

## 2017 COAL SUPPLY AGREEMENT

THIS AGREEMENT is made as of the 21st day of April 2016, ("Effective Date"), by and between Arch Coal Sales Company, Inc. individually and as agent for the independent operating subsidiaries of Arch Coal Inc. (hereinafter referred to as "Seller") and the CITY OF GRAND ISLAND, NEBRASKA, a municipal corporation, (hereinafter referred to as "Buyer"), and sets forth the terms and conditions pursuant to which Buyer shall purchase coal from Seller to use as fuel in Buyer's Platte Generating Station.

In consideration of the premises, the mutual covenants hereinafter set forth, and other good and valuable consideration, the receipt of which is hereby acknowledged, Buyer and Seller agree as follows:

1. Agreement of Sale and Purchase. Seller agrees to tender and sell, and Buyer agrees to accept and pay for coal under the terms and conditions set forth in this Agreement. Coal tendered for sale by Seller hereunder shall be supplied from Coal Creek Mine ("Mine"), located at Campbell County, Wyoming or any other source within the southern Powder River Basin having Union Pacific Railroad service; provided, that said coal meets the coal quality characteristics contained within this Agreement and that any change in coal source does not increase Buyer's transportation costs.

2. Term. The term of this Agreement shall be one year, commencing on January 1, 2017 and terminating at midnight, December 31, 2017. Seller understands that as a result of potential inventory issues at the Platte Generating Station, shipments could begin as late as April 2017 and may not be ratable in 2017.

3. Quantity. During the term hereof, Seller shall tender for sale to Buyer, and Buyer shall purchase from Seller, coal supply requirements for said Platte Generating Station, but not less than 150,000 tons. It is estimated that said requirements shall be approximately 150,000-400,000 tons. Buyer shall not purchase coal for resale.

Paragraph 4 is redacted due to confidentiality.

5. Price Adjustment - BTU/lb. The purchase price for coal sold and delivered hereunder is based upon delivery to Buyer of coal having a Contract Rate calorific value as stated in Paragraph 7 below. To the extent that the weighted average BTU/lb. content of any month's shipments varies from the Contract Rate BTU/lb., the following adjustment shall be made to the total amount invoiced for said month's shipments:

$$\text{Adjustment} = \text{Tons} \times \text{Price} \times \frac{(\text{Actual BTU minus Contract BTU})}{\text{Contract BTU}}$$

Where Tons = Actual tons shipped in the applicable month.

Actual BTU = Actual weighted average BTU/lb. value of coal shipped in said month.

Contract BTU = Contract Rate BTU/lb. calorific value as stated in Paragraph 7 below.

Price = Purchase price for coal FOB Mine as stated in Paragraph 4 above.

6. Quality. Coal tendered for sale hereunder by Seller and resultant combustion ash shall have average trainload quality characteristics, on an ASTM as-received basis, between the following minimums and maximums:

Coal Characteristics

	<u>Minimum</u>	<u>Maximum</u>
BTU (per pound)	8,200	N/A
Lbs. SO <sub>2</sub> /mmBTU	N/A	< 1.2
Ash (% by weight)	N/A	> 8.0
Moisture (% by weight)	N/A	> 33
Size (inches)	N/A	3" x 0"
<u>Ash Characteristic</u>	<u>Minimum</u>	<u>Maximum</u>
Sodium oxide (% by weight)	1.0%	2.0%
<u>Mercury Content</u>		
(% by weight)	N/A	N/A
<u>Contract rates (For Adjustment Calculations)</u>		
BTU/lb.	<u>8,400</u>	
Lbs. SO <sub>2</sub> /mmBTU	<u>0.70</u>	

Buyer shall not be required to accept or pay for any trainload shipment of coal which fails to meet the minimum/maximum quality characteristics described in this Paragraph. In addition, in the event that the sulfur dioxide emission rate for coal, as determined by Buyer under Paragraph 7 is more than 1.2 pounds per million BTU, Buyer shall have the rights set forth in Paragraph 7 below if Buyer provides a notice of rejection to Seller within one business day of Buyer's receipt of the analysis noted in Paragraph 7 below, but in any event prior to unloading such trainload shipment of coal..

7. Testing and Analysis. Seller shall take representative samples of coal for each trainload shipment at the Mine, and shall have such samples analyzed for quality characteristics as stated in Paragraph 6 (except for "Size") in accordance with ASTM standards and procedures. The results of the analysis shall be transmitted to the Buyer prior to delivery of the coal to the Platte Generating Station. It is expected that the coal provided under this agreement shall produce an emission rate less than 1.2 pounds of sulfur dioxide per million BTU when continuously monitored in accordance with the

requirements of 40 CFR Part 75 or such additional or different methods as may be established in regard to Buyer by environmental agencies. If coal does not satisfactorily meet this emission requirement despite analysis meeting the specification, Buyer shall give Seller immediate notice and documentation of such exceedance. Promptly after such notice is given, the Parties shall meet and attempt in good faith to reach a mutually agreeable solution to avoid any future exceedance. If the Parties are unable to reach a mutually agreeable solution within ten (10) days after Buyer's notice to Seller, then Buyer may terminate this Agreement upon ten (10) days prior written notice to Seller and neither Party shall be liable to the other Party for damages or penalties related to such termination.

