SERVICE AGREEMENT NO. 2635

SERVICE AGREEMENT NO. 2635

ENGINEERING, PROCUREMENT, AND CONSTRUCTION AGREEMENT
 AMONG THE

NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.
 AND

ROCHESTER GAS AND ELECTRIC CORP.
 AND

NEXTERA ENERGY TRANSMISSION NEW YORK, INC.
 Dated as of July 15, 2021

SERVICE AGREEMENT NO. 2635

TABLE OF CONTENTS

Page Number

ARTICLE 1. DEFINITIONS 2

ARTICLE 2. EFFECTIVE DATE, TERM AND TERMINATION 6

2.1 Effective Date 6

2.2 Term of Agreement 6

2.3 Termination 6

2.4 Termination Costs 8

2.5 Survival 9

ARTICLE 3. EPC SERVICES 9

3.1 Performance of EPC Services 9

3.2 General Conditions Applicable to Affected System Upgrade Facilities

Constructed by Transmission Developer 9

3.3 Equipment Procurement 11

3.4 Construction Commencement 11

3.5 Work Progress 11

3.6 Information Exchange 11

3.7 Ownership of Affected System Upgrade Facilities 12

3.8 Access Rights 12

3.9 Lands of Other Property Owners 12

3.10 Permits 12

3.11 Suspension 13

3.12 Taxes 13

3.13 Tax Status 15

3.14 Modification 16

ARTICLE 4. TESTING AND INSPECTION 16

4.1 Pre-In-Service Date Testing and Modifications 16

4.2 Right to Observe Testing 17

4.3 Right to Inspect 17

ARTICLE 5. COMMUNICATIONS 17

5.1 Affected System Operator Obligations 17

5.2 Remote Terminal Unit 17

5.3 No Annexation 18

ARTICLE 6. PERFORMANCE OBLIGATION 18

6.1 EPC Services 18

6.2 Provision of Security 18

6.3 Forfeiture of Security 18

6.4 Affected System Upgrade Facility Costs 19

6.5 Line Outage Costs 19

ARTICLE 7. INVOICE 19

7.1 General 19

7.2 Refund of Remaining Security 20

7.3 Payment 20

7.4 Disputes 20

ARTICLE 8. REGULATORY REQUIREMENTS AND GOVERNING LAW 20

i

SERVICE AGREEMENT NO. 2635

8.1 Regulatory Requirements 20

8.2 Governing Law 20

ARTICLE 9. NOTICES 21

9.1 General 21

9.2 Billings and Payments 21

9.3 Alternative Forms of Notice 21

ARTICLE 10. FORCE MAJEURE 21

ARTICLE 11. DEFAULT 22

11.1 General 22

11.2 Right to Terminate 22

ARTICLE 12. INDEMNITY, CONSEQUENTIAL DAMAGES AND INSURANCE 22

12.1 Indemnity 22

12.2 No Consequential Damages 23

12.3 Insurance 24

ARTICLE 13. ASSIGNMENT 26

ARTICLE 14. SEVERABILITY 27

ARTICLE 15. COMPARABILITY 27

ARTICLE 16. CONFIDENTIALITY 27

16.1 Confidentiality 27

16.2 Term 27

16.3 Confidential Information 27

16.4 Scope 27

16.5 Release of Confidential Information 28

16.6 Rights 28

16.7 No Warranties 28

16.8 Standard of Care 28

16.9 Order of Disclosure 29

16.10 Termination of Agreement 29

16.11 Remedies 29

16.12 Disclosure to FERC, its Staff, or a State 29

16.13 Required Notices Upon Requests or Demands for Confidential Information ..30

ARTICLE 17. TRANSMISSION DEVELOPER AND AFFECTED SYSTEM OPERATOR

NOTICES OF ENVIRONMENTAL RELEASES 30

ARTICLE 18. INFORMATION REQUIREMENT 30

18.1 Information Acquisition 30

18.2 Information Submission Concerning the Affected System Upgrade Facilities.

31

18.3 Updated Information Submission Concerning the Transmission Project 31

18.4 Information Supplementation 31

ARTICLE 19. INFORMATION ACCESS AND AUDIT RIGHTS 32

19.1 Information Access 32

19.2 Reporting of Non-Force Majeure Events 32

19.3 Audit Rights 32

19.4 Audit Rights Periods 33

19.5 Audit Results 33

ARTICLE 20. SUBCONTRACTORS 33

ii

SERVICE AGREEMENT NO. 2635

20.1 General 33

20.2 Responsibility of Principal 33

20.3 No Limitation by Insurance 34

ARTICLE 21. DISPUTES 34

21.1 Submission 34

21.2 External Arbitration Procedures 34

21.3 Arbitration Decisions 34

21.4 Costs 35

21.5 Termination 35

ARTICLE 22. REPRESENTATIONS, WARRANTIES AND COVENANTS 35

22.1 General 35

ARTICLE 23. MISCELLANEOUS 36

23.1 Binding Effect 36

23.2 Conflicts 36

23.3 Rules of Interpretation 36

23.4 Compliance 37

23.5 Joint and Several Obligations 37

23.6 Entire Agreement 37

23.7 No Third Party Beneficiaries 37

23.8 Waiver 37

23.9 Headings 37

23.10 Multiple Counterparts 38

23.11 Amendment 38

23.12 Modification by the Parties 38

23.13 Reservation of Rights 38

23.14 No Partnership 38

23.15 Other Transmission Rights 38

Appendices

iii

SERVICE AGREEMENT NO. 2635

ENGINEERING, PROCUREMENT, AND CONSTRUCTION AGREEMENT

THIS ENGINEERING, PROCUREMENT, AND CONSTRUCTION AGREEMENT

(“Agreement”) is made and entered into this 15th day of July, 2021, by and among NextEra

Energy Transmission New York, Inc., a corporation organized and existing under the laws of the State of New York (“Transmission Developer”), the New York Independent System Operator, Inc., a not-for-profit corporation organized and existing under the laws of the State of New York (“NYISO”), and Rochester Gas and Electric Corporation, a corporation organized and existing under the laws of the State of New York (“Affected System Operator”). Transmission
Developer, the NYISO, or Affected System Operator each may be referred to as a “Party” or
collectively referred to as the “Parties.”

RECITALS

WHEREAS, Transmission Developer is developing the Empire State Line Alternative

Transmission Project as the more efficient or cost effective transmission solution to the Western New York Public Policy Transmission Need (“Transmission Project);

WHEREAS, the Transmission Project was evaluated in the NYISO’s Transmission Interconnection Procedures located in Attachment P of the NYISO OATT;

WHEREAS, Transmission Developer has entered into Transmission Project Interconnection

Agreements concerning the Transmission Project with the NYISO and the Connecting

Transmission Owners with which the project will interconnect - New York Power Authority and New York State Electric and Gas Corporation;

WHEREAS, the Transmission Interconnection Studies for the Transmission Project identified
certain adverse impacts resulting from the Transmission Project on the Affected System owned
and operated by the Affected System Operator and determined that certain Network Upgrade
Facilities were required to mitigate these impacts (“Affected System Upgrade Facilities”);

WHEREAS, Transmission Developer and Affected System Operator desire to have

Transmission Developer perform, and Transmission Developer is willing to perform, the

engineering, procurement, and construction services required to construct and place in service the Affected System Upgrade Facilities (“EPC Services”) in accordance with the terms and conditions hereinafter set forth; and

WHEREAS, Transmission Developer, Affected System Operator, and the NYISO have agreed
to enter into this Agreement for the purpose of allocating the responsibilities for the performance
and oversight of the EPC Services required to construct the Affected System Upgrade Facilities.

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

1

SERVICE AGREEMENT NO. 2635

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 Section 1 of the ISO OATT, Section 22.1 of Attachment P of the ISO OATT, Section 25.1.2 of Attachment S of the ISO
OATT, the body of the TIP, or the body of this Agreement.

Affected System shall mean the electric system of the Affected System Operator that is affected by the interconnection of the Transmission Project.

Affected System Operator shall have the meaning set forth in the introductory paragraph.

Affected System Upgrade Facilities shall have the meaning set forth in the recitals and shall consist of the Network Upgrade Facilities identified in the Facilities Study and described in Appendix A of this Agreement.

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, the NPCC and the NYSRC.

Applicable Reliability Standards shall mean the requirements and guidelines of the Applicable
Reliability Councils, and the Transmission District in which the Affected System Upgrade
Facilities will be constructed, 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.

ASUF Estimated Total Costs shall be the costs for the engineering, procurement, and

construction of the Affected System Upgrade Facilities, which costs were identified in the Facilities Study and are specified in Appendix A.

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

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

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

2

SERVICE AGREEMENT NO. 2635

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

Confidential Information shall mean any information that is defined as confidential by Article 16 of this Agreement.

Connecting Transmission Owner shall mean the New York public utility or authority (or its

designated agent) that (i) owns facilities used for the transmission of Energy in interstate

commerce and provides Transmission Service under the Tariff, and (ii) owns, leases or otherwise possesses an interest in the portion of the New York State Transmission System at the Point(s) of Interconnection with the Transmission Project.

Default shall mean the failure of a Party in Breach of this Agreement to cure such Breach in accordance with Article 11 of this Agreement.

