



***Appendix B-1***

***Term Sheet  
for PPAs and Tolls***

***For***

***2014 Request for Proposals  
For  
Long-Term, Supply-Side and Renewable  
Generation Resources***

Entergy Arkansas, Inc.  
May 5, 2014

## Term Sheet for PPAs and Tolls

This Term Sheet (“Term Sheet”) generally describes certain terms and conditions of a potential agreement between EAI or its designee (“Buyer”) and Seller (together with Buyer, the “Parties”) for the purchase by Buyer of long-term Capacity, energy, Other Electric Products (including capacity-related benefits, such as Capacity Credits, and ancillary services), and Environmental Attributes pursuant to a proposal for a PPA or Toll submitted by Bidder on behalf of Seller and selected by Buyer in the 2014 EAI RFP (such agreement, if negotiated and executed by the Parties, the “Definitive Agreement”). Buyer will provide the initial draft of the Definitive Agreement at the beginning of the negotiations.

Proposal Term	Description of Proposal Term
<b>Buyer:</b>	Buyer will be considered an entity entirely separate and distinct from any Balancing Authority or transmission organization owned, controlled, operated, or managed by EAI or an Affiliate thereof.
<b>Facility:</b>	The “ <u>Facility</u> ” will be the electric generation facility specified in the proposal giving rise to the Definitive Agreement (“ <u>Transaction Proposal</u> ”) as the facility for the Definitive Agreement.
<b>Market Participant:</b>	Subject to certain limitations, throughout the term of the Definitive Agreement, Buyer will have the right to determine from time to time whether Buyer (or a designee of Buyer) or Seller will serve as the market participant or other representative for the Facility (or, if applicable, the portion of the Facility that constitutes Contract Capacity (defined below)) before MISO or, in the event EAI is not subject to the MISO Balancing Authority, the largest Balancing Authority to which EAI is then subject (“ <u>Replacement BA</u> ”) with respect to any planning period of MISO or any Replacement BA during the Delivery Term (defined below) (“ <u>Market Participant</u> ”).
<b>Delivery Term:</b>	The “ <u>Delivery Term</u> ” will be the contractual period of time for the purchase and sale of products and services under the Definitive Agreement. The Delivery Term is expected to be the Delivery Term specified in the Transaction Proposal. Subject to satisfaction or waiver of applicable conditions precedent and other applicable terms of the Definitive Agreement, the Delivery Term will commence at the start of hour ending 0100 on the first day of the Delivery Term and continue through the end of hour ending 2400 on the last day of the Delivery Term. As indicated in the RFP, Buyer’s preference, particularly for Traditional Resources, biomass Renewable Resources, and any other Renewable Resource that is expected to provide significant capacity value to Buyer, is for the Delivery Term to start at the beginning of a planning period (June 1 under the current applicable MISO Rules),
<b>Commercial Operation:</b>	<i>{For Developmental Resources}</i> If the Definitive Agreement is based on a Developmental Resource, in the event Seller does not achieve commercial operation by the guaranteed commercial operation date (as may be extended by force majeure, up to a maximum of 180 days, the “ <u>Guaranteed COD</u> ”), Seller will be subject to, among other things, delay damages, potential capacity re-

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**Term Sheet for PPAs and Tolls**