8. Precipitator Performance. Buyer's Platte Generating Station utilizes a "hot side" precipitator for ash particulate emission control. Precipitator performance to date has been satisfactory without chemical addition, special operating conditions, or special cleaning requirement. It is expected that coal provided under this Agreement shall, when burned in Buyer's boiler, produce an ash such that the satisfactory performance of the Buyer's "hot side" electrostatic precipitator is continued.

9. Boiler Performance. Buyer's Platte Generating Station boiler has performed satisfactorily utilizing a variety of Powder River Basin Coals. It is expected that coal provided under this Agreement shall, when burned in Buyer's boiler, continue that performance. Boiler performance to date has been satisfactory without special operating conditions, such as capacity derating or unplanned outages for cleaning.

10. Weighing. Seller shall weigh coal at the Mine using certified scales approved by the rail carriers transporting coal for Buyer and Seller shall invoice Buyer based upon such weights. All scales shall be tested and calibrated periodically according to applicable standards of the National Conference of Weights and Measures, Handbook 44 as applied by the State of Wyoming, Department of Agriculture, Weights and Measures. Seller shall furnish Buyer with a copy of the most recent certification of its scales and Buyer shall have the right, at its own expense, to have a representative observe future testing and calibration of Seller's scales.

11. Delivery of Coal. Availability of trains for loading shall be the responsibility of Buyer and rail cars provided shall be open-top hopper, bottom dump rail cars of sufficient capacity which are clean, in good mechanical condition, and compatible with the tracks and loading facilities of Seller's Mine, and otherwise ready for loading upon arrival at Seller's Mine. Seller shall have the right to reject (not load) cars not meeting these standards. Unit trains utilized for shipping coal hereunder shall contain no more than 138 rail cars. Seller shall have the right to reject (not load) unit trains not meeting this standard. Scheduling of loading of coal shall be by mutual agreement between Buyer and Seller.

12. Side Release Agent. Buyer is required by its rail transportation agreement to have all rail cars loaded between the dates of November 15<sup>th</sup> and March 15<sup>th</sup> treated with a side release agent prior to loading. Seller agrees to provide said treatment as required by the railroad for the sum of \$3.60 per gallon.

13. Loading of Rail Cars. Seller shall take steps to ensure that rail cars loaded with coal are not loaded in excess of the amounts authorized in U P Circular 6603-C. Seller agrees that if Buyer is assessed penalties or other charges by rail carriers transporting coal for Buyer as a result of (i) a rail car being loaded to less than 100 tons of coal, or (ii) a rail car being loaded in excess of authorized gross weight on rail, Seller will indemnify Buyer against such penalties or charges and assume the obligation to pay same on behalf of Buyer.

14. Loading Time and Rail Car Detention. Seller shall be entitled to four (4) hours advance notice from the rail carrier and shall load each trainload of coal within the "Loading Free Time" as defined in U P Circular 6603-C. Seller agrees that, in the event Seller fails to complete loading of a trainload of coal within such period, and such failure is not due to an event of Force Majeure as defined herein or a cause attributable to Buyer or the rail carrier, Seller shall indemnify Buyer against any railroad-imposed detention or other charges resulting therefrom, and shall assume the obligation to pay same on behalf of Buyer.

15. Billing and Payment.

a. Seller shall invoice Buyer semi-monthly for coal supplied hereunder, and monthly for quality adjustments. Buyer shall pay by check such invoices ten (10) days after receipt, or, upon request of Seller, by electronic transfer. In the event Buyer disputes the correctness of an invoice or calculation therein, Buyer shall pay the undisputed portion within the aforementioned ten (10) day period. Compound interest on any past due payment shall accrue from the date payment was due and until payment is made and shall be calculated at two (2) percentage points over the U. S. prime rate as listed in the "Money Rates" section of The Wall Street Journal on the date payment was due (or the next business day if the payment is due on a weekend or holiday).

b. Should a material adverse change occur to the creditworthiness or to either party's ability to perform this Agreement, or if situations develop where either party could reasonably conclude that a credit downgrade or protection under bankruptcy code is imminent, then, the failing party shall provide and maintain reasonable performance assurance with the non-failing party. "Material adverse change" means an event or occurrence that constitutes or would result in a material adverse effect on the results of operations, financial condition or business of a party's business taken as a whole, other than as a result of seasonal changes, general economic conditions or other conditions affecting the industry in which the party or its customers operate, including but not limited to, fluctuations in coal prices and legislative or regulatory conditions.