Development Agreement shall mean the agreement executed between the NYISO and the

Transmission Developer concerning the development of the Transmission Project, dated June 29, 2019, as it may be amended from time to time.

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.

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

EPC Services shall have the meaning set forth in the recitals and shall consist of the services described in Appendix A.

Facilities Study shall mean the study conducted pursuant to Section 22.9 of Attachment P of the NYISO OATT to determine a list of facilities required to reliably interconnect the Transmission Project (including the Network Upgrade Facilities) as identified in the System Impact Study, the cost of those facilities, and the time required to interconnect the Transmission Project with the New York State Transmission System.

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

FERC shall mean the Federal Energy Regulatory Commission (“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

3

SERVICE AGREEMENT NO. 2635

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 Transmission Developer, NYISO, Affected System Operator, 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.

In-Service Date shall mean the date upon which the Affected System Upgrade Facilities are
energized consistent with the provisions of this Agreement and available to provide
Transmission Service under the NYISO’s Tariffs. The Transmission Developer must provide
notice of the In-Service Date to the other Parties in the form of Appendix C to this Agreement.

Interconnection Agreements shall mean the two interconnection agreements concerning the
Transmission Project among the Transmission Developer, the NYISO, and the Connecting
Transmission Owners - i.e., New York Power Authority and New York State Electric and Gas
Corporation.

IRS shall mean the Internal Revenue Service.

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

Network 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 that are required for the proposed Transmission Project to connect
reliably to the system in a manner that meets the NYISO Transmission Interconnection Standard.

New York State Transmission System shall mean the entire New York State electric

transmission system, which includes (i) the Transmission Facilities Under ISO Operational Control; (ii) the Transmission Facilities Requiring ISO Notification; and (iii) all remaining transmission facilities within the New York Control Area.

4

SERVICE AGREEMENT NO. 2635

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 Transmission Interconnection Standard shall mean the reliability standard that must be met by any Transmission Project proposing to connect to the New York State Transmission System. The standard is designed to ensure reliable access by the proposed project to the New York State Transmission System.

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

Party or Parties shall mean NYISO, Affected System Operator, or Transmission Developer or any combination of the above.

Point(s) of Interconnection shall mean the point(s) where the Transmission Developer’s Transmission Project 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.

Security shall mean a bond, irrevocable letter of credit, parent company guarantee or other form
of security from an entity with an investment grade rating, executed for the benefit of the
Affected System Operator, meeting the commercially reasonable requirements of the Affected
System Operator with which it is required to be posted pursuant to Article 6.2, and consistent
with the Uniform Commercial Code of the jurisdiction identified in Article 8.2.1 of this
Agreement.

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.

System Impact Study shall mean the study conducted pursuant to Section 22.8 of Attachment P of the NYISO OATT that evaluates the impact of the proposed Transmission Project on the
safety and reliability of the New York State Transmission System and, if applicable, Affected System, to determine what Network Upgrade Facilities are needed for the proposed
Transmission Project to connect reliably to the New York State Transmission System in a
manner that meets the NYISO Transmission Interconnection Standard.

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 at the Transmission Project and (2) protect the Transmission Project 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.

5

SERVICE AGREEMENT NO. 2635

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

Transmission Developer shall have the meaning set forth in the introductory paragraph.

Transmission Interconnection Application shall mean Transmission Developer’s request, in the form of Appendix 1 to the TIP, to interconnect a Transmission Project to the New York State Transmission System.

Transmission Interconnection Procedures (“TIP”) shall mean the interconnection procedures applicable to a Transmission Interconnection Application pertaining to a Transmission Project that are included in Attachment P of the NYISO OATT.

Transmission Interconnection Study shall mean any of the following studies: the Optional Feasibility Study, the System Impact Study, and the Facilities Study described in the
Transmission Interconnection Procedures.

Transmission Project shall be a Transmission Developer’s proposed transmission facility or facilities that collectively satisfy the definition of Transmission Project in Section 22.3.1 of Attachment P of the NYISO OATT.

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. The NYISO shall promptly file this Agreement with FERC upon its execution. Affected System Operator and
Transmission Developer shall reasonably cooperate with the NYISO with respect to the filing of this Agreement with FERC and provide any information reasonably requested by the NYISO
needed for such filing.

2.2 Term of Agreement.

Subject to the provisions of Article 2.3, this Agreement shall remain in effect until the
later of: (i) the dates on which all of the EPC Services have been completed, and (ii) the date on
which the final payment of all invoices issued under this Agreement have been made pursuant to
Articles 7.1 and 7.3 and any remaining Security has been released or refunded pursuant to
Article 7.2.

2.3 Termination.

2.3.1 Completion of Term of Agreement

This Agreement shall terminate upon the completion of the term of the Agreement pursuant to Article 2.2.

6

SERVICE AGREEMENT NO. 2635

2.3.2 Written Notice.

2.3.2.1 Written Notice of Termination

This Agreement may be terminated: (i) by any Party after giving the other Parties ninety

(90) Calendar Days advance written notice following the termination of the Development

Agreement prior to the completion of its term, subject to the suspension requirements in Section

2.3.2.2 below; or (ii) by the mutual agreement in writing of all Parties.

2.3.2.2 Suspension Period for Project Transfer

2.3.2.2.1 If the Development Agreement is terminated prior to the completion of its
term and the NYISO exercises its right under the Development Agreement and the Tariff to
request that a developer other than the Transmission Developer complete the Transmission
Project, this Agreement shall be suspended. The suspension period will last until either: (i) the
NYISO issues a written determination that the Transmission Project cannot be transferred to
another developer and will not proceed, or (ii) the Transmission Developer completes the
assignment of this Agreement to a new developer selected by the NYISO as set forth in Section

2.3.2.2.3. During the suspension period, the running of any advanced notice of termination time period pursuant to Section 2.3.2.1 will be paused. The Agreement shall not be terminated during the suspension period without the written agreement of all Parties.

2.3.2.2.2 During the suspension period, the Transmission Developer and Affected
System Operator shall suspend all work associated with the construction and installation of the
Affected System Upgrade Facilities required for only that Transmission Developer under this
Agreement with the condition that the New York State Transmission System shall be left in a
safe and reliable condition in accordance with Good Utility Practice and the safety and reliability
criteria of Affected System Operator and NYISO. In such event, Transmission Developer shall
be responsible for all reasonable and necessary costs and/or obligations in accordance with this
Agreement, including those which Affected System Operator (i) has incurred pursuant to this
Agreement prior to the suspension and (ii) incurs in suspending such work, including any costs
incurred to perform such work as may be necessary to ensure the safety of persons and property
and the integrity of the New York State Transmission System during such suspension and, if
applicable, any costs incurred in connection with the cancellation or suspension of material,
equipment and labor contracts which Affected System Operator cannot reasonably avoid;
provided, however, that prior to canceling or suspending any such material, equipment or labor
contract, Affected System Operator shall obtain Transmission Developer’s authorization to do
so, which authorization shall not unreasonably be withheld, conditioned or delayed.

2.3.2.2.3 If, pursuant to its Tariff, the NYISO selects a new developer to complete
the Transmission Project, Transmission Developer shall coordinate with the new developer
concerning the assignment of this Agreement to the new developer pursuant to the assignment
requirements in Article 13 of this Agreement. All liabilities under this Agreement existing prior
to such transfer shall remain with the Transmission Developer, unless otherwise agreed upon by
the Transmission Developer and the new developer as part of their good faith negotiations
regarding the transfer.

7

SERVICE AGREEMENT NO. 2635

2.3.3 Default.

Any Party may terminate this Agreement in accordance with Article 11.

2.3.4 Compliance.

Notwithstanding Articles 2.3.1, 2.3.2, and 2.3.3, 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 2.3.2 above, the

Transmission Developer shall be responsible for all costs that are the responsibility of the

Transmission Developer under this Agreement that are incurred by the Transmission Developer or the other Parties through the date, as applicable, of the other Parties’ receipt of a Party’s notice of termination or of the Parties’ mutual agreement to terminate the agreement. Such costs
include any cancellation costs relating to orders or contracts. In the event of termination by the Transmission Developer, 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:

2.4.1 With respect to any portion of the Affected System Upgrade Facilities that have not yet been constructed or installed, but that is being relied upon by other projects in the manner described in Article 6.3 of this Agreement, Transmission Developer shall forfeit any remaining Security in accordance with the requirements in Article 6.3.

2.4.2 With respect to any portion of the Affected System Upgrade Facilities that has not
yet been constructed or installed and is not being relied upon by other projects in the manner
described in Article 6.3 of this Agreement, the Affected System Operator shall to the extent
possible and with Transmission Developer’s authorization cancel any pending orders of, or
return, any materials or equipment for, or contracts for construction of, such facilities; provided
that in the event Transmission Developer elects not to authorize such cancellation, Transmission
Developer shall assume all payment obligations with respect to such materials, equipment, and
contracts, and the Affected System Operator shall deliver such material and equipment, and, if
necessary, assign such contracts, to Transmission Developer as soon as practicable, at
Transmission Developer’s expense. To the extent that Transmission Developer has already paid
Affected System Operator for any or all such costs of materials or equipment not taken by
Transmission Developer, Affected System Operator shall promptly refund such amounts to
Transmission Developer, less any costs, including penalties incurred by the Affected System
Operator to cancel any pending orders of or return such materials, equipment, or contracts.