	<p>sizing and “buy-downs” required by Buyer, and, for extended delays, potential termination of the Definitive Agreement. The Guaranteed COD is expected to be the Guaranteed COD specified in the Transaction Proposal. The definition of commercial operation will be specified in the Definitive Agreement, but, in general, will require, among other things, that the Facility have achieved substantial completion, satisfied certain performance tests, and be available for normal continuous operation; that the interconnection, metering, telemetry, and certain other equipment and systems be installed, tested, and properly working; and that Seller be in compliance with the Definitive Agreement and ancillary/project agreements, have in full force and effect all required permits, authorizations, waivers, and agreements, have in place certain accounts and registrations, have provided to Buyer all required credit support and evidence of insurance coverage, made all arrangements for the supply of required electric services and other utilities to the Facility, and completed staffing and required training of Seller’s personnel and representatives. The Definitive Agreement will include a project schedule with numerous milestones. Seller will be required to provide to Buyer periodic progress reports and inspection and other rights related to the period of time before commercial operation is achieved.</p>
<p><b>Contract Capacity:</b></p>	<p>“<u>Contract Capacity</u>” means the entire capacity of the Facility or, in the event the Transaction Proposal allocates to Buyer a portion of the capacity of the Facility, the portion of such capacity allocated to Buyer. For Tolls and certain PPAs, the Contract Capacity will fluctuate from time to time due to variations in ambient conditions. The Contract Capacity includes Dependable Capacity (defined below) and, accordingly, may never be less than the Dependable Capacity. (As indicated in the RFP, except for capacity from a solid fossil-fuel fired resource, Buyer may not be allocated as Contract Capacity less than all of the capacity of either the Facility or any individual generating unit at the Facility recognized as such by MISO or, if applicable, the Replacement BA (each an “<u>Applicable GU</u>”).) If the Transaction Proposal allocates as Contract Capacity to Buyer less than all of the capacity of the Facility, the Definitive Agreement (and/or one or more other agreements between the Buyer and Seller) will address the issues associated with such an arrangement (e.g., prioritization, allocation of common facilities and related costs (including, if applicable, fuel), registration, reporting, scheduling, offering, bidding, tagging (if applicable), metering, settlement, future facility modifications).</p>
<p><b>Dependable Capacity:</b></p>	<p>“<u>Dependable Capacity</u>” means the net MW that the Facility or, in the event the Transaction Proposal allocates to Buyer a portion of the capacity of the Facility, the portion of such capacity allocated to Buyer is capable of delivering reliably to Buyer at the Physical Delivery Point (defined below). For resources located (or to be located) in MISO during any period when Buyer is subject to the MISO Balancing Authority, the amount of the Dependable Capacity will be the</p>

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**Term Sheet for PPAs and Tolls**

	<p>installed capacity, or “ICAP,” value assigned by MISO to the Facility or, in the event the Transaction Proposal allocates to Buyer a portion of the capacity of the Facility, the portion of such capacity allocated to Buyer. For other resources, the Dependable Capacity will be determined in a similar manner, applying, to the extent possible, the rules of the applicable Balancing Authority for determining the amount of installed capacity for a facility or generating unit. For purposes of the Capacity Payment Discount (defined below), the “availability” of a resource for any period during the Delivery Term will be a function of the availability of the Dependable Capacity over such period (see “Availability Requirements”).</p>
<p><b>Recognized Capacity:</b></p>	<p>“<u>Recognized Capacity</u>” means, for any planning period of MISO or any Replacement BA, the unforced capacity, or “UCAP,” value assigned from time to time to the Contract Capacity by MISO or, in the event that (i) Buyer is subject to a Balancing Authority other than MISO that provides, allocates, or assigns Capacity Credits or other capacity-related benefits in respect of the Contract Capacity or (ii) MISO uses a methodology other than UCAP, the capacity recognized and used by such Balancing Authority or MISO, as the case may be, to establish the amount of Capacity Credits or other capacity-related benefits to be provided, allocated, or assigned with respect to the Dependable Capacity for such planning period, in each case, adjusted for losses to the Physical Delivery Point. For purposes of the Definitive Agreement, the Recognized Capacity may never exceed the Dependable Capacity. The Capacity Payment (defined below) for any month in the Delivery Term will be a function, in part, of the Recognized Capacity for such month. To the extent that Seller or Buyer is required by applicable laws (including MISO Rules) to demonstrate the capability of, or otherwise test, the Facility or any Applicable GU for purposes of capacity qualification, the establishment of Capacity Credits or other capacity-related benefits, or ICAP or UCAP values, or for any other purpose, Seller will perform such tests (including any deliverability tests and capability tests) according to applicable requirements. Buyer will have rights to demonstrate the capability of, or otherwise test, the Facility or any Applicable GU as set forth in the Definitive Agreement.</p>

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**Term Sheet for PPAs and Tolls**

