FERC rendition of the electronically filed tariff records in Docket No. ER16-\_

Filing Data:

CID: C000038

Filing Title: SA No. 2298 Cost Reimbursement Agreement between NYSEG and Pennsylvania Electric Company

Company Filing Identifier: 1180 Type of Filing Code: 10

Associated Filing Identifier:

Tariff Title: NYISO Agreements Tariff ID: 58

Payment Confirmation: N   
Suspension Motion:

Tariff Record Data:

Record Content Description: Agreement No. 2298

Tariff Record Title: SA No. 2298 CRA between NYSEG and Penelec Record Version Number: 0.0.0

Option Code: A

Tariff Record ID: 207

Tariff Record Collation Value: 8081300   
Tariff Record Parent Identifier:   
Proposed Date: 2016-08-19   
Priority Order: 500

Record Change Type: New   
Record Content Type: 2   
Associated Filing Identifier:

New York Independent System Operator, Inc. submits

Service Agreement No. 2298 - Cost Reimbursement Agreement   
 Between

New York State Electric & Gas Corporation   
 And

Pennsylvania Electric Company

Tariff Program Code: E

Option Code: A

Tariff Record Title: Service Agreement No. 2298   
 to be effective August 19, 2016

COST REIMBURSEMENT AGREEMENT

This COST REIMBURSEMENT AGREEMENT (the “Agreement”), is made and

entered into as ofJune 30, 2016 (the “Effective Date”), by and between Pennsylvania Electric   
Company (“Customer” or “Penelec”) and NEW YORK STATE ELECTRIC & GAS

CORPORATION (the “Company” or “NYSEG”). Customer and Company may be referred to hereunder, individually, as a “Party” or, collectively, as the “Parties”.

WITNESSETH

WHEREAS, the Customer was required to perform certain upgrades to its transmission   
system pursuant to PJM Interconnection L.L.C. (“PJM”) queue project RTEP X1-109; and

WHEREAS, Customer has requested that Company perform certain Work as defined herein; and

WHEREAS, Company is willing to perform the Work, subject to reimbursement by Customer of all Company costs and expenses incurred in connection therewith in accordance with this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth herein, the Parties agree as follows:

1.0 Certain Definitions

Wherever used in this Agreement with initial capitalization, whether in the singular or the plural, these terms shall have the following meanings:

“Advance Notice” shall have the meaning specified in Section 4.2 of this Agreement.

“Affiliate” means any person or entity controlling, controlled by, or under common control with, any other person; “control” of a person or entity shall mean the ownership of, with right to vote, 50% or more of the outstanding voting securities, equity, membership interests, or equivalent, of such person or entity.

“Agreement” means this Cost Reimbursement Agreement, including all annexes, appendices, attachments, schedules, and exhibits and any subsequent written amendments or modifications thereto, as may be mutually agreed to and executed by the Parties.

“Applicable Requirements” shall mean all 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 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, NYISO, NPCC, and NYSRC requirements, and any applicable reliability standards.

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“Balance Amount” shall have the meaning set forth in Section 8.1 of this Agreement.   
“Breaching Party” shall have the meaning set forth in Section 21.1 of this Agreement.   
“CEII” shall have the meaning set forth in Section 25.4 of this Agreement.   
“Certificate” shall have the meaning set forth in Section 4.2 of this Agreement.

“Company Overtime Notice” shall have the meaning set forth in Section 5.1 of this

Agreement.

“Company Overtime Work” shall have the meaning set forth in Section 5.1 of this

Agreement.

“Company Reimbursable Costs” means the actual costs and expenses incurred by Company   
and/or its Affiliates in connection with performance of the Work or otherwise incurred by   
Company and/or its Affiliates in connection with the Project or this Agreement, and   
including, without limitation, any such costs that may have been incurred by Company   
and/or its Affiliates prior to the Effective Date. These Company Reimbursable Costs shall   
include, without limitation, the actual expenses for labor (including, without limitation,

internal labor), services, materials, subcontracts, equipment or other expenses incurred in the   
execution of the Work or otherwise in connection with the Project, all applicable overhead,   
all federal, state and local taxes incurred (including, without limitation, all taxes arising from   
amounts paid to Company that are deemed to be contributions in aid of construction), all   
costs of outside experts, consultants, counsel and contractors, all other third-party fees and   
costs, and all costs of obtaining any required permits, rights, consents, releases, approvals, or   
authorizations, including, without limitation, the Required Approvals. The foregoing   
notwithstanding, these Company Reimbursable Costs shall not include any costs that are   
specified in Exhibit A to this Agreement as being excluded from Company Reimbursable   
Costs.

“Customer Deferral Notice” shall have the meaning set forth in Section 5.1 of this

Agreement.

“Damages” shall have the meaning set forth in Section 12.1 of this Agreement.

“Day” means a calendar day, provided, that, if an obligation under this Agreement falls due   
on a Saturday, Sunday or legal holiday, the obligation shall be due the next business day   
worked.

“Disclosing Party” shall mean the Party disclosing Proprietary Information. “Dollars” and “$” mean United States of America dollars.

“DPS Staff” shall have the meaning specified in Section 4.8 of this Agreement.

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“Effective Date” shall have the meaning specified in the preamble of this Agreement.

“Environment” shall mean soil, surface waters, groundwaters, land, stream sediments, surface or subsurface strata, and ambient air.

“Environmental Law” shall mean any environmental or health-and-safety-related law, regulation, rule, ordinance, or by-law at the federal, state, or local level, whether existing as of the Effective Date, previously enforced or subsequently enacted, or any judicial or administrative interpretation thereof.

“FERC” shall mean the Federal Energy Regulatory Commission.

“Force Majeure Event” shall have the meaning set forth in Section 23.1 of this Agreement.

“Good Utility Practice” means any of the practices, methods, and acts engaged in or   
approved by a significant portion of the electric utility industry during the relevant time   
period, or any of the practices, methods, and acts which, in the exercise of reasonable   
judgment in light of the facts known at the time the decision was made, could have been   
expected to accomplish the desired result at a reasonable cost consistent with good business   
practices, reliability, safety, and expedition. Good Utility Practice is not intended to be   
limited to the optimum practice, method, or act, to the exclusion of all others, but rather to   
refer to acceptable practices, methods, or acts generally accepted in the region in which the   
Project is located. Good Utility Practice shall include, but not be limited to, NERC, NPCC,   
NYSRC, and NYISO criteria, rules, guidelines, and standards, where applicable, and as they   
may be amended from time to time, including the rules, guidelines, and criteria of any   
successor organization to the foregoing entities.

