

Attachment II

SERVICE AGREEMENT NO. 2257

SERVICE AGREEMENT NO. 2257

AMENDED AND RESTATED

TRANSMISSION FACILITY INTERCONNECTION AGREEMENT

by and among the

NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.,

NEW YORK STATE ELECTRIC & GAS CORPORATION,

and

TRANS-ALLEGHENY INTERSTATE LINE COMPANY

Dated as of ~~March 16~~July 31, 2016~~2019~~

(Pierce Brook Substation)

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AMENDED AND RESTATED TRANSMISSION FACILITY
~~TRANSMISSION FACILITY~~ INTERCONNECTION AGREEMENT

THIS AMENDED AND RESTATED TRANSMISSION FACILITY

INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into this ~~16th~~31st day of ~~March~~July, ~~2016~~2019, by and among New York Independent System Operator, Inc. (“NYISO”), a not-for-profit corporation organized and existing under the laws of the State of New York, New York State Electric & Gas Corporation (“NYSEG”), a corporation organized and existing under the laws of the State of New York, and Trans-Allegheny Interstate Line Company (“TrAILCo”), a corporation organized and existing under the laws of the State of Maryland. NYSEG, NYISO or TrAILCo each may be referred to as a “Party” or collectively referred to as the “Parties.” The terms “Party” and “Parties” as used herein shall not include PJM Interconnection, L.L.C. (“PJM”) or any successor Regional Transmission Organization. Upon the effectiveness of this Agreement, that certain Transmission Facility Interconnection Agreement entered into on March 16, 2016, by and among NYISO, NYSEG, and TrAILCo, and accepted for filing by Federal Energy Regulatory Commission on May 6, 2016 in Docket No. ER16-1230-000, shall be deemed superseded.

RECITALS

WHEREAS, NYSEG is the owner of the Homer City to Five Mile Road 345 kV transmission line (the “HC – FMR Line”); and

WHEREAS, the HC – FMR Line is operated by, and under the functional control of, the New York Independent System Operator, Inc. (“NYISO”), and the HC – FMR Line is considered part of the New York State Transmission System; and

WHEREAS, TrAILCo is the owner of the Pierce Brook 345/230/115 kV substation (the “Pierce Brook Substation” or “Transmission Facility”); and

WHEREAS, once in service, the Pierce Brook Substation will be operated by, and under the functional control of, PJM and is considered part of the PJM Transmission System; and

WHEREAS, NYISO, NYSEG and TrAILCo have agreed to enter into this Agreement for the purpose of interconnecting the Pierce Brook Substation to the New York State Transmission System; and

WHEREAS, the interconnection of the Pierce Brook Substation will entail electrically bifurcating the HC – FMR Line into two segments: (a) the Five Mile Road to Pierce Brook Substation segment (the “FMPB Segment”); and (b) the Pierce Brook Substation to Homer City segment (the “PBHC Segment”); and

WHEREAS, the FMPB Segment and the PBHC Segment shall each be owned by NYSEG and under the functional control of the NYISO; and

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WHEREAS, the interconnection of the Pierce Brook Substation to the HC – FMR Line has been studied by TrAILCo and the results of that study are reflected in a “Facilities Study-Final” report dated December 4, 2015; and

WHEREAS, PJM is a signatory to this Agreement consistent with *American Electric Power Service Corporation*, 112 FERC ¶ 61,128 at P 10 (2005), to ensure that PJM is kept fully apprised of the matters addressed herein so that PJM may be kept aware of any reliability and planning issues that may arise.

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein, it is agreed:

ARTICLE 1. DEFINITIONS

Whenever used in this Agreement with initial capitalization, the following terms shall have the meanings specified in this Article 1. Terms used in this Agreement with initial capitalization that are not defined in this Article 1 shall have the meanings specified in the NYISO Open-Access Transmission Tariff (“NYISO OATT”).

Affected System shall mean an electric system other than the transmission system owned, controlled or operated by a Party that may be affected by the proposed interconnection.

Affiliate shall mean, with respect to a person or entity, any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust or unincorporated organization, directly or indirectly controlling, controlled by, or under common control with, such person or entity. The term “control” shall mean the possession, directly or indirectly, of the power to direct the management or policies of a person or an entity. A voting interest of ten percent or more shall create a rebuttable presumption of control.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority, including but not limited to Environmental Law.

Applicable Reliability Councils shall mean the NERC, ReliabilityFirst, PJM, the NPCC and the NYSRC.

Applicable Reliability Standards shall mean the requirements and guidelines of the Applicable Reliability Councils, as those requirements and guidelines are amended and modified and in effect from time to time; provided that no Party shall waive its right to challenge the applicability or validity of any requirement or guideline as applied to it in the context of this Agreement.

Breach shall mean the failure of a Party to perform or observe any material term or condition of this Agreement.

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Breaching Party shall mean a Party that is in Breach of this Agreement.

Business Day shall mean Monday through Friday, excluding federal holidays.

Calendar Day shall mean any day including Saturday, Sunday or a federal holiday.

Commercial Operation shall mean the status of the interconnection of the Pierce Brook Substation to the HC – FMR Line at the Point(s) of Interconnection, and the energization of the Pierce Brook Substation, which points and substation have commenced transmitting electricity, excluding electricity transmitted during Trial Operation.

Commercial Operation Date shall mean the date on which the Point(s) of Interconnection and the Pierce Brook Substation have achieved Commercial Operation as agreed to by the Parties.

Confidential Information shall mean any information that is defined as confidential by Article 22 of this Agreement.

Control Area shall mean an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the Load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain Operating Reserves in accordance with Good Utility Practice. A Control Area must be certified by the NPCC or ReliabilityFirst, as applicable.

Default shall mean the failure of a Party in Breach of this Agreement to cure such Breach in accordance with Article 17 of this Agreement.

Dispute Resolution shall mean the procedure described in Article 27 of this Agreement for resolution of a dispute between the Parties.

Effective Date shall mean the date on which this Agreement becomes effective upon execution by the Parties, subject to acceptance by the Commission, or if filed unexecuted, upon the date specified by the Commission.

Emergency shall mean any abnormal condition or situation which NYSEG or NYISO, in their sole discretion, deems imminently likely to endanger life or property, or adversely affect or impair the New York State Transmission System, NYSEG's electrical system, or the electrical or transmission systems of others to which they are directly or indirectly connected, which requires immediate automatic or manual action to correct. Such an abnormal system condition or situation includes, without limitation, overloading or potential overloading (exceeding thermal limits of pre- and post-contingency), excessive voltage drop, exceeding voltage limits as defined by the NYISO or NYSEG, load shedding, voltage reduction, operating reserve deficiencies, frequency deviations, over-generation or other non-normal conditions. Economic hardship of a Party will not constitute an "Emergency."

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Emergency State shall mean the condition or state that the New York State Transmission System, or the PJM Transmission System, as applicable, is in when an abnormal condition occurs that requires automatic or immediate manual action to prevent or limit loss of the New York State Transmission System or the PJM Transmission System, or generators that could adversely affect the reliability of the New York State Transmission System, or the PJM Transmission System, as applicable.

Environmental Law shall mean Applicable Laws and Regulations relating to pollution or protection of the environment or natural resources.

Federal Power Act or FPA shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a et seq.

FERC or Commission shall mean the Federal Energy Regulatory Commission or its successor.

Force Majeure shall mean any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include acts of negligence or intentional wrongdoing by the Party claiming Force Majeure.

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to delineate acceptable practices, methods, or acts generally accepted in the region.

Governmental Authority shall mean any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over any of the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include NYSEG, TrAILCo, NYISO, PJM or any Affiliate thereof.

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "radioactive substances," "contaminants," "pollutants," "toxic pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

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HC – FMR Line shall mean NYSEG’s Homer City to Five Mile Road 345 kV transmission line, which, upon the commercial operation of the Transmission Facility, shall be comprised of the FMPB Segment and the PBHC Segment.

Initial Energization Date shall mean the date upon which the Pierce Brook Substation is initially interconnected and energized with the New York State Transmission System and upon which Trial Operation begins.

IRS shall mean the Internal Revenue Service.

Loss shall mean any and all liabilities, damages, losses, claims, including claims relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorneys’ fees, and all other obligations by or to third parties.

Metering Equipment shall mean all metering equipment installed or to be installed pursuant to this Agreement at the Point(s) of Interconnection, including but not limited to instrument transformers, MWh-meters, data acquisition equipment, transducers, remote terminal unit, communications equipment, phone lines, and fiber optics.

NERC shall mean the North American Electric Reliability Corporation or its successor organization.

New York State Transmission System shall mean the entire New York State electric transmission system, which includes: (i) the Transmission Facilities under NYISO Operational Control; (ii) the Transmission Facilities Requiring NYISO Notification; and (iii) all remaining transmission facilities within the New York Control Area.

Notice of Dispute shall mean a written notice of a dispute or claim that arises out of or in connection with this Agreement or its performance.

NPCC shall mean the Northeast Power Coordinating Council or its successor organization.

NYISO shall mean the New York Independent System Operator, Inc. or its successor organization.

NYISO Tariff shall mean the NYISO Open Access Transmission Tariff (“NYISO OATT”), as filed with the Commission, and as amended or supplemented from time to time, or any successor tariff.

NYSRC shall mean the New York State Reliability Council or its successor organization.

Outage Start Date shall mean that date set forth in Appendix B to this Agreement.

Party or Parties shall mean NYSEG, NYISO, or TrAILCo, or any combination of the above.

PJM shall mean the PJM Interconnection, L.L.C. or its successor organization.

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PJM Tariff shall mean the PJM OATT, as filed with the Commission, as amended or supplemented from time to time, or any successor tariff.

PJM Transmission System shall mean the transmission facilities under the operational control of PJM.

Point of Change in Ownership shall mean the point(s), as set forth in Figure 1 to Appendix A to this Agreement, where the System Upgrade Facilities owned by TrAILCo connect to the HC – FMR Line.

Point of Interconnection shall mean the point(s), as set forth in Figure 1 to Appendix A to this Agreement, where the System Upgrade Facilities owned by TrAILCo connect to the New York State Transmission System.

Reasonable Efforts shall mean, with respect to an action required to be attempted or taken by a Party under this Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

ReliabilityFirst shall mean the ReliabilityFirst Corporation or its successor organization.

Services Tariff shall mean the NYISO Market Administration and Control Area Tariff, as filed with the Commission, and as amended or supplemented from time to time, or any successor tariff thereto.

Stand Alone System Upgrade Facilities shall mean System Upgrade Facilities that NYSEG may construct without affecting day-to-day operations of the New York State Transmission System during their construction, or that TrAILCo may construct without affecting day-to-day operations of the New York State Transmission System during their construction. The Stand Alone System Upgrade Facilities are identified in Appendix A to this Agreement.

System Protection Facilities shall mean the equipment, including necessary protection signal communications equipment, required to (1) protect the New York State Transmission System from faults or other electrical disturbances occurring on the HC – FMR Line or the Pierce Brook Substation, (2) protect the HC – FMR Line from faults or other electrical system disturbances occurring on the New York State Transmission System or on other delivery systems or other generating systems to which the New York State Transmission System is directly connected, (3) protect the PJM Transmission System from faults or other electrical disturbances occurring at the Pierce Brook Substation or the HC – FMR Line, and (4) protect the Pierce Brook Substation from faults or other electrical system disturbances occurring on the PJM Transmission System or on other delivery systems or other generating systems to which the PJM Transmission System is directly connected.

System Upgrade Facilities shall mean the least costly configuration of commercially available components of electrical equipment that can be used, consistent with Good Utility Practice and Applicable Reliability Requirements, to make the modifications or additions to the New York State Transmission System, or the PJM Transmission System, as applicable, that are required to maintain system reliability due to: (i) changes in the system, including such changes as load

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growth and changes in load pattern, to be addressed in the form of generic generation or transmission projects; and (ii) proposed interconnections.

TrAILCo shall have the meaning set forth in the introductory paragraph of this Agreement, which entity owns, leases or otherwise possesses an interest in the portion of the PJM Transmission System, namely, the Transmission Facility, at the Point(s) of Interconnection.

Transmission Facility shall mean the Pierce Brook Substation.

Trial Operation shall mean the period during which TrAILCo is engaged in on-site test operations and commissioning of the interconnection of the Transmission Facility to the HC – FMR Line prior to Commercial Operation.

ARTICLE 2. EFFECTIVE DATE, TERM AND TERMINATION

2.1 Effective Date.

This Agreement shall become effective upon execution by the Parties, subject to acceptance by FERC, or if filed unexecuted, upon the date specified by FERC. NYISO, NYSEG and TrAILCo shall promptly file this Agreement with FERC upon execution in accordance with Article 3.1.

2.2 Term of Agreement.

Subject to the provisions of Article 2.3, this Agreement shall remain in effect for a period of twenty (20) years from the Effective Date and shall be automatically renewed for each successive one-year period thereafter.

2.3 Termination.

2.3.1 Written Notice.

This Agreement may be terminated by NYSEG or TrAILCo after giving the non-terminating Parties ninety (90) Calendar Days advance written notice, or by the Parties notifying FERC after the Pierce Brook Substation permanently ceases Commercial Operation.

2.3.2 Default.

Any Party may terminate this Agreement in accordance with Article 17.

2.3.3 Compliance.

Notwithstanding Articles 2.3.1 and 2.3.2, no termination of this Agreement shall become effective until the Parties have complied with all Applicable Laws and Regulations applicable to such termination, including the filing with FERC of a notice of termination of this Agreement, which notice has been accepted for filing by FERC.

2.4 Termination Costs.

If a Party elects to terminate this Agreement pursuant to Article 2.3.1 above, the terminating Party shall pay all costs incurred (including any cancellation costs relating to orders or contracts for System Upgrade Facilities and equipment) or charges assessed by the other Parties, as of the date of the other Parties' receipt of such notice of termination, that are the responsibility of the terminating Party under this Agreement. In the event of termination by a Party, all Parties shall use commercially Reasonable Efforts to mitigate the costs, damages, and charges arising as a consequence of termination. Upon termination of this Agreement, unless otherwise ordered or approved by FERC:

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2.4.1 With respect to any portion of the System Upgrade Facilities owned by TrAILCo that have not yet been constructed or installed, TrAILCo shall, to the extent possible, cancel any pending orders of, or return, any materials or equipment for, or contracts for construction of, such facilities. With respect to any portion of the System Upgrade Facilities owned by NYSEG that have not yet been constructed or installed, NYSEG shall, to the extent possible, cancel any pending orders of, or return, any materials or equipment for, or contracts for construction of, such facilities.

2.4.2 With respect to any portion of the System Upgrade Facilities, and any other facilities already installed or constructed pursuant to the terms of this Agreement, and unless said termination is due to NYSEG's Default under Article 17, TrAILCo shall be responsible for all costs associated with the removal, relocation or other disposition or retirement of such materials, equipment, or facilities, where applicable.

2.5 Disconnection.

Upon termination of this Agreement, NYSEG and TrAILCo will take all appropriate steps to disconnect the Pierce Brook Substation from the HC – FMR Line and to return the HC – FMR Line to its configuration prior to the interconnection described herein. All costs required to effectuate such disconnection and return of the HC – FMR Line shall be borne by TrAILCo, unless such termination resulted from NYSEG's Default of this Agreement.

2.6 Survival.

This Agreement shall continue in effect after termination to the extent necessary to provide for final billings and payments and for costs incurred hereunder; including billings and payments pursuant to this Agreement; to permit the determination and enforcement of liability and indemnification obligations arising from acts or events that occurred while this Agreement

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was in effect; and to permit NYSEG and TrAILCo each to have access to the lands of the other pursuant to this Agreement or other applicable agreements, to disconnect, remove or salvage its own facilities and equipment.

ARTICLE 3. REGULATORY FILINGS

3.1 Filing.

NYISO, TrAILCo and NYSEG shall file this Agreement (and any amendment hereto) with the appropriate Governmental Authority, if required. Any information related to studies for interconnection asserted by NYSEG or TrAILCo to contain Confidential Information shall be treated in accordance with Article 22 of this Agreement and Attachment F to the NYISO OATT. NYSEG and TrAILCo shall reasonably cooperate with NYISO and one another with respect to such filing and shall provide any information reasonably requested by the other Party needed to comply with Applicable Laws and Regulations.

ARTICLE 4. SCOPE OF INTERCONNECTION SERVICE

4.1 Provision of Service.

NYSEG shall permit TrAILCo to interconnect the Pierce Brook Substation to the HC – FMR Line in accordance with the terms and conditions of this Agreement.

4.2 No Transmission Delivery Service.

The execution of this Agreement does not constitute a request for, nor agreement to provide, any Transmission Service under the NYISO OATT, and does not convey any right to deliver electricity to any specific customer or Point of Delivery.

