup>3</sup> Letter Order No. L0500581, TA 334-1 (Oct. 4, 2005).

<sup>4</sup> The only reason for which AELP cannot interrupt sales to HGCMC is if it is for the purpose of serving “subsequent interruptible customers”—customers that begin taking interruptible energy on or after the effective date of the Special Contract. Special Contract § 3(a), (c).

<sup>5</sup> See *id.*. Amendment No. 1 to the Special Contract (“Amendment No. 1”) provides for the provision of interruptible energy to HGCMC from AELP’s diesel-fueled electric generation facilities under certain limited, unusual circumstances, as specified in Amendment No. 1. Amendment No. 1 was approved by the Commission effective March 29, 2016. See Letter Order No. L1600145 (Mar. 29, 2016).

AELP's Lake Dorothy Hydroelectric Project ("Lake Dorothy") and the significant benefits that Lake Dorothy provides to AELP firm service customers. Constructing Lake Dorothy allowed AELP to minimize future firm service rate increases, avoid more costly diesel generation, and enhance the overall reliability of AELP's power supply. The Special Contract ensures full utilization of Lake Dorothy (which minimizes the per-kWh cost of Lake Dorothy energy) by requiring HGCMC to purchase all of its requirements from AELP when excess hydroelectric energy is available, but also allows AELP to interrupt those sales as necessary to reserve hydroelectric energy for firm service requirements as firm loads grow.

Second, a related benefit of the Special Contract is that it minimized the overall capital cost of Lake Dorothy. Most of the life cycle costs of a hydroelectric plant consist of the initial capital cost of the project, which is recovered in customer rates over the life of the project through depreciation expense. By providing a significant interruptible load to help fully utilize Lake Dorothy output immediately upon completion, the Special Contract allowed AELP to construct Lake Dorothy much earlier than it otherwise would have without that load. That "locked in" the capital cost of Lake Dorothy at 2009 construction cost levels.

Third, the Special Contract provides substantial incremental revenues that reduce the net cost of electric service for AELP's firm service customers. Since 2006, interruptible hydroelectric energy sales to HGCMC have reduced what AELP customers would have otherwise paid by approximately \$68 million (excluding pass-through revenues for KWETICO transmission charges, regulatory cost charges, and sales taxes). Because the incremental cost of AELP's excess hydroelectric energy is virtually zero, incremental revenues from the Special Contract result in AELP's firm service rates being much lower than they would have otherwise been without the Special Contract. In its last three rate cases (Dockets U-05-090, U-10-029, and U-17-002), AELP's required increases to base rates were significantly reduced by projected revenues from interruptible hydroelectric energy sales to HGCMC. In effect, the Special Contract provides for a significant portion of Lake Dorothy's costs to be recovered from interruptible hydroelectric energy sales to HGCMC (rather than from firm service rates), while AELP's firm service customers enjoy priority rights to the current and long-term benefits of Lake Dorothy.

Fourth, the Special Contract allows HGCMC to substantially reduce its diesel fuel consumption and exhaust emissions associated with HGCMC's displaced diesel generation. Related to that, the Special Contract allows HGCMC to reduce its operating costs and helps maintain the viability of the largest private employers and property taxpayer in the City and Borough of Juneau.

In approving the Special Contract, the Commission concurred with Commission Staff's analysis of the contract and recommendation for approval.<sup>6</sup> Staff's analysis found that the interruptible hydroelectric energy sales were unique and appropriate for a special contract, that the

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<sup>6</sup> See Tariff Action Memorandum, TA334-1, at 1 (Sep. 29, 2005).

Special Contract does not grant HGCMC an unreasonable preference or advantage, and that the Special Contract's rate methodology is just and reasonable.<sup>7</sup>

### **III. Amendment No. 2.**

Section 5(b) of the Special Contract provides for an initial term that expires on August 31, 2021.<sup>8</sup> Section 5(c) of the Special Contract provides for extensions of the term of the contract by agreement between the parties. In Amendment No. 2, AELP and HGCMC have agreed to extend the term of the Special Contract by one year upon the expiration of the initial term, with subsequent one-year renewal terms.<sup>9</sup> Other than the term extension set forth in Section 4 of Amendment No. 2, all other provisions of the Special Contract remain unchanged.<sup>10</sup>

Approval of Amendment No. 2 is necessary to prevent the Special Contract from expiring on August 31, 2021. Approval of Amendment No. 2 will allow AELP to continue to provide interruptible excess hydroelectric energy to HGCMC, which will benefit AELP's firm service customers through lower rates and allow HGCMC to continue to minimize diesel and self-generation costs and exhaust emissions.

### **IV. Requested Effective Date.**

AELP requests that Amendment No. 2 be approved effective February 1, 2021, upon expiration of the 45-day statutory notice period.

### **V. Compliance with 3 AAC 48.270(a) and 3 AAC 48.390(b) and (d).**

AELP provides the following information:

*3 AAC 48.270(a) – Name and return address of the filing utility:*

Alaska Electric Light and Power Company  
5601 Tonsgard Court  
Juneau, Alaska 99801-7201

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<sup>7</sup> See *id.* at 4-5.

<sup>8</sup> The initial term is “for a period of (i) fifteen (15) years from the date of first delivery and receipt of Interruptible Energy to the Mine and/or to the Tails/Ore Loading Facility, or (ii) twelve (12) years from the COD [(commercial operation date)] of Lake Dorothy, whichever is longer.” Special Contract § 5(b). AELP's delivery of interruptible energy to HGCMC began on August 3, 2006. The commercial operation date of Lake Dorothy was August 31, 2009.

<sup>9</sup> See Amendment No. 2 § 4. That section also provides for subsequent one-year renewal terms subject to either party terminating the contract with at least 60-days prior written notice.

<sup>10</sup> See *id.* § 5.

*3 AAC 48.270(a) – Name, return address, and electronic mail address of the utility’s representative authorized to issue tariffs:*

Constance Hulbert  
President and General Manager  
5601 Tongard Court  
Juneau, Alaska 99801-7201  
E-mail: [Connie.Hulbert@aelp.com](mailto:Connie.Hulbert@aelp.com)

*3 AAC 48.270(a)(1) – List the tariff advice letter number:*

See page 1.

*3 AAC 48.270(a)(2) – Specify the statutes, regulations or commission order that the filing is made under:*

See page 1.

*3 AAC 48.270(a)(3) – List the tariff sheets, special contracts, agreements, or other documents required by commission order that are being filed:*

See Amendment No. 2 enclosed as Exhibit 1.

*3 AAC 48.270(a)(4) – Summarize the proposed tariff revisions, including an explanation about whether the filing proposes to implement rules, rates, or both:*

If approved, Amendment No. 2 will extend the term of the Special Contract. AELP also proposes to revise Tariff Sheet No. 149 to update the name of the purchaser under the Special Contract from Kennecott Greens Creek Mining Company to Hecla Greens Creek Mining Company. See *supra* note 2. Amendment No. 2 does not require revising any other tariff sheet and will not “implement new tariff rules or rates.”

*3 AAC 48.270(a)(5) – Include a statement setting out whether the filing will impact any current customers and the estimated number of customers or shippers that will be affected:*

HGCMC is the only customer that will be directly affected by Amendment No. 2, but all of AELP’s approximately 17,386 firm service customers will be favorably affected by the continued flow-through of Special Contract revenues in AELP’s COPA and/or reduction in base rates via a reduction to the revenue requirement for expected HGCMC revenues.

*3 AAC 48.270(a)(6) – If applicable, include a request for the tariff filing to take effect before the end of the statutory notice period:*

AELP does not request that approval of Amendment No. 2 take effect before the expiration of the statutory notice period.

*3 AAC 48.270(a)(7) – If applicable, include a request for interim approval:*

Not applicable.

*3 AAC 48.390(b):*

As required by 3 AAC 48.390(b), the parties agree that Amendment No. 2 does not take effect without prior Commission approval and is, at all times, subject to revision by the Commission.<sup>11</sup>

*3 AAC 48.390(c):*

As required by 3 AAC 48.390(c), extension of the term of the Special Contract does not provide HGCMC an “unreasonable preference or advantage” or subject it to an “unreasonable prejudice or disadvantage” in relation to the terms and conditions under which AELP “offers a comparable service under comparable conditions” under its tariff. Through its prior approvals, the Commission has already determined that the Special Contract is reasonable and nondiscriminatory.<sup>12</sup> Amendment No. 2 does not change any provision of the Special Contract other than its term.

## **VI. Conclusion.**

AELP respectfully requests approval of Amendment No. 2 to extend the initial term of the Special Contract beyond August 31, 2021, as agreed upon between AELP and HGCMC. Please direct any questions regarding this filing to the undersigned at (907) 277-1604 or ddt@khe.com.

Sincerely yours,

KEMPEL, HUFFMAN AND ELLIS, P.C.  
Counsel for Alaska Electric Light and  
Power Company

By: /s/ Dean D. Thompson  
Dean D. Thompson  
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:tmt  
Enclosures

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<sup>11</sup> See Amendment No. 2 § 6.

<sup>12</sup> See *supra* notes 6, 7 and accompanying text.

RCA No. 1

Ninth

Sheet No. 149

**Canceling**

Eighth

Sheet No. 149

**Alaska Electric Light and Power Company**

**Regulatory Commission  
of Alaska**

Special Contracts

The Company provides electric service by special contract to the following:

State of Alaska, Department of Fish and Game for service at  
the Snettisham Hatchery  
Princess Cruise Lines, Ltd.  
Hecla Greens Creek Mining Company

**T**

**Tariff Advice No.** 493-1

**Effective** February 1, 2021

Issued by **Alaska Electric Light and Power Company**

By Constance Hulbert Title President and General Manager

# **Exhibit 1**



## **AMENDMENT NO. 2 TO SPECIAL CONTRACT FOR POWER SALES**

This Amendment No. 2 to Special Contract for Power Sales (“Amendment No. 2”) is entered into as of the Amendment No. 2 Effective Date, between Alaska Electric Light and Power Company (“AELP”) and Hecla Greens Creek Mining Company (“HGCMC”). AELP and HGCMC may be referred to herein individually as “Party” and collectively as the “Parties.”

### **RECITALS**

A. AELP and Kennecott Greens Creek Mining Company (“KGCMC”) previously entered into a Special Contract for Power Sales,<sup>1</sup> dated July 13, 2005 (“Special Contract”). The Special Contract was approved by the Regulatory Commission of Alaska (“RCA”) in Letter Order No. L0500581, dated October 4, 2005.

B. In 2008, KGCMC’s name was changed to “Hecla Greens Creek Mining Company.” HGCMC owns and operates the Greens Creek Mine (“Mine”) and the Hawk Inlet Tails/Ore Loading Facility (“Tails/Ore Loading Facility”) on Admiralty Island in Southeast Alaska.

C. Effective March 29, 2016, the Parties entered into Amendment No. 1 of the Special Contract. Amendment No. 1 was approved by the RCA in Letter Order No. L1600145, dated March 29, 2016.

D. The initial term of the Special Contract expires on August 31, 2021 (12 years after the August 31, 2009 commercial operation date of the Lake Dorothy Hydroelectric Project (“Lake Dorothy”).<sup>2</sup>

E. AELP and HGCMC desire to extend the initial term of the Special Contract by one (1) year in accordance with Section 5(c) of the Special Contract.

### **AGREEMENT**

In consideration of the mutual agreements set forth herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. The Special Contract is hereby amended to provide for extension terms as set forth in this Amendment No. 2.

2. This Amendment No. 2 shall become effective on the date on which it has been signed by both Parties and approved by the RCA (“Amendment No. 2 Effective Date”).

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<sup>1</sup> The initial title page of the Special Contract for Power Sales refers to the contract as the “Agreement for the Sale and Purchase of Interruptible Energy between Alaska Electric Light and Power Company and Kennecott Greens Creek Mining Company.”

<sup>2</sup> See Special Contract Section 5(b).

3. Unless otherwise defined herein, all capitalized terms in this Amendment No. 2 that are defined in the Special Contract shall have the meaning set forth in the Special Contract. Capitalized terms that are not defined in the Special Contract shall have the meaning set forth in this Amendment No. 2.

4. Immediately upon the expiration of the initial term referenced in Section 5(b) of the Special Contract, the Special Contract shall remain in effect for an extension term of one (1) year. Thereafter, the term of the Special Contract, as previously amended, shall automatically be extended for successive one- (1-) year terms unless either Party provides written notice of termination to the other Party at least sixty (60) days prior to the end of the then-effective extension term. Nothing in this Amendment No. 2 is intended to limit or alter the Parties' other rights of termination provided for in the Special Contract.

5. Except for the term extension set forth in 4 above, all provisions of the Special Contract, as previously amended, shall remain in full force and effect.

6. Pursuant to 3 AAC 48.390(a), the Parties agree that this Amendment No. 2 does not take effect without the prior approval of the RCA and is, at all times, subject to revisions by the RCA.

7. This Amendment No. 2 may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same agreement, binding the Parties hereto, notwithstanding that the Parties are not signatories to the original or to the same counterpart. Delivery of a photocopy, facsimile copy, or scanned copy of a signed original of this Amendment No. 2 or any other documents referred to herein shall be treated the same as delivery of the original


ALASKA ELECTRIC LIGHT  
AND POWER COMPANY

 Constance Hulbert  
2020-12-10 13:13:22

Constance Hulbert  
President & General Manager

Date: 12/10/2020

HECLA GREENS CREEK MINING  
COMPANY

  
Digitally signed by Brian Erickson  
DN: cn=Brian Erickson, o, ou,  
email=berickson@hecla-mining.com, c=US  
Date: 2020.12.10 12:24:47 -0900

Brian Erickson  
VP – General Manager

Date: 12/10/20

# **Exhibit 2**

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AGREEMENT FOR THE SALE AND PURCHASE

OF

INTERRUPTIBLE ENERGY

between

ALASKA ELECTRIC LIGHT AND POWER COMPANY

and

KENNECOTT GREENS CREEK MINING COMPANY

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Reference: TA334-1  
Effective: October 3, 2005

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Regulatory Commission of Alaska  
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Reference: TA334-1  
Effective: October 3, 2005

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**SPECIAL CONTRACT FOR POWER SALES**

THIS SPECIAL CONTRACT FOR POWER SALES (this "Agreement") is entered into on the 13th day of July, 2005, between Alaska Electric Light and Power Company ("AELP"), an Alaska corporation whose mailing address is 5601 Tongard Court, Juneau, Alaska 99801, and Kennecott Greens Creek Mining Company ("KGCMC"), a Delaware corporation, whose mailing address is P.O. Box 32199, Juneau, Alaska 99803-2199.