2.4.3 Affected System Operator may, at its option, retain any portion of such materials
or equipment that Transmission Developer chooses not to accept delivery of, in which case

8

SERVICE AGREEMENT NO. 2635

Affected System Operator shall be responsible for all costs associated with procuring such materials or equipment.

2.4.4 With respect to any portion of the EPC Services already performed pursuant to

the terms of this Agreement, Transmission Developer shall be responsible for all costs associated with the removal, relocation or other disposition or retirement of such related materials,
equipment, or facilities.

2.5 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 and Transmission Developer’s satisfaction of the Security requirements in Article 6.3 to permit the determination and enforcement of liability and
indemnification obligations arising from acts or events that occurred while this Agreement was in effect; and to permit Transmission Developer and Affected System Operator 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. EPC SERVICES

3.1 Performance of EPC Services.

The Transmission Developer shall perform the EPC Services, as set forth in Appendix A
hereto, using Reasonable Efforts to complete the EPC Services by the Milestone dates set forth
in Appendix A hereto. The Affected System Operator shall not 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 the Transmission Developer reasonably expects
that it will not be able to complete the EPC Services by the specified dates, the Transmission
Developer shall promptly provide written notice to the Affected System Operator and NYISO,
and shall undertake Reasonable Efforts to meet the earliest dates thereafter. The NYISO has no
responsibility, and shall have no liability, for the performance of any of the EPC Services under
this Agreement.

3.2 General Conditions Applicable to Affected System Upgrade Facilities

Constructed by Transmission Developer

As Transmission Developer is responsible for the design, procurement and construction
of the Affected System Upgrade Facilities as set forth in Appendix A, the following conditions
apply:

3.2.1 Transmission Developer shall engineer, procure equipment, and construct the Affected System Upgrade Facilities (or portions thereof) using Good Utility Practice and using standards and specifications provided in due course by the Affected System Operator;

9

SERVICE AGREEMENT NO. 2635

3.2.2 Transmission Developer’s engineering, procurement and construction of the

Affected System Upgrade Facilities shall comply with all requirements of law to which Affected System Operator would otherwise have been subject in the engineering, procurement or
construction of the Affected System Upgrade Facilities;

3.2.3 Affected System Operator shall review and approve the engineering design,
equipment acceptance tests, and the construction of the Affected System Upgrade Facilities;

3.2.4 Prior to commencement of construction, Transmission Developer shall provide to Affected System Operator and NYISO a schedule for construction of the Affected System
Upgrade Facilities, and shall promptly respond to requests for information from Affected System Operator or NYISO;

3.2.5 At any time during construction, Affected System Operator shall have the right to
gain unrestricted access to the Affected System Upgrade Facilities and to conduct inspections of
the same;

3.2.6 At any time during construction, should any phase of the engineering, equipment procurement, or construction of the Affected System Upgrade Facilities not meet the standards and specifications provided by Affected System Operator, the Transmission Developer shall be obligated to remedy deficiencies in that portion of the Affected System Upgrade Facilities to Affected System Operator’s satisfaction;

3.2.7 Transmission Developer shall indemnify Affected System Operator and NYISO for claims arising from the Transmission Developer’s construction of Affected System Upgrade Facilities under procedures applicable to Article 12.1 Indemnity;

3.2.8 Transmission Developer shall transfer control of Affected System Upgrade Facilities to Affected System Operator;

3.2.9 Transmission Developer shall transfer ownership of the Affected System Upgrade Facilities to Affected System Operator;

3.2.10 Affected System Operator shall approve and accept for operation and

maintenance the Affected System Upgrade Facilities, to the extent engineered, procured, and constructed in accordance with this Article 3.2;

3.2.11 Transmission Developer shall deliver to NYISO and Affected System Operator “as built” drawings, information, and any other documents that are reasonably required by NYISO or Affected System Operator to assure that the Affected System Upgrade Facilities are built to the standards and specifications required by Affected System Operator; and

3.2.12 The Transmission Developer shall be responsible for the costs that Connecting Transmission Owner incurs in executing the responsibilities enumerated to Connecting

10

SERVICE AGREEMENT NO. 2635

Transmission Owner under Article 3.2. The Connecting Transmission Owner shall invoice Transmission Developer for such costs pursuant to Article 7.

3.3 Equipment Procurement.

The Transmission Developer shall commence design of the Affected System Upgrade Facilities and procure necessary equipment as soon as practicable after all of the following conditions are satisfied, unless the Transmission Developer and Affected System Operator otherwise agree in writing:

3.3.1 NYISO and Affected System Operator have completed the Facilities Study pursuant to the Facilities Study Agreement; and

3.3.2 The NYISO has completed the required cost allocation analyses, and

Transmission Developer has provided Security to the Affected System Operator in accordance with Article 6.2 by the date specified in Appendix B hereto.

3.4 Construction Commencement.

Transmission Developer shall commence construction of the Affected System Upgrade Facilities as soon as practicable after the following additional conditions are satisfied:

3.4.1 Approval of the appropriate Governmental Authority has been obtained, to the
extent required, for the construction of a discrete aspect of the Affected System Upgrade
Facilities;

3.4.2 Necessary real property rights and rights-of-way have been obtained, to the extent
required for the construction of a discrete aspect of the Affected System Upgrade Facilities; and

3.4.3 The Transmission Developer has provided Security to the Affected System Operator in accordance with Article 6.2 by the dates specified in Appendix B hereto.

3.5 Work Progress.

The Transmission Developer will keep the Affected System Operator and NYISO advised periodically as to the progress of its design, procurement and construction efforts. Affected System Operator or NYISO may, at any time, request a progress report from the Transmission Developer.

3.6 Information Exchange.

As soon as reasonably practicable after the Effective Date, the Transmission Developer
and Affected System Operator shall exchange information, and provide NYISO the same
information, regarding the design of the Affected System Upgrade Facilities and compatibility of
the Affected System Upgrade Facilities with the New York State Transmission System, and shall
work diligently and in good faith to make any necessary design changes required by Affected
System Operator or NYISO, in accordance with Good Utility Practice to ensure that the Affected
System Upgrade Facilities are compatible with the technical specifications, operational control,

11

SERVICE AGREEMENT NO. 2635

and safety requirements of the Affected System Operator and NYISO. Any review by the

NYISO of the design of the Affected System Upgrade Facilities shall not be construed as

confirming, endorsing, or providing a warranty as to the design, fitness, safety, durability or

reliability of the Affected System Upgrade Facilities. The Transmission Developer shall inform
the Affected System Operator of the termination of one or both of the Interconnection
Agreements or the Development Agreement within ten (10) days of the termination of the
agreement(s).

3.7 Ownership of Affected System Upgrade Facilities

Affected System Operator shall own the Affected System Upgrade Facilities.

3.8 Access Rights.

Upon reasonable notice and supervision by the Granting Party, and subject to any

required or necessary regulatory approvals, the Affected System Operator or Transmission

Developer (“Granting Party”) shall each furnish to the other Parties (“Access Party”) at no cost
any rights of use, licenses, rights of way and easements with respect to lands owned or controlled
by the Granting Party, its agents (if allowed under the applicable agency agreement), or any
Affiliate, that are necessary to enable the Access Party to obtain ingress and egress needed for
the performance of the EPC Services, including ingress or egress to construct, repair, test (or
witness testing), inspect, replace or remove the Affected System Upgrade Facilities. In
exercising such licenses, rights of way and easements, the Access Party shall not unreasonably
disrupt or interfere with normal operation of the Granting Party’s business and shall adhere to the
safety rules and procedures established in advance, as may be changed from time to time, by the
Granting Party and provided to the Access Party. The Access Party shall indemnify the Granting
Party against all claims of injury or damage from third parties resulting from the exercise of the
access rights provided for herein.

3.9 Lands of Other Property Owners.

If any part of the Affected System Upgrade Facilities is to be installed on property owned by persons other than Transmission Developer or Affected System Operator, the Affected
System Operator shall at Transmission Developer’s expense use efforts, similar in nature and extent to those that it typically undertakes for its own or affiliated generation, 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 perform the EPC Services upon such property, including to construct, repair, test (or witness testing), inspect, replace or remove the Affected System Upgrade Facilities.

3.10 Permits.

NYISO, Affected System Operator and the Transmission Developer shall cooperate with each other in good faith in obtaining all permits, licenses and authorizations that are necessary to accomplish the EPC Services in compliance with Applicable Laws and Regulations. With
respect to this paragraph, Affected System Operator shall provide permitting assistance to the
Transmission Developer comparable to that provided to the Affected System Operator’s own, or an Affiliate’s generation, if any.