ARTICLE 5. SYSTEM UPGRADE FACILITIES ENGINEERING, PROCUREMENT, AND CONSTRUCTION

5.1 Construction Dates/Description of Facilities.

NYSEG, in consultation with TrAILCo, shall select the Outage Start Date. NYSEG and TrAILCo shall mutually select the Initial Energization Date and the Commercial Operation Date for completion of the System Upgrade Facilities set forth in Appendix A hereto, including Stand Alone System Upgrade Facilities, and such dates shall be set forth in Appendix B hereto.

5.1.1 Construction of System Upgrade Facilities.

TrAILCo and NYSEG shall design, procure, construct and install the System Upgrade Facilities, using Reasonable Efforts (unless Appendix C of this Agreement requires a superior level of effort) to complete the System Upgrade Facilities in accordance with Appendices A and C, and by the dates set forth in Appendix B hereto. Certain System Upgrade Facilities, as set forth in Appendix A hereto, shall be constructed by TrAILCo but shall be owned, operated, maintained, tested, repaired and replaced by NYSEG. Neither NYSEG nor TrAILCo shall be required to undertake any action which is inconsistent with its standard safety practices, its material and equipment specifications, its design criteria and construction procedures, its labor agreements, and Applicable Laws and Regulations. In the event either NYSEG or TrAILCo reasonably expects that it will not be able to complete the System Upgrade Facilities by the specified dates, that Party shall promptly provide written notice to the other Party, and to the NYISO, and shall undertake Reasonable Efforts (unless Appendix C of this Agreement requires a superior level of effort) to meet the earliest dates thereafter.

5.2 Equipment Procurement.

If responsibility for construction of the System Upgrade Facilities is to be borne by TrAILCo, then TrAILCo shall commence the design of the System Upgrade Facilities, and procure necessary equipment, as soon as practicable after all of the following conditions are satisfied, unless NYSEG and TrAILCo otherwise agree in writing:

5.2.1 TrAILCo has received written authorization to proceed with design and procurement from NYSEG by the date specified in Appendix B hereto.

5.2.2 TrAILCo has provided security to NYSEG in accordance with Appendix C hereto.

5.3 Construction Commencement.

TrAILCo shall commence construction of the System Upgrade Facilities for which it is responsible as soon as practicable after the following additional conditions are satisfied:

5.3.1 Approval of the appropriate Governmental Authority has been obtained for any facilities requiring regulatory approval;

5.3.2 Necessary real property rights and rights-of-way have been obtained, to the extent required for the construction of the System Upgrade Facilities;

5.3.3 TrAILCo has received written authorization to proceed with construction from NYSEG; and

5.3.4 TrAILCo has provided security to NYSEG in accordance with Appendix C hereto.

5.4 Work Progress.

NYSEG and TrAILCo will keep each other, and NYISO advised periodically as to the progress of their respective design, procurement and construction efforts. Any Party may, at any time, request a progress report from TrAILCo or NYSEG. If, at any time, NYSEG determines that the completion of the System Upgrade Facilities will not be required until after the specified Commercial Operation Date, NYSEG will provide written notice to TrAILCo of such later date upon which the completion of the System Upgrade Facilities will be required.

5.5 Information Exchange.

As soon as reasonably practicable after the Effective Date, NYSEG and TrAILCo shall exchange information, and provide NYISO the same information, regarding the design and compatibility of their respective System Upgrade Facilities, and the compatibility of their respective System Upgrade Facilities, with the New York State Transmission System and PJM Transmission System, and shall work diligently and in good faith to make any necessary design changes.

5.6 System Upgrade Facilities.

TrAILCo and NYSEG shall design, procure, construct, install and own the System Upgrade Facilities in accordance with Appendix A and the following.

5.6.1 Specifications For System Upgrade Facilities.

The specifications for System Upgrade Facilities, including System Protection Facilities, are set forth in Appendix A.

5.6.2 No Warranty.

The review by TrAILCo of NYSEG's final specifications for System Upgrade Facilities to be constructed or installed by NYSEG shall not be construed as confirming, endorsing, or providing a warranty as to the design, fitness, safety, durability or reliability of those System Upgrade Facilities. NYSEG shall make such changes to those System Upgrade Facilities as may reasonably be required by TrAILCo in accordance with Good Utility Practice.

The review by NYSEG of TrAILCo's final specifications for System Upgrade Facilities to be constructed or installed by TrAILCo shall not be construed as confirming, endorsing, or providing a warranty as to the design, fitness, safety, durability or reliability of those System Upgrade Facilities. TrAILCo shall make such changes to those System Upgrade Facilities as may reasonably be required by NYSEG in accordance with Good Utility Practice.

5.6.3 Design and Construction.

The System Upgrade Facilities shall be designed and constructed in accordance with Good Utility Practice. Within one hundred twenty (120) Calendar Days after the Commercial Operation Date, unless NYSEG and TrAILCo agree on another mutually acceptable deadline, TrAILCo shall deliver to NYSEG "as-built" drawings, information, and documents for the System Upgrade Facilities, such as: a one-line diagram, a site plan showing the HC – FMR Line (as segmented) and the System Upgrade Facilities, plan and elevation drawings showing the layout of the System Upgrade Facilities, a relay functional diagram, relaying AC and DC schematic wiring diagrams and relay settings for all facilities associated with TrAILCo's step-down transformers, the facilities connecting the HC – FMR Line to the step-down

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transformers and the System Upgrade Facilities, and the impedances (determined by factory tests) for the associated step-down transformers and the HC – FMR Line. NYSEG shall provide to TrAILCo, and coordinate with TrAILCo, with respect to proposed specifications for the HC – FMR Line control and protection settings, transformer tap settings, and communications, if applicable. NYSEG and TrAILCo shall confer with the NYISO and PJM regarding the transfer of operational control of the System Upgrade Facilities to the NYISO, or PJM, as applicable, upon completion of such facilities.

5.7 [Reserved]

5.8 Access Rights.

5.8.1 NYSEG’s Access. Upon reasonable notice and supervision by the TrAILCo, TrAILCo hereby authorizes the authorized agents, representatives, contractors, and employees of NYSEG to enter the facilities of TrAILCo at all reasonable times and subject to any required or necessary regulatory approvals, shall furnish to NYSEG at no cost any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by TrAILCo to the extent reasonably required for NYSEG to obtain ingress and egress at the Point of Interconnection to operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities and equipment to: (i) interconnect the Pierce Brook Substation to the HC – FMR Line; (ii) operate and maintain the HC – FMR Line, the System Upgrade Facilities owned by NYSEG, and the New York State Transmission System; and (iii) disconnect or remove NYSEG’s facilities and equipment upon termination of this Agreement. TrAILCo’s obligation hereunder shall be to provide NYSEG (and its agents, representatives, contractors and employees) adequate and continuous access to all sites where access is authorized under this Article 5.8. NYSEG and

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its authorized agents, representatives, contractors and employees, shall comply with TrAILCo's safety and security procedures, switching and tagging rules, and escort and other applicable access requirements, including NERC CIP requirements, in connection with exercising the rights of access granted hereby. TrAILCo shall give prompt notice to NYSEG of any changes to TrAILCo's safety and security procedures, switching and tagging rules, and escort and other applicable access requirements.

NYSEG must, prior to any access to TrAILCo's facilities, and during the term of this Agreement, provide and maintain insurance in the kinds and amounts referred in Article 18.

TrAILCo reserves the right to deny access to NYSEG's authorized agents, representatives, contractors and employees, in or around TrAILCo's facilities if, in TrAILCo's sole judgment, such authorized agents, representatives, contractors and employees are:

(a) bringing, using, distributing, selling or possessing illegal drugs or alcoholic beverages at the TrAILCo's facilities;

(b) unfit for duty at any time during their assignment and under the influence of alcohol or other drugs; or

(c) otherwise engaged in any improper or unlawful activity.

Furthermore, TrAILCo shall have the authority to suspend NYSEG's access, work or operations (including access, work or operations of any of NYSEG's agents, representatives,

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contractors and employees) in and around such TrAILCo facilities if, in its sole judgment, at any time hazardous conditions arise or any unsafe practices are being followed by NYSEG's agents, representatives, contractors and employees and NYSEG fails to take immediate measures to correct such conditions or practices. In exercising its access rights under this Article 5.8.1, NYSEG shall not unreasonably disrupt or interfere with normal operation of TrAILCo's business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by TrAILCo and provided to NYSEG. In accordance with Article 18, NYSEG shall indemnify TrAILCo against all claims of injury or damage from third parties resulting from the exercise of the access rights provided for herein.

5.8.2 TrAILCo's Access. Upon reasonable notice and supervision by NYSEG, NYSEG hereby authorizes the authorized agents, representatives, contractors, and employees of TrAILCo to enter the facilities of NYSEG at all reasonable times and subject to any required or necessary regulatory approvals, shall furnish to TrAILCo at no cost any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by NYSEG to the extent reasonably required for TrAILCo to obtain ingress and egress at the Point of Interconnection to construct, operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities and equipment to: (i) interconnect the Pierce Brook Substation to the HC – FMR Line; (ii) operate and maintain the Pierce Brook Substation, the System Upgrade Facilities owned by TrAILCo, and the PJM Transmission System; and (iii) disconnect or remove the TrAILCo's facilities and equipment upon termination of this Agreement and return the HC – FMR Line to its pre-interconnection configuration. NYSEG's obligation hereunder shall be to provide TrAILCo (and its agents, representatives, contractors and employees) adequate and continuous access to all sites where access is authorized under this Article 5.8. TrAILCo and its authorized agents, representatives, contractors and employees, shall comply with NYSEG's safety and security procedures, switching and tagging rules, and escort and other applicable access requirements in connection with exercising the rights of access granted hereby. NYSEG shall give prompt notice to TrAILCo of any changes to NYSEG's safety and security procedures, switching and tagging rules, and escort and other applicable access requirements.

TrAILCo must, prior to any access to NYSEG's facilities, and during the term of this Agreement, provide and maintain insurance in the kinds and amounts referred in Article 18 hereof.

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NYSEG reserves the right to deny access to TrAILCo's authorized agents, representatives, contractors and employees, in or around the NYSEG's facilities if, in NYSEG's sole judgment, such authorized agents, representatives, contractors and employees are:

- (a) bringing, using, distributing, selling or possessing illegal drugs or alcoholic beverages at the NYSEG's facilities;
- (b) unfit for duty at any time during their assignment and under the influence of alcohol or other drugs; or
- (c) otherwise engaged in any improper or unlawful activity.

Furthermore, NYSEG shall have the authority to suspend TrAILCo's access, work or operations (including access, work or operations of any of TrAILCo's agents, representatives, contractors and employees) in and around such NYSEG facilities if, in its sole judgment, at any time hazardous conditions arise or any unsafe practices are being followed by TrAILCo's agents, representatives, contractors and employees and TrAILCo fails to take immediate measures to correct such conditions or practices. In exercising its access rights under this Article 5.8.2, TrAILCo shall not unreasonably disrupt or interfere with normal operation of NYSEG's business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by NYSEG and provided to TrAILCo. In accordance with Article 18, TrAILCo shall indemnify NYSEG against all claims of injury or damage from third parties resulting from the exercise of the access rights provided for herein.

5.9 Lands of Other Property Owners.

If any part of the System Upgrade Facilities is to be installed on or adjacent to property owned by persons other than NYSEG or TrAILCo, TrAILCo shall at its own expense use efforts, similar in nature and extent to those that it typically undertakes for its own or affiliated transmission, including use of its eminent domain authority, and to the extent consistent with state law, to procure from such persons any rights of use, licenses, rights of way and easements that are necessary to construct, operate, maintain, test, inspect, replace or remove the System Upgrade Facilities upon such property. NYSEG shall cooperate with TrAILCo's efforts under this Article 5.9.

5.10 Permits.

TrAILCo and NYSEG shall cooperate with each other in good faith in obtaining all permits, licenses and authorizations that are necessary to accomplish the interconnection in compliance with Applicable Laws and Regulations. With respect to this paragraph, TrAILCo shall provide permitting assistance to NYSEG comparable to that provided to TrAILCo's own, or an Affiliate's, generation or transmission facilities, if any, provided that NYSEG shall pay TrAILCo's costs in providing such permitting assistance. With respect to this paragraph, NYSEG shall provide permitting assistance to TrAILCo comparable to that provided to NYSEG's own, or an Affiliate's, generation or transmission facilities, if any, provided that TrAILCo shall pay NYSEG's costs in providing such permitting assistance.

5.11 Tax Status; Non-Jurisdictional Entities.

5.11.1 Tax Status.

Each Party shall cooperate with the other Parties to maintain the other Parties' tax status. Nothing in this Agreement is intended to adversely affect the tax status of any Party, including the status of the NYISO.

5.12 Taxes.

5.12.1 TrAILCo Payments Not Taxable.

NYSEG and TrAILCo intend that all payments or property transfers made by TrAILCo to NYSEG for the procurement, construction and installation of the NYSEG System Upgrade Facilities, shall be non-taxable, either as contributions to capital, or as an advance, in accordance with the Internal Revenue Code and any applicable state income tax laws and shall not be taxable as contributions in aid of construction or otherwise under the Internal Revenue Code and any applicable state income tax laws.

5.12.2 Representations and Covenants.

In accordance with IRS Notice 2001-82 and IRS Notice 88-129, as applicable, TrAILCo represents and covenants that ownership of the electricity transmitted at the Point of Interconnection will pass to another party prior to the transmission of the electricity on the New York State Transmission System. NYSEG represents and covenants that the cost of the NYSEG System Upgrade Facilities, paid for by TrAILCo, will have no net effect on the base upon which rates are determined.

5.12.3 Indemnification for the Cost Consequences of Current Tax Liability Imposed Upon NYSEG.

Notwithstanding Article 5.12.1, TrAILCo shall protect, indemnify and hold harmless NYSEG from the cost consequences of any current tax liability imposed against NYSEG as the result of payments or property transfers made by TrAILCo to NYSEG under this Agreement, as well as any interest and penalties, other than interest and penalties attributable to any delay caused by NYSEG.

NYSEG shall not include a gross-up for the cost consequences of any current tax liability in the amounts it charges TrAILCo under this Agreement unless (i) NYSEG has determined, in good faith, that the payments or property transfers made by TrAILCo to NYSEG should be reported as income subject to taxation or (ii) any Governmental Authority directs NYSEG to report payments or property as income subject to taxation; provided, however, that NYSEG may require TrAILCo to provide security, in a form reasonably acceptable to NYSEG (such as a parental guarantee or a letter of credit), in an amount equal to the cost consequences of any current tax liability under this Article 5.12. TrAILCo shall reimburse NYSEG for such costs on a fully grossed-up basis, in accordance with Article 5.12.4, within thirty (30) Calendar Days of receiving written notification from NYSEG of the amount due, including detail about how the amount was calculated.

This indemnification obligation shall terminate at the earlier of (1) the expiration of the ten-year testing period and the applicable statute of limitation, as it may be extended by NYSEG upon request of the IRS, to keep these years open for audit or adjustment, or (2) the occurrence

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of a subsequent taxable event and the payment of any related indemnification obligations as contemplated by this Article 5.12.

5.12.4 Tax Gross-Up Amount.

TrAILCo's liability for the cost consequences of any current tax liability under this Article 5.12 shall be calculated on a fully grossed-up basis. Except as may otherwise be agreed to by the Parties, this means that TrAILCo will pay NYSEG, in addition to the amount paid for the NYSEG System Upgrade Facilities, an amount equal to (1) the current taxes imposed on NYSEG ("Current Taxes") on the excess of (a) the gross income realized by NYSEG as a result of payments or property transfers made by TrAILCo to NYSEG under this Agreement (without regard to any payments under this Article 5.12) (the "Gross Income Amount") over (b) the present value of future tax deductions for depreciation that will be available as a result of such payments or property transfers (the "Present Value Depreciation Amount"), plus (2) an additional amount sufficient to permit NYSEG to receive and retain, after the payment of all Current Taxes, an amount equal to the net amount described in clause (1).

For this purpose, (i) Current Taxes shall be computed based on NYSEG's composite federal and state tax rates at the time the payments or property transfers are received and NYSEG will be treated as being subject to tax at the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting NYSEG's anticipated tax depreciation deductions as a result of such payments or property transfers by NYSEG's current weighted average cost of capital. Thus, the formula for calculating TrAILCo's liability to NYSEG pursuant to this Article 5.12.4 can be expressed as

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follows: $(\text{Current Tax Rate} \times (\text{Gross Income Amount} - \text{Present Value of Tax Depreciation})) / (1 - \text{Current Tax Rate})$.

5.12.5 Private Letter Ruling or Change or Clarification of Law.

At TrAILCo's request and expense, NYSEG shall file with the IRS a request for a private letter ruling as to whether any property transferred or sums paid, or to be paid, by TrAILCo to NYSEG under this Agreement are subject to federal income taxation. TrAILCo will prepare the initial draft of the request for a private letter ruling, and will certify under penalties of perjury that all facts represented in such request are true and accurate to the best of TrAILCo's knowledge. NYSEG and TrAILCo shall cooperate in good faith with respect to the submission of such request.