**Section 1. RECITALS**

WITNESSETH:

WHEREAS, KGCMC holds a majority interest in the Greens Creek Joint Venture and, in its capacity as the Manager of the Greens Creek Joint Venture, operates the Greens Creek Mine ("Mine") and the Hawk Inlet Tails/Ore Loading Facility ("Tails/Ore Loading Facility") on Admiralty Island in Southeast Alaska, as described in **Exhibit A** (Greens Creek Mine); and

WHEREAS, KGCMC is authorized to bind the Greens Creek Joint Venture (and the individual joint venturers) to perform this special contract; and

WHEREAS, KGCMC's operations at the Mine and the Tails/Ore Loading Facility provide a major source of local employment and significantly stimulate the local economy; and

WHEREAS, in recognition of these economic benefits, and to help assure that such benefits continue for as long as possible, the Federal government will provide grant funding for construction of all or significant portions of a transmission line segment linking the Mine (and, separately, to the extent required for this purpose, the Tails/Ore Loading Facility) with the transmission line known as the Juneau/Greens Creek/Hoonah Intertie that will ultimately link the communities of Juneau and Hoonah, Alaska; and

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WHEREAS, absent the KGCMC Transmission Segment and the Intertie, KGCMC would continue to generate all of its own electric power to meet the load requirements of the Mine and the Tails/Ore Loading Facility; and

WHEREAS, such self-generation by KGCMC of its entire electric load requirements would represent a foregone opportunity for KGCMC's loads to benefit other customers of AELP and other users of the Intertie, and would also produce air emissions and other potential environmental impacts that can be avoided if and to the extent that KGCMC is supplied with electric power via the Intertie and the KGCMC Transmission Segment under terms and conditions that make it advantageous to KGCMC and AELP's other customers for KGCMC to buy power from AELP and limit such self-generation; and

WHEREAS, AELP is an electric utility that provides electric power and related services to customers throughout the Juneau area; and

WHEREAS, AELP currently has surplus electric energy available from the Snettisham Hydroelectric Project and AELP's other hydroelectric resources, depending on annual water conditions; and

WHEREAS, by connecting to the AELP System via the Intertie and the KGCMC Transmission Segment, and by purchasing otherwise surplus electric energy from AELP, KGCMC may reduce the operation of its own generators and related facilities and equipment; and

WHEREAS, KGCMC has agreed to incur the capital costs of constructing and installing, and to bear all expenses of operating and maintaining, certain KGCMC electrical substations and related delivery facilities and equipment at the Mine and at the Tails/Ore Loading Facility that are needed in order to allow KGCMC to receive electric energy from AELP at these locations; and

WHEREAS, AELP has determined that selling otherwise surplus interruptible electric energy to KGCMC under the terms and conditions of this Agreement will benefit AELP's other customers by making revenue contributions that reduce the costs that AELP's other customers would otherwise bear; and



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WHEREAS, the Intertie will, in the future, provide the opportunity to bring power to the community of Hoonah; and

WHEREAS, the Regulatory Commission of Alaska, which regulates AELP's rates, tariffs, and conditions of service, has previously reviewed and approved special contracts for AELP's sale of interruptible electric energy on terms similar to those set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants herein set forth, the Parties agree as follows:

## Section 2. DEFINITIONS

(a) **AELP System**. The electric generation and transmission facilities owned or operated by AELP from time to time (including but not limited to Snettisham, Lake Dorothy, and such transmission lines and associated transmission facilities as are necessary for AELP to deliver power from the AELP System to the Intertie for delivery and sale to KGCMC).

(b) **Agreement**. This special contract for the sale and delivery, and the purchase and receipt, of electric power by AELP to KGCMC.

(c) **Applicable Rate**. The energy rate per kilowatt-hour charged by AELP from time to time as specified in **Exhibit D** (Energy Charges and Related Rate Matters).

(d) **Commercial Operation Date (or "COD")**. With respect to Lake Dorothy, the first date on which the hydroelectric project, having successfully completed startup and testing, is (i) certified by the responsible professional engineer as (A) having achieved and maintained on a continuous basis actual performance that is reasonably consistent with its designed capacity and energy production capability, and (B) being suitable for providing electric service to AELP's utility loads, and (ii) formally accepted by AELP by appropriate written notice to the construction contractor or other suitable individual or entity. Where this Agreement speaks of Lake Dorothy having "achieved commercial operation," said term shall be understood to refer to Lake Dorothy having obtained certification and acceptance as specified here.



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(e) **Delivery Points.** The physical locations at which Interruptible Energy is delivered by AELP to KGCMC and received by KGCMC from AELP, specified in **Exhibit B** (Delivery Facilities & Equipment; Points of Interconnection).

(f) **Effective Date.** The date on which this Agreement, having first been executed by the Parties, receives the last of any Necessary Approvals.

(g) **Electric Power** (or **power**). Electric energy (measured in kilowatt hours or megawatt hours), or electric capacity (measured in kilowatts or megawatts), or both, as the context may require.

(h) **Force Majeure.** Any cause beyond the control of a Party and which by the exercise of due diligence that Party is unable to prevent or overcome, including but not limited to an act of God, fire, flood, volcano, earthquake, explosion, sabotage, an act of the public enemy, an act of any civil or military authority (including court orders, injunctions, orders of governmental agencies of competent jurisdiction, and delay or denial of necessary permits on acceptable terms), insurrection or riot, an act of the elements, failure of equipment, or the inability to obtain or transport equipment or materials because of the effects of similar causes on carriers or shippers. Strikes, lockouts, and other labor disturbances shall be considered Force Majeure, and nothing in this Agreement shall require either party to settle a labor dispute against its best judgment.

(i) **Interruptible Customers.** Customers or loads that AELP normally meets with electric power service that AELP is entitled, by provisions of tariff or contracts, to curtail or suspend (whether with notice or not, but, in KGCMC's case, subject to the provisions of Section 3(a) of this Agreement) for reasons in addition to Force Majeure.

(j) **Interruptible Energy.** Electric energy (kilowatt hours) that AELP delivers and sells to customers, including KGCMC, with no assurance of continued delivery at any time except as specifically provided by applicable tariff or contract.

(k) **Intertie.** The electric transmission line and related facilities and equipment (including the KGCMC Transmission Segment), owned by KWETICO, that comprise or will comprise the

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Juneau/Greens Creek/Hoonah Intertie described in **Exhibit C** (Intertie and KGCMC Transmission Segment).

(l) **KGCMC Cost Recovery Date.** The date on which KGCMC is deemed to have recovered, through power costs savings realized under this Agreement, computed in accordance with the avoided cost mechanism set forth in **Exhibit D**, the capital and related costs of KGCMC's initial investment in the electrical substations and related delivery facilities and equipment described in **Exhibit B**.

(m) **KGCMC Transmission Segment.** The transmission line(s) linking the Mine and/or the Tails/Ore Loading Facility (as the context may require) with the other facilities and equipment of the Intertie, as described in **Exhibit C**.

(n) **KWETICO.** The Kwaan Electric Transmission Intertie Cooperative, Inc., or successor entity, in its capacity as owner of the Intertie.

(o) **Lake Dorothy Hydroelectric Project (or Lake Dorothy).** The hydroelectric generating facility described in **Exhibit E** (Lake Dorothy Hydroelectric Project Description); provided, that unless the context otherwise requires, the terms Lake Dorothy Hydroelectric Project or Lake Dorothy shall be deemed to refer only to Phase 1 of the facility as described in such Exhibit and not to Phase 2.

(p) **Necessary Approvals.** Approvals of this Agreement by governmental authorities or agencies that, by law, must be obtained in order for (i) the Agreement to become effective, or (ii) amendments or modifications to the Agreement to become effective.

(q) **O&M.** Operations and maintenance.

(r) **Operating Agreement.** A separate agreement between the Parties, which may be amended, supplemented and modified from time to time by agreement of the Parties, establishing the procedures and parameters for interconnecting and operating KGCMC's and AELP's electrical systems.

(s) **Party or Parties.** AELP or KGCMC (each a Party), or both (Parties).

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(t) **Prior Interruptible Customers.** Interruptible Customers who began taking power from AELP under applicable tariffs or contracts before the Effective Date, and who continue to do so at times relevant to this Agreement, provided that such Interruptible Customers shall be considered Prior Interruptible Customers only with respect to the amount of power they were entitled to take in accordance with such tariffs or contracts as the latter existed on the Effective Date.

(u) **Regulatory Cost Charge.** An expense imposed on AELP by the RCA to help defray the RCA's operating costs, which is passed through to AELP's customers, without any added margin or markup, on a cost-per-kilowatthour basis.

(v) **RCA.** The Regulatory Commission of Alaska, or any successor established by statute.

(w) **Snettisham.** The Snettisham Hydroelectric Project, a generating facility from which AELP obtains power, including Interruptible Energy. For purposes of this Agreement, Snettisham shall be considered an AELP generating facility, unless the context otherwise requires.

(x) **Subsequent Interruptible Customers.** Interruptible Customers, other than KGCMC, who begin taking power from AELP under applicable tariffs or contracts on or after the Effective Date.

(y) **Transmission Charges.** Those charges, described in **Exhibit F** (Transmission Charges) applicable to the delivery of Interruptible Energy to KGCMC by means of the AELP System and the Intertie (including the KGCMC Transmission Segment).

### **Section 3. ELECTRIC SERVICE TO BE PROVIDED**

(a) **Interruptible Energy.** Except to the extent otherwise specified herein, or to the extent that AELP and KGCMC may agree from time to time to have KGCMC generate more electric power to meet a larger portion of KGCMC's load requirements under specific operating conditions, AELP will sell and deliver to KGCMC, and KGCMC will purchase and receive from AELP, at the Delivery Points, Interruptible Energy in the amount of the actual then-operating

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electric power load requirements of the Mine and the Tails/Ore Loading Facility, respectively, but only if and to the extent that (i) such load requirements actually exist, and (ii) such Interruptible Energy is available to AELP from AELP's hydroelectric generating facilities at times appropriate for delivery by AELP and receipt by KGCMC. The physical delivery and receipt of Interruptible Energy may be interrupted, curtailed, or suspended at any time and for any reason by either Party; provided that, except as otherwise specifically provided herein (including without limitation under Section 3(f)(i) through 3(f)(iv) and the provisions of this Agreement relating to reliability of power deliveries), KGCMC will not interrupt receipt of Interruptible Energy or terminate this Agreement for the purpose of meeting its actual then-operating load requirements with electric power from another source, including self-generation; and provided further that, except as otherwise specifically provided herein, AELP will not interrupt delivery of Interruptible Energy or terminate this Agreement for the purpose of supplying Interruptible Energy to a Subsequent Interruptible Customer; and provided further that the interrupting Party shall give the other Party as much advance notice of such interruption, curtailment, or suspension as is reasonably practical under the circumstances, together with an explanation of the reason therefor.

(b) Resale of Interruptible Energy prohibited. The amount of Interruptible Energy provided hereunder shall be limited at all times to the amount of KGCMC's actual then-operating load requirements for the Mine and the Tails/Ore Loading Facility at the respective Delivery Points. Interruptible Energy is provided to KGCMC solely for KGCMC's own use and consumption at the Mine and the Tails/Ore Loading Facility. KGCMC shall not be entitled to resell or otherwise dispose of Interruptible Energy to others.

(c) Priority to Interruptible Energy. If available Interruptible Energy is insufficient at any time to meet the Interruptible Energy requirements of all Interruptible Customers, then (1) Prior Interruptible Customers shall have priority over KGCMC, and (2) KGCMC shall have priority over Subsequent Interruptible Customers, for the sale and delivery of such Interruptible Energy as may be available to AELP and delivered by AELP to Interruptible Customers; provided, that if and when AELP commences sales of electric power for service to local electric utility loads in the community of Hoonah, Alaska, and its environs, such sales shall not be considered sales to a Subsequent Interruptible Customer for purposes of this Agreement, and

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such sales shall have priority over sales to KGCMC with respect to available Interruptible Energy; and provided further, that if KGCMC suspends operations at the Mine or the Tails/Ore Loading Facility, then unless KGCMC resumes such operations within nine (9) months and maintains such operations for a continuous period of six (6) months thereafter, AELP shall be entitled, at its option, and upon ninety (90) days advance written notice to KGCMC, to give one or more Subsequent Interruptible Customers priority over KGCMC in the sale and delivery of all or any portion of the Interruptible Energy to which KGCMC would otherwise enjoy a priority (except for the amount of Interruptible Energy that KGCMC continued to take and pay for during the period in which operations were suspended, to which amount KGCMC shall at all times retain its priority), unless KGCMC in response to such notice agrees in writing to take or pay for the Interruptible Energy that AELP proposes to sell to such Subsequent Interruptible Customer(s).

(d) Effect of Lake Dorothy.

(i) Relationship of Lake Dorothy to this Agreement. This Agreement shall not be construed to commit AELP to construction of Lake Dorothy. However, this Agreement has been drafted to accommodate the construction of Lake Dorothy, should it occur.