12

SERVICE AGREEMENT NO. 2635

3.11 Suspension.

Transmission Developer reserves the right, upon written notice to Affected System

Operator and NYISO, to suspend at any time all work by Affected System Operator associated
with the EPC Services under this Agreement for Affected System Upgrade Facilities required for
only Transmission Developer’s Transmission Project with the condition that the New York State
Transmission System shall be left in a safe and reliable condition in accordance with Good
Utility Practice and the safety and reliability criteria of Affected System Operator and NYISO.
If the suspension will impact the Transmission Developer’s ability to meet any Advisory
Milestones or Critical Path Milestones in the Development Agreement, Transmission Developer
shall notify the NYISO in accordance with the requirements in Article 3.3 of the Development
Agreement. NYISO reserves the right, upon written notice to Transmission Developer and
Affected System Operator, to require the suspension of all work by Transmission Developer and
Affected System Operator associated with the EPC Services under this Agreement if the NYISO
terminates the Development Agreement pursuant to Article 8 of the Development Agreement.

In the event of suspension pursuant to this Article 3.11, Transmission Developer shall be
responsible for all reasonable and necessary costs and/or obligations in accordance with the
Facilities Study report including those which Affected System Operator (i) has incurred pursuant
to this Agreement prior to the suspension and (ii) incurs in suspending such work, including any
costs incurred to perform such work as may be necessary to ensure the safety of persons and
property and the integrity of the New York State Transmission System during such suspension
and, if applicable, any costs incurred in connection with the cancellation or suspension of
material, equipment and labor contracts which Affected System Operator cannot reasonably
avoid; provided, however, that prior to canceling or suspending any such material, equipment or
labor contract, Affected System Operator shall obtain Transmission Developer’s authorization to
do so.

Affected System Operator shall invoice Transmission Developer for such costs pursuant
to Article 7 and shall use due diligence to minimize its costs. In the event Transmission
Developer suspends work by Affected System Operator required under this Agreement pursuant
to this Article 3.11, and has not requested Affected System Operator to recommence the work
required under this Agreement on or before the expiration of three (3) years following
commencement of such suspension, this Agreement shall be deemed terminated. The three-year
period shall begin on the date required under this Article 3.11 or the date specified in the written
notice of suspension.

3.12 Taxes.

3.12.1 Transmission Developer Payments Taxable.

The Transmission Developer and Affected System Operator intend that all payments or
property transfers made by Transmission Developer to Affected System Operator for the
installation of the Affected System Upgrade Facilities shall be taxable as contributions in aid of
construction.

13

SERVICE AGREEMENT NO. 2635

3.12.2 Tax Gross-Up Amount.

Transmission Developer’s liability for the cost consequences of any current tax liability
under this Article 3.12 shall be calculated on a fully grossed-up basis. Except as may otherwise
be agreed to by the parties, this means that Transmission Developer will pay Affected System
Operator, in addition to the amount paid for the Affected System Upgrade Facilities, an amount
equal to (1) the current taxes imposed on Affected System Operator (“Current Taxes”) on the
excess of (a) the gross income realized by Affected System Operator as a result of payments or
property transfers made by Transmission Developer to Affected System Operator under this

Agreement (without regard to any payments under this Article 3.12) (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 the Affected System Operator 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 Affected System

Operator’s composite federal and state tax rates at the time the payments or property transfers are
received and Affected System Operator 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 Affected System Operator’s anticipated
tax depreciation deductions as a result of such payments or property transfers by Affected
System Operator’s current weighted average cost of capital. Thus, the formula for calculating
Transmission Developer’s liability to Affected System Operator pursuant to this Article 3.12.2
can be expressed as follows: (Current Tax Rate x (Gross Income Amount - Present Value
Depreciation Amount))/(1 - Current Tax Rate). Transmission Developer’s estimated tax liability
in the event taxes are imposed shall be stated in Appendix A, Affected System Upgrade
Facilities.

3.12.3 Refund.

In the event that (a) any legislative change or administrative announcement, notice, ruling
or other determination makes it reasonably clear to Affected System Operator which holds that
any amount paid or the value of any property transferred by Transmission Developer to Affected
System Operator 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 Affected System Operator in good faith that any amount paid or the
value of any property transferred by Transmission Developer to Affected System Operator under
the terms of this Agreement is not taxable to Affected System Operator, (c) any abatement,
appeal, protest, or other contest results in a determination that any payments or transfers made by
Transmission Developer to Affected System Operator are not subject to federal income tax, or

(d) if Affected System Operator receives a refund from any taxing authority for any overpayment of tax attributable to any payment or property transfer made by Transmission Developer to
Affected System Operator pursuant to this Agreement, Affected System Operator shall promptly refund to Transmission Developer the following:

14

SERVICE AGREEMENT NO. 2635

(i) Any payment made by Transmission Developer under this Article 3.12 for taxes
that is attributable to the amount determined to be non-taxable, together with interest thereon,

(ii) Interest on any amounts paid by Transmission Developer to Affected System

Operator for such taxes which Affected System Operator did not submit to the taxing authority, calculated in accordance with the methodology set forth in FERC’s regulations at 18 C.F.R. §35.19a(a)(2)(iii) from the date payment was made by Transmission Developer to the date Affected System Operator refunds such payment to Transmission Developer, and

(iii) With respect to any such taxes paid by Affected System Operator, any refund or
credit Affected System Operator 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 the Affected System Operator for such overpayment of taxes (including any
reduction in interest otherwise payable by Affected System Operator to any Governmental
Authority resulting from an offset or credit); provided, however, that Affected System Operator
will remit such amount promptly to Transmission Developer only after and to the extent that
Affected System Operator has received a tax refund, credit or offset from any Governmental
Authority for any applicable overpayment of income tax related to the Affected System Upgrade
Facilities.

The intent of this provision is to leave both the Transmission Developer and Affected

System Operator, to the extent practicable, in the event that no taxes are due with respect to any payment for Affected System Upgrade Facilities hereunder, in the same position they would have been in had no such tax payments been made.

3.12.4 Taxes Other Than Income Taxes.

Upon the timely request by Transmission Developer, and at Transmission Developer’s
sole expense, Affected System Operator shall appeal, protest, seek abatement of, or otherwise
contest any tax (other than federal or state income tax) asserted or assessed against Affected
System Operator for which Transmission Developer may be required to reimburse Affected
System Operator under the terms of this Agreement. Transmission Developer shall pay to
Affected System Operator on a periodic basis, as invoiced by Affected System Operator,
Affected System Operator’s documented reasonable costs of prosecuting such appeal, protest,
abatement, or other contest. Transmission Developer and Affected System Operator 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
Transmission Developer to Affected System Operator for such taxes until they are assessed by a
final, non-appealable 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, Transmission Developer
will be responsible for all taxes, interest and penalties, other than penalties attributable to any
delay caused by Affected System Operator.

3.13 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

15

SERVICE AGREEMENT NO. 2635

the status of NYISO, or the status of the Affected System Operator with respect to the issuance of bonds including, but not limited to, Local Furnishing Bonds.

3.14 Modification.

3.14.1 General.

If, prior to the In-Service Date, either the Transmission Developer or Affected System

Operator proposes to modify the Affected System Upgrade Facilities, they must inform the other Parties of the proposed modification and must satisfy the requirements in (i) Section 22.5.4 of
Attachment P to the NYISO OATT, and (ii) the Development Agreement. The Transmission
Developer shall be responsible for the costs of any such additional modifications, including the cost of studying the materiality and impact of the modification.

3.14.2 Standards.

Any additions, modifications, or replacements made to a Party’s facilities shall be

designed, constructed and operated in accordance with this Agreement, NYISO requirements and Good Utility Practice.

3.14.3 Modification Costs.

Transmission Developer or Affected System Operator, as applicable, shall not be

assigned the cost of any additions, modifications, or replacements that the other Party makes to
the New York State Transmission System to facilitate the interconnection of a third party to the
New York State Transmission System, or to provide Transmission Service to a third party under
the ISO OATT, except in accordance with the cost allocation procedures in Attachment S of the
ISO OATT.

ARTICLE 4. TESTING AND INSPECTION

4.1 Pre-In-Service Date Testing and Modifications.

Prior to the In-Service Date, the Affected System Operator shall test the Affected System
Upgrade Facilities and Transmission Developer shall coordinate with the Affected System
Operator concerning the testing of the Affected System Upgrade Facilities and the Transmission
Project under the Interconnection Agreements to ensure the safe and reliable operation of the
Affected System Upgrade Facilities. Similar testing may be required after initial operation.
Transmission Developer and Affected System Operator shall each make any modifications to
their facilities that are found to be necessary as a result of such testing. Transmission Developer
shall bear the cost of all such testing and modifications. Transmission Developer shall
coordinate with the Affected System Operator to generate test energy at the Affected System
Upgrade Facilities only if it has arranged for the injection of such test energy in accordance with
NYISO procedures.

16

SERVICE AGREEMENT NO. 2635

4.2 Right to Observe Testing.

Affected System Operator shall notify Transmission Developer and the NYISO, in

advance of its performance of tests of the Affected System Upgrade Facilities. Transmission

Developer and the NYISO shall each have the right, at its own expense, to observe such testing.

4.3 Right to Inspect.

Transmission Developer and Affected System Operator 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 Affected System Upgrade Facilities, the System
Protection Facilities and other protective equipment. NYISO shall have these same rights of
inspection as to the facilities and equipment of Transmission Developer and Affected System
Operator. A Party may exercise these rights from time to time as it deems necessary upon
reasonable notice to the other Party. The exercise or non-exercise by a Party of any such rights
shall not be construed as an endorsement or confirmation of any element or condition of the
Affected 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 4.3 shall be treated in accordance with Article 16 of this Agreement and
Attachment F to the ISO OATT.