NYSEG shall keep TrAILCo fully informed of the status of such request for a private letter ruling and shall execute either a privacy act waiver or a limited power of attorney, in a form acceptable to the IRS, that authorizes TrAILCo to participate in all discussions with the IRS regarding such request for a private letter ruling. NYSEG shall allow TrAILCo to attend all meetings with IRS officials about the request and shall permit TrAILCo to prepare the initial drafts of any follow-up letters in connection with the request.

5.12.6 Subsequent Taxable Events.

If, within 10 years from the date on which the relevant NYSEG System Upgrade Facilities are placed in service, (i) TrAILCo Breaches the covenants contained in Article 5.12.2, or (ii) this Agreement terminates and NYSEG retains ownership of the NYSEG System Upgrade Facilities, TrAILCo shall pay a tax gross-up for the cost consequences of any current tax liability

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imposed on NYSEG, calculated using the methodology described in Article 5.12.4 and in accordance with IRS Notice 90-60.

5.12.7 Contests.

In the event any Governmental Authority determines that NYSEG's receipt of payments or property constitutes income that is subject to taxation, NYSEG shall notify TrAILCo, in writing, within thirty (30) Calendar Days of receiving notification of such determination by a Governmental Authority. Upon the timely written request by TrAILCo and at TrAILCo's sole expense, NYSEG may appeal, protest, seek abatement of, or otherwise oppose such determination. Upon TrAILCo's written request and sole expense, NYSEG may file a claim for refund with respect to any taxes paid under this Article 5.12, whether or not it has received such a determination. NYSEG reserves the right to make all decisions with regard to the prosecution of such appeal, protest, abatement or other contest, including the selection of counsel and compromise or settlement of the claim, but NYSEG shall keep TrAILCo informed, shall consider in good faith suggestions from TrAILCo about the conduct of the contest, and shall reasonably permit TrAILCo or an TrAILCo representative to attend contest proceedings.

TrAILCo shall pay to NYSEG on a periodic basis, as invoiced by NYSEG, NYSEG's documented reasonable costs of prosecuting such appeal, protest, abatement or other contest. At any time during the contest, NYSEG may agree to a settlement either with TrAILCo's consent or after obtaining written advice from nationally-recognized tax counsel, selected by NYSEG, but reasonably acceptable to TrAILCo, that the proposed settlement represents a reasonable settlement given the hazards of litigation. TrAILCo's obligation shall be based on the amount of the settlement agreed to by TrAILCo, or if a higher amount, so much of the settlement that is

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supported by the written advice from nationally-recognized tax counsel selected under the terms of the preceding sentence. The settlement amount shall be calculated on a fully grossed-up basis to cover any related cost consequences of the current tax liability. Any settlement without TrAILCo's consent or such written advice will relieve TrAILCo from any obligation to indemnify NYSEG for the tax at issue in the contest.

5.12.8 Refund.

In the event that (a) a private letter ruling is issued to NYSEG which holds that any amount paid or the value of any property transferred by TrAILCo to NYSEG under the terms of this Agreement is not subject to federal income taxation, (b) any legislative change or administrative announcement, notice, ruling or other determination makes it reasonably clear to NYSEG in good faith that any amount paid or the value of any property transferred by TrAILCo to NYSEG under the terms of this Agreement is not taxable to NYSEG, (c) any abatement, appeal, protest, or other contest results in a determination that any payments or transfers made by TrAILCo to NYSEG are not subject to federal income tax, or (d) if NYSEG receives a refund from any taxing authority for any overpayment of tax attributable to any payment or property transfer made by TrAILCo to NYSEG pursuant to this Agreement, NYSEG shall promptly refund to TrAILCo the following:

(i) Any payment made by TrAILCo under this Article 5.12 for taxes that is attributable to the amount determined to be non-taxable, together with interest thereon,

(ii) Interest on any amounts paid by TrAILCo to NYSEG for such taxes which NYSEG did not submit to the taxing authority, calculated in accordance with the methodology

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set forth in FERC's regulations at 18 C.F.R. section 35.19a(a)(2)(iii) from the date payment was made by TrAILCo to the date NYSEG refunds such payment to TrAILCo, and

(iii) With respect to any such taxes paid by NYSEG, any refund or credit NYSEG receives or to which it may be entitled from any Governmental Authority, interest (or that portion thereof attributable to the payment described in clause (i), above) owed to NYSEG for such overpayment of taxes (including any reduction in interest otherwise payable by NYSEG to any Governmental Authority resulting from an offset or credit); provided, however, that NYSEG will remit such amount promptly to TrAILCo only after and to the extent that NYSEG has received a tax refund, credit or offset from any Governmental Authority for any applicable overpayment of income tax related to the NYSEG System Upgrade Facilities.

The intent of this provision is to leave both TrAILCo and NYSEG, to the extent practicable, in the event that no taxes are due with respect to any payment for NYSEG System Upgrade Facilities hereunder, in the same position they would have been in had no such tax payments been made.

5.13 Taxes Other Than Income Taxes. Upon the timely request by TrAILCo, and at TrAILCo's sole expense, NYSEG shall appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against NYSEG for which TrAILCo may be required to reimburse NYSEG under the terms of this Agreement. TrAILCo shall pay to NYSEG on a periodic basis, as invoiced by NYSEG, NYSEG's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. TrAILCo and NYSEG shall cooperate in good faith with respect to any such contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be

payable by TrAILCo to NYSEG for such taxes until they are assessed by a final, nonappealable order by any court or agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due and payable after appeal, TrAILCo will be responsible for all taxes, interest and penalties, other than penalties attributable to any delay caused by NYSEG.

5.14 Modification.

5.14.1 General.

Either NYSEG or TrAILCo may undertake modifications to its facilities covered by this Agreement. If either NYSEG or TrAILCo plans to undertake a modification that reasonably may be expected to affect the other Party's facilities, that Party shall provide to the other Party, and to NYISO sufficient information regarding such modification so that the other Party and NYISO may evaluate the potential impact of such modification prior to commencement of the work. Such information shall be deemed to be Confidential Information hereunder and shall include information concerning the timing of such modifications and whether such modifications are expected to interrupt the transmission of electricity at the Point(s) of Interconnection. The Party desiring to perform such work shall provide the relevant drawings, plans, and specifications to the other Party and NYISO at least ninety (90) Calendar Days in advance of the commencement of the work or such shorter period upon which the Parties may agree, which agreement shall not unreasonably be withheld, conditioned or delayed.

In the case of Transmission Facility modifications, the Party making such modification shall provide reasonable prior notice of such modifications to the other Parties. For modifications that do not require TrAILCo or NYSEG to submit an Interconnection Request, the NYISO, in consultation with the other Parties, shall use Reasonable Efforts to provide, within

sixty (60) Calendar Days (or such other time as the Parties may agree), an estimate of any additional modifications to the New York State Transmission System or System Upgrade Facilities necessitated by such modification and a good faith estimate of the costs thereof. TrAILCo shall be responsible for the cost of any such additional modifications, including the cost of studying the impact of the TrAILCo modification.

5.14.2 Standards.

Except as provided in Appendix A or C, (a) any additions, modifications, or replacements made to TrAILCo's facilities shall be designed, constructed and operated in accordance with this Agreement, applicable NYISO and PJM requirements, and Good Utility Practice, and (b) any additions, modifications, or replacements made to NYSEG's facilities shall be designed, constructed and operated in accordance with this Agreement, applicable NYISO requirements, and Good Utility Practice.

5.14.3 Modification Costs.

NYSEG shall not be assigned the costs of any additions, modifications, or replacements that TrAILCo makes to System Upgrade Facilities owned by TrAILCo, or the PJM Transmission System to facilitate the interconnection of a third party to the System Upgrade Facilities owned by TrAILCo, or the PJM Transmission System, or to provide Transmission Service to a third party under the PJM OATT. NYSEG shall be responsible for the costs of any additions, modifications, or replacements to the System Upgrade Facilities owned by NYSEG, that may be necessary to maintain or upgrade such NYSEG System Upgrade Facilities consistent with Applicable Laws and Regulations, Applicable Reliability Standards or Good Utility Practice except if such additions, modifications, or replacements are required as a result of modifications

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made by TrAILCo to its System Upgrade Facilities, in which case TrAILCo shall be responsible for such costs.

TrAILCo shall not be assigned the costs of any additions, modifications, or replacements that NYSEG makes to the System Upgrade Facilities owned by NYSEG, or the New York State Transmission System to facilitate the interconnection of a third party to the System Upgrade Facilities owned by NYSEG, or the New York State Transmission System, or to provide Transmission Service to a third party under the NYISO Tariff, except in accordance with the cost allocation procedures in Attachment S of the NYISO Tariff or as approved by the appropriate Governmental Authority. TrAILCo shall be responsible for the costs of any additions, modifications, or replacements to the System Upgrade Facilities owned by TrAILCo, that may be necessary to maintain or upgrade such TrAILCo System Upgrade Facilities consistent with Applicable Laws and Regulations, Applicable Reliability Standards or Good Utility Practice except if such additions, modifications, or replacements are required as a result of modifications made by NYSEG to its System Upgrade Facilities, in which case NYSEG shall be responsible for such costs.

ARTICLE 6. TESTING AND INSPECTION

6.1 Pre-Commercial Operation Date Testing and Modifications.

Prior to the Commercial Operation Date, TrAILCo shall test its System Upgrade Facilities, and NYSEG shall test its System Upgrade Facilities to ensure their safe and reliable operation. Similar testing may be required after initial operation. NYSEG and TrAILCo shall each make any modifications to its facilities that are found to be necessary as a result of such testing. TrAILCo shall bear the cost of all such testing and modifications to its and NYSEG's

System Upgrade Facilities. NYSEG and TrAILCo shall transmit test energy through the Point(s) of Interconnection only if it has arranged for the transmission of such test energy in accordance with TrAILCo, PJM, NYSEG and NYISO procedures.

6.2 Post-Commercial Operation Date Testing and Modifications.

NYSEG and TrAILCo shall each at its own expense perform routine inspection and testing of its facilities and equipment in accordance with Good Utility Practice and Applicable Reliability Standards as may be necessary to ensure the continued interconnection of the Pierce Brook Substation with the New York State Transmission System in a safe and reliable manner. NYSEG and TrAILCo shall each have the right, upon advance written notice, to require reasonable additional testing of the other Party's facilities, at the requesting Party's expense, as may be in accordance with Good Utility Practice.

6.3 Right to Observe Testing.

NYSEG and TrAILCo shall each notify the other Party, and the NYISO, in advance of its performance of tests of the System Upgrade Facilities. The other Party, and the NYISO, shall have the right, at its own expense, to observe such testing.

6.4 Right to Inspect.

NYSEG and TrAILCo shall each have the right, but shall have no obligation to: (i) observe the other Party's tests and/or inspection of any of its System Protection Facilities and other protective equipment; (ii) review the settings of the other Party's System Protection Facilities and other protective equipment; and (iii) review the other Party's maintenance records relative to the System Upgrade Facilities, the System Protection Facilities and other protective equipment. NYISO shall have the same rights of inspection as to the facilities and equipment of

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NYSEG and TrAILCo. A Party may exercise these rights from time to time as it deems necessary upon reasonable notice to the other Party. The exercise or nonexercise by a Party of any such rights shall not be construed as an endorsement or confirmation of any element or condition of the System Upgrade Facilities, or the System Protection Facilities or other protective equipment or the operation thereof, or as a warranty as to the fitness, safety, desirability, or reliability of same. Any information that a Party obtains through the exercise of any of its rights under this Article 6.4 shall be treated in accordance with Article 22 of this Agreement.

ARTICLE 7. METERING

7.1 General.

NYSEG and TrAILCo shall each comply with applicable requirements of the NYISO when exercising its rights and fulfilling its responsibilities under this Article 7. Unless otherwise agreed by TrAILCo and NYSEG, TrAILCo shall install Metering Equipment at the Point(s) of Interconnection prior to any operation of the Transmission Facility and shall own, operate, test and maintain such Metering Equipment. Net power flows including MW and MVAR, MWHR and loss profile data to and from the HC – FMR Line shall be measured at the Point(s) of Interconnection. TrAILCo shall provide metering quantities, in analog and/or digital form, as required, to the other Parties, upon request. TrAILCo shall bear all reasonable documented costs associated with the ownership, purchase, installation, operation, testing and maintenance of the Metering Equipment.

7.2 Check Meters.

NYSEG, at its option and expense, may install and operate, on its premises and on its side of the Point of Interconnection, one or more check meters to check TrAILCo's meters. Such check meters shall be for check purposes only and shall not be used for the measurement of power flows for purposes of this Agreement, except as provided in Article 7.4 below. The check meters shall be subject at all reasonable times to inspection and examination by TrAILCo or its designee. The installation, operation and maintenance thereof shall be performed entirely by NYSEG in accordance with Good Utility Practice.

7.3 Standards.

TrAILCo shall install, calibrate, and test revenue quality Metering Equipment including potential transformers and current transformers in accordance with applicable ANSI and Governmental Authority standards, including applicable NYISO requirements.

7.4 Testing of Metering Equipment.

TrAILCo shall inspect and test all of the Metering Equipment upon installation and thereafter in accordance with applicable NYISO requirements. TrAILCo shall give reasonable notice of the time when any inspection or test shall take place, and NYSEG may have representatives present at the test or inspection. If at any time Metering Equipment is found to be inaccurate or defective, it shall be adjusted, repaired or replaced at the owner's expense, in order to provide accurate metering, unless the inaccuracy or defect is due to TrAILCo's failure to maintain, then TrAILCo shall pay. If Metering Equipment fails to register, or if the measurement made by Metering Equipment during a test varies by more than the range set forth in the applicable NYISO or PJM standard, TrAILCo shall adjust the measurements by correcting

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all measurements for the period during which Metering Equipment was in error by using the other Party's check meters, if installed. If no such check meters are installed or if the period cannot be reasonably ascertained, the adjustment shall be for the period immediately preceding the test of the Metering Equipment equal to one-half the time from the date of the last previous test of the Metering Equipment. NYISO reserves the right to inspect all Metering Equipment installed on NYSEG's or TrAILCo's property at reasonable times and upon reasonable notice to NYSEG or TrAILCo, as applicable.

7.5 Metering Data.

Subject to the provisions of Appendix C, and at TrAILCo's expense, the metered data shall be telemetered to one or more locations designated by TrAILCo, NYISO and NYSEG. Such telemetered data shall be used, under normal operating conditions, as the official measurement of the amount of energy delivered from the HC – FMR Line to the Point of Interconnection and/or from the Transmission Facility to the Point of Interconnection.

ARTICLE 8. COMMUNICATIONS

8.1 TrAILCo Obligations.

In accordance with applicable NYISO requirements, and subject to Appendix C, TrAILCo shall install and maintain satisfactory operating communications with NYSEG and NYISO. TrAILCo shall provide the equipment, labor and contract services and dedicated data circuit(s) necessary to provide TrAILCo data to NYSEG and NYISO in accordance with applicable NYISO and NYSEG requirements. The data circuit(s) shall extend from the Transmission Facility to the location(s) specified by NYSEG. Any required repair, replacement

or maintenance of such communications equipment shall be performed by TrAILCo. Operational communications shall be activated and maintained under, but not limited to, the following events: system paralleling or separation, scheduled and unscheduled outages, equipment clearances, and hourly and daily load data. Prior to the Commercial Operation Date, satisfactory communications shall be in place, in accordance with this Article 8.1 and Section B of Appendix C.

8.2 Remote Terminal Unit.

A Remote Terminal Unit, or equivalent data collection and transfer equipment acceptable to the Parties, shall be installed by TrAILCo at TrAILCo's expense, in accordance with Section B of Appendix C, to gather accumulated and instantaneous data to be telemetered to the location(s) designated by TrAILCo. Each Party will promptly advise the appropriate other Party if it detects or otherwise learns of any metering, telemetry or communications equipment errors or malfunctions that require the attention and/or correction by that other Party. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible.

8.3 No Annexation.

Any and all equipment placed on the premises of a Party shall be and remain the property of the Party providing such equipment regardless of the mode and manner of annexation or attachment to real property, unless otherwise mutually agreed by the Party providing such equipment and the Party receiving such equipment.

ARTICLE 9. OPERATIONS

9.1 General.

Each Party shall comply with Applicable Laws and Regulations and Applicable Reliability Standards. Each Party shall provide to the other Parties all information that may reasonably be required by the other Parties to comply with Applicable Laws and Regulations and Applicable Reliability Standards.

9.2 NYSEG Obligations.

NYSEG shall, at its own expense, operate, maintain and control the System Upgrade Facilities owned by NYSEG in a safe and reliable manner in accordance with this Agreement and the NYISO Tariff.

9.3 TrAILCo Obligations.

TrAILCo shall, at its own expense, operate, maintain and control the System Upgrade Facilities owned by TrAILCo, including the Transmission Facility, in a safe and reliable manner in accordance with this Agreement and the PJM Tariff.

9.4 Synchronization.

Consistent with the mutually acceptable procedures of NYSEG and TrAILCo and the NYISO and PJM, NYSEG and TrAILCo are responsible for the proper synchronization of the Pierce Brook Substation to the New York State Transmission System.