(ii) Interruptible Energy. When and if (A) electric power is available to AELP from Lake Dorothy, and (B) the KGCMC Cost Recovery Date has occurred, then AELP shall no longer be obligated to supply KGCMC Interruptible Energy exclusively from Snettisham or AELP's other hydroelectric generating resources under this Agreement; provided, that KGCMC shall be entitled, but not obligated, to terminate this Agreement (A) in accordance with Sections 5(d)(iii)(A) through 5(d)(iii)(C) if, as a result of Lake Dorothy, the RCA requires AELP to impose higher total charges on KGCMC than specified herein, or (B) in accordance with Section 5(d)(v) in the event Lake Dorothy has not achieved commercial operation by December 31, 2013. If KGCMC does not so terminate this Agreement, then AELP shall thereafter deliver and sell Interruptible Energy from Lake Dorothy (and/or from AELP's other hydroelectric generating resources) to KGCMC at the Delivery Points, and the provisions of this Agreement shall

thereafter be construed to apply to such Interruptible Energy rather than to Interruptible Energy generated by Snettisham and AELP's other hydroelectric resources alone.

(iii) Nothing in this Agreement shall require AELP to continue selling Interruptible Energy to KGCMC at rates based on the costs of Phase 1 of Lake Dorothy if (A) this Agreement remains in effect at a time when Phase 2 of Lake Dorothy has achieved commercial operation, (B) the average cost of energy from Phase 2 of Lake Dorothy exceeds the average cost of energy from Phase 1 of Lake Dorothy, and (C) KGCMC does not agree at the time to allow AELP to compute KGCMC's Period 3 energy charge at the output-weighted average cost of energy from Phase 1 and Phase 2 of Lake Dorothy. If, however, KGCMC does so agree at the time, then computation of the Period 3 energy charge shall be modified to reflect such output-weighted average cost of energy, and AELP shall continue selling Interruptible Energy to KGCMC. In making such computation, AELP shall exclude from the weighted average any Phase 2 output the costs of which are specifically allocated to a Subsequent Interruptible Customer, by contract, tariff, RCA order, or otherwise.

(e) Power specifications. The electric service to be provided shall consist of three-phase alternating current, at the voltages and transformer capacities (MVA) that the Parties have agreed upon for the respective Delivery Points and have set forth in **Exhibit B**.

(f) KGCMC power generation. KGCMC shall be entitled at all times under this Agreement to generate electric power for its own use if and to the extent that:

(i) AELP is unable to deliver sufficient power to meet KGCMC's then-operating load requirements; or

(ii) In KGCMC's judgment, transmission service over the Intertie becomes excessively unreliable, in which event KGCMC shall have the right to be disconnected from the Intertie and to halt delivery of Interruptible Energy until the problems of the transmission system have been resolved to the satisfaction of KGCMC, acting reasonably and in good faith; or

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(iii) KGCMC in its reasonable discretion chooses to operate its generating equipment for the purpose of testing and/or maintaining (A) the operability of such equipment (including renewals, replacements, modifications, improvements, or repairs thereto), and/or (B) the skills and training of KGCMC's generating equipment operators; or

(iv) The Parties are unable to obtain any Necessary Approvals for agreed-upon modifications to this Agreement.

#### Section 4. RATES & CHARGES; METERING & BILLING

(a) Applicable Rate and Components of Monthly Bill. The basic monthly rate or charge for Interruptible Energy delivered to KGCMC in any billing month, exclusive of Transmission Charges, shall equal the product of (i) the number of kilowatt hours of Interruptible Energy delivered to KGCMC in that month multiplied by (ii) the energy charge per kilowatthour then applicable to KGCMC's purchases of Interruptible Energy under Section 4(b) below. In addition to this basic monthly rate or charge, AELP will also include in its bills or invoices to KGCMC, and KGCMC will also pay or reimburse AELP for, the following: (i) Transmission Charges computed in accordance with **Exhibit F**; (ii) power factor penalties under Section 4(d); (iii) specified taxes under Section 4(e); (iv) any late payment charges, if applicable; (v) AELP's then-effective customer charge applicable to manufacturing and processing customers taking power under Schedule 41 of AELP's tariff or successor Schedule or tariff as approved by the RCA; and (vi) a charge per kilowatthour under Section 4(f) as a pass-through, without margin or markup, of the Regulatory Cost Charge imposed by the RCA.

(b) Energy charges in each Period; the Periods defined. For purposes of this Agreement:

(i) Period 1 shall commence upon first delivery of Interruptible Energy to the Mine and/or the Tails/Ore Loading Facility, as the case may be. Period 1 shall end upon the KGCMC Cost Recovery Date.

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(ii) Period 2 shall commence on the day after the KGCMC Cost Recovery Date, unless the KGCMC Cost Recovery Date occurs after Lake Dorothy has achieved commercial operation and KGCMC has elected to begin receiving service under the Period 3 provisions of this Agreement, in which event Period 3 will then commence and no Period 2 shall occur.

(iii) Period 3 shall commence upon the day that Lake Dorothy achieves commercial operation (provided that the KGCMC Cost Recovery Date has already occurred and Period 1 is no longer in effect), unless KGCMC terminates this Agreement in accordance with the provisions of this Agreement that allow such termination in response to commercial operation of Lake Dorothy. Once commenced, Period 3 will continue for the duration of this Agreement.

(iv) The applicable energy charges during Periods 1, 2, and 3 shall be computed in accordance with **Exhibit D**.

(c) No added demand charge or COPA adjustments. Because of the interruptible nature of the power provided under this Agreement, and because KGCMC will bear all O&M expenses relating to its substations and related delivery facilities and equipment constructed or installed for the purpose of receiving power pursuant to this Agreement, AELP will not include in KGCMC's rates and charges (i) any amounts for electric capacity (demand), or (ii) any adjustments reflecting upward or downward changes in AELP's balancing account under AELP's Cost Of Power Adjustment (COPA) rate mechanism.

(d) Power factor. KGCMC shall endeavor to maintain, as nearly as practical, a unity power factor. If such power factor falls below ninety-five percent (95%) lagging, KGCMC shall take corrective steps to return the power factor to 95% or higher if, in KGCMC's judgment, such corrective steps are commercially reasonable. If the necessary corrective steps include installation of corrective facilities and/or equipment at the Mine or the Tails/Ore Loading Facility, then KGCMC shall bear (and shall not be reimbursed by AELP for) the expense of such facilities and/or equipment, including any installation and O&M expense. AELP will charge KGCMC a power factor penalty of one percent (1%) of the then-applicable energy charge under this Agreement for each one percent (1%) or fraction thereof (measured against unity, but



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rounded to the nearest full percent) by which KGCMC's power factor is less than 95% lagging, on average, for that month. The formula for determining KGCMC's average power factor in any given month shall be:

$$PF = KWH \text{ divided by } \sqrt{(KWH \text{ squared} + KVARH \text{ squared})}$$

Where

$$PF = \text{Average monthly power factor}$$

and

$$KWH = \text{kilowatt hours of Interruptible Energy delivered in a month}$$

$$KVARH = \text{reactive kilovar hours for that month}$$

(e) Sales taxes. AELP will also bill KGCMC, and KGCMC will pay AELP, for any sales or other taxes (other than income taxes) imposed on or collected from AELP as a result of the sale of Interruptible Energy to KGCMC.

(f) Regulatory Cost Charge. AELP will include in its bills to KGCMC, and KGCMC will pay to AELP, as a pass-through without margin or markup, the RCA's then-applicable Regulatory Cost Charge for each kilowatthour of Interruptible Energy sold to KGCMC.

(g) Metering. Metering shall be in accordance with the provisions of the **Operating Agreement**.

## **Section 5. TERM**

(a) Effective Date. This Agreement shall become effective on the Effective Date. The delivery and receipt of Interruptible Energy to the Mine and to the Tails/Ore Loading Facility, respectively, shall not commence, however, until the respective delivery facilities have been completed, tested, and placed in commercial operation and the Operating Agreement has been executed and becomes effective.

(b) Initial term. The term of this Agreement shall commence on the Effective Date and, unless earlier terminated in accordance with this Agreement, shall continue thereafter for a period of (i) fifteen (15) years from the date of first delivery and receipt of Interruptible Energy to the Mine and/or to the Tails/Ore Loading Facility, or (ii) twelve (12) years from the COD of Lake Dorothy, whichever is longer.

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(c) Potential extension of initial term. The Parties may agree to extend this Agreement at any time; provided that no extension of the Agreement shall be effective unless and until it receives any Necessary Approvals.

(d) Termination.

(i) Except as otherwise expressly provided in this Agreement, KGCMC shall not be entitled to terminate this Agreement for the purpose of meeting the actual then-operating load requirements of the Mine or the Tails/Ore Loading Facility with power from other sources, including self-generation.

(ii) AELP shall not be entitled to terminate this Agreement for the purpose of providing Interruptible Energy to Subsequent Interruptible Customers.

(iii) If Lake Dorothy is built, then KGCMC shall be entitled to terminate this Agreement in any of three circumstances:

(A) KGCMC may terminate this Agreement effective upon the commercial operation date ("COD") of Lake Dorothy, if the RCA, in its order granting initial approval to this Agreement, orders AELP to impose on KGCMC any higher total charges for Interruptible Energy during Period 3 than the Parties have agreed upon in this Agreement.

(B) KGCMC may also terminate this Agreement upon or after the Commercial Operation Date of Lake Dorothy if at any time subsequent to initial approval of this Agreement the RCA issues an order modifying this Agreement and in such order requires AELP to impose on KGCMC any higher total charges for Interruptible Energy during Period 3 than the Parties have agreed upon in this Agreement.

(C) KGCMC may also terminate this Agreement on or after the seventh (7th) anniversary of the Commercial Operation Date of Lake Dorothy, upon sixty (60) days advance written notice to AELP.

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(iv) The termination rights described in Sections 5(d)(iii)(A) and (B) above shall be exercised within ninety (90) days of the date of the RCA order referred to in those Sections; provided that the Parties hereby agree that the deadline for exercise of such termination right shall be extended as reasonably necessary in order to take into account the time required for reconsideration or review of such RCA order, if sought.

(v) KGCMC shall also have the right to terminate this Agreement in the event Lake Dorothy has not achieved commercial operation by December 31, 2013.

(e) Post-commercial operation additions to costs of Lake Dorothy. Once Period 3 has commenced, the costs of any post-commercial operation additions, expansions, replacements, and repairs to Lake Dorothy, and the costs of any post-commercial operation government-ordered changes in the operation of Lake Dorothy, may at AELP's option be reflected in reasonable per-kilowatt hour additions or reductions to the otherwise applicable energy charge for Interruptible Energy during Period 3 without giving KGCMC any right to terminate this Agreement; provided, (i) that such costs are also reflected in the rates of AELP customers generally, as additions to or reductions in plant in service, rate base, and/or allowable expenses; and, (ii) that all such additions or reductions to the energy charge shall be subject to RCA review in a proceeding of which KGCMC shall have notice and an opportunity to participate, as further described in Exhibit D; but provided further that, and notwithstanding anything to the contrary herein, in no event shall KGCMC's total rate for Interruptible Energy during the first seven (7) years of Period 3 exceed the ten (10) cents per kilowatt hour limit pursuant to Section A(3) of Exhibit D.

(f) Targeted power taxes. In the event KGCMC becomes subject to taxes based upon KGCMC's purchase of power under this Agreement (including as a pass-through of such taxes imposed on AELP, as described in Section 4(e)), and such taxes are not of general application and impose an unequal burden on KGCMC vis-à-vis other AELP customers, then KGCMC shall have the right to terminate this Agreement, with such termination to be effective upon the date KGCMC specifies in a written notice to AELP.

(g) The obligation of KGCMC to pay AELP for all Interruptible Energy actually received shall survive termination of this Agreement.

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**Section 6. DELIVERY FACILITIES & PAYMENT THEREFOR**

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(a) Delivery facilities and equipment. The delivery facilities and equipment that KGCMC will construct and install in order to become able to purchase and receive power pursuant to this Agreement (including facilities and equipment to allow KGCMC to heat its buildings or the Mine) shall be those described in **Exhibit B**. The Parties recognize that, because these delivery facilities and equipment have not yet been installed or operated, it may prove necessary or desirable to change the configuration, features, or components of such facilities and equipment prior to, during, or after installation. Consequently, the Parties agree that the design specifications and other features of the facilities and equipment described in **Exhibit B** may be changed by written agreement of the Parties. No Necessary Approvals shall be required in order for such change(s) to **Exhibit B** to be effective, even though such changes may extend the length of Period 1 under **Exhibit D**.

(b) KGCMC's delivery facilities and equipment. KGCMC shall be responsible for the design, procurement, installation, and maintenance of, and shall own and/or lease (at KGCMC's option) and operate, all substations and related delivery facilities and equipment constructed or installed at the Mine and the Tails/Ore Loading Facility for the purpose of receiving power from AELP pursuant to this Agreement; provided that AELP shall have the right of reasonable design review and approval, and the right to provide reasonable specifications, for all such delivery facilities and equipment. AELP's responsibility for electric service to the Mine and the Tails/Ore Loading Facility shall end at the points of interconnection described on **Exhibit B**.

**Section 7. OPERATIONS**

The procedures for connecting KGCMC to, and disconnecting KGCMC from, the Interruptible Energy delivery facilities, and procedures for related matters (including synchronization, transfer of loads, communications, and safety, among others) will be set forth in a written Operating Agreement to be agreed upon and signed by the Parties. The Parties recognize that, because the delivery facilities and equipment contemplated hereunder have not yet been installed or initially operated, it will be impossible to agree upon and sign the Operating Agreement until such installation or initial operation is complete. However, the Parties agree

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that (i) as of the Effective Date, the Operating Agreement shall be final and complete, to the extent possible given the inherent uncertainty of the installations and operations which must occur prior to its completion, (ii) no change to the Operating Agreement shall thereafter be made which is materially adverse to either Party, and (iii) no Necessary Approvals shall be required for the Operating Agreement, or in order for the Parties to make such changes as required to the Operating Agreement for its completion. The Parties may, subsequent to the completion of the Operating Agreement, from time to time agree in writing to change the provisions of the Operating Agreement without such changes or the Operating Agreement itself being considered modifications or amendments to this Agreement that require Necessary Approvals. AELP shall not be obligated to deliver Interruptible Energy, and KGCMC shall not be obligated to accept Interruptible Energy, under this Agreement until the Operating Agreement is signed and has become effective.