ARTICLE 5. COMMUNICATIONS

5.1 Affected System Operator Obligations.

In accordance with applicable NYISO requirements, Affected System Operator shall

maintain satisfactory operating communications with NYISO. Affected System Operator shall provide standard voice line, dedicated voice line and facsimile communications at its control room or central dispatch facility through use of either the public telephone system, or a voice communications system that does not rely on the public telephone system. Affected System Operator shall also provide the dedicated data circuit(s) necessary to provide its data to NYISO as set forth in Appendix A hereto. The data circuit(s) shall extend from the Affected System Upgrade Facilities to the location(s) specified by NYISO.

5.2 Remote Terminal Unit.

Prior to the In-Service Date, a Remote Terminal Unit, or equivalent data collection and
transfer equipment acceptable to the Parties, shall be installed by Transmission Developer, or by Affected System Operator at Transmission Developer’s expense, to gather accumulated and
instantaneous data to be telemetered to the location(s) designated by Affected System Operator and NYISO through use of a dedicated point-to-point data circuit(s) as indicated in Article 5.1.
The communication protocol for the data circuit(s) shall be specified by Affected System
Operator and NYISO. Instantaneous bi-directional analog real power and reactive power flow
information must be capable of being telemetered directly to the location(s) specified by
Affected System Operator and NYISO.

17

SERVICE AGREEMENT NO. 2635

5.3 No Annexation.

Any and all equipment placed on the premises of a Party during the term of this

Agreement 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 6. PERFORMANCE OBLIGATION

6.1 EPC Services

Transmission Developer shall perform the EPC Services described in Appendix A hereto
and as otherwise set forth by the terms of this Agreement at Transmission Developer’s expense.

6.2 Provision of Security.

Within thirty (30) Calendar Days of the effective date of this Agreement, Transmission
Developer shall provide Affected System Operator with Security for the Affected System
Upgrade Facilities in the amount set forth in Appendix A of this Agreement. If the Transmission
Developer: (i) does not pay an invoice issued by the Affected System Operator pursuant to
Article 7.1 within the timeframe set forth in Article 7.3 or (ii) does not pay any disputed amount
into an independent escrow account pursuant to Article 7.4, the Affected System Operator may
draw upon Transmission Developer’s Security to recover such payment. The Security shall be
reduced on a dollar-for-dollar basis for payments made to Affected System Operator for the
purpose of constructing, procuring, and installing the Affected System Upgrade Facilities.

6.3 Forfeiture of Security

The Security the Transmission Developer provides Affected System Operator in
accordance with Article 6.2 of this Agreement shall be irrevocable and shall be subject to
forfeiture in the event that the Transmission Developer subsequently terminates or abandons
development of the Transmission Project or the Affected System Upgrade Facilities. Any
Security provided by the Transmission Developer shall be subject to forfeiture to the extent
necessary to defray the cost of: (1) Affected System Upgrade Facilities required for other
Transmission Developers whose Transmission Project interconnection studies included the
Transmission Developer’s Transmission Project and Affected System Upgrade Facilities in their
base cases; and (2) System Upgrade Facilities and System Deliverability Upgrade Facilities
required for projects for which the Transmission Project and Affected System Upgrade Facilities
were included in their Annual Transmission Reliability Assessment and/or Class Year
Deliverability Study, as applicable. If Transmission Developer’s Security is subject to forfeiture
to defray the costs of an affected upgrade pursuant to this Article 6.3 and the Security is not in a
form that can be readily drawn on by the Connecting Transmission Owner to defray the costs of
the affected upgrade, Transmission Developer shall negotiate in good faith with the Connecting
Transmission Owner to replace the Security with cash or an alternative form of Security that can
be readily drawn on by Connecting Transmission Owner up to the amount required to satisfy
Transmission Developer’s Security obligations under this Agreement, including defraying the
costs of the affected upgrade. Connecting Transmission Owner shall only be responsible for
using Transmission Developer’s Security to defray the costs of an affected upgrade to the extent

18

SERVICE AGREEMENT NO. 2635

Transmission Developer has provided cash or Security in a form that the Connecting Transmission Owner can readily draw on to defray such costs.

6.4 Affected System Upgrade Facility Costs

6.4.1 If the actual cost of Affected System Upgrade Facilities is less than the ASUF
Estimated Total Costs amount, Transmission Developer is responsible only for the actual cost
figure.

6.4.2 If the actual cost of Affected System Upgrade Facilities is greater than the ASUF
Estimated Total Costs amount because other projects have been expanded, accelerated, otherwise
modified or terminated, Transmission Developer is responsible only for the agreed-to and
secured amount for the Affected System Upgrade Facilities. The additional cost is covered by
the developers of the modified projects, or by the drawing on the cash that has been paid and the
Security that has been posted for terminated projects, depending on the factors that caused the
additional cost. Such forfeitable Security from other developers will be drawn on only as needed
for this purpose, and only to the extent that the terminated project associated with that Security
has caused additional cost and that the developer of the terminated project has provided cash or
Security in a form that the Connecting Transmission Owner can readily draw on.

6.4.3 If the actual cost of the Affected System Upgrade Facilities is greater than the
ASUF Estimated Total Costs amount for reasons other than those set forth in Section 6.4.2,
Transmission Developer will pay the additional costs to Affected System Operator to the extent
such costs are prudently incurred. Disputes between Transmission Developer and Affected
System Operator concerning costs in excess of the agreed-to and secured amount will be
resolved by the parties in accordance with the terms and conditions of Article 21.

6.5 Line Outage Costs.

Notwithstanding anything in the ISO OATT to the contrary, Affected System Operator may propose to recover line outage costs associated with the installation of the Affected System Upgrade Facilities on a case-by-case basis.

ARTICLE 7. INVOICE

7.1 General.

To the extent that any amounts are due to the Transmission Developer or Affected

System Operator under this Agreement, the Transmission Developer or Affected System

Operator, as applicable, shall submit to the other Party, on a monthly basis, invoices of amounts
due for the preceding month. Each invoice shall state the month to which the invoice applies and
fully describe the services and equipment provided. The Transmission Developer and Affected
System Operator 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. Within six months after
completion of the EPC Services, Transmission Developer or Affected System Operator, as

19

SERVICE AGREEMENT NO. 2635

applicable, shall provide a final invoice to the other Party of any remaining amounts due associated with the EPC Services.

7.2 Refund of Remaining Security.

Following the later of Affected System Operator’s completion of the EPC Services and
Transmission Developer’s payment of any final invoice issued under Article 7.1, the Affected
System Operator shall refund to the Transmission Developer any remaining portions of its
security. Affected System Operator shall provide Transmission Developer with the refunded
amount within thirty (30) Calendar Days of the Parties’ satisfaction of the requirements in this
Article 7.2.

7.3 Payment.

Invoices shall be rendered to the paying Party at the address specified in Appendix F

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.

7.4 Disputes.

In the event of a billing dispute between Parties, the Party owed money shall continue to
perform under this Agreement as long as the other Party: (i) continues to make all payments not
in dispute; and (ii) pays to the Party owed money or into an independent escrow account the
portion of the invoice in dispute, pending resolution of such dispute. If the Party that owes
money fails to meet these two requirements for continuation of service, then the Party owed
money may provide notice to the other Party of a Default pursuant to Article 11. 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. § 35.19a(a)(2)(iii).

ARTICLE 8. REGULATORY REQUIREMENTS AND GOVERNING LAW

8.1 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 Transmission Developer to take any action that could result in its inability to obtain, or its loss of, status or exemption under the Federal Power Act or the Public Utility Holding Company Act of 2005 or the Public Utility
Regulatory Policies Act of 1978, as amended.

8.2 Governing Law.

20

SERVICE AGREEMENT NO. 2635

8.2.1 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.

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

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

ARTICLE 9. NOTICES

9.1 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 B 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.

9.2 Billings and Payments.

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

9.3 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 B hereto.

ARTICLE 10. FORCE MAJEURE

16.1 Economic hardship is not considered a Force Majeure event.

16.2 A Party shall not be responsible or liable, or deemed, in Default with respect to

any obligation hereunder, 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 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

21

SERVICE AGREEMENT NO. 2635

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 11. DEFAULT

11.1 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.

11.2 Right to Terminate.

If a Breach is not cured as provided in this Article 11, 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 12. INDEMNITY, CONSEQUENTIAL DAMAGES AND INSURANCE

12.1 Indemnity.

Each Party (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

damages, losses, claims, including claims and actions relating to injury to or death of any person
or damage to property, the alleged violation of any Environmental Law, or the release or
threatened release of any Hazardous Substance, demand, suits, recoveries, costs and expenses,
court costs, attorney fees, and all other obligations by or to third parties (any and all of these a
“Loss”), arising out of or resulting from (i) the Indemnified Party’s performance of its
obligations under this Agreement on behalf of the Indemnifying Party, except in cases where the
Indemnifying Party can demonstrate that the Loss of the Indemnified Party was caused 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.