“Hazardous Substances” means any pollutant, contaminant, toxic substance, hazardous material, hazardous waste, or hazardous substance, or any oil, petroleum, or petroleum product, as defined in or pursuant to the Federal Clean Water Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, et seq., or any other Environmental Law.

“Indemnified Party” and “Indemnified Parties” shall have the meanings set forth in Section

12.1 of this Agreement.

“Indemnifying Party” shall have the meaning set forth in Section 12.1 of this Agreement.   
“Initial Prepayment” shall have the meaning set forth in Section 7.1 of this Agreement.   
“Liens” shall have the meaning specified in Section 12.2 of this Agreement.   
“Material Change” shall have the meaning specified in Section 4.2 of this Agreement.

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“Monthly Report” shall have the meaning set forth in Section 7.3 of this Agreement.

“NPCC” shall mean the Northeast Power Coordinating Council, Inc. (a reliability council under Section 202 of the Federal Power Act) or any successor organization.

“NERC” shall mean the North American Electric Reliability Corporation or any successor organization.

“Non-Breaching Party” shall have the meaning set forth in Section 21.1 of this Agreement.   
“Non-Disclosure Term” shall have the meaning set forth in Section 25.3.4 of this Agreement.

“NYISO” shall mean the New York Independent System Operator, Inc. or any successor organization.

“NYPSC” shall mean the New York Public Service Commission.

“NYSRC” shall mean the New York State Reliability Council or any successor organization.   
“Party” and “Parties” shall have the meanings set forth in the preamble to this Agreement.   
“Phase I Work” shall have the meaning specified in Exhibit A to this Agreement.   
“Phase II Work” shall have the meaning specified in Exhibit A to this Agreement.

“Projected Milestone Schedule” shall have the meaning set forth in Section 5.3 and Exhibit B of this Agreement.

“Project” means the Work to be performed under this Agreement by the Company.

“Project Manager” means the respective representative of the Customer and the Company appointed pursuant to Section 27.1 of this Agreement.

“Proprietary Information” means (i) all financial, technical and other non-public or

proprietary information which is furnished or disclosed by the Disclosing Party or its   
Affiliates (or its or its Affiliates’ agents, servants, contractors, representatives, or employees)   
to the Recipient or its Representative(s) in connection with this Agreement and that is   
described or identified (at the time of disclosure) as being non-public, confidential or

proprietary, or the non-public or proprietary nature of which is apparent from the context of   
the disclosure or the contents or nature of the information disclosed, (ii) any market sensitive   
information (including, without limitation, outages scheduled on generators or transmission   
lines of Company or any third party), (iii) all CEII and (iv) all memoranda, notes, reports,   
files, copies, extracts, inventions, discoveries, improvements or any other thing prepared or   
derived from any information described in subparts (i) through (iii) preceding.

“Proposing Party” shall have the meaning specified in Section 4.2 of this Agreement.

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“Receiving Party” shall have the meaning specified in Section 4.2 of this Agreement. “Recipient” shall mean the Party receiving Proprietary Information.

“Reimbursement Amount” shall have the meaning set forth in Section 8.1 of this Agreement.

“Release” shall mean any releasing, spilling, leaking, contaminating, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of any Hazardous Substances into the Environment.

“Representatives” shall, for the purposes of Article 25 of this Agreement, mean the Affiliates of a Party and such Party’s and its Affiliates’ officers, directors, employees, contractors, counsel and representatives.

“Required Approvals” shall have the meaning set forth in Section 27.12 of this Agreement.   
“Resources” shall have the meaning set forth in Section 23.1 of this Agreement.   
“Response Notice” shall have the meaning specified in Section 4.4 of this Agreement.

“Threat of Release” shall mean a substantial likelihood of a Release that requires action to prevent or mitigate damage to the Environment that may result from such Release.

“Site” shall mean Hillside Substation, Elmira Division, 907 East Ave, Elmira NY 14901.

“Subcontractor” means any organization, firm or individual, regardless of tier, which Company retains in connection with the Agreement.

“Total Payments Made” shall have the meaning set forth in Section 8.1 of this Agreement.   
“Work” shall have the meaning specified in Section 3.1 of this Agreement.   
“Work Cost Estimate” shall have the meaning set forth in Section 6.1 of this Agreement.

2.0 Term

2.1 This Agreement shall become effective as of the Effective Date and shall remain

in full force and effect until performance has been completed hereunder, or until   
terminated in accordance with the terms of this Agreement, whichever occurs   
first; provided, however, that this Agreement shall not expire or terminate until all   
amounts due and owing hereunder have been paid in full as contemplated by this   
Agreement.

3.0 Scope of Work

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3.1 The scope of work is set forth in Exhibit A of this Agreement, attached hereto and

incorporated herein by reference (the “Work”). It is the intent of the Parties that, in carrying out their respective obligations under this Agreement, neither Party will perform work on the physical facilities of the other Party.

3.2 Company shall use commercially reasonable efforts to perform the Work in

accordance with Good Utility Practice. Prior to the expiration of one (1) year   
following completion of the Work, Customer shall have the right to notify the   
Company of the need for correction of defective Work that does not meet the   
standards of this Section 3.2. If the Work is defective within the meaning of the   
prior sentence, the Company shall promptly complete, correct, repair or replace   
such defective Work, as appropriate. The remedy set forth in this Section is the   
sole and exclusive remedy granted to Customer for any failure of Company to   
meet the performance standards or requirements set forth in this Agreement.

4.0 Changes in the Work

4.1 Prior to commencement of the Work, each Party shall provide a written notice to

the other Party containing the name and contact information of such Party’s Project Manager.

4.2 A Party proposing a change to the Work (“Proposing Party”) shall provide the

other Party (“Receiving Party”) with at least fifteen (15) days' advance notice   
(“Advance Notice”) of any proposed change to the Work that is material (as   
defined below) (“Material Change”) before implementing such change. If legal   
or regulatory compliance requirements, safety considerations, or other exigent   
circumstances, make providing Advance Notice impractical, notice of the   
Material Change shall be provided by the Proposing Party as soon as reasonably   
practicable under the circumstances. A Material Change is any change that may   
result in a delay in the Project Milestone Schedule (as such delay is estimated in   
good faith by the Proposing Party at the time of the Advance Notice) greater than   
one (1) month, any increase of the cost to be reimbursed by the Receiving Party   
(as estimated in good faith by the Proposing Party at the time of the Advance   
Notice) in excess of $200,000, any change constituting a major change under any   
Certificate of Public Convenience and Necessity (“Certificate”) issued by the   
NYPSC under Article VII of the New York Public Service Law, or any other   
instance where a necessary permit or authorization (e.g., Corps of Engineers   
approval) must be modified, except where such approval or authorization is   
ministerial in nature.