<p><b>Energy Delivery Point:</b></p>	<p>The “<u>Energy Delivery Point</u>” is the Physical Delivery Point (defined below) for physical deliveries under the Definitive Agreement or the Financial Delivery Point (defined below) for financial transfers to Buyer under the Definitive Agreement, as the context requires, and the plural of Energy Delivery Point is both the Physical Delivery Point and Financial Delivery Point.</p> <p>The “<u>Physical Delivery Point</u>” is the point at which Contract Capacity and associated capacity-related benefits will be made available, and energy and Other Electric Products (to the extent capable of being physically delivered) will be physically delivered. The Physical Delivery Point is expected to be the commercial pricing node in MISO designated by Seller in its Transaction Proposal.</p> <p>The “<u>Financial Delivery Point</u>” is the commercial pricing node recognized by MISO as the commercial pricing node for EAI’s native electric load (or the equivalent thereof recognized by the Replacement BA or, if there is no such equivalent, the point of delivery designated by Buyer). As of the issuance date of the RFP, the current Financial Delivery Point is the EAI.EAILD commercial pricing node. To the extent possible, Contract Capacity, capacity-related benefits, energy, and Other Electric Products (to the extent capable of being physically delivered) delivered at the Physical Delivery Point will be transferred by Seller, at Seller’s expense, to Buyer at the Financial Delivery Point through a financial transaction (expected to be effectuated, under the current MISO Rules, through financial schedules submitted to MISO in which the Physical Delivery Point is the delivery point, the Financial Delivery Point is both the internal delivery point and the sink point, Seller is the selling party, and Buyer is the buying party).</p>
<p><b>Electric Interconnection:</b></p>	<p>The “<u>Electric Interconnection Point</u>” will be the point described or indicated as such in the electric interconnection agreement for the Facility and the Transaction Proposal. Seller will be responsible for and bear all costs and risks associated with the electric interconnection of the Facility, including, without limitation, costs assigned to the interconnection customer under the electric interconnection agreement for the Facility (<i>e.g.</i>, the cost of upgrades resulting from the interconnection service request).</p>
<p><b>Electric Transmission and Delivery:</b></p>	<p>Seller will be responsible for and bear all costs associated with the transmission of Capacity, capacity-related benefits, energy, and Other Electric Products (to the extent capable of being physically deliverable) dispatched by or for Buyer to the Physical Delivery Point and the transfer of the same to the Financial Delivery Point. Seller will be responsible for any cost or price basis differential (including any transmission-related loss) at any time during the Delivery Term from the Facility to and including the Physical Delivery Point and from the</p>

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**Term Sheet for PPAs and Tolls**

	<p>Physical Delivery Point to the Financial Delivery Point. If the Facility is not (or will not be) directly interconnected to MISO, Seller must provide for the firm transmission or transfer of energy and other products to the Energy Delivery Points.</p>
<p><b>Availability and Availability Requirements:</b></p>	<p>Seller will make available to Buyer all of the Contract Capacity and capacity-related benefits and will deliver all associated energy and Other Electric Products at the Physical Delivery Point in accordance with Buyer’s dispatch notices. Except to the extent required by a unit contingency, Seller will not interrupt, curtail, or otherwise reduce the availability or deliveries of Contract Capacity, or any associated energy or Other Electric Product, even if Seller is otherwise above the availability requirements set forth in the Definitive Agreement. In addition, to the extent the Facility (including any Applicable GU) is capable, from time to time, of reduced operating restrictions (including, without limitation, reduced minimum permitted dispatch levels and start times and increased ramp rates), Seller will make available such capability to Buyer.</p> <p><i>{For dispatchable Traditional Resources (e.g., CCGT)}</i> During the Delivery Term, (i) each month the Dependable Capacity will be required to be at least (a) for a month that is a summer month (June-August), 98%; (b) for a month that is a winter month, (December-February), 98%; and (c) for all other months, 95%, and (ii) each rolling 12-month period [shorter periods will apply during the first year of the Definitive Term], the Dependable Capacity will be required to be at least 85%.</p> <p><i>{For baseload resources (including biomass)}</i> During the Delivery Term, (i) each month the Dependable Capacity is expected to be established based on the technology utilized and/or the minimum monthly capacity availability requirement(s) specified in the Transaction Proposal and consistent with monthly availability percentages for similar baseload resources (expected to be in the range of 90-95%) and (ii) each rolling 12-month period [shorter periods will apply during the first year of the Definitive Term], the Dependable Capacity will be required to be at least a percentage that is expected to be established based on the technology utilized and/or the minimum monthly capacity availability requirement(s) specified in the Transaction Proposal and is consistent with 12-month availability percentages for similar baseload resources.</p> <p><i>{For peaking Traditional Resources (e.g., CT)}</i> During the Delivery Term, (i) each month the Dependable Capacity will be required to be at least 99% and (ii) each rolling 12-month period [shorter periods will apply during the first year of the Definitive Term], the Dependable Capacity will be required to be at</p>

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**Term Sheet for PPAs and Tolls**