#### **Section 8. PROTECTING EQUIPMENT & POWER QUALITY**

(a) KGCMC's protection of AELP's quality of power. KGCMC shall at all times use its commercially reasonable best efforts to design, install, operate, and manage its facilities and equipment (including generation and loads) to avoid adverse impacts on the quality and reliability of power available to AELP and AELP's other customers; provided, that KGCMC does not warrant the avoidance of such impacts; and provided further, that this Agreement shall not be construed to create any duty, liability, or other responsibility of KGCMC (other than as expressly set forth herein) to AELP or any other AELP customer (or any duty, liability, or responsibility to AELP under this Section 8(a), other than for specific performance of KGCMC's obligations) for any loss or damage or injury of any kind, whether physical or financial, as a result of any act or omission of KGCMC in the design, installation, operation, or management of its facilities and equipment (including generation and loads). AELP shall be entitled to prescribe reasonable protective measures to implement this requirement. Such provisions, if any, shall be set forth in the Operating Agreement.

(b) Protection by KGCMC of its own equipment and machinery. During operation of its facilities, equipments, and loads, KGCMC will at all times take all reasonable steps (including complying with requirements reasonably imposed by AELP for this purpose) to prevent adverse

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impacts on KGCMC's equipment and machinery. KGCMC shall, for example, have sole responsibility to provide, install, inspect, and maintain suitable protective devices (including suitable motors) for equipment at the Mine and the Tails/Ore Loading Facility, including but not limited to:

- (i) Line starting and overload protective devices;
- (ii) Devices to protect against under- and over-voltage, and under- or over-frequency; and
- (iii) Devices to protect three-phase equipment from single-phase operation and phase reversal, if applicable.

(c) Ready availability of KGCMC's own generating equipment. If and to the extent KGCMC wishes to protect its operations, equipment, or facilities from the consequences of an interruption in KGCMC's supply of Interruptible Energy under this Agreement, KGCMC shall at all times maintain in a state of ready availability sufficient operable generating capability (including fuel, parts, operators, etc.) to meet that portion of KGCMC's then-existing demand for electric capacity and entire requirements for electric power that KGCMC wishes to assure will continue to be served in the event that the delivery of Interruptible Energy is for any reason interrupted at any time and for any duration. In interrupting delivery of Interruptible Energy, AELP will comply with the requirements of Section 3(a), but (other than as expressly set forth herein) AELP shall have no responsibility to KGCMC or any third party for the consequences of AELP interrupting delivery of Interruptible Energy to KGCMC as authorized by this Agreement.

#### **Section 9. PROVISIONS RELATING TO LEGAL MATTERS**

(a) Covenant of Good Faith and Fair Dealing. The Parties covenant and agree to act reasonably, in good faith, and with fair dealing in implementing and performing under this Agreement and its terms.

(b) Events of Force Majeure. In the event either Party, by reason of an event of Force Majeure, is rendered unable, wholly or in part, to perform its obligations under this Agreement (other than its obligations to pay money), then upon said Party giving notice and particulars of such event of Force Majeure, its obligation to perform shall be suspended or correspondingly

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reduced during the continuance of any inability so caused, but in no greater amount than required by the event of Force Majeure and for no longer period, and the effects of such cause shall, so far as possible, be remedied with all reasonable and prompt dispatch.

(c) Indemnification. Subject to Sections 8(a) and (c), each Party shall, as to all actions taken relevant to this Agreement, indemnify and hold harmless the other Party, its parents, affiliates and co-venturers, and its and their respective directors, officers, and employees, from and against all loss, damage, legal expense, and liability to third persons arising from any injury to, or death of, persons or injury to property to the extent caused by any negligent act or omission of the indemnifying Party, or its directors, officers, or employees in connection with such Party's design, construction, ownership, operation or maintenance of, or the failure of, any of its works or facilities used in connection with this Agreement.

(i) If any legal proceeding shall be instituted, or any claim or demand made, against any Party hereto (hereinafter called the "**Indemnified Party**") with respect to which the other Party (hereinafter called the "**Indemnifying Party**") may be liable hereunder, the Indemnified Party shall give prompt written notice thereof, and promptly deliver a true copy of any summons or other process, pleading or notice to the Indemnifying Party. The Indemnifying Party shall have the absolute right, at its sole expense and without the consent of the Indemnified Party, to defend and fully and completely settle any such legal proceeding, claim or demand. However, the Indemnifying Party shall give notice to the Indemnified Party of any proposed settlement. The Indemnified Party may, if it sees fit, participate in defense of any such legal proceeding, at its own expense.

(ii) If the Indemnified Party, without the prior consent of the Indemnifying Party (which consent, if requested, shall not be unreasonably withheld), makes any settlement with respect to any such legal proceeding, claim or demand, the Indemnifying Party shall be discharged of any obligation to indemnify and hold harmless the Indemnified Party hereunder with respect thereto.

(iii) The Indemnifying Party shall pay all reasonable costs incurred by the Indemnified Party in any successful enforcement of this indemnity.

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(iv) To the extent AELP has authority to review and approve the design and/or construction of KGCMC facilities and equipment under this Agreement, AELP's indemnification of KGCMC shall extend to claims by third parties based on KGCMC's alleged negligence or intentional misconduct in the design and/or construction of such facilities and equipment.

(v) The provisions of this Section 9(c) shall survive the expiration or termination of this Agreement.

(d) Waiver. Any waiver at any time by either Party to this Agreement of its rights with respect to any default of the other Party, or with respect to any other matter arising in connection with this Agreement, shall not be considered a waiver with respect to any prior or subsequent default, right, or matter.

(e) Necessary Approvals. The approval of the Agreement by the RCA shall constitute a Necessary Approval. The Parties are not aware of any other Necessary Approvals.

(f) Severability. The provisions of this Agreement (including any and all Exhibits and Schedules attached hereto) are not intended to be considered in isolation, and each such provision represents a portion of the consideration agreed upon among the Parties for each other provision of this Agreement. The Parties believe that it would be impossible, in general, to invalidate or sever any particular provision of this Agreement without working a potentially great hardship on one or the other of the Parties, and without denying one or more of the Parties of important, bargained-for consideration. Thus, if after this Agreement has become effective any article, paragraph, clause or provision of this Agreement shall be finally adjudicated by a court of competent jurisdiction or a regulatory agency with jurisdiction over the Parties to be invalid or unenforceable, or if any administrative agency with authority over the Parties shall require changes to this Agreement, then the Parties shall in good faith meet promptly to negotiate lawful amendments or modifications to this Agreement that will effectuate the original intent of this Agreement and return the Parties as near as possible to the position that each would have enjoyed in the absence of such judicial, regulatory, or administrative action. Nothing herein shall limit the rights of any party to terminate this Agreement as provided in Section 9(n) below.



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(g) Successors and Assigns. This Agreement and all of the terms and provisions hereof shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties hereto; provided that each Party intends to contract only with the other Party, and therefore no assignment or other transfer of this Agreement or any interest hereunder by either Party (except the granting of security interests, or similar transfers for security purposes, to one or more third parties by either Party in, to, or respecting its rights under this Agreement) shall be effective without the other Party's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed; provided further, that any assignment, sale, or other transfer of any minority interest in the Greens Creek Joint Venture shall not require AELP's consent. Any assignee (including one realizing upon, or taking pursuant to a realization upon, a security interest granted by a Party or one exercising rights under a prior transfer for security purposes made by a Party) must, in the commercially reasonable opinion of the other Party, be capable of assuming and performing the assignor's obligations under this Agreement. In addition, an assignment by, or sale or transfer of, KGCMC to which AELP consents shall release KGCMC from its obligations under this Agreement; provided, that as a condition of such release AELP may require that KGCMC or the successor or assignee provide a deposit or other form of financial security acceptable to AELP for two (2) months of estimated payments under this Agreement.

(h) Default and Dispute Resolution.

(i) Upon failure of either Party to perform any obligation hereunder, the Party to whom such performance is due shall make demand in writing upon the defaulting Party. If such failure, other than a failure to pay AELP when such payment is due, is not cured within thirty (30) days from the date of such demand it shall constitute a default at the expiration of such period. AELP's bills to KGCMC shall constitute a written demand for payment for purposes of this paragraph, and KGCMC shall be considered to be in immediate default of its payment obligations if such bills are not fully paid in timely fashion. Disputed portions of AELP's bills may not be withheld pending resolution of the dispute, but if KGCMC becomes entitled to a refund of any amount paid to AELP, that amount shall be refunded with interest at the RCA-approved refund interest rate.

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(ii) Pending resolution of any dispute, each Party shall continue to perform its obligations under this Agreement, including, in KGCMC's case, the obligation to pay bills submitted by AELP. Each Party shall be entitled to seek immediate regulatory and/or judicial enforcement of this continued performance obligation notwithstanding the existence of a dispute. Application for such enforcement shall be made either to the RCA or to the Superior Court for the State of Alaska, Juneau District.

(iii) After notice is delivered and before default occurs under Section 9(h)(i), the Parties shall in good faith endeavor to meet promptly and to resolve any dispute through good faith negotiation. If a Party has met its obligation of good faith under this Section 9(h), and if the dispute has not been resolved before default occurs, then that Party shall be entitled at any time thereafter to seek immediate enforcement of this Agreement either by the RCA or by the Superior Court for the State of Alaska, Juneau District, by bringing any proceeding, suit or action, at law or in equity, including without limitation mandamus, injunction, damages and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of this Agreement.

(i) Remedies Cumulative. No remedy conferred upon or reserved to the Parties hereto is intended to be exclusive of any other remedy available hereunder or now or hereafter existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy. The pursuit by either Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other, whether provided hereunder or by law, equity, statute, or otherwise, but where this Agreement requires a Party to take a particular action (e.g., consultation with another Party) or to pursue a particular remedy prior to pursuing any other remedy, such requirement shall be binding and enforceable.

(j) Right of Access. Each Party will have access to the premises, facilities, or property of the other Party at all reasonable times for any purpose necessary or appropriate to the performance of this Agreement; provided that such access shall be pursuant to the applicable

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policies and procedures of the Party granting such access, including those policies and procedures related to safety, security, and environmental protection.

(k) Access to Records. Upon request from the other Party, but only at reasonable times and during normal business hours, each Party shall afford the other Party with access to data and information that are maintained and compiled in the ordinary course of business (or which have in fact been compiled or prepared) and which are reasonably necessary to permit the requesting Party to determine whether this Agreement is being performed in the manner intended by the Parties. A Party that is given access to records pursuant to this Section 6(k) shall take reasonable steps to maintain as confidential all data and information that is disclosed to such a Party; provided that nothing herein shall prevent or limit a Party's right to disclose such data and information to its affiliates and venture partners; but provided further that such affiliates and venture partners shall be advised of and, by receiving any such disclosure, agree to be bound by the confidentiality restrictions of this section as a condition of any such disclosure.

(l) Applicable Law. The Parties agree that the interpretation and application of this Agreement shall be governed by the laws of the State of Alaska.

(m) Modification or amendment by the Parties. Except as provided in Section 9(n) below, no modification or amendment of this Agreement shall be valid unless it is (i) in writing, (ii) signed by the Parties, and (iii) has received all Necessary Approvals; provided that written changes to the Exhibits to this Agreement (other than **Exhibits D and F**) or to the Operating Agreement shall not be considered modifications or amendments that require Necessary Approvals.

(n) Modification or amendment by the RCA. For regulatory purposes, the RCA considers this Agreement to be a special contract that the RCA may modify at any time by appropriate agency order in accordance with RCA rules and regulations. If the RCA by order so modifies this Agreement after having approved the Agreement initially, then either Party shall be entitled to terminate this Agreement by written notice to the other Party at any time within thirty (30) days of the official date of such order; provided that the Parties by agreement may extend the due date of such notice for all or any portion of the period required for reconsideration or review of such order.

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(o) Section Headings. The section headings in this Agreement are for convenience only, and do not purport to and shall not be deemed to define the subject matter, or limit or extend the scope or intent, of the sections to which they pertain.

(p) Mutual Covenants and Warranties. Each Party covenants and warrants to the other that it (i) has the legal authority and ability to enter into and perform, and (ii) will at all times maintain the practical and financial ability to perform, this Agreement and each obligation assumed by such Party under this Agreement, upon the Agreement receiving all Necessary Approvals. Each Party also covenants and warrants that prior to executing this Agreement it has taken all actions necessary to permit its execution of this Agreement to be fully effective and legally binding in accordance with its terms, subject only to such Necessary Approvals.

(q) Execution in Counterparts. This Agreement may be executed in one or more identical counterparts, each of which shall be considered a duplicate original and shall have the same effect as if the counterparts had been a single document executed simultaneously by both Parties. The parties agree that this Agreement may be transmitted between them by facsimile machine. The parties intend that fax signatures constitute original signatures and that a faxed agreement containing the signatures (original or faxed) of all the parties is binding on the parties.

(r) Exhibits. The exhibits attached to this Agreement are incorporated herein by reference.

(s) No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create duties to, or rights of enforcement in, any third parties. By this Agreement the Parties have created duties and obligations only to one another, to be enforced only by one another.

(t) Notices. All notices hereunder must be in writing, and any notice, correspondence or payment required or permitted under this Agreement shall be delivered by (i) U.S. certified mail, return receipt requested, with all necessary postage and charges prepaid, or (ii) reputable overnight express courier and, in any event, shall be addressed as follows:

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**If to KGCMC:**

By Mail:

Kennecott Greens Creek Mining Company  
P.O. Box 32199  
Juneau, Alaska 99803  
Attn: General Manager

By Courier:

Kennecott Greens Creek Mining Company  
c/o Four Seasons Marine  
13401 Glacier Highway  
Juneau, Alaska 99801  
Ph: 907-789-8100  
Attn: General Manager

**If to AELP:**

Alaska Electric Light and Power Company  
5601 Tonsgard Court  
Juneau, Alaska 99801  
Attn: General Manager

Notices sent by certified mail shall be deemed given two (2) days following mailing; Notices sent by overnight express courier shall be deemed given one (1) day following delivery to such courier. Any Party hereto may change its address for such receipt at any time by giving written notice thereof to the other Party hereto.