9.5 [Reserved]

9.6 Outages and Interruptions.

9.6.1 Outages.

9.6.1.1 Outage Authority and Coordination. NYSEG may, in accordance with applicable NYISO procedures and Good Utility Practice, and in coordination with TrAILCo remove from service any of its respective System Upgrade Facilities that may impact TrAILCo's facilities as necessary to perform maintenance or testing or to install or replace equipment. TrAILCo may, in accordance with applicable PJM procedures and Good Utility Practice, and in coordination with NYSEG, remove from service any of its respective System Upgrade Facilities that may impact NYSEG's facilities as necessary to perform maintenance or testing or to install or replace equipment. Absent an Emergency, or Emergency State, the Party scheduling a removal of such facility(ies) from service will use Reasonable Efforts to schedule such removal on a date and time mutually acceptable to both NYSEG and TrAILCo. In all circumstances either Party planning to remove such facility(ies) from service shall use Reasonable Efforts to minimize the effect on the other Party of such removal.

9.6.1.2 Outage Schedules. NYSEG shall post scheduled outages of its transmission facilities on the NYISO OASIS, and TrAILCo shall post scheduled outages of its transmission facilities on the PJM OASIS.

9.6.1.3 Outage Restoration. If an outage on the System Upgrade Facilities of TrAILCo or NYSEG adversely affects the other Party's operations or facilities, the Party that owns the facility that is out of service shall use Reasonable Efforts to promptly restore such facility(ies) to a normal operating condition consistent with the nature of the outage. The Party that owns the facility that is out of service shall provide the other Party, and to the NYISO, or PJM, as applicable, to the extent such information is known, information on the nature of the

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Emergency or Emergency State, an estimated time of restoration, and any corrective actions required. Initial verbal notice shall be followed up as soon as practicable with written notice explaining the nature of the outage.

9.6.2 Interruption of Service. If required by Good Utility Practice or Applicable Reliability Standards to do so, TrAILCo may require NYSEG to interrupt or reduce transmission of electricity over the HC – FMR Line, and NYSEG may require TrAILCo to interrupt or reduce transmission of electricity over the Transmission Facility if either TrAILCo, NYSEG or the NYISO deems the interruption of such transmission of electricity to be necessary: (a) for purposes of Good Utility Practice, to protect a Party’s facilities from physical damage or to prevent injury or damage to persons or property; or (b) to comply with Applicable Reliability Standards. The following provisions shall apply to any interruption or reduction permitted under this Article 9.6.2:

9.6.2.1 The interruption or reduction shall continue only for so long as reasonably necessary to: (a) protect its facilities from physical damage or to prevent injury or damage to persons or property under Good Utility Practice; or (b) comply with Applicable Reliability Standards;

9.6.2.2 Any such interruption or reduction shall be made on an equitable, non-discriminatory basis with respect to all transmission facilities directly connected to that part of the PJM Transmission System and New York State Transmission System owned, respectively, by TrAILCo or NYSEG;

9.6.2.3 When the interruption or reduction must be made under circumstances which do not allow for advance notice, TrAILCo or NYSEG, as applicable, shall

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notify the other Party (and the NYISO) by telephone as soon as practicable of the reasons for the curtailment, interruption, or reduction, and, if known, its expected duration. Telephone notification shall be followed by written notification as soon as practicable;

9.6.2.4 Except during the existence of an Emergency or Emergency State, when the interruption or reduction can be scheduled with advance notice, TrAILCo or NYSEG, as applicable, shall notify the other Party (and the NYISO) in advance regarding the timing of such scheduling and further notify the other Party (and the NYISO) of the expected duration. TrAILCo and NYSEG, as applicable, shall coordinate with the other Party (and the NYISO) using Good Utility Practice to schedule the interruption or reduction during periods of least impact to both NYSEG and TrAILCo, the New York State Transmission System, and the PJM Transmission System; and

9.6.2.5 The Parties shall cooperate and coordinate with each other, and the PJM and NYISO, to the extent necessary in order to restore the HC – FMR Line, System Upgrade Facilities, the New York State Transmission System, and the PJM Transmission System to their normal operating state, consistent with system conditions and Good Utility Practice, and in accordance with the directives of the NYISO and PJM.

9.6.3 System Protection and Other Control Requirements.

9.6.3.1 System Protection Facilities. TrAILCo shall install, operate and maintain, at its expense, any System Protection Facilities that may be required on TrAILCo's facilities, including its System Upgrade Facilities, as a result of the interconnection of the

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Transmission Facility to the New York State Transmission System. NYSEG shall install at TrAILCo's expense any System Protection Facilities that may be required on the NYSEG's facilities, including its System Upgrade Facilities or the New York State Transmission System as a result of the interconnection of the Transmission Facility to the New York State Transmission System.

9.6.3.2 The protection facilities of both NYSEG and TrAILCo shall be designed and coordinated with other systems in accordance with Good Utility Practice and Applicable Reliability Standards.

9.6.3.3 NYSEG and TrAILCo shall each be responsible for protection of its respective facilities consistent with Good Utility Practice and Applicable Reliability Standards.

9.6.3.4 The protective relay design of NYSEG and TrAILCo shall each incorporate the necessary test switches to perform the tests required in Article 6 of this Agreement. The required test switches will be placed such that they allow operation of lockout relays while preventing breaker failure schemes from operating and causing unnecessary breaker operations and/or the tripping of NYSEG's HC – FMR Line or the System Upgrade Facilities.

9.6.3.5 NYSEG and TrAILCo will each test, operate and maintain System Protection Facilities in accordance with Good Utility Practice and applicable ReliabilityFirst and NPCC criteria.

9.6.3.6 Prior to the Commercial Operation Date, NYSEG and TrAILCo shall each perform, or their agents shall perform, a complete calibration test and functional trip

test of the System Protection Facilities. At intervals suggested by Good Utility Practice and following any apparent malfunction of the System Protection Facilities, NYSEG and TrAILCo shall each perform both calibration and functional trip tests of the System Protection Facilities in a manner and at intervals consistent with TrAILCo's standard practice for performing such tests. These tests do not require the tripping of any in-service generation unit. These tests do, however, require that all protective relays and lockout contacts be activated.

9.6.4 Requirements for Protection.

In compliance with applicable ReliabilityFirst and NPCC requirements, and Good Utility Practice, NYSEG and TrAILCo, as applicable, shall provide, install, own, and maintain relays, circuit breakers and all other devices necessary to remove any fault contribution of the HC – FMR Line or the Pierce Brook Substation to any short circuit occurring on the New York State Transmission System or the PJM Transmission System not otherwise isolated by the other Party's equipment, such that the removal of the fault contribution shall be coordinated with the protective requirements of the New York State Transmission System or the PJM Transmission System. Such protective equipment shall include, without limitation, a disconnecting device or switch with load-interrupting capability located between the Transmission Facility and the New York State Transmission System at a site selected upon mutual agreement (not to be unreasonably withheld, conditioned or delayed) of NYSEG and TrAILCo.

9.6.5 Power Quality.

Neither the facilities of NYSEG nor the facilities of TrAILCo shall cause excessive voltage flicker nor introduce excessive distortion to the sinusoidal voltage or current waves as defined by ANSI Standard C84.1-1989, in accordance with IEEE Standard 519, or any

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applicable superseding electric industry standard. In the event of a conflict between ANSI Standard C84.1-1989, or any applicable superseding electric industry standard, ANSI Standard C84.1-1989, or the applicable superseding electric industry standard, shall control.

9.7 Switching and Tagging Rules.

NYSEG and TrAILCo shall each provide the other Party a copy of its switching and tagging rules that are applicable to the other Party's activities. Such switching and tagging rules shall be developed on a nondiscriminatory basis. The Parties shall comply with applicable switching and tagging rules, as amended from time to time, in obtaining clearances for work or for switching operations on equipment.

9.8 [Reserved]

9.9 Disturbance Analysis Data Exchange.

The Parties will cooperate with one another and the NYISO in the analysis of disturbances to either the Pierce Brook Substation, the PJM Transmission System, the HC – FMR Line, or the New York State Transmission System by gathering and providing access to any information relating to any disturbance, including information from disturbance recording equipment, protective relay targets, breaker operations and sequence of events records, and any disturbance information required by Good Utility Practice.

9.10 Emergency Operations

NYSEG shall have the right, including but not limited to after receiving a directive from the NYISO, to direct TrAILCo to take action with regard to breakers at the Pierce Brook Substation necessary to disconnect the PBHC Segment in order to respond to an Emergency as set forth in Articles 9.10.1 and 9.10.2 below.

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9.10.1 NYSEG does not have the right nor the capability to open breakers at the Pierce Brook Substation, but rather NYSEG will have the unilateral right to direct TrAILCo to undertake that action with regard to necessary breakers at the Pierce Brook Substation to disconnect the PBHC Segment based on directives from NYISO or based on conditions or circumstances requiring a response to an Emergency; and

9.10.2 TrAILCo agrees that it shall promptly take the actions specified in a directive issued by NYSEG as indicated in Articles 9.10 and 9.10.1 above in a safe and efficient manner and consistent with Good Utility Practice.

ARTICLE 10. MAINTENANCE

10.1 TrAILCo Obligations.

TrAILCo shall maintain the Pierce Brook Substation and System Upgrade Facilities owned by TrAILCo in a safe and reliable manner and in accordance with this Agreement.

10.2 NYSEG Obligations.

NYSEG shall maintain the HC – FMR Line and System Upgrade Facilities owned by NYSEG in a safe and reliable manner and in accordance with this Agreement.

10.3 Coordination.

NYSEG and TrAILCo shall confer regularly to coordinate the planning, scheduling and performance of preventive and corrective maintenance on the Pierce Brook Substation, HC – FMR Line, and the System Upgrade Facilities. NYSEG and TrAILCo shall keep NYISO fully informed of the preventive and corrective maintenance that is planned, and shall schedule all such maintenance in accordance with NYISO procedures.

10.4 Secondary Systems.

NYSEG and TrAILCo shall each cooperate with the other in the inspection, maintenance, and testing of control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers that directly affect the operation of NYSEG or TrAILCo's facilities and equipment which may reasonably be expected to impact the other Party. NYSEG and TrAILCo shall each provide advance notice to the other Party, and to NYISO, before undertaking any work on such circuits, especially on electrical circuits involving circuit breaker trip and close contacts, current transformers, or potential transformers.

10.5 Operating and Maintenance Expenses.

Subject to the provisions herein addressing the use of facilities by others, and except for operations and maintenance expenses associated with modifications made for providing interconnection or transmission service to a third party and such third party pays for such expenses, TrAILCo shall be responsible for all reasonable expenses including overheads, associated with: owning, operating, maintaining, repairing, and replacing its System Upgrade Facilities. NYSEG shall be entitled to the recovery of incremental operating and maintenance expenses that it incurs associated with System Upgrade Facilities, if and to the extent provided for under Attachment S to the NYISO OATT.

ARTICLE 11. PERFORMANCE OBLIGATION

11.1 Compensation for Emergency Services.

If, during an Emergency State, NYSEG provides services at the request or direction of TrAILCo, NYSEG will be compensated for such services. If, during an Emergency State, TrAILCo provides services at the request or direction of NYSEG, TrAILCo will be compensated for such services.

11.2 Line Outage Costs.

Notwithstanding anything in Applicable Laws and Regulations to the contrary, NYSEG may propose to recover line outage costs associated with the installation of TrAILCo System Upgrade Facilities on a case-by-case basis; provided, however, NYSEG shall not have the right to recover line outage costs from TrAILCo if such line outage costs are caused by NYSEG's Default under this Agreement.

ARTICLE 12. INVOICE

12.1 General.

Each Party shall each submit to another Party, on a monthly basis, invoices of amounts due for the preceding month, as applicable. Each invoice shall state the month to which the invoice applies and fully describe the services and equipment provided. The Parties may discharge mutual debts and payment obligations due and owing to each other on the same date through netting, in which case all amounts one Party owes to the other Party under this Agreement, including interest payments or credits, shall be netted so that only the net amount remaining due shall be paid by the owing Party. The allocation of any costs, expenses, or

charges to a Party under this Agreement shall not in any way limit the right of each Party to collect such costs or charges in rates approved by the appropriate Governmental Authority.

12.2 Payment.

Invoices shall be rendered to the paying Party at the address specified in Appendix E hereto. The Party receiving the invoice shall pay the invoice within thirty (30) Calendar Days of receipt. All payments shall be made in immediately available funds payable to the other Party, or by wire transfer to a bank named and account designated by the invoicing Party. Payment of invoices will not constitute a waiver of any rights or claims the paying Party may have under this Agreement.

12.3 Disputes.

In the event of a billing dispute between the Parties, each Party shall continue to perform under this Agreement and such dispute shall be subject to resolution in accordance with Article 27. Within thirty (30) Calendar Days after the resolution of the dispute, the Party that owes money to the other Party shall pay the amount due with interest calculated in accord with the methodology set forth in FERC's Regulations at 18 C.F.R. section 35.19a(a)(2)(iii).

ARTICLE 13. EMERGENCIES

13.1 Obligations.

Subject to Article 9.10, NYSEG shall comply with the Emergency State procedures of NYISO, the Applicable Reliability Councils, and Applicable Laws and Regulations, and (b) TrAILCo shall comply with the Emergency State procedures of PJM, the Applicable Reliability Councils, and Applicable Laws and Regulations. TrAILCo and NYSEG agree to coordinate

with NYISO and PJM to develop procedures that will address the operations of the HC – FMR Line and the Pierce Brook Substation during Emergency conditions.

13.2 Notice.

Each Party shall notify the other Parties promptly when it becomes aware of an Emergency or Emergency State that affects, or may reasonably be expected to affect, the Transmission Facility, the HC – FMR Line, the System Upgrade Facilities, the New York State Transmission System, or the PJM Transmission System. To the extent information is known, the notification shall describe the Emergency or Emergency State, the extent of the damage or deficiency, the expected effect on the operation of NYSEG’s or TrAILCo’s facilities and operations, its anticipated duration and the corrective action taken and/or to be taken. The initial notice shall be followed as soon as practicable with written notice.

13.3 Immediate Action.

Subject to Article 9.10, or unless, in NYSEG’s reasonable judgment, immediate action is required, NYSEG shall obtain the consent of TrAILCo, such consent to not be unreasonably withheld, or delayed, prior to performing any manual switching operations at the HC – FMR Line or Systems Upgrade Facilities owned by NYSEG in response to an Emergency or Emergency State either declared by NYISO, TrAILCo or otherwise regarding New York State Transmission System. Unless, in TrAILCo’s reasonable judgment, immediate action is required, TrAILCo shall obtain the consent of NYSEG, such consent not to be unreasonably withheld, prior to performing any manual switching operations at the TrAILCo System Upgrade Facilities in response to an Emergency or Emergency State either declared by PJM, or TrAILCo, or otherwise regarding the PJM Transmission System.

13.4 TrAILCo and NYSEG Authority.

Subject to Article 9.10 and consistent with Good Utility Practice, TrAILCo or NYSEG, as the case may be, may take whatever actions with regard to the New York State Transmission System, the PJM Transmission System, and the System Upgrade Facilities owned by that Party, as it deems necessary during an Emergency or Emergency State in order to: (i) preserve public health and safety; (ii) preserve the reliability of the PJM Transmission System and the New York State Transmission System, as applicable; (iii) limit or prevent damage; and (iv) expedite restoration of service. NYSEG and TrAILCo shall use Reasonable Efforts to assist the other in such actions.

13.5 Limited Liability.

No Party shall be liable to any other Party for any action it takes in responding to an Emergency or Emergency State so long as such action is made in good faith and is consistent with Good Utility Practice.

ARTICLE 14. REGULATORY REQUIREMENTS AND GOVERNING LAW

14.1 Regulatory Requirements.

Each Party's obligations under this Agreement shall be subject to its receipt of any required approval or certificate from one or more Governmental Authorities in the form and substance satisfactory to the applying Party, or the Party making any required filings with, or providing notice to, such Governmental Authorities, and the expiration of any time period associated therewith. Each Party shall in good faith seek and use its Reasonable Efforts to obtain such other approvals. Nothing in this Agreement shall require TrAILCo or NYSEG to take any action that could result in its inability to obtain, or its loss of, status or exemption under

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the Federal Power Act, the Public Utility Holding Company Act of 2005 or the Public Utility Regulatory Policies Act of 1978, as amended.

14.2 Governing Law.

14.2.1 The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the State of New York, without regard to its conflicts of law principles.

14.2.2 This Agreement is subject to all Applicable Laws and Regulations.

14.2.3 Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any law, orders, rules, or regulations of a Governmental Authority.

ARTICLE 15. NOTICES

15.1 General.

Unless otherwise provided in this Agreement, any notice, demand or request required or permitted to be given by a Party to the other Parties and any instrument required or permitted to be tendered or delivered by a Party in writing to the other Parties shall be effective when delivered and may be so given, tendered or delivered, by recognized national courier, or by depositing the same with the United States Postal Service with postage prepaid, for delivery by certified or registered mail, addressed to the Party, or personally delivered to the Party, at the address set out in Appendix E hereto.

