

PROPOSED PARTICIPATION AGREEMENT TERM SHEET
FOR THE PLAINS & EASTERN CLEAN LINE

This Term Sheet is non-binding and neither creates nor is intended to create any obligation of the Parties or their affiliates or representatives with respect to the subject matter contained herein. Rather, this Term Sheet sets forth Clean Line's proposal for how Southwestern Power Administration and the Department of Energy would participate in the Plains & Eastern Clean Line if such Parties elect to participate in the Project pursuant to Section 1222 of the Energy Policy Act of 2005.

Parties: Plains and Eastern Clean Line LLC and Plains and Eastern Clean Line Oklahoma LLC (collectively, "Clean Line")
Southwestern Power Administration ("Southwestern")
Department of Energy ("DOE")

The Project: The Plains & Eastern Clean Line Project (the "Project") is an approximately 720-mile, +/-600 kilovolt overhead, high voltage direct current ("HVDC") electric transmission line and associated facilities. Plains and Eastern Clean Line LLC and its affiliate Plains and Eastern Clean Line Oklahoma LLC are developing the Project. The Project has the capacity to deliver approximately 3,500 megawatts primarily from renewable energy generation facilities in the Oklahoma and Texas Panhandle regions to the Tennessee Valley Authority ("TVA") in Tennessee and to other load serving entities in the Mid-South and southeastern United States via an interconnection with TVA. The facilities associated with the HVDC electric transmission line include alternating current ("AC")/direct current ("DC") converter stations located in Texas County, Oklahoma and Shelby County, Tennessee as well as an AC collection system located in the Oklahoma and Texas Panhandle regions. An intermediate converter station located in Pope County or Conway County, Arkansas, with the capacity to deliver an additional 500 megawatts via an interconnection with MISO in Arkansas, is also under consideration by DOE as part of its review of the Project pursuant to the National Environmental Policy Act ("NEPA"). Clean Line strongly supports the inclusion of the Arkansas converter station in the Project. The Project is described in further detail in the response to item (1) of the Part 2 Application.

Project Background:

In July 2010, Clean Line submitted a proposal to DOE in response to DOE's Federal Register *Request for New or Upgraded Transmission Line Projects Under Section 1222 of the Energy Policy Act of 2005*, 75 Fed. Reg. 32940 (June 10, 2010).

In April 2012, DOE reviewed the Project as a qualifying project under Section 1222 and agreed to accept funds to enter into an Advance Funding and Development Agreement to commence necessary environmental reviews.

In September 2012, the Federal Energy Regulatory Commission ("FERC") issued an order granting Clean Line authority to negotiate market-based rates with customers.

In December 2012, DOE published a Notice of Intent in the Federal Register to prepare an Environmental Impact Statement for the Project. In the first quarter of 2013, DOE hosted public scoping meetings and received written and verbal comments on the appropriate scope of the NEPA review. On December 12, 2014, DOE published a Draft Environmental Impact Statement.

In January 2013, National Grid USA became a significant investor in Clean Line. National Grid plc, the parent company of National Grid USA, is one of the largest investor-owned energy companies in the world, with extensive experience building, owning and operating large HVDC electricity transmission interconnectors and transmission networks in the United States and United Kingdom.

In August 2013, Clean Line issued a Request for Information ("RFI") for wind projects in the Project's resource area in and around the Oklahoma Panhandle. Seventeen wind generation companies provided responses to the RFI. These companies have the rights to more than 16,000 megawatts of wind projects in the region.

Pursuant to an open solicitation for the Project's transmission capacity commenced in May 2014, Clean Line received 29 transmission service requests from 15 different potential customers for 17,091 megawatts of transmission service.

In August 2014, FERC issued an order granting Clean Line authority to negotiate market-based rates with customers and explicitly authorizing Clean Line to use an open and transparent solicitation process to allocate up to 100% of the Project's initial capacity to one or more transmission customers.

Participation Agreement Generally

Coordination Committee:

Clean Line and Southwestern/DOE will each designate two representatives to serve on the Project's Coordination Committee. Upon execution of the Participation Agreement, the Coordination Committee will meet on a regular, to-be-agreed upon basis during the development and construction of the Project, to share updates on the Project's progress and to provide a forum for discussion and resolution of any relevant issues with respect to the Project.

The Coordination Committee will have the authority to create subcommittees whenever it deems appropriate to consider any relevant issues, such as right-of-way, construction, finance and operation.

Cost Responsibility:

Clean Line will advance fund and cover Southwestern and DOE for all costs related to their participation in the Project, in each case consistent with DOE's and Southwestern's obligations under the Anti-deficiency Act. Covered costs will include costs that would not have been incurred by Southwestern or DOE but for their participation in the Project. Covered costs will not include costs that would be incurred by Southwestern or DOE independent of their participation in the Project.