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed  
the day and year first above written.

**ALASKA ELECTRIC LIGHT  
AND POWER COMPANY**

By Timothy D. McLeod

Timothy D. McLeod

Title: President & General Manager

**KENNECOTT GREENS CREEK  
MINING COMPANY (for itself and the  
Greens Creek Joint Venture)**

By Rich A. Heig

Rich A. Heig

Title: General Manager & Chief Operating Officer

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## EXHIBIT A

### Greens Creek Mine

The Greens Creek Mine is located at the north end of Admiralty Island, Alaska (See attached location maps). Mine development began in 1987 and full production was reached early in 1989. Production was temporarily halted in 1993 due to low metal prices but re-opened in July 1997. Since re-opening the mine has had a steady increase in its productive capacity from an initial production rate of 1320 tons per day (tpd) to over 2200 tpd in 2004. Greens Creek is a polymetallic (silver, zinc, gold and lead) underground mining operation with a concentrator (or mill) and a 100 bed camp. The mine and the mill are located about eight miles up from the camp located at Hawk Inlet. The mine is expected to operate until 2014 based upon 7.9Mt of reserves. The Greens Creek Mine is the largest private employer in the Juneau area and employs 265 people with an average payroll, including benefits, of \$26M. The Mine is operated under a joint venture agreement between Kennecott Greens Creek Mining Company (57.7505%), Kennecott Juneau Mining Company (12.5164%), and Hecla Mining Company (29.7331%). Kennecott Greens Creek Mining Company and Kennecott Juneau Mining Companies are direct subsidiaries of Kennecott Minerals Holdings Company.

All power at the mine is currently self-provided by diesel generators. The powerhouse at the 920 Mine Site is serviced by a 5.0 MW turbine and five reciprocating engine generators of a combined 10.0 MW, totaling 15 MW of design capacity; 13.2 MW operating capacity. Average MW draw for the mine 920 Mine Site is about 6.8 MW of power. Over recent years, power draw has consistently increased incrementally from about 5.8 MW up to the present consumption, and it is anticipated power consumption will continue to increase slightly with anticipated mine and mill development.

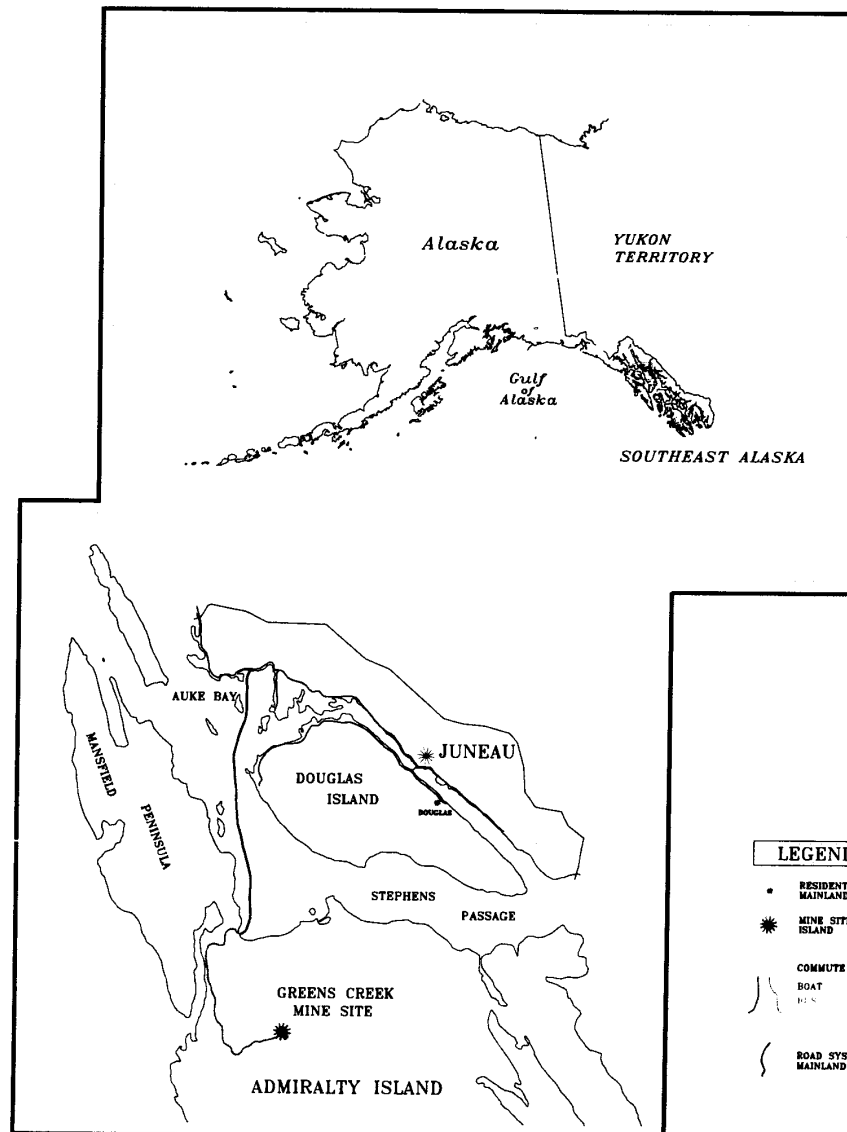
The Tailings and Hawk Inlet facilities are powered with four reciprocating engine generators of 1.26 MW total capacity. Average power draw is between 0.30 and 0.55 MW, inclusive of when the ship loader is in operation.

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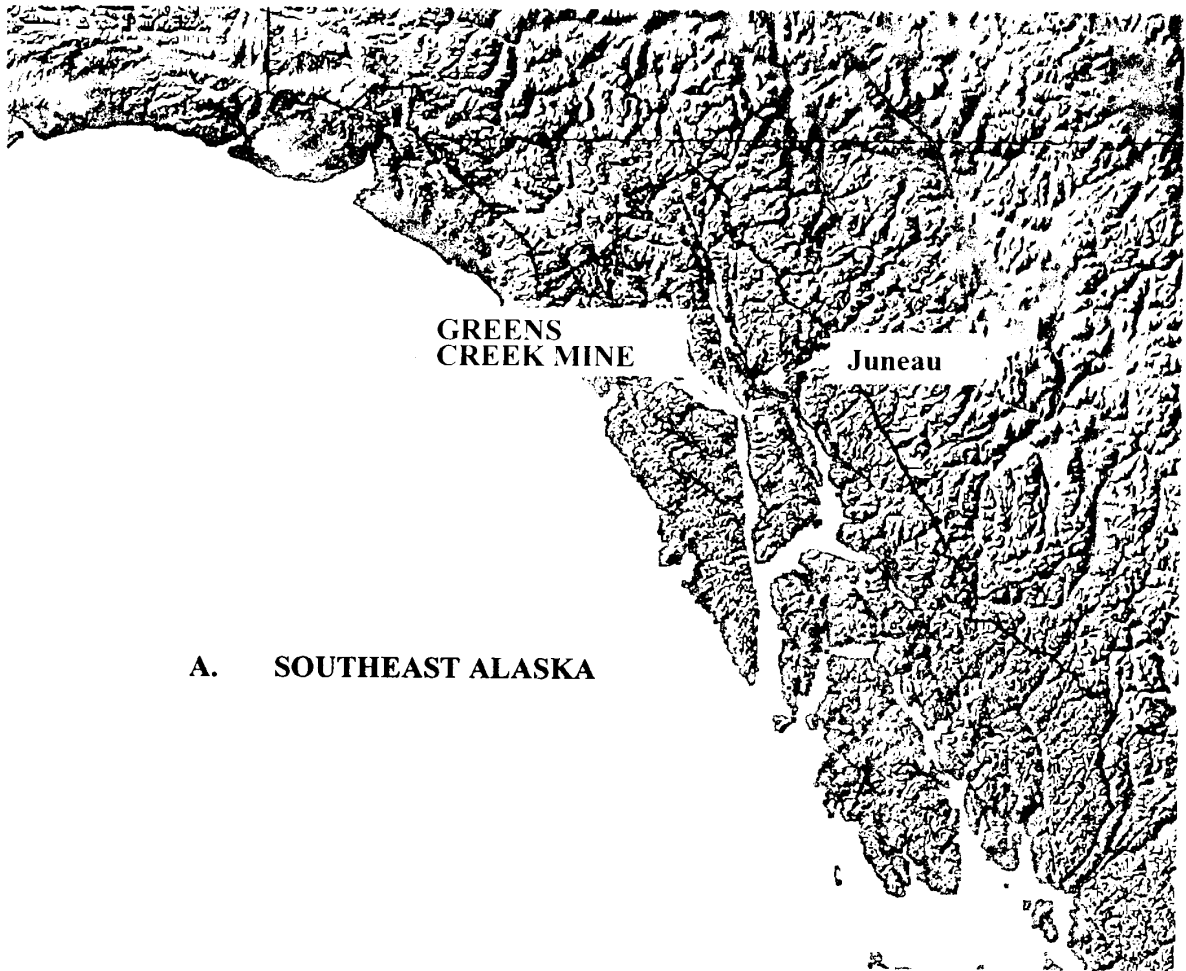
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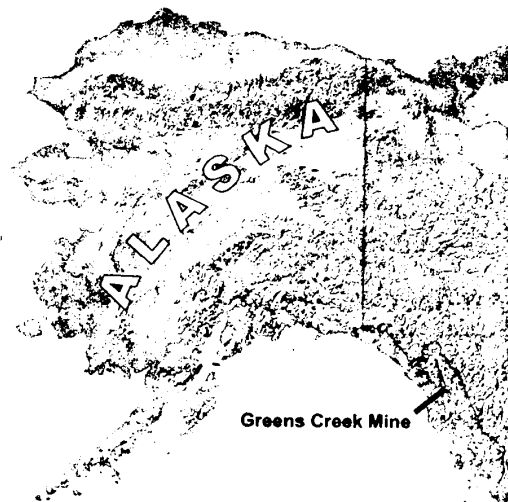
GREENS CREEK MINE  
LOCATION MAP







**A. SOUTHEAST ALASKA**



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## **EXHIBIT B**

### **Delivery Facilities & Equipment; Points of Interconnection**

#### **Points of Interconnection and Delivery**

There will be two points of delivery of Interruptible Energy to KGCMC. One will be at the Tails/Ore Loading and Hawk Inlet facilities and the other will be at the KGCMC Mine Substation. These delivery facilities will be provided by KGCMC. A general description of each delivery facility and equipment included follows:

#### **Hawk Inlet Substation**

69kV Grounded Wye / 4.16kV Grounded Wye 2 MVA Transformer  
Lightning Arrestors  
69 KV Fusing  
69 KV Disconnect and Ground Switch  
SCADA RTU and Installation Labor (AELP to Supply and Bill at Cost to KGCMC)  
Fiber Optic Interface Module and Installation Labor (AELP to Supply and Bill at Cost to KGCMC)  
Transfer Trip Module and Installation Labor (AELP to Supply and Bill at Cost to KGCMC)  
5 KV Low Side Breaker (Control Interfaced to AELP's SCADA)  
5 KV Low Side Revenue Metering with Transformer Loss Offset Calculation Applied (provisions for remote meter readings via communications)  
Protective Relaying (Coordinated with AELP system)  
Synchronizing Capabilities  
Ground Grid  
Fence

#### **Mine Substation**

69kV Grounded Wye / (2) 4.16kV Delta 16 MVA Transformer  
Lightning Arrestors  
69 KV High Side Breaker (AELP to Supply and Bill at Cost to KGCMC)  
69 KV Disconnect and Ground Switch  
SCADA RTU and Installation Labor (AELP to Supply and Bill at Cost to KGCMC)  
Fiber Optic Interface Module and Installation Labor (AELP to Supply and Bill at Cost to KGCMC)  
Transfer Trip Module and Installation Labor (AELP to Supply and Bill at Cost to KGCMC)  
69 KV High Side Breaker (Control Interfaced to AELP's SCADA)  
69 KV High Side Revenue Metering (provisions for remote readings via communications)  
Protective Relaying (Coordinated with AELP system)  
Synchronizing Capabilities

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Ground Grid  
Fence

**Other Facilities & Equipment (for KGCMC Cost Recovery purposes)**

- Engineering, design, purchase, and installation of all equipment and construction of the two substations described above for the two points of delivery of interruptible energy to KGCMC, to the extent properly in the capital cost of such equipment and substations.
- All physical and electrical tie-ins to provide interconnection between the two substations described above and the KGCMC electrical switchgear receiving power from the two substations described above.
- Any and all modifications required *solely* for the ability of KGCMC to receive and distribute electrical energy from AELP and the substations described above. (Any modifications completed by KGCMC during this installation, not required because of the intertie or the ability to receive power from AELP, but completed because of efficiency improvements or upgrades desired by KGCMC at the time, and all engineering, design, purchase, installation, and construction costs of such modifications, will not be part of the Cost Recovery formula.)
- The capital cost (including engineering, design, purchase, installation, and construction) of KGCMC facilities and equipment installed to provide heat for KGCMC buildings and the Mine portal previously heated by heat recovery from the diesel generators.

**Cost Cap & Allowance**

Absent appropriate documentation showing that KGCMC's costs actually incurred and properly recoverable in accordance with this Exhibit are higher, the limit on KGCMC's cost recovery amount shall be two million two hundred thousand dollars (\$2,200,000.00), exclusive of the heating equipment and facilities recovery amount discussed below, reduced by the net present value of KGCMC's depreciation tax benefits for the substations and related facilities and equipment to be constructed and installed in accordance with this Exhibit and the Agreement. Such limit shall be increased at KGCMC's request upon presentation of such documentation to AELP, if and to the extent that (1) AELP, acting reasonably and in good faith, accepts KGCMC's request based on such documentation or additional documentation that KGCMC

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provides in response to reasonable AELP inquiries, and (2) the RCA approves such limit.