A Party may change the notice information in this Agreement by giving five (5) Business Days written notice prior to the effective date of the change.

15.2 Billings and Payments.

Billings and payments shall be sent to the addresses set out in Appendix E hereto.

15.3 Alternative Forms of Notice.

Any notice or request required or permitted to be given by a Party to the other Parties and not required by this Agreement to be given in writing may be so given by telephone, facsimile or email to the telephone numbers and email addresses set out in Appendix E hereto.

15.4 Operations and Maintenance Notice.

NYSEG and TrAILCo shall each notify the other Party, and NYISO, in writing of the identity of the person(s) that it designates as the point(s) of contact with respect to the implementation of Articles 9 and 10 of this Agreement.

ARTICLE 16. FORCE MAJEURE

16.1 Force Majeure.

16.1.1 Economic hardship is not considered a Force Majeure event.

16.1.2 A Party shall not be responsible or liable, or deemed, in Default with respect to any obligation hereunder, (including obligations under Article 4 of this Agreement) , other than the obligation to pay money when due, to the extent the Party is prevented from fulfilling such obligation by Force Majeure. A Party unable to fulfill any obligation hereunder (other than an obligation to pay money when due) by reason of Force Majeure shall give notice and the full particulars of such Force Majeure to the other Parties in writing or by telephone as soon as reasonably possible after the occurrence of the cause relied upon. Telephone notices given pursuant to this Article shall be confirmed in writing as soon as reasonably possible and

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shall specifically state full particulars of the Force Majeure, the time and date when the Force Majeure occurred and when the Force Majeure is reasonably expected to cease. The Party affected shall exercise due diligence to remove such disability with reasonable dispatch, but shall not be required to accede or agree to any provision not satisfactory to it in order to settle and terminate a strike or other labor disturbance.

ARTICLE 17. DEFAULT

17.1 Default.

17.1.1 General.

No Breach shall exist where such failure to discharge an obligation (other than the payment of money) is the result of Force Majeure as defined in this Agreement or the result of an act or omission of the other Parties. Upon a Breach, the non-Breaching Parties shall give written notice of such to the Breaching Party. The Breaching Party shall have thirty (30) Calendar Days from receipt of the Breach notice within which to cure such Breach; provided however, if such Breach is not capable of cure within thirty (30) Calendar Days, the Breaching Party shall commence such cure within thirty (30) Calendar Days after notice and continuously and diligently complete such cure within ninety (90) Calendar Days from receipt of the Breach notice; and, if cured within such time, the Breach specified in such notice shall cease to exist.

17.1.2 Right to Terminate.

If a Breach is not cured as provided in this Article 17, or if a Breach is not capable of being cured within the period provided for herein, the non-Breaching Parties acting together shall thereafter have the right to declare a Default and terminate this Agreement by written

notice at any time until cure occurs, and be relieved of any further obligation hereunder and, whether or not those Parties terminate this Agreement, to recover from the defaulting Party all amounts due hereunder, plus all other damages and remedies to which they are entitled at law or in equity. The provisions of this Article will survive termination of this Agreement.

ARTICLE 18. INDEMNITY, LIMITATION OF LIABILITY, AND INSURANCE

18.1 Indemnity.

Except as provided in Appendix C, NYSEG or TrAILCo (the “Indemnifying Party”) shall at all times indemnify, defend, and save harmless, as applicable, the other Parties (each an “Indemnified Party”) from, any and all Losses arising out of or resulting from (i) the Indemnifying’s Party’s Breach, negligence, or intentional wrongdoing under this Agreement, except in cases where the Indemnifying Party can demonstrate that the Loss of the Indemnified Party was caused (in whole or in part) by the gross negligence or intentional wrongdoing of the Indemnified Party or (ii) the violation by the Indemnifying Party of any Environmental Law or the release by the Indemnifying Party of any Hazardous Substance. TrAILCo shall provide an additional, independent indemnity to NYSEG in accordance with the provisions of Section C(10) of Appendix C, and any conflict between that provision of Appendix C and this Article 18 shall be resolved in favor of Section C(10) of Appendix C.

18.1.1 Indemnified Party.

If a Party is entitled to indemnification under this Article 18 as a result of a claim by a third party, and the Indemnifying Party fails, after notice and reasonable opportunity to proceed under Article 18.1.3, to assume the defense of such claim, such Indemnified Party may at the

expense of the Indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.

18.1.2 Indemnifying Party.

If an Indemnifying Party is obligated to indemnify and hold any Indemnified Party harmless under this Article 18, the amount owing to the Indemnified Party shall be the amount of such Indemnified Party's actual Loss, net of any insurance or other recovery.

18.1.3 Indemnity Procedures.

Promptly after receipt by an Indemnified Party of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Article 18.1 may apply, the Indemnified Party shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the Indemnifying Party.

Except as stated below, the Indemnifying Party shall have the right to assume the defense thereof with counsel designated by such Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the defendants in any such action include one or more Indemnified Parties and the Indemnifying Party and if the Indemnified Party reasonably concludes that there may be legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be

required to pay the fees and expenses of one additional attorney to represent an Indemnified Party or Indemnified Parties having such differing or additional legal defenses.

The Indemnified Party shall be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party.

Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the Indemnified Party and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the Indemnified Party, or there exists a conflict or adversity of interest between the Indemnified Party and the Indemnifying Party, in such event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Party, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the Indemnified Party, which shall not be unreasonably withheld, conditioned or delayed.

18.2 Limitation of Liability.

18.2.1 Other than the indemnity obligations set forth in Article 18.1, in no event shall any Party be liable under any provision of this Agreement for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract, in tort, including negligence, strict liability, or any other theory of liability; provided, however, that damages for which a Party may be liable to another Party under separate agreement will not be considered to be special, indirect, incidental, or consequential damages hereunder. The Parties expressly agree

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the damages that NYSEG may seek to recover pursuant to Appendix C shall not be considered special, indirect, incidental, consequential, or punitive damages whose recovery is limited by this Article 18.2.1.

18.2.2 Nothing in this Agreement shall be construed to create or give rise to any liability on the part of PJM, and the Parties expressly waive any claims that may arise against PJM under this Agreement.

18.2.3 The Parties acknowledge and understand that the signature of the authorized ~~officer~~representative of PJM on this Agreement is for the limited purpose of acknowledging that representatives of PJM have read the terms of this Agreement. The Parties and PJM further state that they understand that FERC desires that the Parties keep PJM fully apprised of the matters addressed herein as well as any reliability and planning issues that may arise under this Agreement, and that the signature of the PJM ~~officer~~representative shall not in any way be deemed to imply that PJM is taking responsibility for the actions of any Party, that PJM has any affirmative duties under this Agreement or that PJM is liable in any way under this Agreement.

18.3 Insurance.

NYSEG and TrAILCo shall each, at its own expense, maintain in force throughout the period of this Agreement, and until released by the other Parties, the following minimum insurance coverages, with insurers authorized to do business in the state of New York:

18.3.1 Employers' Liability and Workers' Compensation Insurance providing statutory benefits in accordance with the laws and regulations of New York State.

18.3.2 Commercial General Liability Insurance including premises and operations, personal injury, broad form property damage, broad form blanket contractual liability

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coverage (including coverage for the contractual indemnification) products and completed operations coverage, coverage for explosion, collapse and underground hazards, independent contractors coverage, coverage for pollution to the extent normally available and punitive damages to the extent normally available and a cross liability endorsement, with minimum limits of One Million Dollars (\$1,000,000) per occurrence/One Million Dollars (\$1,000,000) aggregate combined single limit for personal injury, bodily injury, including death and property damage.

18.3.3 Comprehensive Automobile Liability Insurance for coverage of owned and non-owned and hired vehicles, trailers or semi-trailers designed for travel on public roads, with a minimum, combined single limit of One Million Dollars (\$1,000,000) per occurrence for bodily injury, including death, and property damage.

18.3.4 Excess Public Liability Insurance over and above the Employers' Liability Commercial General Liability and Comprehensive Automobile Liability Insurance coverage, with a minimum combined single limit of Twenty Million Dollars (\$20,000,000) per occurrence/Twenty Million Dollars (\$20,000,000) aggregate.

18.3.5 The Commercial General Liability Insurance, Comprehensive Automobile Insurance and Excess Public Liability Insurance policies of NYSEG and TrAILCo shall name the other Party, its parent, associated and Affiliate companies and their respective directors, officers, agents, servants and employees ("Other Party Group") as additional insured. All policies shall contain provisions whereby the insurers waive all rights of subrogation in accordance with the provisions of this Agreement against the Other Party Group and provide thirty (30) Calendar Days advance written notice to the Other Party Group prior to anniversary date of cancellation or any material change in coverage or condition.

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18.3.6 The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies shall contain provisions that specify that the policies are primary and shall apply to such extent without consideration for other policies separately carried and shall state that each insured is provided coverage as though a separate policy had been issued to each, except the insurer's liability shall not be increased beyond the amount for which the insurer would have been liable had only one insured been covered. NYSEG and TrAILCo shall each be responsible for its respective deductibles or retentions.

18.3.7 The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies, if written on a Claims First Made Basis, shall be maintained in full force and effect for two (2) years after termination of this Agreement, which coverage may be in the form of tail coverage or extended reporting period coverage if agreed by NYSEG and TrAILCo.

18.3.8 The requirements contained herein as to the types and limits of all insurance to be maintained by NYSEG and TrAILCo are not intended to and shall not in any manner, limit or qualify the liabilities and obligations assumed by those Parties under this Agreement.

18.3.9 Within ten (10) days following execution of this Agreement, and as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any event within ninety (90) days thereafter, NYSEG and TrAILCo shall provide certification of all insurance required in this Agreement, executed by each insurer or by an authorized representative of each insurer.

18.3.10 Notwithstanding the foregoing, NYSEG and TrAILCo may each self-insure to meet the minimum insurance requirements of Articles 18.3.2 through 18.3.8 to the extent it maintains a self-insurance program; provided that, such Party's senior debt is rated at investment grade, or better, by Standard & Poor's and that its self-insurance program meets the minimum insurance requirements of Articles 18.3.2 through 18.3.8. For any period of time that a Party's senior debt is unrated by Standard & Poor's or is rated at less than investment grade by Standard & Poor's, such Party shall comply with the insurance requirements applicable to it under Articles 18.3.2 through 18.3.9. In the event that a Party is permitted to self-insure pursuant to this Article 18.3.10, it shall notify the other Party that it meets the requirements to self-insure and that its self-insurance program meets the minimum insurance requirements in a manner consistent with that specified in Article 18.3.9.

18.3.11 NYSEG and TrAILCo agree to report to each other in writing as soon as practical all accidents or occurrences resulting in injuries to any person, including death, and any property damage arising out of this Agreement.

ARTICLE 19. ASSIGNMENT

19.1 Assignment.

This Agreement may be assigned by a Party only with the written consent of the other Party; provided that a Party may assign this Agreement without the consent of the other Party to any Affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under this Agreement; provided further that a Party may assign this Agreement without the consent of the

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other Party in connection with the sale, merger, restructuring, or transfer of a substantial portion or all of its assets so long as the assignee in such a transaction directly assumes in writing all rights, duties and obligations arising under this Agreement. Any attempted assignment that violates this Article is void and ineffective. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. Where required, consent to assignment will not be unreasonably withheld, conditioned or delayed.

ARTICLE 20. SEVERABILITY

20.1 Severability.

If any provision in this Agreement is finally determined to be invalid, void or unenforceable by any court or other Governmental Authority having jurisdiction, such determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this Agreement.

ARTICLE 21. COMPARABILITY

21.1 Comparability.

The Parties will comply with all applicable comparability and code of conduct laws, rules and regulations, as amended from time to time.

ARTICLE 22. CONFIDENTIALITY

22.1 Confidentiality.

Certain information exchanged by the Parties during the term of this Agreement shall constitute confidential information (“Confidential Information”) and shall be subject to this Article 22.

If requested by a Party receiving information, the Party supplying the information shall provide in writing, the basis for asserting that the information referred to in this Article warrants confidential treatment, and the requesting Party may disclose such writing to the appropriate Governmental Authority. Each Party shall be responsible for the costs associated with affording confidential treatment to its information.

22.1.1 Term.

During the term of this Agreement, and for a period of three (3) years after the expiration or termination of this Agreement, except as otherwise provided in this Article 22, each Party shall hold in confidence and shall not disclose to any person Confidential Information.

22.1.2 Confidential Information.

The following shall constitute Confidential Information: (a) any non-public information that is treated as confidential by the disclosing Party and which the disclosing Party identifies as Confidential Information in writing at the time, or promptly after the time, of disclosure; or (b) information designated as Confidential Information by the NYISO Code of Conduct contained in Attachment F to the NYISO OATT.

22.1.3 Scope.

Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of a disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (3) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party after due inquiry, was under no obligation to the disclosing Party to keep such information confidential; (4) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (5) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or Breach of this Agreement; or (6) is required in accordance with Article 22.1.8 of this Agreement, Order of Disclosure, to be disclosed. Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as confidential notifies the other Party that it no longer is confidential.

22.1.4 Release of Confidential Information.

No Party shall release or disclose Confidential Information to any other person, except to its Affiliates (limited by FERC Standards of Conduct requirements), subcontractors, employees, consultants, or to parties who may be considering providing financing to or equity participation with NYSEG, or to potential purchasers or assignees of a Party, on a need-to-know basis in connection with this Agreement, unless such person has first been advised of the confidentiality provisions of this Article 22 and has agreed to comply with such provisions. Notwithstanding

the foregoing, a Party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this Article 22.

22.1.5 Rights.

Each Party retains all rights, title, and interest in the Confidential Information that each Party discloses to the other Party. The disclosure by each Party to the other Parties of Confidential Information shall not be deemed a waiver by any Party or any other person or entity of the right to protect the Confidential Information from public disclosure.

22.1.6 No Warranties.

By providing Confidential Information, no Party makes any warranties or representations as to its accuracy or completeness. In addition, by supplying Confidential Information, no Party obligates itself to provide any particular information or Confidential Information to the other Parties nor to enter into any further agreements or proceed with any other relationship or joint venture.

22.1.7 Standard of Care.

Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination. Each Party may use Confidential Information solely to fulfill its obligations to the other Party under this Agreement or its regulatory requirements, including the NYISO OATT and NYISO Services Tariff. The NYISO shall, in all cases, treat the information it receives in accordance with the requirements of Attachment F to the NYISO OATT.

22.1.8 Order of Disclosure.

If a court or a Government Authority or entity with the right, power, and apparent authority to do so requests or requires any Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise to disclose Confidential Information, that Party shall provide the other Parties with prompt notice of such request(s) or requirement(s) so that the other Parties may seek an appropriate protective order or waive compliance with the terms of this Agreement. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party will use Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

22.1.9 Termination of Agreement.

Upon termination of this Agreement for any reason, each Party shall, within ten (10) Calendar Days of receipt of a written request from the other Parties, use Reasonable Efforts to destroy, erase, or delete (with such destruction, erasure, and deletion certified in writing to the other Parties) or return to the other Parties, without retaining copies thereof, any and all written or electronic Confidential Information received from the other Parties pursuant to this Agreement.

22.1.10 Remedies.

The Parties agree that monetary damages would be inadequate to compensate a Party for another Party's Breach of its obligations under this Article 22. Each Party accordingly agrees that the other Parties shall be entitled to equitable relief, by way of injunction or otherwise, if the

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first Party Breaches or threatens to Breach its obligations under this Article 22, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law. Such remedy shall not be deemed an exclusive remedy for the Breach of this Article 22, but shall be in addition to all other remedies available at law or in equity. The Parties further acknowledge and agree that the covenants contained herein are necessary for the protection of legitimate business interests and are reasonable in scope. No Party, however, shall be liable for indirect, incidental, or consequential or punitive damages of any nature or kind resulting from or arising in connection with this Article 22.

22.1.11 Disclosure to FERC, its Staff, or a State.

Notwithstanding anything in this Article 22 to the contrary, and pursuant to 18 C.F.R. section 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this Agreement, or the NYISO OATT, the Party shall provide the requested information to FERC or its staff, within the time provided for in the request for information. In providing the information to FERC or its staff, the Party must, consistent with 18 C.F.R. section 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Parties to this Agreement prior to the release of the Confidential Information to the Commission or its staff. The Party shall notify the other Parties to the Agreement when it is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time the Parties may respond before such information would be

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made public, pursuant to 18 C.F.R. section 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations. A Party shall not be liable for any losses, consequential or otherwise, resulting from that Party divulging Confidential Information pursuant to a FERC or state regulatory body request under this paragraph.