	<p>least 90%.</p> <p>The availability of Dependable Capacity will be determined for each hour of the Delivery Term and, subject to certain exceptions, will be based on the lower of (i) the actual availability of the Dependable Capacity and (ii) the Dependable Capacity set forth (or, per the Definitive Agreement, deemed to be set forth) in Seller’s scheduling notice to Buyer, in each case relative to the contractually stipulated Dependable Capacity. For purposes of such availability determinations, the maximum availability of the Dependable Capacity in any hour will be 1.0 or 100%. In such determinations, Planned Maintenance (defined below) will be treated as an excused reduction in Dependable Capacity; however, as described in “Planned Maintenance,” the number of hours of Planned Maintenance that Seller is permitted to take in any Planned Maintenance outage period will be subject to a cap. <i>{Exclusively for Tolls}</i> A reduction in the hourly availability of the Dependable Capacity due solely to an interruption of gas transportation to the gas delivery point(s) will also be treated as an excused reduction in Dependable Capacity, except to the extent the interruption is due to force majeure or an act or omission directly or indirectly, of Seller or its Affiliates.</p> <p>Seller’s failure to meet the monthly availability requirement will result in a Capacity Payment Discount (see below). Seller’s failure to meet the minimum rolling availability requirement will be an event of default of Seller and entitle Buyer to terminate the Definitive Agreement and receive termination damages arising out of any such termination.</p>
<p><b>Capacity Payment:</b></p>	<p>The “<u>Capacity Payment</u>” will be Buyer’s monthly payment to Seller for Contract Capacity. The Capacity Payment for any month will equal the capacity rate for such month multiplied by the Recognized Capacity for such month, will be payable to Seller monthly in arrears, and will be subject to a possible Capacity Payment Discount (see below). The capacity rate will be shaped [15% in the three summer months, 9% in May and September, 7% in the three winter months, and 4% in the four other months]. No Capacity Payment will be payable for capacity from a wind, solar photovoltaic, or run-of-river hydroelectric resource.</p>
<p><b>Capacity Payment Discount:</b></p>	<p>If the monthly availability for a month is below the applicable monthly availability requirement, a “<u>Capacity Payment Discount</u>” will apply to the Capacity Payment. Other than for peaking resources, the Capacity Payment Discount will be two percent (2%) for each one percent (1%) shortfall to the monthly availability requirement, except to the extent of unavailability due solely to force majeure, for which the Capacity Payment Discount will be one percent (1%) for each one percent (1%) shortfall to the monthly availability</p>

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**Term Sheet for PPAs and Tolls**

	<p>requirement. For peaking resources, the Capacity Payment Discount will be twenty percent (20%) for each one percent (1%) shortfall to the monthly availability requirement, subject to the same force majeure exception set forth immediately above. In no event will the Capacity Payment Discount reduce the Capacity Payment below zero (0).</p>
<b>Contract Energy:</b>	<p><i>{For wind, solar photovoltaic, and run-of-river hydroelectric resources}</i> Throughout the Delivery Term, Seller will sell and deliver to Buyer, and Buyer will purchase from Seller, all energy produced by the Facility (or the portion allocated to Buyer as the Contract Capacity) and delivered at the Physical Delivery Point and transferred to the Financial Delivery Point (“<u>Contract Energy</u>”).</p>
<b>Generation Forecasts:</b>	<p><i>{For wind, solar photovoltaic, and run-of-river hydroelectric resources}</i> Seller will cause a reputable third-party forecaster to provide to Buyer (at Seller’s expense), in good faith and in accordance with accepted electrical practices, generation forecasts for the Facility (or the portion allocated to Buyer as the Contract Capacity) for each day by the day-ahead generation forecast deadline specified in the Definitive Agreement for such day and updates thereto.</p>
<b>Excess Energy Pricing:</b>	<p><i>{For wind, solar photovoltaic, and run-of-river-hydroelectric resources}</i> For Contract Energy delivered in any hour of a contract year after the Contract Energy deliveries for such contract year equal 115% of the Annual Expected Energy Quantity (defined below), the price for such excess Contract Energy will be 50% of the otherwise applicable energy price.</p>
<b>Minimum Energy Delivery Requirement:</b>	<p><i>{For wind, solar photovoltaic, and run-of-river hydroelectric resources}</i> Seller will be required to deliver and transfer to Buyer Contract Energy at the Energy Delivery Points in an amount at or above the “Annual Guaranteed Energy Quantity” in any contract year of the Delivery Term. The “<u>Annual Guaranteed Energy Quantity</u>” for any contract year is expected to be established based on the technology utilized and/or the Annual Guaranteed Energy Quantity specified for such contract year in the Transaction Proposal. For wind and solar photovoltaic resources, the Annual Guaranteed Energy Quantity is expected to be at least the “P90” annual quantity for the resource. The Annual Guaranteed Energy Quantity for a contract year will be subject to adjustment for force majeure and voluntary Buyer-initiated curtailments of Contract Energy (see below) in such contract year. Energy supplied from or to the imbalance market will not be considered Contract Energy for purposes of determining satisfaction of Seller’s Annual Guaranteed Energy Quantity commitment. In the event of a shortfall in annual Contract Energy deliveries below the applicable Annual Guaranteed Energy Quantity, Seller will, among other things, pay liquidated damages to Buyer and transfer to Buyer or pay for the Environmental Attributes that Seller would have been obligated to transfer to Buyer if the energy shortfall had actually been generated by Seller and</p>