In addition to the foregoing, KGCMC shall be entitled to recovery of its investment in KGCMC facilities and equipment to provide heat to KGCMC buildings and the Mine portal, subject to the limit set forth below. During the cost recovery period for these facilities and equipment, (1) AELP will not include the energy charge in KGCMC's otherwise applicable total rate for electric power delivered to KGCMC, and (2) KGCMC shall be deemed to recover the net investment through savings per kWh at KGCMC's per-kWh avoided cost of diesel generation. Once the dollar amount of such savings equals, in total, such net investment, KGCMC shall be deemed to have recovered the requisite costs, the recovery period shall end, and AELP will resume including an energy charge in the total rates KGCMC pays for power delivered under this Agreement.

The cost, in dollars, actually spent, or costs actually accrued by KGCMC, not to exceed (\$600,000), to install facilities and equipment to provide heat to KGCMC buildings and the Mine portal shall (1) include, but only for the period prior to first delivery and receipt of Interruptible Energy for such facilities, any O&M costs associated with such facilities, equipment, transmission, and protective devices; (2) not include interest; and (3) be reduced by the net present value of the tax benefit of any depreciation, any investment tax credits, and other Federal, state, and local tax savings/benefits attributable to such facilities. Such cost shall be reasonably agreed upon by the Parties and subject to verification by the RCA.

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## EXHIBIT C

### Intertie and KGCMC Transmission Segment

The Juneau/Greens Creek/Hoonah Intertie (JGCHI) project, including the KGCMC Transmission Segment, is owned by KWETICO and divided into two segments, Segment 1 from North Douglas Island to Hawk Inlet and Greens Creek on Admiralty Island and Segment 2 from Hawk Inlet to Spasski Bay and the village of Hoonah on Chichagof Island. AELP is currently in the process of constructing Segment 1 of the JGCHI for KWETICO; and Segment 2 will most likely be constructed in five to six years when federal grant funding is expected to be available. For the purposes of this agreement, the following description is provided:

#### **Juneau to Greens Creek.**

This segment begins at a point of interconnection with AELP's existing 69-kV overhead lines on Douglas Island (which are part of the AELP System) and includes: 9.5 miles of submarine cable from North Douglas to Young Bay, 4.5 miles of new overhead lines along the Greens Creek A-Road to Hawk Inlet, and 9 miles of overhead line on the Greens Creek B-Road to the Mine.

This last 9-mile section of overhead line to the Mine, along with any transmission line linking the Tails/Ore Loading Facility to the other facilities of the Intertie, constitutes the KGCMC Transmission Segment as defined in this Agreement.

Beginning at AELP's West Juneau Substation on Douglas Island, the existing 11.5 mile, 69-kV overhead transmission line (part of the existing AELP system) will interconnect with the proposed North Douglas Island termination yard. This termination yard, the start of the North Douglas to Young Bay portion of the Intertie, will contain disconnect switches, breakers, and a 3-phase shunt reactor bank and other required electrical equipment to connect the overhead transmission system to the submarine cable.

The submarine cable then crosses Stephens Passage for about 9.5 miles where it will land at a termination yard at Young Bay on Admiralty Island near, but south of the existing Greens Creek ferry dock. The termination yard at Young Bay will include a cable riser, a ground switch, lightning arrestors, a 3-phase shunt reactor bank, disconnects, a station service transformer, other

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required electrical equipment and the connection point to the overhead transmission line from Admiralty Island from Young Bay to the Hawk Inlet substation.

The overhead transmission line will follow the existing Greens Creek "A" road system for about 4.5 miles to a point at Hawk Inlet on private land near the existing ore loading facility. This line was constructed in 2004 using wood, single-pole structures.

Another termination yard at Hawk Inlet will provide the interface between the overhead line and the future submarine cable heading to Hoonah. This is the provisional location for the submarine cable termination yard to Hoonah at Hawk Inlet. Final submarine cable routing studies for Hoonah will need to be completed to finalize the termination yard after funding is appropriated for this segment. The Hawk Inlet termination yard would include breakers, disconnects, lightning arrestors, a 3-phase shunt reactor bank and other required electrical equipment.

It is assumed that this line segment would remain in service for the community of Hoonah and other Southeast communities that may be connected as part of the overall Southeast Alaska Intertie Plan, after the Greens Creek mine is permanently closed down. Some or all of the 9-mile KGCMC Transmission Segment may be removed when the Greens Creek Mine is closed.

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## EXHIBIT D

## Energy Charges and Related Matters

**A. Energy Charge During Periods 1, 2, and 3**

1. The energy charge portion of KGCMC's rate for Interruptible Energy during Period 1, i.e., during the period prior to the KGCMC Cost Recovery Date, shall be zero (\$0.00/kWh). The remaining charges included in KGCMC's rate for Interruptible Energy during Period 1 shall be as specified in Section 4 of the Agreement. [See also Schedule attached hereto.]

2. The energy charge portion of KGCMC's rate for Interruptible Energy during Period 2, i.e., during any period after the KGCMC Cost Recovery Date but before the date upon which Lake Dorothy commences commercial operation, shall equal AELP's Off-peak Season energy charge under AELP's Manufacturing and Processing Rate, as such charge and Rate may be modified and approved by the RCA from time to time. (At the time this Agreement was executed, the applicable charge was \$0.046/kWh, although a rate increase was expected; see Schedule 41 of the AELP tariff). The remaining charges included in KGCMC's rate for Interruptible Energy during Period 2 shall be as specified in Section 4 of the Agreement. [See also Schedule attached hereto.]

3. The energy charge portion of KGCMC's rate for Interruptible Energy during Period 3, i.e., during any period after the KGCMC Cost Recovery Date and after the date upon which Lake Dorothy commences commercial operation, shall equal the average cost of energy from Lake Dorothy (in accordance with the formula agreed upon by AELP and KGCMC and set forth under Heading D herein), as such calculation may be modified from time to time and, if applicable, approved by the RCA for purposes of this Agreement. The remaining charges included in KGCMC's rate for Interruptible Energy during Period 3 shall be as specified in Section 4 of the Agreement. [See also Schedule 3 attached hereto.] During the first seven (7) years of Period 3, if KGCMC's total rate computed in accordance with this paragraph (exclusive of power factor penalties and taxes) would otherwise exceed ten (10) cents per kilowatt hour,

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then the rate actually charged (exclusive of power factor penalties and taxes) shall be limited to ten (10) cents per kilowatt hour.

4. The initial energy charge portion of KGCMC's rate for Interruptible Energy during Period 3 shall be computed using values calculated by AELP for each variable in the above-referenced formula. Those values shall reflect appropriate actual and/or estimated (as the case may be) cost and performance data for Lake Dorothy at the time of commercial operation, based upon the capital cost of Lake Dorothy upon completion and a projected first year of project operation. AELP shall make available to KGCMC and the RCA in readily accessible form the numerical data for these values and the method AELP uses to compute them, including all relevant underlying data, which KGCMC and the RCA shall have the right to audit. The energy charge that AELP computes in accordance with such formula shall become and remain effective from the outset of Period 3, unless/until and to the extent that AELP adjusts the computation (a) in response to a request from KGCMC or an order of the RCA, or (b) to reflect more recent cost and performance data, the latter adjustment to take place not more than once every twelve (12) months. KGCMC shall be entitled to seek RCA review of the initial energy charge and any subsequent revision to that charge, and AELP shall cooperate fully in any RCA process or proceeding commenced as a result of KGCMC's request for RCA review.

5. Once this Agreement (including the rate provisions thereof) has received RCA approval, AELP shall not thereafter be required to seek RCA review and approval prior to making or adjusting KGCMC's actual rates under this Agreement, but AELP recognizes (a) KGCMC's rights to invoke the dispute resolution provisions of this Agreement and/or to seek RCA review of such rates once made or adjusted, and (b) the RCA's jurisdiction to order AELP to adjust such rates, in order to assure that the rates AELP actually charges KGCMC conform to the rate provisions of this Agreement at all times.

6. Period 3 rates shall be subject to adjustment in order to implement the cost recovery provisions of Exhibit B regarding KGCMC-installed facilities and equipment needed to allow heating for KGCMC buildings and the Mine portal. In such implementation, the cost recovery principles of this Exhibit D shall be applied as appropriate.



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**B. Computation of the KGCMC Cost Recovery Date**

For purposes of this Agreement, the KGCMC Cost Recovery Date shall be deemed to occur on the day on which KGCMC, through power cost savings achieved under this Agreement, is deemed to have achieved recovery of the net capital cost paid by KGCMC for the delivery facilities and equipment described in Exhibit B. Such recovery shall be deemed to have occurred during month "n", when the following equation first becomes true:

$$C = \sum_1^n [P \times (Y + K - R)]$$

Where:

C = The net capital cost, in dollars, actually spent, or costs actually accrued (subject to applicable cost caps), by KGCMC to design and construct the facilities, equipment, transmission, and protective devices described in Exhibit B. Such net capital costs shall (1) include, but only for the period prior to first delivery and receipt of Interruptible Energy, any O&M costs associated with such facilities, equipment, transmission, and protective devices; (2) not include interest; and (3) be reduced by the net present value of the tax benefit of any depreciation, any investment tax credits, and other Federal, state, and local tax savings/benefits attributable to such facilities. Such net capital cost shall be reasonably agreed upon by the Parties and subject to verification by the RCA;

$\sum_1^n$  = the sum of a series of results, obtained for each month from "month 1" through "month n", where n is the number of the month in which the equation first becomes true;

P = Power delivered to KGCMC by AELP under this Agreement in each month, measured in kilowatt hours (kWh);

Y = KGCMC's diesel fuel cost (as further described in this Exhibit) for producing an equal number of kWh during said month, measured in dollars per kWh;

K = a constant, equal to one and one-quarter cent (\$0.0125) per kWh for each kWh of Interruptible Energy delivered in said month, which amount the Parties have agreed shall reflect KGCMC's cost savings per kWh of Interruptible Energy in addition to fuel cost savings;

and

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by AELP

R = Rates actually charged (as the same may have changed from time to time) by AELP to KGCMC for power delivered under this Agreement during said month, measured in dollars per kWh.

**C. Computation of KGCMC's Diesel Fuel Cost**

KGCMC's fuel cost for purposes of computing Y in the above formula is the amount the Parties have agreed that KGCMC shall be deemed to incur or avoid, on average, to produce or avoid producing electric power using its own diesel generating equipment and facilities during any given month of the KGCMC Cost Recovery Period. The Parties shall compute Y in accordance with the following formula:

$$Y = (.083 \times G)$$

Where:

Y = KGCMC's average diesel fuel cost for said month, measured in dollars per kWh;

.083 = portion of a gallon of diesel fuel that the Parties have agreed KGCMC requires to produce a kWh using its own generating equipment (at approximately twelve kWh per gallon); and

G = KGCMC's average cost of diesel fuel in said month, delivered to Hawk Inlet, measured in dollars and cents per gallon. The average fuel price for a month shall be calculated based on the daily average posted OPIS Seattle rack price per gallon of No. 2 diesel fuel plus \$0.10/gallon for delivery to Hawk Inlet.

**D. Computation of the Energy Charge Portion of KGCMC's Period 3 Rate**

1. The formula for determining the energy charge portion of KGCMC's rate for Interruptible Energy during Period 3 shall be:

Rate per kWh =  $L/E$ , where

L = Annual cost of energy for Lake Dorothy,  
and

E = Average annual energy available from Lake Dorothy, namely 74,500,000 kilowatt hours/year (unless adjusted up or down upon commercial operation)

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2. Annual Cost of Energy for Lake Dorothy ("L")

L, the annual cost of energy for Lake Dorothy in the foregoing formula, is computed using the following sub-formula:

$$L = O + D + T + (K \times B), \text{ where}$$

O = Operating and maintenance expenses of Lake Dorothy (direct + allocated share of AELP's otherwise unallocated generation O&M expense)

D = Depreciation applicable to Lake Dorothy capital investment

T = Income taxes accrued by AELP on or appropriately allocated to Lake Dorothy

K = Weighted average cost of capital applicable to Lake Dorothy

and

B = The capital cost of Lake Dorothy, calculated using a rate base methodology (set forth below).

3. Capital Cost of Lake Dorothy ("B") For Purposes Of Computing "L"

The calculation of B, at any given time, will be

- the dollar amount of gross plant for Lake Dorothy (exclusive of any amount specifically disallowed by RCA), plus
- the RCA's annual allowance to AELP for working capital for Lake Dorothy (12.5 percent of Lake Dorothy annual O&M amount), minus
- accumulated depreciation on Lake Dorothy, and minus
- accumulated deferred taxes, if any, attributable to Lake Dorothy.

4. The Weighted Average Cost of Capital ("K") For Purposes Of Computing "L"

The calculation of K, namely the weighted average cost of capital for Lake Dorothy, will equal:

- the equity percentage of Lake Dorothy's total capitalization multiplied by AELP's allowed return on equity, plus
- the debt percentage of Lake Dorothy's total capitalization multiplied by the interest rate on the Lake Dorothy debt.

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NOTE: This method of computing the energy charge presupposes that Lake Dorothy is (or is treated as) an AELP-owned resource for ratemaking purposes. If contractual arrangements are such that Lake Dorothy is owned by a different entity and AELP purchases Lake Dorothy power from that entity under a Power Sales Agreement (PSA), then AELP would intend to pass through to KGCMC the per-kWh charge paid by AELP under the PSA for power used to serve KGCMC. AELP would also use its commercially reasonable best efforts to assure that this did not produce any higher rates for KGCMC than would be computed under the formula set forth above.