4.3 Advance Notice by the Proposing Party shall include a good faith estimate of the

impact of the Material Change on the Project Milestone Schedule and an explanation of why such Material Change is being made.

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4.4 If the Receiving Party notifies the Proposing Party within such 15 day period that

the proposed Material Change is not accepted (“Response Notice”), the consent of the Receiving Party shall be required. If the Receiving Party does not respond to the Advance Notice within such 15 day period, the Receiving Party’s consent shall be deemed to have been given.

4.5 However, if the Material Change: (1) is made in order to comply with Good

Utility Practice, (2) is required to accommodate a change in the Receiving Party’s   
Work, or (3) is necessary to comply with applicable law, regulation, or order   
(including a Certificate); is at the direction of any monitor required under a   
Certificate (e.g., environmental monitor) or an Agency representative; is   
necessary to return facilities to service per applicable standards, or is necessary to   
address safety considerations, the Receiving Party’s consent shall not be required.

4.6 A change to the Work that is not a Material Change is not subject to the Advance

Notice or consent provisions above.

4.7 For the avoidance of doubt, the good faith estimates of cost and/or of delay in

Project Milestone Schedule anticipated to result from a change of Work, as   
estimated by the Party contemplating such change, shall be dispositive and neither   
Party shall be deemed in breach of this Section if any such good faith estimate   
differs from the actual cost or Project Milestone Schedule delay arising from such   
change of Work.

4.8 The foregoing shall not excuse the Parties from providing any required

notification to New York Department of Public Service (“DPS Staff”) or

otherwise obtaining approval from DPS Staff or the NYPSC for such changes to the Work as required by a Certificate.

4.9 Any continued dispute regarding any necessary consent or any other aspect of a

notice given by either Party with regard to changes to the Work shall be resolved

as described in the “Dispute Resolution” section of this Agreement (Section 27.2).

5.0 Performance and Schedule; Conditions to Proceed

5.1 The Company shall use commercially reasonable efforts to have any Work

performed by its direct employees performed during normal working hours. The   
foregoing notwithstanding, if Work is performed outside of normal working hours,   
Customer shall be responsible for paying all actual costs incurred in connection   
therewith, including, without limitation, applicable overtime costs, as part of   
Company Reimbursable Costs, provided, that, with respect to Work to be   
performed by Company’s direct employees outside of normal working hours   
(“Company Overtime Work”), Company provides at least five (5) days prior   
written notice to the Customer (each, a “Company Overtime Notice”) when

Company schedules such Company Overtime Work other than at the request of

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Customer. Upon Customer’s written request delivered to Company prior to the   
scheduled commencement of the Company Overtime Work referred to in the   
applicable Company Overtime Notice (each, a “Customer Deferral Notice”),

Company shall defer the scheduled performance of such Company Overtime Work   
and instead perform this Work during normal working hours. The foregoing   
notwithstanding, Company shall not be required to provide a Company Overtime   
Notice, nor shall Company be required to comply with any Customer Deferral   
Notice, with respect to any Company Overtime Work that is reasonably required

(i) due to emergency circumstances, (ii) for safety, security or reliability reasons   
(including, without limitation, to protect any facility(ies) from damage or to protect   
any person(s) from injury), (iii) to return any facility(ies)to service in accordance   
with applicable standards, (iv) to complete construction, engineering, or testing   
and commissioning activities necessary to meet Customers in-service date; or (v)   
to comply with Good Utility Practice or any Applicable Requirement. For the   
avoidance of doubt: in no event shall the Company be obligated or required to   
perform Work outside of normal working hours if the Company determines that   
such performance would be unreasonable, unsafe or otherwise not in compliance   
with Good Utility Practice.

5.2 If Customer requests, and the Company agrees, to work outside normal working

hours due to delays in the Project schedule or for other reasons, Company shall be entitled to recover all resulting costs as part of Company Reimbursable Costs.

5.3 The Projected Milestone Schedule is set forth in Exhibit B, attached hereto and

incorporated herein by reference. The Projected Milestone Schedule is a projection only and is subject to change. Neither Party shall be liable for failure to meet the Preliminary Milestone Schedule, any milestone, or any other projected or preliminary schedule in connection with this Agreement or the Project.

5.4 Anything in this Agreement to the contrary notwithstanding, Company shall not be

obligated to proceed with any Work until all of the following conditions have been

satisfied:

(i) all Required Approvals for the Work have been received, are in

form and substance satisfactory to the Parties, have become final   
 and non-appealable and commencement of the Work is permitted   
 under the terms and conditions of such Required Approvals, and (ii) all Company Reimbursable Costs invoiced to date have been paid   
 in full to Company.

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6.0 Estimate Only; Customer Obligation to Pay Company Reimbursable Costs.

6.1 The current good faith estimate of the Company Reimbursable Costs, exclusive of

any applicable taxes, is Six Hundred Eighty-two Thousand Dollars ($682,000). (the “Work Cost Estimate”). The Work Cost Estimate is an estimate only and shall not limit Customer’s obligation to pay Company for all Company Reimbursable Costs actually incurred by Company or its Affiliates.

7.0 Payment

7.1 Customer shall pay or reimburse Company for all Company Reimbursable Costs.

The Company shall invoice Customer for an initial prepayment of Three Hundred Forty-One Thousand Dollars ($341,000) ("Initial Prepayment") and Customer shall pay the Initial Prepayment to Company within five (5) Days of the invoice due date. Company shall not be obligated to commence Work under this Agreement prior to receiving the Initial Prepayment.

7.2 Company may periodically invoice Customer for Company Reimbursable Costs

incurred. Each invoice will contain reasonable detail sufficient to show the   
invoiced Company Reimbursable Costs incurred by line item. Company is not   
required to issue periodic invoices to Customer and may elect, in its sole   
discretion, to continue performance hereunder after the depletion of the Initial   
Prepayment or any subsequent prepayment, as applicable, and invoice Customer   
at a later date. Except as otherwise expressly provided for in this Agreement, all   
invoices shall be due and payable thirty (30) Days from date of invoice. If any   
payment due under this Agreement is not received within five (5) Days after the   
applicable invoice due date, the Customer shall pay to the Company interest on   
the unpaid amount at an annual rate equal to two percent (2%) above the prime   
rate of interest from time to time published under “Money Rates” in The Wall   
Street Journal (or if at the time of determination thereof, such rate is not being   
published in The Wall Street Journal, such comparable rate from a federally   
insured bank in New York, New York as the Company may reasonably   
determine), the rate to be calculated daily from and including the due date until   
payment is made in full. In addition to any other rights and remedies available to   
Company, if any payment due from Customer under this Agreement is not   
received within five (5) Days after the applicable invoice due date, Company may   
suspend any or all Work pending receipt of all amounts due from Customer. Any   
such suspension shall be without recourse or liability to Company.