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**Term Sheet for PPAs and Tolls**

	<p>delivered and transferred to Buyer at the Energy Delivery Points. The failure of Seller to deliver and transfer Contract Energy to Buyer from the Facility at the Energy Delivery Points in an amount equal to at least (a) 80% of the Annual Guaranteed Energy Quantity in any two consecutive contract years or (b) 75% of the Annual Guaranteed Energy Quantity in any three contract years will be an event of default of Seller that would, among other things, entitle Buyer to terminate the PPA and receive termination damages.</p>
<p><b>Buyer-Curtailed Energy:</b></p>	<p><i>{For wind, solar photovoltaic, and run-of-river-hydroelectric resources}</i> Buyer will have the right to curtail some or all of the Contract Energy that would otherwise be Contract Energy delivered from the Facility and transferred to Buyer at the Energy Delivery Points by notifying Seller of the amount of Contract Energy (if any) that Buyer is willing to accept during any interval of the curtailment period. If Buyer exercises such curtailment rights, then, for any settlement interval for which Buyer has exercised such rights, Seller will provide to Buyer a calculation (which will be subject to audit and dispute by Buyer) of the quantity of Contract Energy that would have been but was not generated by the Facility and delivered and transferred to Buyer at the Energy Delivery Points during such interval due solely to Buyer’s exercise of its curtailment rights (the “<u>Buyer-Curtailed Energy</u>”). For each kWh of Buyer-Curtailed Energy, Buyer will pay Seller an amount based on the difference between (i) the price for Contract Energy specified in the PPA and (ii) the net “cover” price with respect to Buyer-Curtailed Energy or (only to the extent Seller was unable, despite the use of commercially reasonable efforts, to “cover” in the market) an amount equal to (a) the cost saved by Seller by not generating Buyer-Curtailed Energy (expressed in \$/kWh) minus (b) the amount of the federal production tax credits (as grossed-up for federal income taxes) for Buyer-Curtailed Energy not generated (expressed in \$/kWh). Reliability curtailments (that is, curtailments made, initiated, directed, or ordered by an entity other than Buyer (<i>e.g.</i>, MISO or a local balancing authority) or other curtailments, limitations, or shortcomings (including emergency and scheduled or unscheduled outages, maintenance, or otherwise)) will not give rise to Buyer-Curtailed Energy.</p>
<p><b>Capacity-Related Benefits and Environmental Attributes:</b></p>	<p>Whether or not the Definitive Agreement provides for a Capacity Payment to Seller, any current or future benefit associated with the Contract Capacity (<i>e.g.</i>, Capacity Credits), and any current or future Environmental Attribute associated with the Contract Capacity, or the generation or transfer of energy or Other Electric Products from the Contract Capacity, including, without limitation, any Environmental Attribute related to the avoidance of the emission of any substance into the environment (<i>e.g.</i>, M-RET or “Green-e” credits), will, in each case, exclusively accrue to and be owned by Buyer without any incremental amount or payment due from Buyer for such benefit or attribute.</p>

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**Term Sheet for PPAs and Tolls**