Right of Way Acquisition

Right-of-Way Cost Recovery:

Consistent with Clean Line's other obligations under the Participation Agreement, Clean Line will advance fund and cover Southwestern and DOE for all costs related to their participation in the Project's right-of-way matters. A pre-funded account will be established in order for Southwestern to fund any of the following payments: (i) easement payments to landowners, (ii) reimbursement expenses (i.e., recording fees, appraisals, document/title searches, etc.), (iii) Southwestern employee and contractor costs, and (iv) landowner crop, timber and other damage payments.

Clean Line and Southwestern will agree upon the amounts necessary to fund the account, and will also establish a minimum funding amount that must be maintained at all times.

Pre-Record of Decision:

Clean Line Outreach and Limited Right-of-Way Acquisition

Prior to the issuance of the Record of Decision of Southwestern's participation in the Project, Clean Line will continue outreach efforts to update and inform landowners of all parcels in the representative right-of-way.

In addition, Clean Line at its sole risk and cost may continue to initiate negotiations to acquire easements on certain parcels. These parcels may include those parcels (such as river crossings, areas with limited access or constraints, and land near conservation areas) where landowner negotiations are helpful in further defining the route.

All easement acquisition initiated by Clean Line will be performed in accordance with the Uniform Act.

Post-Record of Decision:

Clean Line Negotiation for all Parcels

Clean Line will be prepared to mobilize and train appropriate staff in order to carry out additional landowner negotiations upon issuance of the Record of Decision. Immediately following the Record of Decision, Clean Line will use reasonable, good faith efforts to acquire all of the necessary right-of-way for the Project in Oklahoma, Arkansas and Tennessee.

Following Clean Line's Exhaustive Negotiation Efforts:

Clean Line Delivers Final Offer Letters

Upon exhaustion of all reasonable efforts to reach an agreement acceptable to a landowner, Clean Line will send a final offer letter to such landowner. Consistent with the Uniform Act, the final offer letters will state what Clean Line believes is just compensation based on an appraisal (if applicable) and the final total compensation (including annual payments) and easement terms that Clean Line is offering. For parcels in Oklahoma and Arkansas, the letter will state that if the landowner and Clean Line cannot reach agreement, further efforts to acquire the necessary right-of-way will be assumed by, and undertaken by, Southwestern.

Transfer of ROW Acquisition Responsibilities from Clean Line to Southwestern

In the event that Clean Line is unable to finalize an easement agreement for a parcel in Oklahoma and Arkansas due to title issues, inability to locate certain parties despite reasonable diligence, inability of a public or government entity to legally enter into a voluntary easement conveyance, or exhaustion of all reasonable negotiations, Southwestern will assume responsibility for and undertake further right-of-way acquisition efforts for such parcel.

When right-of-way acquisition efforts for a parcel are assumed by

Southwestern, Clean Line will provide Southwestern with a complete landowner package, including a summary of all interactions, meetings and activity notes. Clean Line will also provide copies of all correspondence, maps, easement documents, vesting and other title documents, appraisals, landowner comments or mark-ups to easement documents, etc.

Southwestern Responsibility for Easement Acquisition

Southwestern will complete easement acquisition on any parcels for which it has assumed responsibility.

Construction, Ownership and Operation

Construction of Facilities:

“Facilities” means (i) the HVDC transmission line (including all structures, wires and related components) and the AC lines interconnecting the converter stations to the existing AC system (the “HVDC Transmission Line Facilities”), (ii) the HVDC converter stations and related facilities (the “Converter Station Facilities”), and (iii) the AC collection system, which will consist of alternating current transmission lines and related facilities that connect the wind generation to the Project’s western converter station in Oklahoma (the “AC Collection System”).

Clean Line (with input from Southwestern) and one or more construction contractors will negotiate (i) a contract to construct the Transmission Line Facilities, (ii) a contract to construct the Converter Station Facilities, and (iii) a contract to construct the AC Collection System (each such contract a “Construction Contract” and, collectively, the “Construction Contracts”). With respect to the Facilities located in Arkansas, Clean Line shall procure or manage such construction as agent for Southwestern. As further discussed in the *Cost Responsibility* Section above, Clean Line will be responsible for all costs under the Construction Contracts that are otherwise related to the construction of the Facilities, including right-of-way acquisition costs, the costs of insurance, and costs incurred by Southwestern with respect to its participation in the management and administration of the Project. As further discussed in the *Indemnification* Section below, Clean Line will indemnify Southwestern and/or DOE, as applicable, for liabilities they may incur with respect to their participation in the Project, including any liability that may arise under the Construction Contracts.