7.3 Each month during the term of this Agreement, the Company shall provide

Customer with a report (each, a “Monthly Report”) containing (i) unless invoiced,   
the Company’s current estimate of the Company Reimbursable Costs incurred in   
the prior calendar month, and (ii) the Company’s current forecast (20% to 40%   
variance) of the Company Reimbursable Costs expected to be incurred in the next   
calendar month, provided, however, that such Monthly Reports (and any

forecasted or estimated amounts reflected therein) shall not limit Customer’s

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obligation to pay Company for all Company Reimbursable Costs actually incurred by Company or its Affiliates.

7.4 If Customer claims exemption from sales tax, Customer agrees to provide

Company with an appropriate, current and valid tax exemption certificate, in form and substance satisfactory to Company, relieving Company from any obligation to collect sales taxes from Customer (“Sales Tax Exemption Certificate”). During the term of this Agreement, Customer shall promptly provide Company with any modifications, revisions or updates to the Sales Tax Exemption Certificate or to Customer's exemption status. If Customer fails to provide an acceptable Sales Tax Exemption Certificate for a particular transaction, Company shall add the sales tax to the applicable invoice to be paid by Customer.

7.5 Company shall maintain reasonably detailed records to document the Company

Reimbursable Costs. So long as a request for access is made within one (1) year   
of completion of the Work, Customer and its chosen auditor shall, during normal   
business hours and upon reasonable advanced written notice of not less than ten

(10) days, be provided with access to such records for the sole purpose of verification by Customer that the Company Reimbursable Costs have been incurred by Company.

7.6 Company’s invoices to Customer for all sums owed under this Agreement shall be

sent to the individual and address specified below, or to such other individual and   
address as Customer may designate, from time to time, by written notice to the   
Company :

Name: Michael J. Thorn

Manager, FERC and Wholesale Connections Support

Address: 76 South Main A-GO-10

Akron, Ohio 44308

7.7 All payments made under this Agreement shall be made in immediately available

funds.

Company’s contact for payment matters is:

Name: Todd Foster

Address: NYSEG

18 Link Dr.

Binghamton, NY 13902-5224

Payments to the Company shall be made by wire transfer or automated clearing house (ACH) to:

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Wire Payment: Citibank, N.A

ABA#: 021000089

Account# 00040387

8.0 Final Payment

8.1 Following completion of the Work, the Company shall perform an overall

reconciliation of the total of all Company Reimbursable Costs to the invoiced   
costs previously paid to Company by Customer under this Agreement (“Total   
Payments Made”). If the total of all Company Reimbursable Costs is greater than   
the Total Payments Made, the Company shall provide a final invoice to Customer   
for the balance due to the Company under this Agreement (the “Balance

Amount”). If the Total Payments Made is greater than the total of all Company   
Reimbursable Costs, Company shall reimburse the difference to Customer   
(“Reimbursement Amount”). The Reimbursement Amount or Balance Amount, as   
applicable, shall be due and payable upon final reconciliation but no later than   
sixty (60) Days after such reconciliation. Any portion of the Balance Amount or   
Reimbursement Amount, as applicable, remaining unpaid after that time shall be   
subject to interest as calculated pursuant to Section 7.2 of this Agreement.

9.0 Customer’s Responsibilities

9.1 If and to the extent applicable or under the control of the Customer, Customer

shall provide complete and accurate information regarding requirements for the Project and the Site(s), including, without limitation, constraints, space requirements, underground or hidden facilities and structures, and all applicable drawings and specifications.

9.2 Customer shall prepare, file for, and use commercially reasonable efforts to obtain

all Required Approvals necessary to perform its obligations under this

Agreement.

9.3 Customer shall reasonably cooperate with Company as required to facilitate

Company’s performance of the Work.

10.0 Meetings

10.1 Each Party’s Project Manager shall attend Project meetings at times and places

mutually agreed to by the Parties, which meetings shall be held at least monthly by teleconference or in person as agreed to by the Project Managers.

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11.0 Disclaimers

11.1 THE COMPANY IS NOT IN THE BUSINESS OF PERFORMING DESIGN,

ENGINEERING OR CONSTRUCTION SERVICES FOR PROFIT AND IS   
NOT RECEIVING ANY FEE OR PROFIT (AS CONTRASTED WITH COST   
REIMBURSEMENT) FOR ITS PERFORMANCE OF THE WORK   
HEREUNDER. THE EXCLUSIVE REMEDY GRANTED TO CUSTOMER   
FOR ANY ALLEGED FAILURE OF COMPANY TO MEET THE   
PERFORMANCE STANDARDS OR REQUIREMENTS CONTAINED IN   
THIS AGREEMENT IS AS SET FORTH IN SECTION 3.2. COMPANY   
MAKES NO WARRANTIES, REPRESENTATIONS, OR GUARANTEES IN   
CONNECTION WITH THIS AGREEMENT, ANY PROJECT, OR ANY WORK   
OR SERVICES PERFORMED IN CONNECTION THEREWITH, WHETHER   
WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, INCLUDING,   
WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF   
MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE,   
ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED AND   
DISCLAIMED. CUSTOMER ACKNOWLEDGES AND AGREES THAT ANY   
WARRANTIES PROVIDED BY ORIGINAL MANUFACTURERS,   
LICENSORS, OR PROVIDERS OF MATERIAL, EQUIPMENT, SERVICES   
OR OTHER ITEMS PROVIDED OR USED IN CONNECTION WITH THE   
WORK, INCLUDING ITEMS INCORPORATED IN THE WORK (“THIRD   
PARTY WARRANTIES”), ARE NOT TO BE CONSIDERED WARRANTIES   
OF THE COMPANY AND THE COMPANY MAKES NO   
REPRESENTATIONS, GUARANTEES, OR WARRANTIES AS TO THE   
APPLICABILITY OR ENFORCEABILITY OF ANY SUCH THIRD PARTY   
WARRANTIES.