	In the event any Capacity Credit or other capacity-related benefit is sourced from a resource not located within Local Resource Zone 8 of MISO, (i) if the auction clearing price for such Capacity Credit or capacity-related benefit (“ <u>Out-of-Zone ACP</u> ”) is greater than the auction clearing price for a Capacity Credit or capacity-related benefit sourced from a resource located within Local Resource Zone 8 of MISO (“ <u>In-Zone ACP</u> ”), Buyer will pay Seller the positive difference between the Out-of-Zone ACP and the In-Zone ACP and (ii) if the In-Zone ACP is greater than the Out-of-Zone ACP, Seller will pay Buyer the positive difference between the In-Zone ACP and the Out-of-Zone ACP. Seller will, at its sole cost and expense, initiate, qualify for, maintain, provide, and transfer to Buyer all such capacity-related benefits and Environmental Attributes.
<b>Other Electric Products:</b>	Seller will be required, at its sole cost and expense, to qualify the Facility or, if applicable, the Contract Capacity for, maintain, and (upon Buyer’s dispatch thereof pursuant to the Definitive Agreement) provide and/or transfer to Buyer at the Energy Delivery Points, any Other Electric Product capable of being provided from the Facility or, if applicable, the Contract Capacity.
<b>Exclusivity; Buyer Dispatch Rights:</b>	Except for the rights of MISO or, if applicable, a Replacement BA under applicable MISO Rules, Buyer’s rights to the Contract Capacity and associated capacity-related benefits, Environmental Attributes, energy, and Other Electric Products are exclusive. Throughout the Delivery Term, Buyer will have the right to dispatch or, if Seller is the Market Participant, to direct Seller to self-schedule and offer and to specify to Seller the terms of such self-schedule or offer (including modifying any existing dispatch notice, self-schedule, or offer), for each settlement interval of any operating day during the Delivery Term, the Capacity, energy, and Other Electric Products from the Contract Capacity or to which Buyer is entitled under the Definitive Agreement from time to time as it deems appropriate, subject to Buyer’s observance of any scheduling and operating restrictions specified in the Definitive Agreement and then in effect (e.g., scheduling notice deadlines and other scheduling and offering requirements or limitations, minimum permitted dispatch levels, minimum run times, start times and ramp rates). Seller will provide Buyer with scheduling and dispatch flexibility and rights under the Definitive Agreement substantially equivalent to those that Buyer would have if Buyer owned the Contract Capacity.
<b>MISO Payments (Including Financial Schedules):</b>	Subject to certain exceptions specified in the Definitive Agreement, Buyer will be entitled to any payment from MISO or any other person for Capacity and capacity-related benefits, energy, and Other Electric Products from the Contract Capacity and to any other payment from MISO or any other Balancing Authority with respect to the Contract Capacity (including the curtailment thereof). In the event that Buyer is not the Market Participant in respect of the

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**Term Sheet for PPAs and Tolls**

	<p>Contract Capacity, Buyer may require that any transaction involving the transfer of Capacity, capacity-related benefits, energy, or Other Electric Products from the Contract Capacity that can be settled through financial schedules with MISO (or, if applicable, the Replacement BA through comparable instruments, means, or processes) settle with MISO through financial schedules (or with the Replacement BA through comparable instruments or means) prepared, submitted, and confirmed by Buyer and Seller.</p>
<p><b>Costs/ Imbalances:</b></p>	<p>Subject to the remainder of this section of this Term Sheet, Seller will be responsible for all costs incurred in connection with the Facility, the conduct of Seller’s business, or the provision, delivery, or transfer (or non-delivery or non-transfer) of the products to or for the account of Buyer at (and including) the Energy Delivery Points or the performance of Seller’s obligations under the Definitive Agreement, including, without limitation, any (i) transaction, scheduling, financial scheduling, offering, or other fee or charge imposed by any Balancing Authority or transmission provider; (ii) Balancing Authority penalty or similar charge (including, without limitation, any charge or cost arising out of any limitation, restriction, penalty or determination made or other action taken by or pursuant to a request of a market monitor or similar authority in connection with the performance (or non-performance) of the Definitive Agreement); (iii) imbalance charge (including, without limitation, any revenue sufficiency guaranty or real-time excessive and non-excessive energy amount); (iv) integration charge; (v) cost of any ancillary service or other Balancing Authority or other transmission provider service (e.g., regulation); and (vi) similar cost or charge incurred in connection with the activities described above. <i>{For wind and solar photovoltaic resources}</i> In addition, Seller will have responsibility for the settlement of Contract Energy and other physically deliverable products at certain negative prices. Seller’s responsibility will be for the portion of the negative price that is less than the amount determined by subtracting from \$0/kWh, for each period of negative pricing, the applicable federal production tax credit per kWh (grossed-up for applicable federal income taxes) for Contract Energy generated during such period of negative pricing.</p> <p>In general, Buyer will have responsibility for certain imbalance charges and Balancing Authority penalty costs to the extent caused solely by actions of Buyer that will be specified in the Definitive Agreement and will vary depending on the nature of the Definitive Agreement (Toll or PPA) and whether Buyer is the Market Participant under the Definitive Agreement. For example, if Buyer is the Market Participant and the Definitive Agreement is a PPA and assuming Seller or others for which Seller is responsible are not at fault, Buyer will have responsibility for such imbalance charges and Balancing Authority penalty costs to the extent (a) Seller complies with a Buyer dispatch</p>