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**EXHIBIT – D: Attached Schedules 1, 2, and 3**

**RATE SCHEDULE - KGCMC INTERRUPTIBLE ENERGY** **Rate  
\$/KWH**

**RATE 1**

AELP Energy Charge:	0.000000
AELP Cap. Recovery ND Line	0.000000
Kwaan Wheeling Charge	0.004640
RCA Regulatory Charge (current; changes annually)	0.000397
<b>Total Charges/KWH in Rate 1 Period</b>	<b>0.005037</b>

**RATE 2 - Off Peak Manufacturing Rate**

AELP Energy Charge: Manufacturing Rate as of May 2005	0.046000
AELP Cap. Recovery ND Line	0.011800
Kwaan Wheeling Charge	0.012500
RCA Regulatory Charge(current; changes annually)	0.000397
<b>Total Charges/KWH in Rate 2 Period</b>	<b>0.070697</b>

**RATE 3 - Lake Dorothy Interruptible Energy**

LDHI Energy Charge (Estimate Based on 2004 Dollars)	0.070936
AELP Cap. Recovery ND Line	0.011800
Kwaan Wheeling Charge	0.004167
RCA Regulatory Charge(current; changes annually)	0.000397
<b>Total Estimated Charges/KWH in Rate 3 Period</b>	<b>0.087300</b>
<b>Total Charges/KWH not to exceed</b>	<b>0.100000</b>

**Other Monthly Charges:**

<b>PF Penalty @ 1% of Energy Charge for Each 1% below .95 PF Lagging</b>	
Example PF Penalty rate period 3: assume .85PF, 5 GWH usage, (.070936*.10*5,000,000)=	\$35,468
CBJ Sales Tax @ 5% Cap @ \$7,500 =	\$375
Customer charge per month=	\$95

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**EXHIBIT E**

**LAKE DOROTHY HYDROELECTRIC PROJECT  
PROJECT DESCRIPTION**

**THE PROJECT**

The project would be located on lands within the Tongass National Forest, which are managed by the US Forest Service (USFS). All Project facilities are on the east side of Taku Inlet and would be located within an area classified by the USGS as a Power Site Classification (No. 238; established June 5, 1930). The classification recognizes the potential of the area for electrical power generation and requires management of the area in compliance with Section 24 of the Federal Power Act (FPA). The FPA requires that any use of the area take into consideration the power generation potential and gives the FERC a role in reviewing land uses.

The Tongass Land Resources and Management Plan (TLRMP) designates a Transportation and Utility System (TUS) Land Use Designation overlay on the east side of Taku Inlet. This TUS designation extends from the vicinity of the proposed Bart Lake powerhouse, south to the existing East Terminal intertie point for the Snettisham power line. The designation of this TUS corridor in the TLRMP indicates that construction of the Bart Lake powerline corridor is anticipated and considered to be appropriate for this area.

With a hydraulic capacity of 225 cubic feet per second (cfs), the average annual energy from Phase 1 of the project is estimated to be 74,500 megawatt hours (MWh)<sup>1</sup>. Firm annual energy available from the project is estimated at 62,800 MWh. The hydroelectric energy from the proposed project would add to the available renewable energy sources for use in Juneau, Alaska.

Phase 1: Bart Lake Phase:

---

<sup>1</sup> Reference updated power studies provided by Montgomery Watson Harza letter dated December 18, 2001, Appendix T.

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The proposed action for Phase 1, called the Bart Lake Phase, consists of a lake tap of Bart Lake, construction of a power tunnel approximately 935-feet long and a penstock approximately 6,900-feet in length for water conveyance from Bart Lake to a surface powerhouse near tidewater north of Dale Creek. In order to supply wintertime flows and during other low flow periods into Bart Lake, Lake Dorothy would also be tapped using a lake tap and a water transmission tunnel approximately 680 feet long. This water conveyance system will discharge water from Lake Dorothy into the stream that flows between Lake Dorothy and Lieuy Lake. Water then flows out of Lieuy Lake into Bart Lake via the natural streambed between Lieuy and Bart Lakes, thus keeping Bart Lake at optimum levels for power generation. The Bart Lake power tunnel and penstock would carry the water from Bart Lake to a power plant at tidewater near Dale Creek. This phase uses water in the drainage basins of Lake Dorothy, Lieuy Lake and Bart Lake.

The powerhouse would contain a single generating unit with a capacity of approximately 14.3 megawatts (MW) capable of providing an average annual generation capacity of approximately 74,500 MWh (firm annual generation at 62,800 MWh). Power would be transmitted to Juneau's power grid by an approximate three and one-half (3-1/2) mile long overhead transmission line that would intertie with an existing transmission line from the Snettisham Hydroelectric Project. The intertie point to the Snettisham transmission line is at the East Terminal in the Taku Inlet. Power is then conveyed through a submarine cable across Taku Inlet. The Taku Inlet submarine cable-crossing portion of the Snettisham transmission line was replaced in 1999 and its capacity was upgraded at that time to accommodate the capacity of both Phase 1 and Phase 2 development of the Lake Dorothy Hydroelectric Project.

Phase 2: Lake Dorothy (future amendment)

When justified by load growth in Juneau, the project owner (AELP or other) would make an application for the construction of the second phase, called the Lake Dorothy Phase. The hydraulic capacity of Phase 2 would be 185 cfs. This phase would consist of a new tap of Lake Dorothy and a new power tunnel and penstock approximately 17,000-feet in length.

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Water from Lake Dorothy would be conveyed to the powerhouse site built in Phase 1. Two new generating units would be installed during Phase 2 in the expanded powerhouse with a combined capacity of about 30.0 MW. Average annual generation capacity from Phase 2 is approximately 154,500<sup>2</sup> MWh; firm annual generation from Phase 2 is estimated to be 144,700 MWh. Power generated from Phase 2 would be transmitted over the overhead line that would be installed in Phase 1 of the project.

The Phase 1 Bart Lake tap, penstock and generating unit would remain in service using the water from the Lieuy and Bart Lake drainages. Average annual energy from the Bart Lake (Phase 1) portion when Phase 2 is complete would be lowered to approximately 14,300 MWh annually, firm annual energy would be lowered to 4,600 MWh.

When both phases are completed, the project would maintain the flexibility to allow flows from Lake Dorothy into Bart Lake (as in Phase I) during emergency shutdowns, maintenance functions and reservoir coordination.

The location and general layout of these project features are shown in the attachments to this Exhibit. Table A-1 summarizes the proposed project features.

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<sup>2</sup> Reference updated power studies provided by Montgomery Watson Harza letter dated December 18, 2001, Appendix T.



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PROJECT FEATURES PHASE I - BART LAKE	
Project Location	Township 42S, Range 70E, Sections 4, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, and 27; Township 42S, Range 69E, Sec., 13, 23, 24, 26, 35 within the Copper River Meridian.
Diversion Type	Lake tap of Lake Dorothy; and Lake tap of Bart Lake
Reservoir	<p>Lake Dorothy: Normal Maximum Reservoir Elevation, El. 2,421 Normal Minimum Reservoir Elevation, El. 2,341 Drainage Area: 11.0 square miles (mi<sup>2</sup>) Active Storage Volume, 70,200 acre-feet Surface Area at El. 2,421: 950 acres</p> <p>Bart Lake: Normal Maximum Reservoir Elevation, El. 986 Normal Minimum Reservoir Elevation, El. 966 Drainage Area: 2.4 mi<sup>2</sup> Surface Area at El. 986: 250 acres</p>
Tunnels/Penstock	<p>Power Tunnel: Bart Lake: Type: Unlined Horseshoe; Size: 8 - 12 foot horseshoe Horizontal Length: 935 feet Invert slope, percent: 5 to 10 percent</p> <p>Lake Dorothy: (water conveyance tunnel) Type: Unlined Horseshoe; Size: 8 - 12 foot horseshoe Horizontal Length: 680 feet Invert slope, percent: 5 to 10 percent</p> <p>Penstock: Type: Welded Steel pipe Length: 6,900-feet; Diameter: 60 in.</p>
Powerhouse	<p>Location: Near tidewater Type: Surface Size: 49-feet wide by 110-feet long by 42-feet high Generator Floor El.: approx. 30 mean sea level (msl) Number of Units: 1; Turbine Type: Pelton Unit Hydraulic Capacity: 225 cubic feet per second (cfs) Generator Output: 14.3 MW total</p>
Transmission Line	<p>Voltage: 138kV Length: 3-1/2 miles; Type: Overhead</p>
Average Annual Energy	74,500 MWh (Firm annual energy: 62,800 MWh)

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**PROJECT BOUNDARIES**

All lands in the project boundary are within the Tongass National Forest and managed by the USDA Forest Service. The project boundary includes the following:

***Reservoir Area Description:***

Lake Dorothy including plus two hundred (200') horizontal feet surrounding mean lake level of two thousand-four hundred-twenty one feet (2421').

Township 42S, Range 70E, C.R.M., Sections 4, 9, 10, 15, 16, 21, 22, 27

Acres: Lake 950 acres, border 188 acres.

Lieuy Lake including plus two hundred (200') horizontal feet surrounding mean lake level of one thousand-seven hundred eleven feet (1711').

Township 42S, Range 70E, C.R.M., Section 8

Acres: Lake 80 acres, border 34 acres.

Bart Lake including plus two hundred (200') horizontal feet surrounding mean lake level of nine hundred eighty-six feet (986').

Township 42S, Range 70E, C.R.M., Sections 17, 18

Acres: Lake 250 acres, border 55 acres.

Main Drainage system from Lake Dorothy, Lieuy Lake and Bart Lake centerline plus/minus one hundred feet (100') wide.

Township 42S, Range 70E, C.R.M., Sections 8, 9, 17, 18

Township 42S, Range 69E, C.R.M., Section: 13

Acres: 88 acres.

***Powerhouse/Access Corridor/Penstock/Tunnel Area Description:***

Access Corridor/Penstock/Tunnel centerlines plus/minus fifty feet (+/- 100') wide.

Township 42S, Range 70E, C.R.M., Sections Phase I: 18

Sections Phase II: 16, 17, 18, 19, 20

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Township 42S, Range 69E, C.R.M., Sections Phase I: 13

Sections Phase II: 13

Acres: Phase I – 52.8 acres; Phase II – 78 acres.

Powerhouse plus two hundred feet (200') border.

Township 42S, Range 69E, C.R.M., Section: 13

Acres: powerhouse 2.6 acres, border 4.1 acres.

***Transmission Line Corridor Description:***

Transmission line centerline plus/minus one hundred feet (+/- 100') wide.

Township 42S, Range 69E, C.R.M., Sections 13, 23, 24, 25, 26, 35

Acres: 84.9 acres.

**Total Land Acreage: 1867.4 acres.**

A project boundary survey would be conducted upon final completion of the project. This survey would be based on the above lands descriptions excluding the reservoirs and main drainage systems.

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**Exhibit F**  
**Transmission Charges**

There are two components to the transmission charge: The AELP Transmission charge and the Kwaan Electric Transmission Intertie Cooperative (KWETICO) wheeling charge.

The AELP Transmission charge is based on the capital cost recovery requirements for AELP's investment in the AELP System facilities on Douglas Island that connect the West Juneau Substation with the Juneau/Greens Creek/Hoonah Intertie at the North Douglas submarine cable termination yard. This charge will be fixed at the level shown on the schedule attached to Exhibit D, until such time as an additional substation is constructed in the vicinity of the North Douglas submarine cable termination yard to serve other loads on Douglas Island, at which time the charge is expected to be reduced as a result of such capital cost recovery requirements being shared with other AELP customers. At such time, the computation and reasonableness of this charge to KGCMC shall be subject to review and approval by the RCA.

The KWETICO wheeling charge is based on their revenue requirements for (1) administrative overhead, (2) operations & maintenance expense, and (3) a contribution to a reserve and repair/replacement fund (and, in addition, recovery of initial capital investment if and to the extent KWETICO makes a capital investment in the Intertie in addition to Federal grant funds). AELP will use its commercially reasonable best efforts to persuade KWETICO to continue to compute this charge (as KWETICO has initially agreed to do) in a manner that results in KGCMC being responsible for (1) administrative overhead, and (2) operations & maintenance expenses that are properly allocable to the portion of the Intertie that provides service to KGCMC. The contribution (3) to the reserve and repair/replacement fund will, however, be based on the projected reserve and repair/replacement fund for the Intertie as a whole (and takes the place of a reserve and repair/replacement fund customarily created at the outset of a transmission project and added to the capital cost of that project). The initial KWETICO rates for the Transmission Charges are shown in the schedule attached to Exhibit D of this Agreement.

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**Exhibit G**  
**Prior Interruptible Customers**  
(as of 3/31/05)

<b>Customer Class</b>	<b>Rate Code</b>	<b>Number of Customers</b>
Interruptible – Commercial	25	2
Cruise Ships – Princess	28	1
Interruptible – Government	35	9
Dual Fuel – Residential	95R	124
Dual Fuel – Commercial	95C	4
Dual Fuel – Government	95G	1

**AMENDMENT NO. 1 TO  
SPECIAL CONTRACT FOR POWER SALES**

This Amendment No. 1 to Special Contract for Power Sales ("Amendment No. 1") is entered into as of the Amendment No. 1 Effective Date, between Alaska Electric Light and Power Company ("AELP") and Hecla Greens Creek Mining Company ("HGCMC"). AELP and HGCMC may be referred to herein individually as "Party" and collectively as the "Parties."

**RECITALS**

A. AELP and Kennecott Greens Creek Mining Company ("KGCMC") previously entered into a Special Contract for Power Sales,<sup>1</sup> dated July 13, 2005 ("2005 Special Contract"). The 2005 Special Contract was approved by the Regulatory Commission of Alaska ("RCA") in Letter Order No. L0500581, dated October 4, 2005.

B. In 2008, KGCMC's name was changed to "Hecla Greens Creek Mining Company." HGCMC owns and operates the Greens Creek Mine ("Mine") and the Hawk Inlet Tails/Ore Loading Facility ("Tails/Ore Loading Facility") on Admiralty Island in Southeast Alaska.