11.2 Notwithstanding any other provision of this Agreement, this Article shall survive

the termination, cancellation or expiration of this Agreement.

12.0 Liability and Indemnification

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12.1 To the fullest extent permitted by applicable law (including, without limitation,

the applicable provisions of any governing federal or state tariff), a Party (the   
“Indemnifying Party”) shall indemnify and hold harmless, and defend the other   
Party, its parents and Affiliates and their respective contractors, officers, directors,   
servants, agents, representatives, and employees (each, individually, an

“Indemnified Party” and, collectively, the “Indemnified Parties”), from and

against any and all liabilities, damages, losses, costs, expenses (including, without   
limitation, any and all reasonable attorneys’ fees and disbursements), causes of   
action, suits, liens, claims, damages, penalties, obligations, demands or judgments   
of any nature, including, without limitation, for death, personal injury and   
property damage, economic damage, and claims brought by third parties for   
personal injury and/or property damage (collectively, “Damages”), incurred by   
any Indemnified Party to the extent caused by the negligence, unlawful act or   
omission, or intentional misconduct of the Indemnifying Party, its Affiliates,   
third-party contractors, or their respective officers, directors, servants, agents,   
representatives, and employees, arising out of or in connection with this   
Agreement, the Project, or any Work, except to the extent such Damages are   
caused by the negligence, intentional misconduct or unlawful act of the   
Indemnified Party or its contractors, officers, directors, servants, agents,   
representatives, or employees.

12.2 Each Party shall defend, indemnify and save harmless the other Party, its parents

and Affiliates and their respective contractors, officers, directors, servants, agents, representatives, and employees, from and against any and all liabilities, losses, costs, counsel fees, expenses, damages, judgments, decrees and appeals resulting from any charge or encumbrance in the nature of a laborer’s, mechanic’s or materialman’s lien (collectively, “Liens”) asserted by any of the Indemnifying Party’s subcontractors or suppliers in connection with the Work or the Project, except to the extent such Liens are caused by the negligence, intentional misconduct or unlawful act of the Indemnified Party or its contractors, officers, directors, servants, agents, representatives, or employees.

12.3 Customer shall defend, indemnify and hold harmless Company and its Affiliates

from and against the cost consequences of any tax liability imposed against or on Company and/or its Affiliates as the result of payments, and/or real or personal property transfers, made in connection with this Agreement, as well as any related interest and penalties, other than interest and penalties attributable to any delay directly caused by Company or the applicable Company Affiliate.

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12.4 Prior to the start of construction activities hereunder by Company, Company’s

total cumulative liability to Customer and its Affiliates for all claims of any kind,   
whether based upon contract, tort (including negligence and strict liability), or   
otherwise, for any loss, injury, or damage connected with, or resulting from, this   
Agreement, the Project or the Work, shall be capped at an amount not to exceed   
the total of all Company Reimbursable Costs actually paid to Company by   
Customer under this Agreement. Following commencement of construction   
activities by Company hereunder, Company’s total cumulative liability to   
Customer and its Affiliates for all claims of any kind, whether based upon   
contract, tort (including negligence and strict liability), or otherwise, for any loss,   
injury, or damage connected with, or resulting from, this Agreement, the Project   
or the Work, shall be capped at an amount not to exceed the greater of: (a) fifty   
percent (50%) of the total estimated costs of the Work to be performed by   
Company under this Agreement; or (b) the total of all Company Reimbursable   
Costs actually paid to Company by Customer under this Agreement. For the   
avoidance of doubt, any initial pre-payment amount paid by Customer to   
Company under this Agreement shall be included in the estimated and actual costs   
in determining the cumulative liability cap above.

12.5 Neither Party shall be liable to the other Party for consequential, indirect, special,

incidental, multiple, or punitive damages (including, without limitation, attorneys’ fees or litigation costs) in connection with or related to this Agreement, including, without limitation, damage claims based on causes of action for breach of contract, tort (including negligence), or any other theory of recovery, whether or not (i) such damages were reasonably foreseeable or (ii) the Parties were advised or aware that such damages might be incurred.

12.6 Neither Party shall be liable to the other Party for claims or damages for lost

profits, delays, loss of use, business interruption, or claims of customers, whether   
such claims are categorized as direct or consequential damages, or whatever the   
theory of recovery, and whether or not (i) such damages were reasonably

foreseeable or (ii) the Parties were advised or aware that such damages might be incurred.

12.7 Anything in this Agreement to the contrary notwithstanding, neither Party shall be

responsible for any failure or inability to perform hereunder to the extent such failure or inability is caused by the negligence of the other Party (including any contractor of such Party or any person or entity for whom such Party is legally responsible) or of any third party (other than a subcontractor of the Party that is unable or failing to perform hereunder).

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12.8 For the avoidance of doubt: neither Party, as applicable, shall have any

responsibility or liability under this Agreement for any delay in performance or   
nonperformance to the extent such delay in performance or nonperformance is   
caused by or results from (a) the inability or failure of the other Party or its   
contractors to cooperate or to perform any tasks or responsibilities contemplated   
to be performed or undertaken by such other Party under this Agreement, (b) any   
unforeseen conditions or occurrences beyond the reasonable control of the Party   
(including, without limitation, conditions of or at the site of the Work, delays in   
shipments of materials and equipment and the unavailability of materials), (c) the   
inability or failure of Customer and Company to reach agreement on any matter   
requiring their mutual agreement under the terms of this Agreement, or (d) any   
valid order or ruling by any governmental agency or authority having jurisdiction   
over the subject matter of this Agreement.

12.9 Notwithstanding any other provision of this Agreement, this Article shall survive   
 the termination, cancellation or expiration of this Agreement.

13.0 Employee Claims; Insurance

13.1 The Company elects to self-insure to maintain the insurance coverage amounts set

forth in Exhibit C of this Agreement.

13.2 Prior to commencing Work on the Project and during the term of this Agreement,

the Customer, at its own cost and expense, shall procure and maintain insurance   
in form and amounts set forth in Exhibit C of this Agreement, or Customer may   
self-insure to the extent authorized or licensed to do so under the applicable laws   
of the State of New York. [Customer hereby elects to self-insure to maintain

the insurance coverage amounts set forth in Exhibit C of this Agreement.]

13.3 Except to the extent Customer self-insures in accordance with Section 13.2

hereof, the Customer shall have its insurer furnish to the Company certificates of insurance, on forms approved by the Insurance Commissioner of the State of New York, evidencing the insurance coverage required by this Article, such certificates to be provided prior to commencement of Work.