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**Term Sheet for PPAs and Tolls**

	<p>notice requiring Seller to violate either (1) a MISO directive to Buyer as Market Participant that has not been communicated to Seller or (2) a MISO requirement to generate (or not generate) a product scheduled and/or offered by Buyer that is triggered solely by Buyer’s schedules, or (b) Buyer submits a dispatch notice to Seller that is inconsistent with a prior Buyer dispatch notice to Seller and a schedule and/or offer then in effect with MISO (or, if applicable, the Replacement BA). Further, nothing in this section limits Buyer’s obligation to make payments (e.g., Capacity Payments) to Seller as provided in the Definitive Agreement.</p>
<p><b>Guaranteed Heat Rate:</b></p>	<p>{<i>For gas-fired and solid fossil fuel-fired Traditional Resources</i>} The “<u>Guaranteed Heat Rate</u>” is expected to be based upon (and will be no greater than) the heat rate corresponding to Buyer’s dispatch level specified in the Transaction Proposal for the season in which such dispatch occurs and reasonably representative of the actual heat rate at such dispatch level in such season. If, as a result of a unit contingency or other limitation, Buyer’s dispatch level is limited and such limitation results in a higher applicable heat rate, the applicable heat rate will be the heat rate corresponding to Buyer’s dispatch that would have occurred absent such limitation. The applicable heat rate is a blended heat rate for all MW included in the corresponding dispatch level. For Tolls, a deadband above and below the Guaranteed Heat Rate will apply. Incremental fuel costs resulting from operation of the Facility or Applicable GU(s) at a heat rate above the maximum allowed heat rate (after application of the deadband) for the applicable dispatch level will be for Seller’s account.</p>
<p><b>Fuel Supply and Transportation:</b></p>	<p>For PPAs, subject to other terms of the Definitive Agreement, Seller will be responsible for buying and delivering fuel to the Facility and all related costs (e.g., applicable taxes), including, without limitation, the arrangement, transportation, nomination, storage, use, loss, and disposition thereof. Without limiting the foregoing, Seller will bear all risk associated with any decision not to procure firm fuel supply and transportation.</p> <p>For Tolls, subject to other terms of the Definitive Agreement, Buyer will be responsible for buying and delivering fuel up to the gas delivery point(s) and all related costs, including, without limitation, the arrangement, transportation, nomination, storage, use, loss, and disposition thereof, and Seller will be responsible for delivering fuel from the gas delivery point(s) to the Facility (or, if applicable, Applicable GUs) for the fuel conversion services provided by Seller and all related costs (e.g., applicable taxes), including, without limitation, the transportation, use, loss, and disposition thereof.</p>
<p><b>Planned</b></p>	<p>Seller will be required to coordinate and schedule with Buyer planned maintenance of the Facility or, if applicable, the portion of the Facility</p>

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**Term Sheet for PPAs and Tolls**

<b>Maintenance:</b>	constituting the Contract Capacity according to the Definitive Agreement and the applicable MISO Rules (“ <u>Planned Maintenance</u> ”). Seller will have the right to schedule and conduct Planned Maintenance only during the March/April and October/November time frames and otherwise in accordance with the MISO Rules applicable to Planned Maintenance. Each Planned Maintenance outage will be scheduled with Buyer months ahead of the outage, as specified in the Definitive Agreement. Seller will be subject to a maximum number of seasonal and annual Planned Maintenance hours that may be taken in any contract year. The expected timing and permitted duration of Planned Maintenance will be consistent with the technology utilized in the Facility or, if applicable, the portion of the Facility that constitutes Contract Capacity.
<b>Credit Support:</b>	Seller will be expected to meet the credit support requirements for sellers in the RFP, including Appendix E, and other credit-related terms, all of which will be more fully developed in the Definitive Agreement. Buyer will not be required to provide credit support under the Definitive Agreement.
<b>Force Majeure:</b>	Force majeure will be as specified in the Definitive Agreement. Force majeure will exclude, among other things: (i) mechanical failures or breakdowns, defects, or equipment or systems failures not due to acts of God; (ii) events stated in the technical specifications of the Facility to be within the tolerance of the Facility; (iii) the failure or other act or omission of employees, agents, representatives, or direct or indirect contractors, subcontractors, or suppliers of the Party claiming force majeure or any non-delivery, delayed delivery, shortages, or other unavailability of machinery, spare parts, materials, consumables (including fuel), labor, equipment, or services (including any interruption or curtailment of fuel transportation or electric transmission), unless the Party claiming force majeure has a firm contract for the applicable service or item and the provider, if it were a party to the Definitive Agreement, would be able to claim force majeure for the same (subject to an exception for gas transportation and electric transmission); (iv) any weather event not abnormally severe for the period of time when, and the area where, such weather event occurs; and (v) labor strikes, slowdowns or stoppages.
<b>Conditions Precedent:</b>	The Definitive Agreement will include conditions precedent to the commencement of the Delivery Term, including, without limitation, conditions of Buyer with respect to its regulatory approvals and consents, fuel supply/transportation (for Tolls), recognition of the Facility and/or Applicable GUs for settlement by MISO or the Replacement BA, exclusivity of representation of the Facility or Applicable GUs before MISO or the Replacement BA, and operational aspects of the Facility or Applicable GUs/common facilities. Buyer will have a period of time specified in the Definitive Agreement from the effective date of the Definitive Agreement to satisfy its conditions to commencement of the Delivery Term.