12.1.1 Indemnified Party.

If a Party is entitled to indemnification under this Article 12 as a result of a claim by a
third party, and the Indemnifying Party fails, after notice and reasonable opportunity to proceed

22

SERVICE AGREEMENT NO. 2635

under Article 12.1.3, 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.

12.1.2 Indemnifying Party.

If an Indemnifying Party is obligated to indemnify and hold any Indemnified Party

harmless under this Article 12, 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.

12.1.3 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 12.1 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.

12.2 No Consequential Damages.

Other than the indemnity obligations set forth in Article 12.1, 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

23

SERVICE AGREEMENT NO. 2635

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.

12.3 Insurance.

Transmission Developer shall, at its own expense, procure and 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 and rated “A- (minus) VII” or better by A.M. Best & Co. (or if not rated by A.M. Best & Co., a rating entity acceptable to the NYISO):

12.3.1 Workers' Compensation and Employers' Liability Insurance providing statutory benefits in accordance with the laws and regulations of New York State under NCCI Coverage Form No. WC 00 00 00, as amended or supplemented from time to time, or an equivalent form acceptable to the NYISO; provided, however, if the Transmission Project will be located in part outside of New York State, Transmission Developer shall maintain such Employers' Liability Insurance coverage with a minimum limit of One Million Dollars ($1,000,000).

12.3.2 Commercial General Liability Insurance — under ISO Coverage Form No. CG 00

01 (04/13), as amended or supplemented from time to time, or an equivalent form acceptable to the NYISO — with minimum limits of Two Million Dollars ($2,000,000) per occurrence/Four Million Dollars ($4,000,000) aggregate combined single limit for personal injury, bodily injury, including death and property damage.

12.3.3 Commercial Business Automobile Liability Insurance — under ISO Coverage
Form No. CA 00 01 10 13, as amended or supplemented from time to time, or an equivalent
form acceptable to the NYISO — 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.

12.3.4 Umbrella/Excess Liability Insurance over and above the Employers' Liability,

Commercial General Liability, and Commercial Business Automobile Liability Insurance

coverage, with a minimum combined single limit of Twenty-Five Million Dollars ($25,000,000) per occurrence/Twenty-Five Million Dollars ($25,000,000) aggregate.

12.3.5 Builder's Risk Insurance in a reasonably prudent amount consistent with Good Utility Practice.

12.3.6 The Commercial General Liability Insurance, Commercial Business

Automobile Liability Insurance and Umbrella/Excess Liability Insurance policies of

Transmission Developer shall name the Affected System Operator and its respective directors,
officers, agents, servants and employees (“Other Party Group”) as additional insureds. For
Commercial General Liability Insurance, Transmission Developer shall name the Other Party

24

SERVICE AGREEMENT NO. 2635

Group as additional insureds under the following ISO form numbers, as amended or

supplemented from time to time, or an equivalent form acceptable to the NYISO: (i) ISO

Coverage Form No. CG 20 37 04 13 (“Additional Insured — Owners, Lessees or Contractors —
Completed Operations”) and (ii) (A) ISO Coverage Form No. CG 20 10 04 13 (“Additional
Insured — Owner, Lessees or Contractors — Scheduled Person or Organization”), or (B) ISO
Coverage Form No. CG 20 26 04 13 (“Additional Insured — Designated Person or
Organization”). For Commercial Business Automobile Liability Insurance, Transmission
Developer shall name the Other Party Group as additional insureds under ISO Coverage Form
No. CA 20 48 10 13 (“Designated Insured for Covered Autos Liability Coverage”), as amended
or supplemented from time to time, or an equivalent form acceptable to the NYISO.

12.3.7 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 non-renewal, cancellation or any material change in coverage or condition.

12.3.8 The Commercial General Liability Insurance, Commercial Business Automobile
Liability Insurance and Umbrella/Excess 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. Transmission Developer shall be responsible for its respective deductibles or
retentions.

12.3.9 The Commercial General Liability Insurance, Commercial Business Automobile
Liability Insurance and Umbrella/Excess Liability Insurance policies, if written on a Claims First Made Basis in a form acceptable to the NYISO, 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 an
extended reporting period (ERP) or a separate policy, if agreed by Transmission Developer and
Affected System Operator.

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

12.3.11 The Transmission Developer shall provide certification of all insurance required
in this Agreement, executed by each insurer or by an authorized representative of each insurer:

(A) within ten (10) days following: (i) execution of this Agreement, or (ii) the NYISO's date of filing this Agreement if it is filed unexecuted with FERC, and (B) as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any event within
thirty (30) days thereafter.

12.3.12 Notwithstanding the foregoing, Transmission Developer may self-insure to meet
the minimum insurance requirements of Articles 12.3.1 through 12.3.9 to the extent it maintains

25

SERVICE AGREEMENT NO. 2635

a self-insurance program; provided that, Transmission Developer’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 12.3.1 through 12.3.9. For any period of time that
Transmission Developer’s senior debt is unrated by Standard & Poor’s or is rated at less than
investment grade by Standard & Poor’s, Transmission Developer shall comply with the
insurance requirements applicable to it under Articles 12.3.1 through 12.3.9. In the event that
Transmission Developer is permitted to self-insure pursuant to this Article 12.3.12, it shall notify
the Affected System Operator 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 Articles 12.3.1 through 12.3.9 and provide evidence of such coverages.

12.3.13 Transmission Developer and Affected System Operator 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.

12.3.14 Notwithstanding the minimum insurance coverage types and amounts described
in this Article 12.3, Transmission Developer: (i) shall also maintain any additional insurance
coverage types and amounts required under Applicable Laws and Regulations, including New
York State law, and under Good Utility Practice for the work performed by Transmission
Develper and its subcontractors under this Agreement, and (ii) shall satisfy the requirements set
forth in Articles 12.3.6 through 12.3.13 with regard to the additional insurance coverages,
including naming the Other Party Group as additional insureds under these policies.

ARTICLE 13. ASSIGNMENT

This Agreement may be assigned by a Party only with the written consent of the other

Parties; provided that a Party may assign this Agreement without the consent of the other Parties
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
other Parties 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; and provided further that
the Transmission Developer shall have the right to assign this Agreement, without the consent of
the NYISO or Affected System Operator, for collateral security purposes to aid in providing
financing for the Affected System Upgrade Facilities, provided that the Transmission Developer
will promptly notify the NYISO and Affected System Operator of any such assignment. Any
financing arrangement entered into by the Transmission Developer pursuant to this Article will
provide that prior to or upon the exercise of the secured party’s, trustee’s or mortgagee’s
assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee
will notify the NYISO and Affected System Operator of the date and particulars of any such
exercise of assignment right(s) and will provide the NYISO and Affected System Operator with
proof that it meets the requirements of Articles 6.2 and 12.3. 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.

26

SERVICE AGREEMENT NO. 2635

ARTICLE 14. 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 15. COMPARABILITY

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

ARTICLE 16. CONFIDENTIALITY

16.1 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 16.

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.

16.2 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 16, each Party shall hold in confidence and shall not disclose to any person Confidential Information.

16.3 Confidential Information.

The following shall constitute Confidential Information: (1) 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 (2) information designated as Confidential Information by the NYISO Code of Conduct contained in Attachment F to the ISO OATT.

16.4 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;

27

SERVICE AGREEMENT NO. 2635

(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 16.9 of this Agreement, Order of Disclosure, to be disclosed by any Governmental
Authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any
legal proceeding establishing rights and obligations under this Agreement. 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.

16.5 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 Transmission Developer, 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 16 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 16.

16.6 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.

16.7 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.

16.8 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 Parties under this Agreement or its regulatory requirements, including the ISO 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 ISO OATT.

28

SERVICE AGREEMENT NO. 2635

16.9 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.

16.10 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.

16.11 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 16. Each Party accordingly agrees
that the other Parties shall be entitled to equitable relief, by way of injunction or otherwise, if the
first Party Breaches or threatens to Breach its obligations under this Article 16, 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 16, 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 16.

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

Notwithstanding anything in this Article 16 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 ISO 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

29

SERVICE AGREEMENT NO. 2635

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 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.

16.13 Required Notices Upon Requests or Demands for Confidential Information

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 ISO OATT or 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 17. TRANSMISSION DEVELOPER AND AFFECTED SYSTEM OPERATOR
 NOTICES OF ENVIRONMENTAL RELEASES

Transmission Developer and Affected System Operator shall 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 Affected System
Upgrade Facilities, each of which may reasonably be expected to affect the other Party. 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 18. INFORMATION REQUIREMENT

18.1 Information Acquisition.

Affected System Operator and Transmission Developer shall each submit specific

information regarding the electrical characteristics of their respective facilities to the other, and to NYISO, as described below and in accordance with Applicable Reliability Standards.

30

SERVICE AGREEMENT NO. 2635

18.2 Information Submission Concerning the Affected System Upgrade Facilities.

The initial information submission by Affected System Operator shall occur no later than one hundred eighty (180) Calendar Days prior to In-Service Date of the Affected System
Upgrade Facilities and shall include New York State Transmission System information
necessary to allow the Transmission Developer to select equipment and meet any system
protection and stability requirements, unless otherwise mutually agreed to by the Transmission Developer and Affected System Operator. On a quarterly basis Transmission Developer shall provide the other Parties a status report on the construction and installation of the Affected
System Upgrade Facilities, including, but not limited to, the following information: (1) progress to date; (2) a description of the activities since the last report; (3) a description of the action items for the next period; and (4) the delivery status of equipment ordered.