C. The 2005 Special Contract provides rates, terms, and conditions for AELP to sell and deliver to HGCMC, and for HGCMC to purchase and receive from AELP, Interruptible Energy in the amount of the actual then-operating Electric Power requirements of the Mine and the Tails/Ore Loading Facility. Among other conditions and limitations, AELP's and HGCMC's sale and purchase obligations under the 2005 Special Contract exist only if and to the extent that Interruptible Energy is available to AELP from AELP's hydroelectric generation facilities at times appropriate for delivery by AELP and receipt by HGCMC. When it is not purchasing Interruptible Energy from AELP's hydroelectric generation facilities, HGCMC meets its Electric Power requirements through self-generation from HGCMC-owned diesel-fueled generation units.

D. AELP and HGCMC desire to amend the 2005 Special Contract to provide for the sale and purchase of Interruptible Energy to HGCMC from AELP's diesel-fueled electric generation facilities ("Interruptible Diesel Energy") under the unusual circumstances when Interruptible Energy from AELP's hydroelectric generation facilities is not available, one or more of HGCMC's generation units are out of service, and HGCMC's remaining operating generation units are not adequate to serve all of HGCMC's Electric Power requirements.

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<sup>1</sup> The initial title page of the Special Contract for Power Sales refers to the contract as the "Agreement for the Sale and Purchase of Interruptible Energy between Alaska Electric Light and Power Company and Kennecott Greens Creek Mining Company."

## AGREEMENT

In consideration of the mutual agreements set forth herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. The 2005 Special Contract is amended to provide rates, terms, and conditions for the sale and purchase of Interruptible Diesel Energy, as set forth in this Amendment No. 1.

2. This Amendment No. 1 shall become effective on the date on which it has been signed by both Parties and approved by the RCA ("Amendment No. 1 Effective Date"). The term of this Amendment No. 1 shall extend until the expiration or termination of the term of the 2005 Special Contract, including any extensions thereof.

3. Unless otherwise defined herein, all capitalized terms in this Amendment No. 1 that are defined in Section 2 of the 2005 Special Contract, shall have the meaning set forth in Section 2 of the 2005 Special Contract. Capitalized terms that are not defined in Section 2 of the 2005 Special Contract shall have the meaning set forth in this Amendment No. 1.

4. Interruptible Diesel Energy Sales.

A. Purchase and Sale; Conditions of Service.

Subject to the provisions of this Amendment No. 1, AELP shall sell and deliver to HGCMC, and HGCMC shall purchase and receive from AELP, at the Delivery Points (as set forth in Exhibit B of the 2005 Special Contract), Interruptible Diesel Energy, but only during periods when all of the following conditions exist: (1) no Interruptible Energy sales from AELP's hydroelectric generation facilities are available under Section 3 of the 2005 Special Contract; (2) one or more of HGCMC's diesel generation units are out of service; and (3) HGCMC's remaining operating generation units are not adequate to serve all of HGCMC's actual then-operating Electric Power requirements at the Mine and the Tails/Ore Loading Facility. For clarification, once all of HGCMC's diesel generation units have been restored to service, HGCMC shall no longer be obligated to purchase and receive Interruptible Diesel Energy until the next period during which the previously-described conditions (1) through (3) again exist.

B. Interruptibility.

AELP may interrupt, curtail, suspend, or decline to commence delivery of Interruptible Diesel Energy to HGCMC at any time and for any reason, including but not limited to the following: generation or transmission facility outages or limitations, to ensure AELP system stability and redundancy, to avoid negative impacts on the cost or quality of service to AELP's other customers, or to avoid exceeding air quality emission limits. AELP shall provide HGCMC as much advance notice of any interruption, curtailment, or suspension as is reasonably practical

under the circumstances. AELP shall have no responsibility to HGCMC or any third party for the consequences of AELP interrupting delivery of Interruptible Diesel Energy to HGCMC.

C. Quantity; Net Requirements Service.

If and to the extent that it is made available by AELP, HGCMC shall purchase and receive from AELP Interruptible Diesel Energy in the amount of HGCMC's actual then-operating Electric Power requirements at the Mine and the Tails/Ore Loading Facility that are in excess of the amount that is being served by HGCMC's own operating diesel generation units, and HGCMC shall not meet such excess requirements through purchases from any other source. Without limiting or expanding the obligations provided herein, the Parties recognize the expectation that AELP will not provide Interruptible Diesel Energy to HGCMC in a quantity exceeding four (4) megawatts ("MW").

D. Notice of Need for Interruptible Diesel Energy.

Upon the commencement of a period during which the three conditions for Interruptible Diesel Energy service, as set forth in Section 4.A, exist, HGCMC shall notify AELP of that fact as soon as is reasonably practical under the circumstances. Thereafter, AELP shall, as soon as is reasonably practical under the circumstances, determine and notify HGCMC whether and when it will commence delivery of Interruptible Diesel Energy to HGCMC.

E. Resale Prohibited.

Interruptible Diesel Energy shall be provided to HGCMC solely for HGCMC's own use and consumption at the Mine and the Tails/Ore Loading Facility. HGCMC shall not be entitled to resell or otherwise dispose of Interruptible Diesel Energy to others.

F. Power Specifications.

Interruptible Diesel Energy service shall consist of three-phase alternating current electric service under the same specifications that apply to Interruptible Energy service under Section 3(e) of the 2005 Special Contract.

5. Rates & Charges for Interruptible Diesel Energy Sales.

For each billing month in which AELP delivers Interruptible Diesel Energy to HGCMC, AELP shall bill and HGCMC shall pay the following monthly rates and charges:

A. Customer Charge.

The then-effective \$ per meter customer charge for AELP's Rate Schedule 24, Large Commercial, with Demand Metering, or a successor rate schedule as approved by the RCA. This charge is currently \$99.24 per month.



B. Energy Charge.

A \$ per kilowatt-hour ("kWh") charge applied to Interruptible Diesel Energy metered at the Delivery Points (\$ per kWh sold), consisting of the sum of the then-effective fuel cost component and non-fuel cost component, as set forth below.

(1) Fuel Cost Component ("FCC").

The FCC reflects AELP's average replacement cost of fuel consumed during the billing month, or portion thereof, when AELP supplies Interruptible Diesel Energy to HGCMC ("Delivery Period"), expressed in \$ per kWh sold. The FCC shall be calculated as follows:

$$\text{FCC (\$/kWh sold)} = \frac{\text{Fuel Cost}}{\text{kWh Generated} \times (1 - \text{Estimated Line Loss \%})}$$

Where:

Fuel Cost = AELP's replacement cost of total fuel consumed during the Delivery Period, based on invoiced costs (\$ per gallon) paid for fuel to replace the gallons of fuel consumed during the Delivery Period;

kWh Generated = Total kWhs generated by all of AELP's diesel generation units during the Delivery Period; and

Estimated Line Loss % = The portion of AELP generation attributed to losses through transmission conductors and voltage transformation. For example, a 4.0% line loss equates to a Line Loss % of 0.040. Estimated Line Loss % shall be updated by May 1 of each year based on the AELP system average line loss for the prior calendar year.

(2) Non-fuel Cost Component ("NFCC").

a. The NFCC reflects AELP's total system average cost of diesel (internal combustion) generation and transmission (including functionalized generation and transmission costs associated with administrative and general expenses, general plant-related costs, and provision for income taxes), expressed in \$ per kWh sold. The NFCC shall be calculated as shown in the formula below. In the formula, transmission costs shall not include costs associated with the State of Alaska-owned Snettisham transmission facilities or the AELP transmission facilities on Douglas Island that connect the West Juneau Substation with the Juneau/Greens Creek/Hoonah Intertie at the North Douglas submarine cable termination yard.

$$\text{NFCC (\$/kWh sold)} = \frac{\text{O} + \text{D} + \text{T} + (\text{K} \times \text{B})}{\text{AELP System kWh Sales}}$$

Where:

O = Operating and maintenance expense of AELP diesel generation (excluding fuel expense) and transmission;

D = Depreciation expense applicable to AELP diesel generation and transmission plant;

T = Provision for income taxes attributable to AELP diesel generation and transmission;

K = AELP's overall weighted average cost of capital;

B = The capital cost of AELP diesel generation and transmission plant; and

AELP System kWh Sales = AELP's annual kWh sales for all firm and non-firm electric services.

b. Weighted Average Cost of Capital ("K").

In the formula in Section 5.B(2)a, variable "K" shall be calculated as: (1) the equity percentage of AELP's total capitalization multiplied by AELP's currently effective allowed rate of return on equity; plus (2) the debt percentage of AELP's total capitalization multiplied by AELP's weighted average cost of debt.

c. Capital Cost ("B").

In the formula in Section 5.B(2)a, variable "B" shall be calculated as: (1) the dollar amount of gross diesel generation and transmission plant; less (2) accumulated depreciation on diesel generation and transmission plant; less (3) accumulated deferred income taxes attributable to diesel generation and transmission; plus (4) a 45-day cash working capital allowance for diesel generation and transmission expenses, calculated as 12.5% of the operating and maintenance expense of AELP diesel generation and transmission (variable "O" in the formula in Section 5.B(2)a).

d. Recalculation of NFCC.

The NFCC shall be recalculated by May 1 of each year based on data as of the end of the prior calendar year. The NFCC shall be effective for Interruptible Diesel Energy sales bills rendered from May 1 of the year in which the NFCC is calculated through April 30 of the following calendar year.

C. Transmission Charges.

The following monthly transmission charges shall apply to Interruptible Diesel Energy sales.

(1) AELP North Douglas Line Capital Recovery Charge.

The then-effective \$ per kWh charge, applied to kWhs delivered to the Delivery Points, for the capital cost recovery requirements for AELP's investment in the AELP transmission facilities on Douglas Island that connect the West Juneau Substation with the Juneau/Greens Creek/Hoonah Intertie at the North Douglas submarine cable termination yard, as set forth in Exhibit D, Rate 3 ("AELP Cap. Recovery ND Line"), and Exhibit F, of the 2005 Special Contract, as may be adjusted under that agreement. This charge is currently \$0.011800 per kWh.

(2) KWETICO Transmission Charge.

a. Except as otherwise provided in Section 5.C(2)b, AELP shall include in its bills to HGCMC, and HGCMC shall pay to AELP, as a pass-through without margin or markup, the then-effective RCA-approved transmission charges assessed to AELP by Kwaan Electric Transmission Intertie Electric Cooperative, Inc. ("KWETICO") for transmission between Douglas Island and Admiralty Island. This charge is currently \$4,225 per month.

b. Under Section 4(a) of the 2005 Special Contract, AELP bills HGCMC for KWETICO transmission charges related to the sale of Interruptible Energy from AELP hydroelectric facilities. For any billing month, HGCMC shall not be required to pay AELP the KWETICO transmission charge for Interruptible Diesel Energy sales if and to the extent that such payment would result in AELP billing HGCMC for that billing month, in the aggregate, more for KWETICO transmission charges than the total monthly transmission charges assessed to AELP by KWETICO.

D. Power Factor Charges.

For purchases of Interruptible Diesel Energy, HGCMC shall be subject to the power factor requirements and power factor penalty charges set forth in Section 4(d) of the 2005 Special Contract.

E. Regulatory Cost Charge.

AELP will include in its bills to HGCMC, and HGCMC will pay to AELP, as a pass-through without margin or markup, the RCA's then-effective Regulatory Cost Charge for each kWh of Interruptible Diesel Energy sold to HGCMC.

F. Sales Tax.

AELP will bill HGCMC, and HGCMC will pay AELP, for any sales or other taxes (other than income taxes) imposed on or collected from AELP as a result of the sale of Interruptible Diesel Energy to HGCMC.

6. Metering.

Metering for Interruptible Diesel Energy sales shall be in accordance with Section 4(g), Metering, of the 2005 Special Contract.

7. HGCMC's Delivery Facilities and Equipment.

The provisions of Section 6(b) of the 2005 Special Contract, regarding delivery facilities and equipment, shall apply with respect to Interruptible Diesel Energy service under this Amendment No. 1.

8. Operations.

The provisions of Section 7, Operations, of the 2005 Special Contract, shall apply with respect to Interruptible Diesel Energy service under this Amendment No. 1.

9. Protecting Equipment & Power Quality.

For purposes of Interruptible Diesel Energy sales, HGCMC shall, in addition to satisfying the requirements of Section 8, Protecting Equipment & Power Quality, of the 2005 Special Contract, use commercially reasonable efforts to maintain its diesel generation units in good and operable condition with capacity sufficient to satisfy all of the load requirements at the Mine and the Tails/Ore Loading Facility.

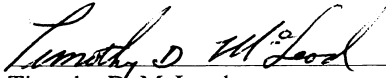
10. Legal Matters.

The Parties agree that the provisions of Section 9, Provisions Relating to Legal Matters, of the 2005 Special Contract shall apply to this Amendment No. 1.

11. This Amendment No. 1 is intended solely to add Interruptible Diesel Energy Sales as one of the services available under the 2005 Special Contract and provide rates, terms, and conditions for that new service, as set forth herein. No other aspect of the 2005 Special Contract is amended or modified by this Amendment No. 1.

12. Pursuant to 3 AAC 48.390(a), the Parties agree that this Amendment No. 1 does not take effect without the prior approval of the RCA and is, at all times, subject to revisions by the RCA.

ALASKA ELECTRIC LIGHT  
AND POWER COMPANY



Timothy D. McLeod  
President & General Manager

Date: July 13, 2015

HECLA GREENS CREEK MINING  
COMPANY



Digitally signed by Scott N. Hartman  
DN: cn=Scott N. Hartman, o=Hecla Greens Creek  
Mining Company, ou=President - General Manager,  
email=shartman@hecla-mining.com, c=US  
Date: 2015.07.13 09:13:50 -08'00'

Scott N. Hartman  
General Manager

Date: July 13, 2015