13.4 Each Party shall be separately responsible for insuring its own property and   
 operations.

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14.0 Assignment and Subcontracting

14.1 Either Party may assign this Agreement, or any part thereof, to any of its

Affiliates provided such assignee Affiliate agrees in writing to be bound by the   
terms and conditions of this Agreement. Any assignment of this Agreement in   
violation of the foregoing shall be voidable at the option of the non-assigning   
Party. Each Party has the right to subcontract some or all of the work to be   
performed by such Party under the terms of this Agreement. Each Party may also   
use the services of its Affiliates in connection with its performance under this   
Agreement. Customer agrees that the costs and expenses of such Affiliates or   
contractors charged to or incurred by Company shall be paid by Customer as part   
of the Company Reimbursable Costs.

15.0 Independent Contractor; No Partnership; No Agency; No Utility Services

15.1 Company and Customer shall be independent contractors. This Agreement shall

not be interpreted or construed to create an association, joint venture, agency   
relationship, or partnership between 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 be an agent or representative of, or to otherwise bind, the other Party. This   
Agreement is not an agreement to provide or take utility services of any kind,   
including, without limitation, interconnection or other electric transmission   
services.

16.0 Examination, Inspection and Witnessing

16.1 Subject to Customer’s and its representatives’ compliance with Company’s

security, safety, escort and other access requirements, the Customer and/or its   
representatives shall have the right to inspect and examine the Work, or witness   
any test with respect to the Work, from time to time, when and as mutually agreed   
by the Parties, at Customer’s sole cost and expense, and with reasonable prior   
notice to Company. Unless otherwise agreed between the Parties, such   
inspections, examinations and tests shall be scheduled during normal business   
hours.

17.0 Safety

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17.1 Each Party shall be solely responsible for the safety and supervision of its own

employees, representatives and contractors involved with the Work or any other   
activities contemplated by this Agreement. In connection with the activities   
contemplated by this Agreement, each Party shall, and shall require its   
representatives, contractors, and employees to, comply with all applicable   
Federal, state and local health and safety requirements, rules, regulations, laws   
and ordinances, including without limitation, the safety regulations adopted under   
the Occupational Safety and Health Act of 1970 (“OSHA”), as amended from   
time to time. While on the property (including, without limitation, easements or   
rights of way) of, or accessing the facilities of, the other Party, each Party’s   
employees and/or contractors and agents shall at all times abide by the other   
Party’s safety standards and policies, switching and tagging rules, and escort and   
other applicable access requirements. The Party owning or controlling the   
property or facilities shall have the authority to suspend the other Party’s access,   
work or operations in and around such property or facilities if, in its sole   
judgment, at any time hazardous conditions arise or any unsafe practices are being   
followed by the other Party’s employees, agents, representatives or contractors.

18.0 Approvals, Permits and Easements

18.1 The actual cost of obtaining all Required Approvals obtained by or on behalf of

the Company shall be paid for by Customer as part of Company Reimbursable

Costs.

19.0 Environmental Protection; Hazardous Substances or Conditions

19.1 Except as provided below, Company shall not be liable to Customer, its affiliates

or contractors, their respective officers, directors, employees, agents, servants, or   
representatives, or any third party with respect to, or in connection with, the   
presence of any Hazardous Substances which may be present at or on any portion   
of Company’s owned, occupied, used, or operated property or facility (including,   
without limitation, easements, rights-of-way, or other third-party property).

19.2 Company shall cooperate with Customer in the course of Customer’s real

property related due diligence. Such cooperation shall include, but not be limited to, access to the ROW by Customer personnel or consultants for the purpose of conducting environmental site assessments or “all-appropriate inquires.”

19.3 Customer shall notify Company during the construction of any of the Project

facilities of any known Hazardous Substances, or unsafe, dangerous, or potentially dangerous, conditions or structures, whether above-ground or underground, that are present on, under, over, or in Customer’s owned, occupied, used, managed or operated facilities or property (including, without limitation, easements, rights-of-way, or other third-party property) to be used or accessed in connection with the Work or this Agreement.

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19.4 In connection with the activities contemplated by this Agreement, each Party

shall, and shall require its representatives, contractors, and employees to, comply with all applicable Federal, state and local environmental protection and compliance requirements, rules, regulations laws and ordinances.

19.5 Company will not be liable to Customer with respect to any Hazardous

Substances which may be on any Customer or third party property (including,   
without limitation, easements, rights-of-way, or other third-party property) that   
Company may discover, release, or generate through no negligent or unlawful act   
of Company, and Company disclaims any liability to the fullest extent allowed by   
applicable law. Customer agrees to hold harmless, defend, and indemnify   
Company from and against any claims and/or liability in connection with, relating   
to, or arising out of (i) the presence, discovery, release, threat of release or

generation of Hazardous Substances on Customer owned or lease property, or (ii) the breach of any Federal, state, or local laws, rules, regulations, codes, or ordinances relating to the environment, except to the extent directly and solely caused by the negligent or unlawful act of Company.

19.6 Except with regard to improvements required at the Site, Customer will be

responsible for obtaining any environmental permits or other authorizations necessary for the construction of the Project facilities, including, without limitation any permits required by the U.S. Army Corp of Engineers, and shall also be responsible for satisfying any mitigation requirements associated with such permits and authorizations.

20.0 Suspension of Work

20.1 Subject to Section 20.2, below, Customer may interrupt, suspend, or delay the

Work by providing written notice to the Company specifying the nature and expected duration of the interruption, suspension, or delay. Company will use commercially reasonable efforts to suspend performance of the Company Work as requested by Customer. Customer shall be responsible to pay Company (as part of Company Reimbursable Costs) for all costs incurred by Company that arise as a result of such interruption, suspension or delay.

20.2 As a precondition to the Company resuming the Work following a suspension

under Section 20.1, the Projected Milestone Schedule and the Work Cost Estimate shall be revised as mutually agreed by the Parties to reflect the interruption, suspension, or delay. Adjustments to the Company Reimbursable Costs shall include any costs or expenses the Company incurs as a result of the interruption, suspension, or delay.