18.3 Updated Information Submission Concerning the Transmission Project.

The updated information submission by the Transmission Developer, including

manufacturer information, shall occur no later than one hundred eighty (180) Calendar Days

prior to the Trial Operation of the Transmission Project. Transmission Developer shall submit a
completed copy of the Transmission Project data requirements contained in Appendix 1 to the
Transmission Interconnection Procedures. It shall also include any additional information
provided to Affected System Operator for the Facilities Study. Information in this submission
shall be the most current Transmission Project design or expected performance data.
Information submitted for stability models shall be compatible with NYISO standard models. If
there is no compatible model, the Transmission Developer will work with a consultant mutually
agreed to by the Parties to develop and supply a standard model and associated information.

If the Transmission Developer’s data is different from what was originally provided to
Affected System Operator and NYISO pursuant to a Transmission Interconnection Study
agreement among Affected System Operator, NYISO and Transmission Developer and this
difference may be reasonably expected to affect the other Parties’ facilities or the New York
State Transmission System, but does not require the submission of a new Transmission
Interconnection Application, then NYISO will conduct appropriate studies to determine the
impact on the New York State Transmission System based on the actual data submitted pursuant
to this Article 18.3. Such studies will provide an estimate of any additional modifications to the
New York State Transmission System or Affected System Upgrade Facilities based on the actual
data and a good faith estimate of the costs thereof. The Transmission Developer shall not begin
Trial Operation for the Transmission Project until such studies are completed. The Transmission
Developer shall be responsible for the cost of any modifications required by the actual data,
including the cost of any required studies.

18.4 Information Supplementation.

Prior to the In-Service Date of the Affected System Upgrade Facilities, the Transmission
Developer and Affected System Operator shall supplement their information submissions
described above in this Article 18 with any and all “as-built” Transmission Project and Affected
System Upgrade Facilities information or “as-tested” performance information that differs from
the initial submissions or, alternatively, written confirmation that no such differences exist. The

31

SERVICE AGREEMENT NO. 2635

Transmission Developer shall conduct tests on the Transmission Project as required by Good Utility Practice.

Subsequent to the In-Service Date, the Transmission Developer shall provide Affected System Operator and NYISO any information changes concerning the Transmission Project due to equipment replacement, repair, or adjustment. Affected System Operator shall provide the Transmission Developer and NYISO any information changes concerning the Affected System Upgrade Facilities due to equipment replacement, repair or adjustment in the directly connected substation or any adjacent Affected System Operator substation that may affect the Transmission Project’s equipment ratings, protection or operating requirements. The Transmission Developer and Affected System Operator shall provide such information no later than thirty (30) Calendar Days after the date of the equipment replacement, repair or adjustment.

ARTICLE 19. INFORMATION ACCESS AND AUDIT RIGHTS

19.1 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
responsibilities under this Agreement. The Parties shall not use such information for purposes
other than those set forth in this Article 19.1 of this Agreement and to enforce their rights under
this Agreement.

19.2 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.

19.3 Audit Rights.

Subject to the requirements of confidentiality under Article 16 of this Agreement, each
Party shall have the right, during normal business hours, and upon prior reasonable notice to
another Party, 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, and calculation of invoiced amounts. 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

32

SERVICE AGREEMENT NO. 2635

Party shall keep such accounts and records for a period equivalent to the audit rights periods described in Article 19.4 of this Agreement.

19.4 Audit Rights Periods.

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

Accounts and records related to the design, engineering, procurement, and construction of the Affected System Upgrade Facilities shall be subject to audit for a period of twenty-four
months following the issuance by Affected System Operator or Transmission Developer, as
applicable, of a final invoice in accordance with Article 7.2 of this Agreement.

19.4.2 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 19.4.1 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.

19.5 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 20. SUBCONTRACTORS

20.1 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 Parties for the performance of such subcontractor.

20.2 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 Parties
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 the NYISO or Affected System Operator be
liable for the actions or inactions of the Transmission Developer or its subcontractors with
respect to obligations of the Transmission Developer 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.

33

SERVICE AGREEMENT NO. 2635

20.3 No Limitation by Insurance.

The obligations under this Article 20 will not be limited in any way by any limitation of subcontractor’s insurance.

ARTICLE 21. DISPUTES

21.1 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 Parties. 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.

21.2 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 21,
the terms of this Article 21 shall prevail.

21.3 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

34

SERVICE AGREEMENT NO. 2635

filed with FERC if it affects jurisdictional rates, terms and conditions of service or Affected System Upgrade Facilities.

21.4 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.

21.5 Termination.

Notwithstanding the provisions of this Article 21, 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 22. REPRESENTATIONS, WARRANTIES AND COVENANTS

22.1 General.

Each Party makes the following representations, warranties and covenants:

22.1.1 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 of New York; 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.

22.1.2 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,
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).

22.1.3 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.

35

SERVICE AGREEMENT NO. 2635

22.1.4 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 23. MISCELLANEOUS

23.1 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.

23.2 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, except as otherwise expressly agreed to in
writing by the Parties.

23.3 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, or such Section to the Transmission Interconnection
Procedures or such Appendix to the Transmission Interconnection Procedures, 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”.

36

SERVICE AGREEMENT NO. 2635

23.4 Compliance.

Each Party shall perform its obligations under this Agreement in accordance with

Applicable Laws and Regulations, Applicable Reliability Standards, the ISO 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.

23.5 Joint and Several Obligations.

Except as otherwise stated herein, the obligations of NYISO, Transmission Developer and Affected System Operator are several, and are neither joint nor joint and several.

23.6 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.

23.7 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 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.

23.8 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.

23.9 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.

37

SERVICE AGREEMENT NO. 2635

23.10 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.

23.11 Amendment.

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

23.12 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.

23.13 Reservation of Rights.

NYISO and Affected System Operator 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, and Transmission
Developer shall have the right to make a unilateral filing with FERC to modify this Agreement
pursuant to section 206 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.

23.14 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.

23.15 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 the Transmission Developer 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 Affected System Upgrade
Facilities.

38

SERVICE AGREEMENT NO. 2635

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 Independent System Operator, Inc.

By:

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Title:

Date:

Rochester Gas and Electric Corp.

By:

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Title:

Date:

NextEra Energy Transmission New York, Inc.

By:

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Title:

Date:

39

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SERVICE AGREEMENT NO. 2635

APPENDICES

Appendix A

EPC Services

Appendix B

Addresses for Delivery of Notices and Billings

Appendix C

In-Service Date

SERVICE AGREEMENT NO. 2635

APPENDIX A

EPC SERVICES

1. Affected System Upgrade Facilities

The Transmission Developer is developing the Transmission Project, which was selected by the NYISO as the more efficient or cost effective transmission solution to address the
Western New York Public Policy Transmission Need. The Transmission Interconnection
Studies for the Transmission Project identified certain adverse impacts resulting from the
Transmission Project on the Affected System owned and operated by the Affected System
Operator and determined that certain Affected System Upgrade Facilities are required to mitigate these impacts. Specifically, the Affected System Upgrade Facilities include:

A. Adding a New 100 Mvar Shunt Reactor at Affected System Operator’s Station 80

Substation

Transmission Developer will install a 345 kV, 100 Mvar shunt reactor with a shunt

reactor bay on the northern end of the 345 kV Bus #1 at Affected System Operator’s Station 80 Substation. In addition, Transmission Developer will install three new relay panels for the SEL451 bay controller, the SEL-487E (System A) relay, and the GE-T60 (System B) relay. This work is described below and depicted in Figure A-1 and includes the installation of the following new major electrical and physical equipment:

• One (1) 345 kV 100 Mvar shunt reactor;

• One (1) shunt reactor foundation with oil containment;

• Three (3) single phase, surge arrester/bus support structures;

• One (1) 362 kV, 40kA, 3000A dead type circuit breaker with bushing current

transformers (“CTs”) and with synchronous switching control unit;

• One (1) 345 kV circuit breaker foundation;

• One (1) 345 kV dead-end structure and foundation (with integrated switch truss);

• One (1) 362 kV 3000A, 63kA, 1300 kV BIL upright mounted double side-break switch

with motor operator;

• Three (3) single-phase coupling capacitor voltage transformer (“CCVT”) structures and

foundations;

• CCVT junction box;

• Grounding materials;

• Conduit materials;

• Control cabling;

• Miscellaneous bus work;

• Three new relay panels (#11, #9 and #28) to house the following:

o One (1) SEL-451 bay control and System A breaker failure protection;

o One (1) SEL-487E System A protection relay;

o One (1) GE-T60 System B protection relay and System B breaker failure protection;
 and

o Twelve (12) FT-1 test switches.

A-1

SERVICE AGREEMENT NO. 2635

This work would include the relocation of three existing 345 kV Bus 1 CCVT’s. This work would also include the following electrical and physical equipment removals:

• One (1) 345 kV lattice type dead-end structure and four (4) foundations;

• Five (5) 345 kV bus support pedestal structures and foundations;

• Three (3) CCVT lattice type structures and foundations;

• One (1) 345 kV switch rack and six (6) foundations; and

• Minimal conduit removal.