22.1.12

Except as otherwise expressly provided herein, no Party shall disclose Confidential Information to any person not employed or retained by the Party possessing the Confidential Information, except to the extent disclosure is: (i) required by law; (ii) reasonably deemed by the disclosing Party to be required to be disclosed in connection with a dispute between or among the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the other Party, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this Agreement, the NYISO OATT on the NYISO Services Tariff. Prior to any disclosures of a Party's Confidential Information under this subparagraph, or if any third party or Governmental Authority makes any request or demand for any of the information described in this subparagraph, the disclosing Party agrees to promptly notify the other Party in writing and agrees to assert confidentiality and cooperate with the other Party in seeking to protect the Confidential Information from public disclosure by confidentiality agreement, protective order or other reasonable measures.

ARTICLE 23. ENVIRONMENTAL RELEASES

23.1 NYSEG and TrAILCo Notice.

Subject to reporting requirements that may be imposed on NYSEG and TrAILCo under Applicable Laws and Regulations, NYSEG and TrAILCo shall each notify the other Party, first orally and then in writing, of the release of any Hazardous Substances, any asbestos or lead abatement activities, or any type of remediation activities related to the Transmission Facility, each of which may reasonably be expected to affect the other Party. Subject to reporting requirements that may be imposed on NYSEG and TrAILCo under Applicable Laws and Regulations, the notifying Party shall: (i) provide the notice as soon as practicable, provided such Party makes a good faith effort to provide the notice no later than twenty-four hours after such Party becomes aware of the occurrence; and (ii) promptly furnish to the other Party copies of any publicly available reports filed with any Governmental Authorities addressing such events.

ARTICLE 24. [Reserved]

ARTICLE 25. INFORMATION ACCESS AND AUDIT RIGHTS

25.1 Information Access.

Each Party (“Disclosing Party”) shall make available to another Party (“Requesting Party”) information that is in the possession of the Disclosing Party and is necessary in order for the Requesting Party to: (i) verify the costs incurred by the Disclosing Party for which the Requesting Party is responsible under this Agreement; and (ii) carry out its obligations and

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responsibilities under this Agreement. The Parties shall not use such information for purposes other than those set forth in this Article 25.1 of this Agreement and to enforce their rights under this Agreement.

25.2 Reporting of Non-Force Majeure Events.

Each Party (the “Notifying Party”) shall notify the other Parties when the Notifying Party becomes aware of its inability to comply with the provisions of this Agreement for a reason other than a Force Majeure event. The Parties agree to cooperate with each other and provide necessary information regarding such inability to comply, including the date, duration, reason for the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply. Notwithstanding the foregoing, notification, cooperation or information provided under this Article shall not entitle the Party receiving such notification to allege a cause for anticipatory breach of this Agreement.

25.3 Audit Rights.

Subject to the requirements of confidentiality under Article 22 of this Agreement, each Party shall have the right, during normal business hours, and upon prior reasonable notice to the other Parties, to audit at its own expense the other Party’s accounts and records pertaining to the other Party’s performance or satisfaction of its obligations under this Agreement. Such audit rights shall include audits of the other Party’s costs, calculation of invoiced amounts, and each Party’s actions in an Emergency or Emergency State. Any audit authorized by this Article shall be performed at the offices where such accounts and records are maintained and shall be limited to those portions of such accounts and records that relate to the Party’s performance and satisfaction of obligations under this Agreement. Each Party shall keep such accounts and

records for a period equivalent to the audit rights periods described in Article 25.4 of this Agreement.

25.4 Audit Rights Periods.

25.4.1 Audit Rights Period for Construction-Related Accounts and Records.

Accounts and records related to the design, engineering, procurement, and construction of System Upgrade Facilities shall be subject to audit for a period of twenty-four months following the Commercial Operation Date.

25.4.2 Audit Rights Period for All Other Accounts and Records.

Accounts and records related to a Party's performance or satisfaction of its obligations under this Agreement other than those described in Article 25.4.1 of this Agreement shall be subject to audit as follows: (i) for an audit relating to cost obligations, the applicable audit rights period shall be twenty-four months after the auditing Party's receipt of an invoice giving rise to such cost obligations; and (ii) for an audit relating to all other obligations, the applicable audit rights period shall be twenty-four months after the event for which the audit is sought.

25.5 Audit Results.

If an audit by a Party determines that an overpayment or an underpayment has occurred, a notice of such overpayment or underpayment shall be given to the other Party together with those records from the audit which support such determination.

ARTICLE 26. SUBCONTRACTORS

26.1 General.

Nothing in this Agreement shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

26.2 Responsibility of Principal.

The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall NYSEG or NYISO be liable for the actions or inactions of TrAILCo or its subcontractors with respect to obligations of TrAILCo under Article 5 of this Agreement. Any applicable obligation imposed by this Agreement upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

26.3 No Limitation by Insurance.

The obligations under this Article 26 will not be limited in any way by any limitation of subcontractor's insurance.

ARTICLE 27. DISPUTES

27.1 Submission.

In the event any Party has a dispute, or asserts a claim, that arises out of or in connection with this Agreement or its performance (a “Dispute”), such Party shall provide the other Parties with written notice of the Dispute (“Notice of Dispute”). Such Dispute shall be referred to a designated senior representative of each Party for resolution on an informal basis as promptly as practicable after receipt of the Notice of Dispute by the other Party. In the event the designated representatives are unable to resolve the Dispute through unassisted or assisted negotiations within thirty (30) Calendar Days of the other Parties’ receipt of the Notice of Dispute, such Dispute may, upon mutual agreement of the Parties, be submitted to arbitration and resolved in accordance with the arbitration procedures set forth below. In the event the Parties do not agree to submit such Dispute to arbitration, each Party may exercise whatever rights and remedies it may have in equity or at law consistent with the terms of this Agreement.

27.2 External Arbitration Procedures.

Any arbitration initiated under this Agreement shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) Calendar Days of the submission of the Dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three-member arbitration panel. In each case, the arbitrator(s) shall be knowledgeable in electric utility matters, including electric transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall conduct the

arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“Arbitration Rules”) and any applicable FERC regulations or RTO rules; provided, however, in the event of a conflict between the Arbitration Rules and the terms of this Article 27, the terms of this Article 27 shall prevail.

27.3 Arbitration Decisions.

Unless otherwise agreed by the Parties, the arbitrator(s) shall render a decision within ninety (90) Calendar Days of appointment and shall notify the Parties in writing of such decision and the reasons therefor. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change any provision of this Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act or the Administrative Dispute Resolution Act. The final decision of the arbitrator must also be filed with FERC if it affects jurisdictional rates, terms and conditions of service or System Upgrade Facilities.

27.4 Costs.

Each Party shall be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable: (1) the cost of the arbitrator chosen by the Party to sit on the three member panel; or (2) one-third the cost of the single arbitrator jointly chosen by the Parties.

27.5 Termination.

Notwithstanding the provisions of this Article 27, any Party may terminate this Agreement in accordance with its provisions or pursuant to an action at law or equity. The issue of whether such a termination is proper shall not be considered a Dispute hereunder.

ARTICLE 28. REPRESENTATIONS, WARRANTIES AND COVENANTS

28.1 General.

Each Party makes the following representations, warranties and covenants:

28.1.1 Good Standing.

Such Party is duly organized, validly existing and in good standing under the laws of the state in which it is organized, formed, or incorporated, as applicable; that it is qualified to do business in the state or states in which the Transmission Facility and System Upgrade Facilities, owned by such Party, as applicable, are located; and that it has the corporate power and authority to own its properties, to carry on its business as now being conducted and to enter into this Agreement and carry out the transactions contemplated hereby and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement.

28.1.2 Authority.

Such Party has the right, power and authority to enter into this Agreement, to become a Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency,

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reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or at law).

28.1.3 No Conflict.

The execution, delivery and performance of this Agreement does not violate or conflict with the organizational or formation documents, or bylaws or operating agreement, of such Party, or any judgment, license, permit, order, material agreement or instrument applicable to or binding upon such Party or any of its assets.

28.1.4 Consent and Approval.

Such Party has sought or obtained, or, in accordance with this Agreement will seek or obtain, each consent, approval, authorization, order, or acceptance by any Governmental Authority in connection with the execution, delivery and performance of this Agreement, and it will provide to any Governmental Authority notice of any actions under this Agreement that are required by Applicable Laws and Regulations.

ARTICLE 29. MISCELLANEOUS

29.1 Binding Effect.

This Agreement and the rights and obligations hereof, shall be binding upon and shall inure to the benefit of the successors and permitted assigns of the Parties hereto.

29.2 Conflicts.

If there is a discrepancy or conflict between or among the terms and conditions of this cover Agreement and the Appendices hereto, the terms and conditions of this cover Agreement shall be given precedence over the Appendices; provided, however that Appendix C shall control

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in the event of a conflict with this cover Agreement. For purposes of this Article 29.2, the term “cover Agreement” shall refer to Articles 1 through 29 of this Agreement.

29.3 Rules of Interpretation.

This Agreement, unless a clear contrary intention appears, shall be construed and interpreted as follows: (1) the singular number includes the plural number and vice versa; (2) reference to any person includes such person’s successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a person in a particular capacity excludes such person in any other capacity or individually; (3) reference to any agreement (including this Agreement), document, instrument or tariff means such agreement, document, instrument, or tariff as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; (4) reference to any Applicable Laws and Regulations means such Applicable Laws and Regulations as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, including, if applicable, rules and regulations promulgated thereunder; (5) unless expressly stated otherwise, reference to any Article, Section or Appendix means such Article of this Agreement or such Appendix to this Agreement, as the case may be; (6) “hereunder”, “hereof”, “herein”, “hereto” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article or other provision hereof or thereof; (7) “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term; and (8) relative to the determination of any period of time, “from” means “from and including”, “to” means “to but excluding” and “through” means “through and including”.

29.4 Compliance.

Each Party shall perform its obligations under this Agreement in accordance with Applicable Laws and Regulations, Applicable Reliability Standards, the NYISO OATT and Good Utility Practice. To the extent a Party is required or prevented or limited in taking any action by such regulations and standards, such Party shall not be deemed to be in Breach of this Agreement for its compliance therewith. When any Party becomes aware of such a situation, it shall notify the other Parties promptly so that the Parties can discuss the amendment to this Agreement that is appropriate under the circumstances.

29.5 Joint and Several Obligations.

Except as otherwise stated herein, the obligations of NYSEG and TrAILCo are several, and are neither joint nor joint and several.

29.6 Entire Agreement.

This Agreement, including all Appendices and Schedules attached hereto, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this Agreement. There are no other agreements, representations, warranties, or covenants which constitute any part of the consideration for, or any condition to, either Party's compliance with its obligations under this Agreement.

29.7 No Third Party Beneficiaries.

This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than

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the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and permitted their assigns.

29.8 Waiver.

The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party. Any waiver at any time by either Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, duty of this Agreement. Any waiver of this Agreement shall, if requested, be provided in writing.

29.9 Headings.

The descriptive headings of the various Articles of this Agreement have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this Agreement.

29.10 Multiple Counterparts.

This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

29.11 Amendment.

The Parties may by mutual agreement amend this Agreement, by a written instrument duly executed by all three of the Parties.

29.12 Modification by the Parties.

The Parties may by mutual agreement amend the Appendices to this Agreement, by a written instrument duly executed by all three of the Parties. Such an amendment shall become effective and a part of this Agreement upon satisfaction of all Applicable Laws and Regulations.

29.13 Reservation of Rights.

TrAILCo, NYISO and NYSEG each shall have the right to make unilateral filings with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder; provided that each Party shall have the right to protest any such filing by another Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

29.14 No Partnership.

This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership among the Parties or to impose any partnership obligation or partnership liability upon any Party. No Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, any other Party.

29.15 Other Transmission Rights.

Notwithstanding any other provision of this Agreement, nothing herein shall be construed as relinquishing or foreclosing any rights, including but not limited to firm transmission rights, capacity rights, or transmission congestion rights that either Party shall be entitled to, now or in the future under any other agreement or tariff as a result of, or otherwise associated with, the transmission capacity, if any, created by the System Upgrade Facilities.

29.16 Services Agreement.

Upon the date this Agreement becomes effective in accordance with Article 2.1 of this Agreement, the Services Agreement between NYSEG and FirstEnergy Service Company (“FSC”), dated October 23, 2015 (the “Services Agreement”), shall be deemed superseded and NYSEG and FSC shall take all steps necessary to cancel the Services Agreement as a filed rate schedule at FERC. As a condition to the effectiveness of this Agreement, NYSEG and FSC shall execute a letter agreement, which shall be dated as of the Effective Date, confirming that the Services Agreement is superseded upon the effectiveness of this Agreement.

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IN WITNESS WHEREOF, the Parties have executed this Agreement in duplicate originals, each of which shall constitute and be an original effective Agreement between the Parties.

New York State Electric & Gas Corporation

Trans-Allegheny Interstate Line Company

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

NYSEG Control

By: _____

New York Independent System Operator, Inc.

By: _____

Title: _____

Date: _____

| The signature below of the authorized ~~officer~~representative of PJM ~~Interconnection, L.L.C.~~ is
| for the limited purpose of acknowledging that a representative of PJM has read this Agreement
| as of ~~the~~this ___ day of ~~March, 2016~~ _____ (month), _____ (year).

PJM Interconnection, L.L.C.

By: _____
(Signature)

Name: _____
(Print)

Title: _____

APPENDIX A – ATTACHMENT FACILITIES AND SYSTEM UPGRADE FACILITIES

1. Attachment Facilities:

None.

2. System Upgrade Facilities:

(a) Stand Alone System Upgrade Facilities

The Stand Alone System Upgrade Facilities consist of the new Pierce Brook 345/230/115kV substation (the “Pierce Brook Substation”). The Points of Interconnection (“POIs”) to the NYISO system are on the NYSEG Homer City – Five Mile Road 345kV line (the “HC – FMR Line”). The Pierce Brook Substation will connect approximately 120.3 miles from Homer City substation¹ and approximately 31.8 miles from National Grid’s Five Mile Road substation on the HC – FMR Line. In order to connect the HC – FMR Line to the Pierce Brook Substation, a new 345kV three (3) breaker ring bus substation is required. The HC – FMR Line will be routed through this new 345kV three breaker ring causing the line to be segmented into two shorter lines. The Parties to this Agreement understand and acknowledge that the Pierce Brook Substation will be connected to Penelec’s Farmers Valley – Potter 115kV Line (the “FVP Line”) approximately 2.1 miles from Farmers Valley substation and 5.7 miles from the Two Mile Run tap substation. The FVP Line will be interconnected to Pierce Brook Substation through the same three (3) breaker ring bus substation through which the HC – FMR Line will be interconnected to the Pierce Brook Substation and the FVP Line will be segmented into two shorter lines, each owned by Penelec. The interconnection of the FVP Line to the Pierce Brook Substation shall be accomplished in accordance with the terms and conditions of an interconnected service agreement between TrAILCo and Penelec (the “TrAILCo/Penelec ISA”).

The Pierce Brook Substation will consist of a 345/230kV transformer, a 230/115kV transformer, transmission line dead-end (pull-off) structures, 345, 230, and 115kV breakers, disconnect switches, CCVTs, VTs, control building, steel support structures, bus work, and associated equipment to construct a complete substation that meets the requirements of the Parties. The Area One Line (Appendix A) provides a diagrammatic representation of the scope of equipment that is part of this facility. The Stand Alone System Upgrade Facilities work shall include but is not limited to the design, procurement, construction, installation, and commissioning of the following:

- Civil/site work: clearing, grubbing, excavation, backfilling, grading, drainage, and crushed stone surfacing for the substation work;
- Foundations: A-frame and miscellaneous equipment foundations for the disconnect switches, CCVTs, circuit breakers, transformers, and other associated equipment as part of the System Upgrade Facilities (“SUF”) at the POIs;

¹ NYSEG and Penelec are each 50% owners of Homer City substation assets.

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- Grounding: The substation grounding shall be in accordance with IEEE 80 and FirstEnergy Corp. (“FE”) substation design standards;
- 345kV, 230kV, and 115kV transmission line dead end (pull-off) structures;
- Galvanized steel structures;
- Conduit and cable trench system;
- AC station service;
- DC station service;
- RTU;
- Relaying: control panels and relays;
- Communication panel and equipment;
- Power, protection, control, and communication cables.
- 2- 345kV dead-end (pull-off) structures;
- 3 – 230kV dead-end (pull-off) structures;
- 3 – 115kV dead-end (pull-off) structures;
- 2 – 345kV, 2000 A wave traps;
- 1 – 115kV, 1200 A wave trap;
- 3 – line tuners;
- **910** – 345kV, 2000 A disconnect switches;
- 9 – 230kV, 2000 A disconnect switches;
- 1 – 115kV, 3000 A disconnect switches;
- 8 – 115kV, 2000A, disconnect switches;
- **34** – 345kV, 3000 A, 63 kA SF6 breakers;
- 3 - 230kV, 3000 A, 50 kA SF6 breakers;
- 3 – 115kV, 3000 A, 40 kA SF6 breakers;
- 1 – 345/230kV 336/448/560 MVA autotransformer;
- 1 – 230/115kV 180/240/300 MVA autotransformer;
- **26** – 345kV coupling capacitor voltage transformers (“CCVT”);
- 6 – 345kV voltage transformers (“VT”) for revenue metering;
- **915** – 345 kV (1500:5) SR revenue metering accuracy current transformers (“CTs”);
- 6 – 230kV CCVTs;
- 6 – 115kV CCVTs;
- 345kV bus work;
- 230kV bus work;
- 115kV bus work;
- 345kV structures;
- 230kV structures;
- 115kV structures;
- Grounding materials;
- Conduit and cable trench;
- Control cabling;
- **1 – 362 kV, 3000 A, 63kA SF6 independent pole-operated breakers with synchronous switching controller;**

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- 1 – 3-Phase, 345 kV, 125 MVAR shunt reactor;
- 12 – 345 kV arresters;
- Control building with panels for metering, protection, control, and communication;
 - Primary and backup protection systems;
 - Power line carrier systems;
 - 1 – Station battery (125 V DC) with rack;
 - 1 – Station battery charger;
 - Relay panels;
 - AC Station Service Panels;
 - DC panels;
 - Station service transformer;
 - Back-up station service transformer;
 - Fencing;

TrAILCo will engineer, design, procure all materials, and construct the Pierce Brook Stand Alone SUF. This includes all relaying and protection for the 345/230/115kV substation including its breakers, disconnect switches, bus work, structures, transformers, and control building.