21.0 Right to Terminate Agreement

21.1 If either Party (the “Breaching Party”) (a) fails to pay any amount when due

under the terms of this Agreement or fails to comply with or perform, in any

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material respect, any of the other terms or conditions of this Agreement; (b) sells   
or transfers all or substantially all of its assets; (c) enters into any voluntary or   
involuntary bankruptcy proceeding or receivership; or (d) makes a general

assignment for the benefit of its creditors, then the other Party (the “Non-

Breaching Party”) shall have the right, without prejudice to any other right or   
remedy and after giving five (5) Days’ written prior notice to the Breaching Party   
and a reasonable opportunity for cure (not to exceed thirty (30) Days in the case   
of a failure to pay amounts when due), to terminate this Agreement, in whole or in   
part, and thereupon each Party shall discontinue its performance hereunder to the   
extent feasible and make every reasonable effort to procure cancellation of   
existing Work- and/or Project- related commitments, orders and contracts upon   
terms that are reasonably expected to minimize all associated costs. However,   
nothing herein will restrict Company’s ability to complete aspects of the Work   
that Company must reasonably complete in order to return its facilities and the   
Sites to a configuration in compliance with Good Utility Practice and all   
Applicable Requirements. The Non-Breaching Party shall also have the right to   
pursue any and all rights it may have against the Breaching Party under applicable   
law, subject to other applicable terms and conditions of this Agreement   
(including, without limitation, any applicable limitations on liability contained   
herein).

21.2 In the event of any early termination or cancellation of the Work as contemplated

in this Agreement, Customer shall pay Company for the Company Reimburseable Costs set forth below, except if the early termination or cancellation is a result of a breach by Company, the costs indicated in subparagraphs (iii) and (iv) below shall not be considered Company Reimburseable Costs and Customer shall not be required to pay such costs:

(i) all Company Reimbursable Costs for Work performed on or before the effective date of termination or cancellation;

(ii) all other Company Reimbursable Costs incurred by Company in   
connection with the Work prior to the effective date of termination or   
cancellation, including, without limitation, for materials, equipment, tools,   
construction equipment and machinery, engineering and other items,   
materials, assets or services which cannot reasonably be avoided, mitigated or   
cancelled;

(iii) all Company Reimbursable Costs incurred to unwind Work that was   
performed prior to the effective date of termination or cancellation to the   
extent reasonably necessary to return Company’s facilities to a configuration   
in compliance with Good Utility Practice and all Applicable Requirements;

(iv) all Company Reimbursable Costs arising from cancellation costs relating to orders or contracts entered into in connection with the Work prior to the effective date of termination or cancellation; and

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(v) all Company Reimbursable Costs arising from demobilization expenses incurred by Company which cannot be reasonably avoided or mitigated.

22.0 [Reserved]

23.0 Force Majeure

23.1 A “Force Majeure Event” shall include fire, flood, windstorm, adverse weather

conditions, emergencies, explosion, terrorism, riot, war, sabotage, acts of God,   
strikes or labor slow-downs, court injunction or order, federal and/or state law or   
regulation, delays by governmental authorities in approving regulatory, license   
and permit requests necessary in connection with the Work or Project, or order by   
any federal or state regulatory agency, or other causes, conditions or   
circumstances beyond the affected Party’s reasonable control. Without limiting   
the foregoing, a “Force Majeure Event” shall also include unavailability of

personnel, equipment, supplies, or other resources (“Resources”) due to diversion of such Resources for other utility-related duties in connection with an emergency or other similar contingency, including, without limitation, storms or other adverse weather conditions.

If a Force Majeure Event should occur and impair the ability of either or both   
Parties to perform its, or their respective, obligations hereunder, then, to the extent   
affected by such Force Majeure Event, the performance of this Agreement, with   
the exception of payment obligations, shall be suspended for the duration of such   
Force Majeure Event. At the conclusion of a Force Majeure Event, the price and   
time for performance under this Agreement shall be adjusted as reasonably   
necessary to overcome the effect of the delay occasioned by such Force Majeure   
Event. The foregoing notwithstanding and with the exception of payment   
obligations, if, as the direct or indirect result of any Force Majeure Event, the   
Parties’ continued performance hereunder becomes irreparably impaired or   
prevented, the Parties may mutually agree to terminate this Agreement, in whole   
or in part, with no further obligation or liability; provided, however, that,   
notwithstanding any such termination, Customer shall pay the Company all of the   
Company’s Company Reimbursable Costs in accordance with Section 21.2 of this   
Agreement.

23.2 Within thirty (30) Days after the termination of any delay occasioned by a Force

Majeure Event, the affected Party shall give written notice to the other Party specifying the estimated impact of the delay.

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23.3 For the avoidance of doubt: to the extent any Party has a payment obligation

pursuant to the terms of this Agreement, such payment obligation shall not be   
subject to or conditioned upon such Party receiving funding or reimbursement   
from any third party (and any failure to secure such funding or reimbursement   
shall not constitute a Force Majeure Event), nor shall any such obligation be   
conditioned upon the other Party executing any certificates or other instruments   
not expressly and specifically required by the terms of this Agreement.

24.0 [Reserved]

25.0 Proprietary and Confidential Information

25.1 Each Party acknowledges that, in the course of the performance of this

Agreement, it may have access to Proprietary Information of the other Party.

25.2 General Restrictions. Upon receiving Proprietary Information, the Recipient and

its Representatives shall keep in strict confidence and not disclose to any person   
(with the exception of the Representatives of the Recipient, to the extent each   
such Representative has a need to know in connection herewith) any of the   
Disclosing Party’s Proprietary Information except as otherwise provided by the   
terms and conditions of this Agreement. The Recipient and its Representatives   
shall not use such Proprietary Information except for the purposes identified   
herein without the prior written approval of the Disclosing Party. The Recipient   
shall be solely liable for any breach of this Section to the extent caused by its   
Representatives. Customer agrees that any Proprietary Information will be used   
solely for the Project and will not be used, either directly or indirectly, for the   
Customer's financial gain and/or commercial advantage or in violation of any   
applicable laws, rules or regulations.

25.3 Exceptions. Subject to Section 25.4 hereof, the Recipient shall not be precluded

from, nor liable for, disclosure or use of Proprietary Information that:

25.3.1 is in or enters the public domain, other than by a breach of this   
 Section; or

25.3.2 is known to the Recipient or its Representatives at the time of first   
 disclosure hereunder, or thereafter becomes known to the   
 Recipient or its Representatives subsequent to such disclosure   
 without similar restrictions from a source other than the   
 Disclosing Party, as evidenced by written records; or

25.3.3 is developed by the Recipient or its Representatives independently   
 of any disclosure under this Agreement, as evidenced by written   
 records; or

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25.3.4 is disclosed more than three (3) years after first receipt of the   
 disclosed Proprietary Information, or three (3) years after the

termination or expiration of this Agreement, whichever occurs later (the “Non-Disclosure Term”); or

25.3.5 is disclosed following receipt of the Disclosing Party’s written   
 consent to the disclosure of such Proprietary Information; or

25.3.6 is necessary to be disclosed, in the reasonable belief of the   
 Recipient or its Representatives, for public safety reasons,   
 provided, that, Recipient has attempted to provide as much   
 advance notice of the disclosure to the Disclosing Party as is   
 practicable under the circumstances.