The Construction Contracts will contain customary provisions for agreements and projects of this kind, including insurance and change order management provisions. Clean Line will provide that DOE and Southwestern, as applicable, are named insureds under insurance policies procured by the construction contractor(s).

Facilities Ownership:

Clean Line will own all Facilities located in Oklahoma and Tennessee. Southwestern will own all Facilities located in Arkansas.

Notwithstanding the preceding paragraph, the East Texas Electric Cooperatives (“ETEC”), one of Southwestern’s customers, may own a minority portion of the Facilities in Oklahoma, as contemplated by a Letter of Intent executed by Clean Line Energy Partners LLC and East Texas Electric Cooperative, Inc. on August 25, 2014.

Rights to Transmission Capacity:

Clean Line will own all rights to the transmission capacity on the Project, except for any portion of the capacity that ETEC may own pursuant to the Letter of Intent described above. All of Clean Line’s transmission capacity will be sold pursuant to a FERC-approved open solicitation process and pursuant to a FERC-approved transmission tariff.

Additional Participation:

Notwithstanding anything to the contrary herein, Clean Line and Southwestern will continue to explore additional opportunities for Southwestern and its customers to participate further in the Project, through owning transmission capacity on the Project, receiving energy delivered by the Project, or otherwise.

Operations:

Clean Line will coordinate with the relevant regional transmission organization or similar entities to assume functional control of the Facilities. Transmission service will be offered under an Open Access Transmission Tariff and operations will be consistent with all applicable reliability rules.

Maintenance:

Clean Line will be responsible for the maintenance of all Facilities. With respect to the Facilities located in Arkansas, Clean Line will enter into a Maintenance Services Agreement with Southwestern pursuant to which Clean Line will provide for maintenance services. Clean Line will not charge Southwestern a fee for the performance of the maintenance services.

As further discussed in the *Cost Responsibility* Section above, Clean Line will be responsible for all costs incurred under the Maintenance Services Agreement or that are otherwise related to the operation and maintenance of the Facilities, including the costs of labor and spare parts, the costs of insurance, and the costs incurred by Southwestern with respect to its participation in the management and administration of the Project (including costs incurred by Southwestern/DOE due to their participation in the Coordination Committee and any subcommittees).

The Maintenance Services Agreement will contain customary provisions for agreements and projects of this kind. Clean Line will provide that Southwestern is a named insured under insurance policies procured by the maintenance services contractors. As further discussed in the *Indemnification* section below, Clean Line will indemnify

Southwestern for liabilities it may incur with respect to its participation in the Project, including any that may arise under the Maintenance Services Agreement or as a result of NERC enforcement activities.

NERC Standards:

Clean Line will be responsible for compliance with all applicable reliability standards (including NERC reliability standards) related to the Project, including any related documentation obligations. Clean Line shall be responsible for all liabilities that arise in connection with the operation of the Project as a result of the Project's non-compliance with NERC's reliability standards.

Indemnification:

Clean Line will indemnify and hold harmless Southwestern, Southwestern's customers and/or DOE, as applicable, against all Losses incurred, borne or asserted by a third party against Southwestern, Southwestern's customers and/or DOE, as applicable, and arising out of one or more of the following: (i) damage or injury to property or persons used on or in connection with the Project; (ii) damage or injury to property or persons resulting from any action taken under the Participation Agreement, the Construction Contracts or the Maintenance Services Agreement; (iii) permitting and regulatory non-compliance; (iv) environmental releases; (v) decommissioning of the Facilities; and (vi) any material breach by Clean Line of any covenant or other agreement set forth in the Participation Agreement, the Construction Contracts or the Maintenance Services Agreement.

"Losses" include any liability, loss, claim, settlement payment, cost and expense, interest, award, judgment, damages, diminution in value, fines (including NERC fines), fees and penalties or other charge, including reasonable attorneys' fees.

Clean Line's indemnity obligations will be subject to customary general liability limitation provisions for agreements of this type, including such provisions that exclude each party's liability for consequential and other indirect damages. Further details of indemnification procedures will be agreed to among the Parties.

Insurance:

Clean Line will obtain customary and commercially reasonable insurance policies. DOE and Southwestern will be named as additional insured parties, as appropriate, under such policies through the provisions of the Participation Agreement. The Parties will also determine appropriate insurance protections for DOE and Southwestern through insurance policies procured by the construction contractors and Maintenance Services Agreement contractor, including an additional insured party endorsement.

Credit Support:

Clean Line will provide appropriate credit support in favor of DOE and Southwestern to support Clean Line's financial and indemnity obligations under the Project documents.