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**Term Sheet for PPAs and Tolls**

<p><b>Capital Lease and VIE Treatment:</b></p>	<p>The Definitive Agreement will require Seller to make representations, warranties, and covenants that fully protect Buyer against certain accounting-related risks, including, without limitation, the risk that the Definitive Agreement or any obligation of Buyer thereunder is or will be accounted for as a capital lease; that any liability of Seller or any Affiliate thereof is or will be assumed by Buyer or any Affiliate thereof as a result of variable interest entity accounting; or that Buyer or any Affiliate thereof is or will be required to recognize on its consolidated financial statements either debt or a long-term liability representing the obligation (or net present value of an obligation) to make future payments, or a portion of future payments, under the terms of the Definitive Agreement. Buyer may require Seller to make certain certifications by the chief financial officer of Seller regarding the foregoing and will have the right to terminate the Definitive Agreement in the event any such representation, warranty, or covenant is untrue or inaccurate.</p>
<p><b>Select Contract Terms and Conditions:</b></p>	<p>The Definitive Agreement will address, among other things, Seller's performance standards, pricing, scheduling limitations, operational flexibility requirements and restrictions, plant performance testing, replacement or substitute products, unit contingencies, the exclusion of QF put rights (if applicable), events of default, termination rights, audit rights, insurance requirements, information access and sharing, change in law, Buyer's right of first refusal, transfer restrictions, and confidentiality.</p>

**NOTWITHSTANDING ANYTHING TO THE CONTRARY:**

THIS DRAFT TERM SHEET DOES NOT CONSTITUTE A DEFINITIVE AGREEMENT OR AN OFFER TO ENTER INTO A DEFINITIVE AGREEMENT, DOES NOT CONTAIN ALL MATERIAL TERMS, CONDITIONS, AND MATTERS UPON WHICH AGREEMENT WOULD NEED TO BE REACHED IN ORDER FOR BUYER TO ENTER INTO A DEFINITIVE AGREEMENT, AND IS NOT REPRESENTATIVE OF THE STRUCTURE, DETAIL, OR REQUIRED PRECISION OF A DEFINITIVE AGREEMENT. THE TERMS PRESENTED IN THIS DRAFT TERM SHEET ARE SUMMARIES OF CERTAIN TERMS IN A DEFINITIVE AGREEMENT THAT IS A POWER PURCHASE AGREEMENT OR A TOLLING AGREEMENT. THE SUMMARY OF ANY INDIVIDUAL TERM HEREIN MAY NOT INCLUDE A COMPLETE EXPRESSION OF OR MAY NOT ADDRESS IMPORTANT CONCEPTS, PRINCIPLES, OR TERMS RELATED TO SUCH INDIVIDUAL TERM. WITHOUT LIMITING APPENDIX F TO THE 2014 EAI RFP, NO BINDING COMMITMENT SHALL ARISE PRIOR TO THE FULL AND COMPLETE EXECUTION AND DELIVERY OF THE DEFINITIVE AGREEMENT (IF ANY) BETWEEN BUYER AND SELLER, EVEN IF, PRIOR TO THEN, THE PARTIES REACH SOME AGREEMENTS OR UNDERSTANDINGS IN PRINCIPLE.

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