16. Force Majeure. Either party shall be excused from performing its obligations under this Agreement (except the obligation to pay for coal received) if such performance is prevented by a cause beyond the reasonable control and without the fault or negligence of the party affected, including but not limited to by enumeration, an act of God, war, riot, fire, explosion, flood, strike, or other labor dispute, act or ruling or order of military, governmental or civil authority (including environmental agencies), equipment failure, unforeseen geological conditions, or unavailability of transportation. The parties shall take prompt, reasonable action to eliminate the disabling effects of Force Majeure and to mitigate the effects of the Force Majeure as much as reasonably possible; PROVIDED, HOWEVER, that Seller shall not be

required to enter into what it considers to be an unfavorable labor settlement or agreement. Deliveries of coal excused by reason of Force Majeure shall be made up by mutual agreement only. Notice of claimed Force Majeure shall be given to the other party at the earliest reasonable time.

17. Title/Risk of Loss. Coal shall be sold to Buyer FOB mine, loaded into Buyer or railroad provided rail cars at Seller's loadout facilities at the Mine. Title to the coal shall pass to Buyer after the Seller has loaded the coal into Buyer or railroad provided rail cars. Risk of loss shall follow title.

18. Limitation of Liability. Notwithstanding any provision of the Agreement between the parties, Buyer and Seller shall, in no event, be liable to the other or to any other person for special, incidental, consequential, exemplary or punitive damages.

19. WARRANTY DISCLAIMER. EXCEPT AS EXPRESSLY WARRANTED HEREIN, IT IS EXPRESSLY AGREED THAT SELLER MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE COAL TO BE DELIVERED UNDER THIS AGREEMENT OR AS TO THE RESULTS TO BE OBTAINED FROM THE USE OF SUCH COAL. EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR INCIDENTAL, CONSEQUENTIAL (INCLUDING LOST PROFITS), OR PUNITIVE DAMAGES HOWEVER AND WHEREVER ARISING OUT OF, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY CONFIRMATION. NOTHING IN THIS PARAGRAPH SHALL BE CONSTRUED AS LIMITING A PARTY'S RIGHT, SUBJECT TO THE TERMS OF THIS AGREEMENT, TO SEEK DIRECT DAMAGES FOR THE OTHER PARTY'S BREACH OF ANY OF ITS OBLIGATIONS HEREUNDER.

20. Indemnity. Each party shall indemnify, defend, and hold the other party harmless from and against any and all claims arising out of or resulting from the willful, intentional, or negligent acts or omissions of such party, its agents, and employees.

21. Limitation of Waiver. No waiver by either party of any one or more defaults of the other party in the performance of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or different character.

22. Notices. Every notice hereunder shall be in writing and shall be given by certified or registered mail, return receipt requested, and every notice shall be directed to Seller or Buyer, as the case may be, at the address specified below, unless otherwise specified in writing:

If to Seller: Vice President, Marketing Administration  
1 City Place Drive, Suite 300  
St. Louis, Missouri 63141

If to Buyer: Utilities Director, City of Grand Island  
100 East First Street  
Grand Island, Nebraska 68801

23. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof, and there are no other understandings or agreements between them with respect thereto. This Agreement may be amended only by instrument in writing signed by a duly authorized representative of each party.

24. Assignment. This Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. However, no party shall assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, any party may, without the need for consent from the other party (and without relieving itself from liability hereunder), transfer, sell, pledge, or assign this Agreement or the accounts, revenues, or proceeds hereof or thereof in connection with any financing or other financial arrangements; however, no such assignment shall in any way relieve the assignor from liability for full performance under this Agreement.



25. Confidentiality. The price set forth in Paragraph 4 of this Agreement shall be confidential and shall not be disclosed to any third party without the advance written consent of the parties hereto (which consent shall not be unreasonably withheld), except where such disclosure may be required by law or in connection with the assertion of a claim or defense in judicial or administrative proceedings, in which event the disclosing party shall advise the other party in advance in writing and shall cooperate to the extent practicable to minimize the disclosure of such information.

IN WITNESS WHEREOF, the parties have caused this **2017 Coal Supply Agreement** to be executed as of the date first hereinabove written.

Arch Coal Sales Company, Inc. individually and as agent for the independent operating subsidiaries of Arch Coal Inc., "Seller",

By MSB John Ziegler Chief/Commercial Officer  
John Ziegler

CITY OF GRAND ISLAND, NE., A Municipal Corporation, "Buyer",

By Jeremy Jensen  
Jeremy Jensen, Mayor

Attest: RaNaee Edwards 5/12/2016  
City Clerk

Stacy R. Winkhof  
Asst. City Attorney