(b) System Upgrade Facilities

The interconnection of the new Pierce Brook substation is the only work that affects the operation of the NYSEG or Penelec transmission systems during its construction. As such, the 345kV and 115kV transmission line work that would be part of the Pierce Brook SUF at POI is not a Stand Alone SUF as work will need to be performed by NYSEG and National Grid on the 345 kV as well as West Penn Power and Penelec on the 115 kV.

All work to be performed by Pennsylvania Electric Company (“Penelec”) as described below in this section (b) shall be performed pursuant to and shall be governed by a separate Engineering and Construction Services Agreement entered into between Penelec and TrAILCo dated September 24, 2015 and accepted for filing in FERC Docket No. ER16-080-000.

(1) Line Loop SUF – Farmers Valley – Potter 115kV Line

In order to connect the new Pierce Brook 345/230/115kV substation to the Penelec 115kV transmission system, Penelec will loop the existing Farmers Valley – Potter 115kV line between Farmers Valley and Two Mile Run substations into the proposed Pierce Brook substation. Looping the Farmers Valley – Potter 115kV line to the Pierce Brook 345/230/115kV substation forms two (2) transmission circuits: the Farmers Valley – Pierce Brook 115kV line and the Pierce Brook – Potter 115kV line. Both new transmission lines will be owned by Penelec with the cost for Penelec to modify the lines being paid for by TrAILCo. Penelec will have the responsibility to engineer, design, procure all materials, and construct the Line Loop SUF.

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This would include the following physical equipment:

- New wood pole structures;
- Horizontal post insulators.

(2) Protection SUF – Homer City 345kV Remote End

The new Pierce Brook substation is segmenting the NYSEG Homer City – Five Mile Road 345kV. At Homer City, line relaying will be upgraded to be compatible with equipment installed at Pierce Brook. The wave trap and transmitter will also be replaced. In addition, relay settings will be changed in order to accommodate the new line length and the new substation. Penelec will have the responsibility to engineer, design, procure all materials, and construct the SUF at Homer City. This includes modifying power line carrier equipment, replacing existing relays, and changing existing relay settings.

(3) Line Loop SUF – Homer City – Five Mile Road 345kV Line

In order to connect the Pierce Brook Substation to the HC – FMR Line, TrAILCo, on behalf of NYSEG, will loop the existing HC – FMR Line between Homer City substation and National Grid’s Five Mile Road substation into the Pierce Brook Substation, thereby forming two (2) transmission circuits: the Homer City – Pierce Brook 345kV line and the Pierce Brook – Five Mile Road 345kV line. Both new transmission lines will be owned by NYSEG.

TrAILCo, on behalf of NYSEG, will engineer, design, procure all materials, and construct the HC – FMR Line modifications at the Pierce Brook Substation POI. This would include obtaining any rights or way agreements, permits, and/or certifications required to modify the line. This would also include all equipment for the 345kV line taps (line structures, conductor, insulators, and terminations on dead-end structures, etc.). All work will be performed using NYSEG standards. The new line loop will be owned and operated by NYSEG. TrAILCo will pay for the cost of NYSEG to review and accept the engineering, design and procurement of materials, provide standards, and attend meetings and site visits as needed. The scope of work for the line loop is as follows:

- Install 6 new 345kV structures.
- Install (1) new three pole deadend angle-0° to 5° guyed, steel structure.
- Install (2) new three pole deadend angle-5° to 90° guyed, steel structure.
- Install (1) new two pole tangent H-Frame, steel structure.
- Install (1) new H-Frame Running angle-3° to 20° guyed, steel structure.
- Install (1) new single pole vertical deadend-0° to 100° steel structure with concrete foundation
- Remove existing steel lattice tower B-398.
- Transfer existing conductors and shield wires from B-398 to the east side of a new three pole deadend angle-0° to 5° structure.

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- Transfer existing conductors and shield wires from south of B-399 to the north side of new three pole deadend angle-5° to 90° structure.
- Remove excess existing conductors and shield wires between B-398 and new three pole deadend angle-5° to 90° structure.
- Install new conductors ((2) 1033 kcmil 45/7ACSR) and shield wires (7/16” EHS 7 Strand steel) from the new three pole deadend structures through the new H-frame and new deadend structures, and into the Pierce Brook substation.

(4) Protection SUF – NYSEG Stolle Road 345kV Remote End

NYSEG will perform a relay protection coordination analysis for its Stolle Road substation.

3. Cost Estimates:

a. System Upgrade Facilities

(1) Pierce Brook 345/230/115 kV Substation

The estimated cost for constructing the System Upgrade Facilities at the POI is \$35,368,600.

(2) Line Loop SUF – Homer City – Five Mile Road 345kV Line

The estimated cost for the line Loop System Upgrade Facilities from the existing HC – FMR Line between Homer City substation and National Grid’s Five Mile Road substation into the Pierce Brook Substation is \$3,055,000.

NYSEG will have the responsibility to review and accept the engineering, design and procurement of materials, provide standards, and attend meetings and site visits, as needed, to support the design and construction of the 345kV line loop. TrAILCo will be responsible for the cost and expense of NYSEG to perform this work. The cost will include transmission engineering design review, real estate, Energy Control Center SCADA review and work requirements, and system protection reviews. The estimate for NYSEG to perform this work is \$50,000, which shall be compensated by TrAILCo.

(3) Line Loop SUF – Farmers Valley – Potter 115kV Line

The estimated cost for the line Loop System Upgrade Facilities from the Farmers Valley – Potter 115kV line is \$696,500.

(4) Protection SUF – Homer City 345kV Remote End

The estimated cost for the protection System Upgrade Facilities at Homer City is \$262,900.

(5) Protection SUF – NYSEG Stolle Road 345kV Remote End

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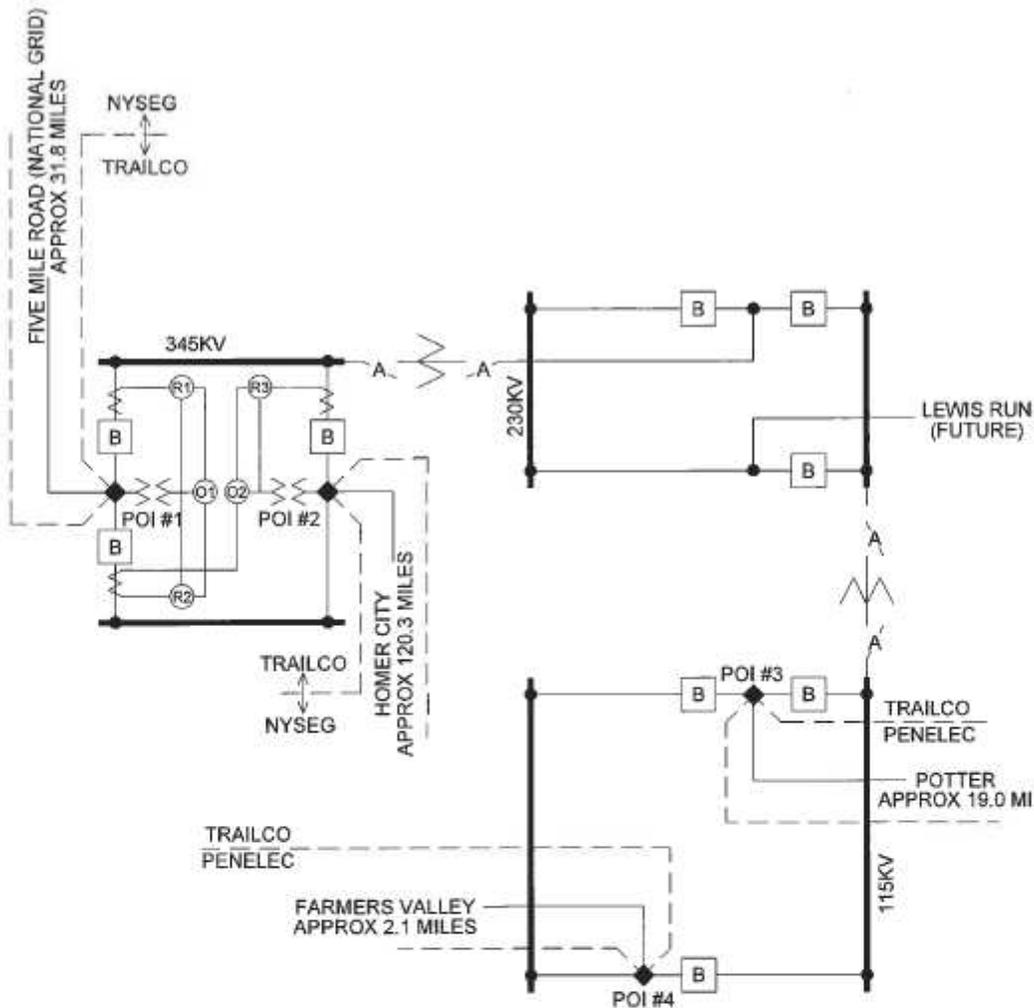
NYSEG will also perform a relay protection coordination analysis for its Stolle Road substation. The estimated cost for NYSEG to perform this analysis is \$10,000.

Transmission Owner Standards

The System Upgrade Facilities to be constructed by Penelec, West Penn and TrAILCo, with the exception of the 345 kV Line Loop work, will be designed to meet the following requirements:

- FirstEnergy Transmission Planning Criteria
- FirstEnergy Requirements for Transmission Connected Facilities
- FirstEnergy Transmission System Protection Practices
- FirstEnergy Substation Design Standards Manual
- Power Circuit Breakers 23 kV through 500 kV (“FE-BKR-1”)
- Open Rack Power Capacitors (“FE-CAP-1”)
- Liquid Immersed Substation Power & GSU Transformers (“FE-TR-1”)

Figure 1
Simplified One-Line Diagram



POI #1 THE POINT OF INTERCONNECTION (ALSO THE POINT OF CHANGE IN OWNERSHIP) IS WHERE THE FIVE MILE ROAD NYSEG OWNED TRANSMISSION LINE ATTACHES TO THE TRAILCO OWNED PIERCE BROOK SUBSTATION DEAD-END STRUCTURE.

POI #2 THE POINT OF INTERCONNECTION (ALSO THE POINT OF CHANGE IN OWNERSHIP) IS WHERE THE HOMER CITY NYSEG OWNED TRANSMISSION LINE ATTACHES TO THE TRAILCO OWNED PIERCE BROOK SUBSTATION DEAD-END STRUCTURE.

POI #3 THE POINT OF INTERCONNECTION (ALSO THE POINT OF CHANGE IN OWNERSHIP) IS WHERE THE PENELEC POTTER 115 KV LINE TERMINATES AT TRAILCO OWNED SUBSTATION SUBRACK.

POI #4 THE POINT OF INTERCONNECTION (ALSO THE POINT OF CHANGE IN OWNERSHIP) IS WHERE THE PENELEC FARMERS VALLEY 115 KV LINE TERMINATES AT TRAILCO OWNED SUBSTATION SUBRACK.

REVENUE METERING R1, R2, & R3 WILL BE OWNED, OPERATED, AND MAINTAINED BY TRAILCO AND WILL BE PROVIDED TO NYSEG BY THE FE RTU TO VESTAL ECC BY A T1 CIRCUIT AND TO NYISO VIA THEIR ANALOG LINE AND RFL EQUIPMENT PROVIDED BY NYISO AT TRAILCO'S COST.

OPERATIONAL METERING O1 & O2 WILL BE OWNED, OPERATED, AND MAINTAINED BY TRAILCO AND WILL BE PROVIDED TO NYSEG BY THE FE RTU TO VESTAL ECC BY A T1 CIRCUIT AND TO NYISO VIA THEIR ANALOG LINE AND RFL EQUIPMENT PROVIDED BY NYISO AT TRAILCO'S COST

FirstEnergy

Energy Delivery Technical Services

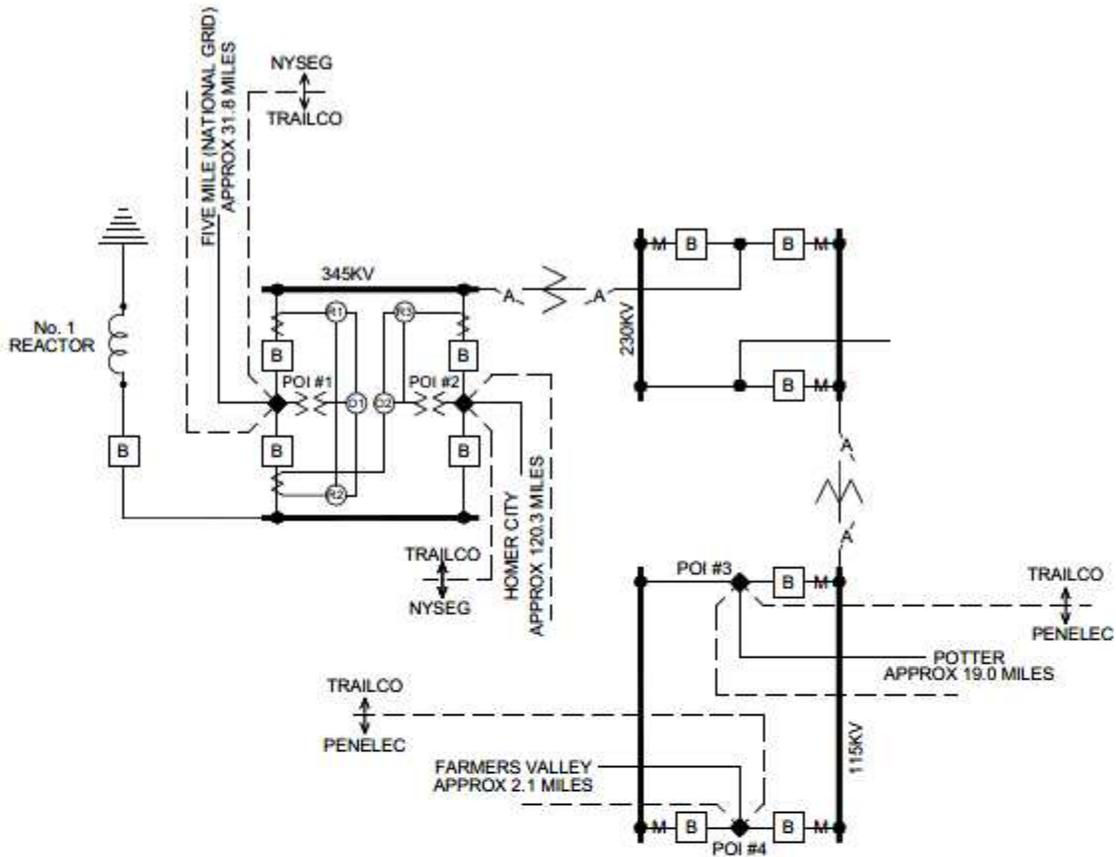
TITLE
TRAIL-NYSEG INTERCONNECTIONS FOR PIERCE BROOK SUBSTATION

| | |
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| BY: LAP | DATE: 1/21/16 |
| APP: LAP | ISSUE: FINAL |

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PN-1185-93-01

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POI #1 THE POINT OF CHANGE OF OWNERSHIP AND POINT OF INTERCONNECTION IS WHERE THE FIVE MILE NYSEG OWNED TRANSMISSION LINE ATTACHES TO THE TRAILCO OWNED PIERCE BROOK SUBSTATION DEAD-END STRUCTURE.

POI #2 THE POINT OF CHANGE OF OWNERSHIP AND POINT OF INTERCONNECTION IS WHERE THE HOMER CITY NYSEG OWNED TRANSMISSION LINE ATTACHES TO THE TRAILCO OWNED PIERCE BROOK SUBSTATION DEAD-END STRUCTURE.