Figure A-1

[CONTAINS CEII - THIS FIGURE REMOVED FROM PUBLIC VERSION]

B. Upgrade Line Protection Systems at Affected System Operator’s Station 255

Substation

Affected System Operator’s Station 255 is a greenfield substation that went into service in late 2020 as part of the Rochester Area Reliability Project (RARP). The Transmission
Developer will upgrade the existing SH1-39 line protection system of the SH1-39 terminal at the 345 kV Station 255 Substation. This terminal will be identified as the DH1 line terminal once the line is connected to the Dysinger Substation. This work will include the following major protection and control equipment at the SH1-39 terminal:

• Replace SEL 421 System A line protection relay with a GE-L90 relay utilizing a line
 differential protection scheme;

• Remove RFL GARD 8000 used for the existing System A communication;

• Utilize fiber path from optical ground wire (“OPGW”) on NH2 (future DH2) line for
 System A communication;

• Remove wave trap and line tuning unit;

• Add bus in place of wave trap;

• Replace GE-L90 System B line protection relay with a SEL-411 relay utilizing a
 permissive overreaching transfer trip (“POTT”) protection scheme;

• Repurpose the System B GE JMUX communication device by removing the existing
 leased line used for System B communication and connecting it to the existing SONET
 network;

• Install GE JMUX to extend SONET communication network to the Dysinger Substation;
 note that this device will be utilized for both the DH1 and DH2 System B communication
 networks; and

• The fiber paths for the primary and secondary communication channels shall not have a
 single point of failure and will be diversely routed

Note: The use of the New York Power Authority (“NYPA”) optical ground wire (“OPGW”) and the Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”) portion of the SONET ring are covered under a separate agreement.

A-2

SERVICE AGREEMENT NO. 2635

The Transmission Developer will upgrade the existing NH-2 line protection system of the NH-2 terminal at the 345 kV Station 255 Substation. This terminal will be identified as the DH2 line terminal once the line is connected to the Dysinger Substation. This work will include the following major protection and control equipment at the NH-2 terminal:

• Existing System A GE-L90 relay will be retained to implement a line differential
 protection scheme;

• Remove RFL GARD 8000 used for the existing System A communication;

• Utilize fiber path from OPGW on NH2 (future DH2) line for System A communication;

• Remove wave trap and line tuning unit;

• Add bus in place of wave trap;

• Existing System B SEL 411 relay will be retained to implement a POTT protection
 scheme;

• System B SONET communication will be retained as the System B communication
 channel; and

• Install GE JMUX to extend SONET communication network to the Dysinger Substation.
 Note that this device will be utilized for both the DH1 and DH2 System B
 communication networks.

The fiber paths for the primary and secondary communication channels shall not have a single point of failure and will be diversely routed.

Note: The use of the NYPA OPGW and the National Grid portion of the SONET ring are covered under a separate agreement.

2. Transmission Developer’s Work Responsibilities

Transmission Developer will design, procure, engineer and construct the new and

modified Affected System Upgrade Facilities in accordance with Affected System Operator’s

Bulletin No. 86-01, Requirements for the Interconnection of Generation, Transmission and EndUser Facilities (Revised October 3, 2011) (“Bulletin 86-01”) and Affected System Operator’s Bulk Power POI Guide, to the extent they are not inconsistent with the terms of this Agreement or the NYISO OATT. The Affected System Operator will provide project management, owners engineer (“OE”) and full construction oversight (“FCM”).

All project engineering and design work shall be per the IUSA/Avangrid/NYSEG/RG&E Engineering, Design & Construction Standards. All of the Transmission Developer’s
engineering and design documentation shall be approved by the Affected System Operator. The work for the Affected System Upgrade Facilities shall be per the Affected System Operator’s
standards and under the supervision of an Affected System Operator’s FCM. A list of
engineering contractors and substation construction contractors currently approved by the
Affected System Operator is available. However, the Transmission Developer may propose an alternate engineering contractor and/or substation construction contractor for review and
acceptance by the Affected System Operator.

A-3

SERVICE AGREEMENT NO. 2635

3. ASUF Estimated Total Costs

Description Estimated Cost

Station 80 Shunt Reactor $8,392,000

Station 255 Work $175,000

Total $8,567,000

4. Security

In accordance with Article 6.2 of this Agreement, Transmission Developer will provide

Affected System Operator Security in the amount of $1,000,000 in the form of a parental

guarantee.

5. Milestones

Task Name Finish Date Responsible Party

Adding a new 100 Mvar shunt reactor at

the Rochester Sta. 80 Substation

Preliminary engineering (30% design, review, and approval)

Semi-detailed engineering (70% design, review, and approval)

Ratings/Modelling (RAM) draft submittal Detailed engineering (90% design, review, and approval)

Ratings/Modelling (RAM) final submittal Affected System Operator file Article VII Amendments with DPS

Transmission Developer Construction RFP & contract execution

Engineering (100% design, review, and approval)

Transmission Developer System Protection and Control 3-7 design development,

review, and approval

Transmission Developer procurement Construction Completion

Affected System Operator As Built drawings review

Primary equipment testing and commissioning

Protection and control testing & commissioning

Initial Synchronization Date

Complete

Complete

Complete
July 2021

August 2021 July 2021

August 2021

October 2021

September 2021

Complete
March 2022
May 2022
March 2022
April 2022
April 2022

Affected System Operator Review

Affected System Operator Review

Transmission Developer
Affected System Operator
Review

Transmission Developer
Affected System Operator

Affected System Operator Review

Affected System Operator Review

Developed by Affected System Operator

Transmission Developer
Transmission Developer
Affected System Operator
Transmission Developer
Affected System Operator
Transmission Developer

A-4

SERVICE AGREEMENT NO. 2635

Task Name Finish Date Responsible Party

Planned In Service Date April 2022 Affected System Operator

Upgrade line protection systems at

Rochester Station 255 Substation.

Preliminary engineering (30% design, review, and approval)

Ratings/Modelling (RAM) draft submittal Semi-detailed engineering (70% design, review, and approval)

Ratings/Modelling (RAM) final submittal Detailed engineering (90% design, review, and approval)

Transmission Developer Construction RFP & contract execution

Engineering (100% design, review, and approval)

Transmission Developer Procurement Construction Completion

Protection and Control testing & commissioning

Initial Synchronization Date Planned In Service Date

Turn Over Facilities (all)

Complete
Complete
Complete
July 2021
July 2021

August 2021

August 2021

July 2021

December 2021 February 2022 February 2022 April 2022

May 2022

Affected System Operator Review

Transmission Developer
Affected System Operator
Review

Transmission Developer
Affected System Operator
Review

Affected System Operator Review

Affected System Operator Review

Transmission Developer
Transmission Developer
Affected System Operator
Transmission Developer
Transmission Developer
Transmission Developer

A-5

SERVICE AGREEMENT NO. 2635

APPENDIX B

ADDRESSES FOR DELIVERY OF NOTICES AND BILLINGS

Notices:

NYISO:

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

Affected System Operator:

Rochester Gas and Electric Corporation

18 Link Drive

P.O. Box 5224

Binghamton, NY 13902-5224 (585) 484-6306

Transmission Developer:

NextEra Energy Transmission New York, Inc. Attn: Director of NY Development
700 Universe Boulevard

UST-C5666

Juno Beach, FL 34408

Billings and Payments:

Affected System Operator:

Rochester Gas and Electric Corporation

18 Link Drive

P.O. Box 5224

Binghamton, NY 13902-5224 (585) 484-6306

Transmission Developer:

NextEra Energy Transmission New York, Inc. Attn: Director of NY Development
700 Universe Boulevard

UST-C5666

B-1

SERVICE AGREEMENT NO. 2635

Juno Beach, FL 34408

Alternative Forms of Delivery of Notices (telephone, facsimile or email):

NYISO:

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

E-mail: interconnectionsupport@nyiso.com

Affected System Operator:

Rochester Gas and Electric Corporation

18 Link Drive

P.O. Box 5224

Binghamton, NY 13902-5224 (585) 484-6306

J\_mahoney@nyseg.com

Transmission Developer:

NextEra Energy Transmission New York, Inc. Attn: Director of NY Development
700 Universe Boulevard

UST-C5666

Juno Beach, FL 34408
Phone: (561) 694-4831

Johnbinh.vu@nexteraenergy.com info@empirestateline.com

B-2

SERVICE AGREEMENT NO. 2635

APPENDIX C

IN-SERVICE DATE

[Date]

New York Independent System Operator, Inc. Attn: Vice President, Operations

10 Krey Boulevard

Rensselaer, NY 12144

Rochester Gas and Electric Corporation

18 Link Drive

P.O. Box 5224

Binghamton, NY 13902-5224 (585) 484-6306

J\_mahoney@nyseg.com

Re: \_\_\_\_\_\_\_\_\_\_\_\_\_ [Affected System Upgrade Facilities]

Dear \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:

On [Date] [Transmission Developer] has completed the [describe Affected System Upgrade Facilities]. This letter confirms that [describe Affected System Upgrade Facilities] have commenced service, effective as of [Date plus one day].

Thank you.

[Signature]

[Transmission Developer Representative]

C-1