POI #3 LOCATED WHERE THE PENELEC POTTER 115KV LINE TERMINATES AT TRAILCO OWNED SUBSTATION SUBRACK

POI #4 LOCATED WHERE THE PENELEC FARMERS VALLEY 115KV LINE TERMINATES AT TRAILCO OWNED SUBSTATION SUBRACK

REVENUE METERING R1, R2 & R3 WILL BE OWNED OPERATED AND MAINTAINED BY TRAILCO AND WILL BE PROVIDED TO RTO ICCP

OPERATIONAL METERING O1 & O2 WILL BE OWNED OPERATED AND MAINTAINED BY TRAILCO AND WILL BE PROVIDED TO RTO ICCP

FirstEnergy

Energy Delivery Technical Services

TRAIL - NYSEG INTERCONNECTIONS FOR PIERCE BROOK SUBSTATION

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APPENDIX B – MILESTONES

In accordance with Article 5.1 of this Agreement, the following milestone dates shall apply to the designated performance:

1. Outage Start Date – the date that the HC – FMR Line outage commences which shall be no less than fourteen (14) days from the date TrAILCo receives NYSEG’s construction authorization pursuant to Section 5.3.3 of this Agreement.
2. Initial Energization Date – that date which is not greater than thirty (30) days from the Outage Start Date.
3. Trial Period – shall be defined as the ten (10) day period from the Initial Energization Date needed for commissioning and testing.
4. Commercial Operation Date – shall be defined as that date which is ten (10) days after the Initial Energization Date.

The duration of the Work Period defined in Appendix C, Section C(2), accounts for the period from the Outage Start Date to the Commercial Operation Date of the Transmission Facility (i.e., the Pierce Brook Substation).

APPENDIX C – INTERCONNECTION AND CONSTRUCTION PROVISIONS

A. Interconnection Description

The Pierce Brook Substation project is a new 345kV to 230kV to 115kV substation which will be located in the northwest region of the Penelec service territory and loops the HC – FMR Line and the FVP Line into Pierce Brook Substation. The Pierce Brook Substation will consist of a 345/230kV transformer, a 230kV/115kV transformer, and 345kV, 230kV, and 115kV ring buses designed to significantly improve reliability to customers in northern Penelec service territory by providing additional sources (345kV/230kV and 230kV/115kV transformation) and allow facilities (i.e. breakers, switches, etc.) to be taken out of service for maintenance without interrupting the flow of power between Farmers Valley, East Towanda, and Pierce Brook substations. Inclusion of 230kV transformation at the Pierce Brook Substation also allows for the construction of a new 230kV line to Lewis Run substation at a later date.

The Project is a mandatory PJM baseline Regional Transmission Expansion Plan (“RTEP”) upgrade and is needed to mitigate thermal and voltage Transmission Planning Criteria violations in the northern Penelec service territory (i.e. McKean, Potter, and Tioga counties) resulting from several NERC Category B and C contingencies.

B. Interconnection Provisions

The following are additional interconnection provisions to which the Parties agree to be bound:

1. TrAILCo will utilize the FE RTU at Pierce Brook substation to send metering data (amps, watts, vars, and revenue MWh) and breaker status directly to the NYSEG energy control center. The data provided to NYSEG via the FE RTU will be in a DNP3 protocol stream, through a 4 wire audio tone, Bell 202T leased line equivalent connection to JUMX equipment. The communication medium will be leased T1 phone circuits from Pierce Brook substation to the NYSEG energy control centers. The RTU will be owned and operated by TrAILCo at its cost and expense.
2. TrAILCo will, at its own cost and expense, establish dial-up access to all 345 kV revenue metering at Pierce Brook Substation for data collection via NYSEG’s MV-90 data collection system.
3. The Pierce Brook Substation will be designed with primary and backup relaying systems for line and transformer protection, and independent breaker failure for breaker protection. The primary line relaying will use pilot schemes over power line carrier on the 345 kV lines to Homer City and Five Mile Road and 115 kV line to Potter. The backup line relaying on the Homer City and Potter lines will be step distance. The backup line relaying on the Five Mile Road 345 kV line will use a pilot scheme over leased T1 circuit. This circuit will be provided by National Grid. Line current differential over fiber will be used on the 115kV line to Farmers Valley substation.

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4. SCADA data requirements for National Grid will be set forth in a separate letter agreement between TrAILCo and National Grid.
5. The Parties will coordinate with National Grid and PJM to develop mutually agreeable operating protocols that will address, among other things, routine switching and relay settings for the operation of the Pierce Brook Substation.
6. NYISO will, at TrAILCo's cost and expense, provide to TrAILCo a RFL 9800 series shelf, 98 TMX cards and telemetry circuits ("NYISO Telemetry Equipment"). The NYISO Telemetry Equipment will be installed by TrAILCo in racks at Pierce Brook substation. TrAILCo will utilize the NYISO Telemetry Equipment to provide the NYISO data in accordance with NYISO requirements. The NYISO telemetry equipment will receive values from meters at Pierce Brook substation and create an analog signal. The NYISO Telemetry Equipment will be operated and maintained at TrAILCo's cost and expense.

C. Construction Provisions

The following are additional construction provisions to which the Parties agree to be bound:

1. TrAILCo and NYSEG each have obligations under this Agreement with respect to System Upgrade Facilities. The Scope of Work for TrAILCo's construction and installation of System Upgrade Facilities is set forth in sections 2(a), 2(b)(1), 2(b)(2) and 2(b)(3) of Appendix A. The Scope of Work related to NYSEG's construction and installation of System Upgrade Facilities is set forth in section 2(b)(4) of Appendix A. NYSEG has delegated to TrAILCo the obligation to undertake and complete, at TrAILCo's cost and expense, the NYSEG Scope of Work described in section 2(b)(3) of Appendix A.
2. TrAILCo shall use best efforts to complete the scope of work described in section 2(b)(3) of Appendix A (the "TrAILCo Scope of Work") during the period (the "Work Period") between the commencement of the scheduled outage of the HC – FMR Line and the Commercial Operation Date of the Transmission Facility, which Work Period shall be thirty (30) days in duration. TrAILCo acknowledges that TIME IS OF THE ESSENCE to complete the TrAILCo Scope of Work during the Work Period. It is acknowledged that TrAILCo's inability to complete all of the work set forth in the TrAILCo Scope of Work within the Work Period may cause NYSEG to incur economic damages and losses. If the work required by the TrAILCo Scope of Work is not completed by the expiration of the Work Period and NYSEG has suffered economic damages or losses as a result, then NYSEG shall provide a written notice and an invoice to TrAILCo that provides reasonable detail as to the cause and extent of the damages and or losses and the amount due from TrAILCo to NYSEG. Subject to TrAILCo's rights under this Section 2, TrAILCo shall pay the amount due within five (5) days of the date of the invoice. TrAILCo's obligation to pay the amount invoiced pursuant to this provision shall be absolute and unconditional and without counterclaim or set-off except in the event the TrAILCo Scope of Work is not complete by the expiration

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of the Work Period because of an act or omission of NYSEG, an act or omission of a third-party not under contract with or control of TrAILCo or any affiliate of TrAILCo for purposes of the TrAILCo Scope of Work, an act or omission of the PJM Interconnection, L.L.C. (“PJM”), National Grid, and/or the New York Independent System Operator, Inc. (“NYISO”), or an event beyond the reasonable control of TrAILCo (e.g., force majeure).

3. NYSEG, at TrAILCo’s expense, shall provide commercially reasonable cooperation and communication to TrAILCo and shall provide all reasonably requested documents, information, consents, and access to facilities and property to permit TrAILCo to undertake and complete the TrAILCo Scope of Work during the Work Period.
4. NYSEG’s agreement to permit TrAILCo to undertake the TrAILCo Scope of Work is conditioned upon TrAILCo delivering to NYSEG, before the initiation of the Work Period, of a surety bond (the “Surety Bond”) in the amount of FIVE MILLION DOLLARS (\$5,000,000) in favor of NYSEG issued by a provider reasonably acceptable to TrAILCo and NYSEG (the “SB Provider”) and in form and substance reasonably acceptable to NYSEG, pursuant to which SB Provider guarantees the performance and financial obligations of TrAILCo pursuant to Sections 2(b)(3) of Appendix A and the performance and financial obligations of TrAILCo pursuant to Sections C(2), C(10) and C(11) of this Appendix C.
5. The Parties acknowledge and understand that the compliance dates and time periods set forth in Sections B(1), B(2) and B(3) of this Appendix C are subject to modifications due to: (a) outage scheduling procedures and restrictions; (b) acts or directives of PJM and/or NYISO; and (c) the finalization of applicable design and engineering specifications for equipment and facilities to be provided or installed pursuant to this Agreement.
6. TrAILCo shall undertake the TrAILCo Scope of Work at its cost and expense, and consistent with this Agreement and Good Utility Practice. The ownership of equipment and facilities installed by TrAILCo in connection with the Scope of Work shall be set forth in this Agreement.
7. NYSEG may monitor and inspect TrAILCo’s performance of the TrAILCo Scope of Work. TrAILCo shall maintain adequate communication and coordination between TrAILCo and NYSEG during the Work Period, and TrAILCo shall notify NYSEG of the commencement of the TrAILCo Scope of Work and the completion of the TrAILCo Scope of Work. For purposes of the performance of the TrAILCo Scope of Work, each Party hereby designates the following point of contact for purposes of communication during the Work Period:

For TrAILCo: Andy Mahlandt
 Project Manager - Transmission &
 Distribution Services
 c/o Burns & McDonnell

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9400 Ward Parkway
Kansas City, MO 64114
Office: 816-822-4380
Cell: 816-210-2171
Email: amahlandt@burnsmcd.com

For NYSEG: **Raymond P. Kinney** **Timothy J. Lynch**
Director – Transmission, ~~Energy~~
Services
New York State Electric & Gas
Corporation
18 Link Drive
P.O. Box 5224
Binghamton, NY 13902-5224
Office: ~~607-585-762484-4321~~ **6352**
~~Cell: 607-725-7166~~
Email: ~~rpkinney~~ **TJLynch**@nyseg.com

8. The energization of the Pierce Brook Substation shall occur in accordance with the testing and commissioning plan to be provided by TrAILCo to NYSEG, which testing and commissioning plan shall be subject to NYSEG's reasonable satisfaction. The Commercial Operation Date of the Pierce Brook Substation shall occur only after this Agreement is deemed effective by FERC. TrAILCo shall procure and maintain insurance coverage, for itself and its subcontractors, in accordance with the requirements set forth in Article 18 of this Agreement hereto, and incorporated herein by this reference.
9. Any Party shall report to the other Party verbally and in writing as soon as practical all accidents or occurrences resulting in injuries to any person, including death, and any property damage arising out of this Agreement.
10. TrAILCo will indemnify, defend at its expense and hold harmless NYSEG and its Affiliates, and each of their directors, officers, employees, and agents (the "Indemnitee") from and against any and all liabilities, claims, demands, suits, losses, costs, fees, damages or expenses (together, "Losses") it may suffer, or for which it may be held liable including, without limitation, reasonable expenses and attorneys fees incurred in the connection therewith, by reason of: (a) any work-related accident or injury affecting an employee, agent or subcontractor of TrAILCo, arising in connection with work performed under the TrAILCo Scope of Work; (b) any claim by an agency or instrumentality of the federal, state or any local government, or by an employee, agent or subcontractor of TrAILCo alleging that the Indemnitee is liable to any party, for any reason, due to TrAILCo's negligent performance of the work required by the TrAILCo Scope of Work or omissions by an employee, agent or subcontractor of TrAILCo; (c) bodily injury, including death, to any person or persons due to the actions or omissions of TrAILCo or its agents or subcontractors; (d) damage to or destruction of any property, including loss of use thereof, due to the actions or omissions of

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TrAILCo, or its agents or subcontractors; provided, however, TrAILCo shall not be required to indemnify, hold harmless and defend the Indemnitee to the extent Losses related to matters described in Sections (a), (b), (c) and (d) above arise from the Indemnitee's negligence or willful misconduct. Individual employees, agents and subcontractors of TrAILCo who are performing work pursuant to the TrAILCo Scope of Work shall be considered to be employees, agents or subcontractors of TrAILCo for all purposes under this Agreement, notwithstanding any judicial or administrative determination that such employees, agents or subcontractors of the other party should be regarded as employees under applicable law. All actions of the employees, agents and subcontractors of TrAILCo under this Agreement shall be deemed to be actions of TrAILCo under this Agreement. This provision shall continue and survive any expiration or termination of this Agreement and completion of the TrAILCo Scope of Work.

11. Return of NYSEG Facilities to Status Quo Ante. It is the express intention of the Parties that in the absence of the Pierce Brook Substation, the HC – FMR Line and appurtenant facilities should be restored to their prior electrical configuration. Therefore, if the Pierce Brook Substation is not in Commercial Operation by the expiration of the Work Period, or if after the attempted Commercial Operation of the Pierce Brook Substation it becomes evident in the reasonable determination of NYSEG, upon consultation with the NYISO, TrAILCo and PJM, that the Pierce Brook Substation will not be successfully placed in Commercial Operation, then TrAILCo shall take the steps necessary to return, as soon as practicable, all NYSEG facilities to the electrical configuration and status of such facilities prior to the commencement of the TrAILCo Scope of Work by TrAILCo pursuant to this Agreement; provided, however, that if the Pierce Brook Substation can be commissioned and placed in Commercial Operation within a reasonably short period of time following the expiration of the Work Period, then the Parties shall work together to accomplish such Commercial Operation and TrAILCo shall have no restoration obligations, but TrAILCo shall continue to have the payment obligations pursuant to Section C(2) above, subject to the provisions of Section C(2) above. Such work to restore the NYSEG facilities shall be done at the cost and expense of TrAILCo and with NYSEG's cooperation and coordination (and with the coordination with PJM and NYISO), and shall be completed as soon as is practicable.

APPENDIX D – SECURITY ARRANGEMENTS DETAILS

Infrastructure security of New York State Transmission System and PJM Transmission System equipment and operations and control hardware and software is essential to ensure day-to-day New York State Transmission System and PJM Transmission System reliability and operational security. The Commission will expect PJM, the NYISO, all Transmission Owners (including NYSEG and TrAILCo), and all other Market Participants to comply with the recommendations offered by the President’s Critical Infrastructure Protection Board and, eventually, best practice recommendations from the electric reliability authority. All public utilities will be expected to meet basic standards for system infrastructure and operational security, including physical, operational, and cyber-security practices.

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APPENDIX E – ADDRESSES FOR DELIVERY OF NOTICES AND BILLINGS

Notices:

TrAILCo:

FirstEnergy Service Company
Attn: Manager: FERC & Wholesale Connection Support
76 South Main St.
Akron, OH 44308
Email: mthorn@firstenergycorp.com

NYSEG:

New York State Electric & Gas Corporation
Attn: Transmission Services – Manager Programs/Projects
PO Box 5224
Binghamton, New York 13902-5224
Phone: (~~607~~585) ~~762~~484 ~~807~~36306
Fax: (607) 762-8666

NYISO:

Before Commercial Operation of the Transmission Facility:

New York Independent System Operator, Inc.
Attn: Vice President, System and Resource Planning
10 Krey Boulevard
Rensselaer, NY 12144
Phone: (518) 356-6000
Fax: (518) 356-6118

After Commercial Operation of the Transmission Facility:

New York Independent System Operator, Inc.
Attn: Vice President, Operations
10 Krey Boulevard
Rensselaer, NY 12144
Phone: (518) 356-6000
Fax: (518) 356-6118

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Billings and Payments:

TrAILCo:

FirstEnergy Service Company
Attn: Manager: FERC & Wholesale Connection Support
76 South Main St.
Akron, OH 44308
Email: mthorn@firstenergycorp.com

NYSEG:

New York State Electric & Gas Corporation
Attn: Energy Services – Manager, Billing & Risk Management
PO Box 5224
Binghamton, New York 13902-5224

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ALTERNATIVE FORMS OF DELIVERY OF NOTICES (TELEPHONE, FACSIMILE OR EMAIL):

TrAILCo:

FirstEnergy Service Company
Attn: Manager: FERC & Wholesale Connection Support
76 South Main St.
Akron, OH 44308
Email: mthorn@firstenergycorp.com
Phone: (330) 384-3889

FirstEnergy Service Company
Attn: Attorney for FERC & Wholesale Connection Support
FERC & Wholesale Connection Support
76 South Main St.
Akron, OH 44308
Email: pnrao@firstenergycorp.com
Phone: (330) 384-2422

NYSEG:

New York State Electric & Gas Corporation
Attn: Transmission Services – Manager Programs/Projects
PO Box 5224
Binghamton, New York 13902-5224
Phone: (~~607~~585) ~~762~~484-~~8073~~6306
Fax: (607) 762-8666

NYISO:

Before Commercial Operation of the Transmission Facility:

New York Independent System Operator, Inc.
Attn: Vice President, System and Resource Planning
10 Krey Boulevard
Rensselaer, NY 12144
Phone: (518) 356-6000
Fax: (518) 356-6118

After Commercial Operation of the Transmission Facility:

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Fax: (518) 356-6118