Anything in this Article or the Agreement to the contrary notwithstanding, the   
Recipient or its Representative(s) may disclose Proprietary Information of the   
other Party to the extent the Recipient or its Representative(s) is required to do so   
by law, by a court, or by other governmental or regulatory authorities; provided,   
however, that, if permitted to do so by applicable law, the Recipient shall give the   
Disclosing Party written notice of any such required disclosure prior to such   
disclosure being made so that the Disclosing Party may seek a protective order   
with respect to such Proprietary Information. Recipient will reasonably cooperate   
with the Disclosing Party’s efforts to obtain such protective order.

25.4 Each Party acknowledges that information and/or data disclosed under this

Agreement may include “critical energy infrastructure information” under

applicable FERC rules and policies (“CEII”). Recipient shall, and shall cause its   
Representatives to, strictly comply with any and all laws, rules and regulations   
(including, without limitation, FERC regulations, rules, orders and policies)   
applicable to any such CEII disclosed by or on behalf of Disclosing Party or that   
relates to any of Disclosing Party’s or Disclosing Party’s Affiliates’ facilities.

Neither the Recipient nor its Representatives shall divulge any such CEII to any   
person or entity, directly or indirectly, unless permitted to do so by law and unless   
the Recipient has first obtained, in each case, the express specific written consent   
of the Disclosing Party and any affected Affiliate of the Disclosing Party. In any   
event, to the extent that the Recipient or any of its Representatives seeks or is   
ordered to submit any such CEII to FERC, a state regulatory agency, court or   
other governmental body, the Recipient shall, in addition to obtaining the   
Disclosing Party’s and its Affiliate’s prior written consent (as applicable), seek a   
protective order or other procedural protections to ensure that such information is   
accorded CEII status and is otherwise treated as confidential.

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In the case of any Proprietary Information that is CEII, Recipient’s obligations   
and duties under this Article shall survive until (i) the expiration of the Non-  
Disclosure Term, or (ii) the date on which such CEII is no longer required to be   
kept confidential under applicable law, whichever is later. With respect to CEII,   
in the event of any conflict or inconsistency between this Section and any other   
term or provision of this Agreement, this Section shall govern in connection with   
such CEII.

25.5 Notwithstanding any provision of this Agreement to the contrary, all assets,

equipment and facilities procured or constructed by or on behalf of Company, and all plans, designs, specifications, drawings and other materials and documents created or prepared by or for Company, in connection with the Work, and all title, copyright, intellectual property and other rights therein, shall be and remain the sole property of Company.

25.6 This Article shall survive any termination, expiration or cancellation of this

Agreement.

26.0 Governing Law; Effect of Applicable Requirements

26.1 This Agreement is made and shall be interpreted, construed, governed, and

enforced in accordance with the laws of the State of New York, without reference to such State’s conflict-of-laws doctrine. The Company and Customer agree to submit to the personal jurisdiction of the courts in the State of New York, or the Federal District courts in the State of New York, as permitted by law, with respect to any matter or dispute arising out of this Agreement.

26.2 If and to the extent a Party is required or prevented or limited in taking any action

or performance with respect to this Agreement by any Applicable Requirement(s),

such Party shall not be deemed to be in breach of this Agreement as a result of

such compliance with the Applicable Requirement(s).

27.0 Miscellaneous

27.1 Project Managers. Promptly following the Effective Date, each Party shall

designate a Project Manager and shall provide the other Party with a written   
notice containing the name and contact information of such Project Manager.   
Whenever either Party is entitled to approve a matter, the Project Manager for the   
Party responsible for the matter shall notify the Project Manager of the other Party   
of the nature of such matter. The Project Managers shall discuss such matter, and   
each Project Manager shall confer on such matter on behalf of his/her Party. The   
foregoing notwithstanding, in no event shall any Project Manager be authorized to   
amend or modify the provisions of this Agreement or waive the enforcement or   
non-performance of any term or condition of this Agreement. Each Party may   
change its Project Manager, from time to time, by written notice to the other   
Party.

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27.2 Dispute Resolution. Any dispute arising under this Agreement shall be the

subject of good-faith negotiations between the Parties. Each Party shall designate   
one or more representatives with the authority to negotiate the matter in dispute   
for the purpose of participating in such negotiations. Unless a Party identifies   
exigent circumstances reasonably requiring expedited resolution of the dispute by   
a court or agency with jurisdiction over the dispute, any dispute that is not   
resolved through good-faith negotiations after a negotiation period of not less than   
thirty (30) Days may be submitted by either Party for resolution to a court or to an   
agency with jurisdiction over the dispute. Notwithstanding the foregoing, any   
dispute arising under this Agreement may be submitted to non-binding arbitration   
or any other form of alternative dispute resolution upon the agreement of both   
Parties to participate in such an alternative dispute resolution process.

27.3 Compliance with Law. Each Party shall comply, at all times, with all Applicable

Requirements in connection with this Agreement and performance hereunder. Such compliance shall include, among other things, compliance with all applicable wage and hour laws and regulations and all other laws and regulations dealing with or relating to the employment of persons, and the payment of contributions, premiums, and taxes required by such laws and regulations. For the avoidance of doubt: neither Party shall be required to undertake or complete any action or performance under this Agreement that is inconsistent with such Party’s standard safety practices, its material and equipment specifications, its design criteria and construction procedures, its labor agreements, Good Utility Practice and/or any Applicable Requirement(s).

27.4 Form and Address. All notices, invoices and other communications from either

Party to the other hereunder shall be in writing and shall be deemed received (i)   
upon actual receipt when personally delivered, (ii) upon acknowledgment of   
receipt if sent by facsimile, (iii) upon the expiration of the third (3rd) business Day   
after being deposited in the United States mails, postage prepaid, certified or   
registered mail, or (iv) upon the expiration of one (1) business Day after being   
deposited during the regular business hours for next-day delivery and prepaid for   
overnight delivery with a national overnight courier, addressed to the other Party.   
Each Party may change its address by giving the other Party notice thereof in   
conformity with this Section. Any payments made under this Agreement, if made   
by mail, shall be deemed to have been made on the date of receipt thereof.

27.5 Exercise of Right. No failure or delay on the part of either Party in exercising

any right, power, or privilege hereunder, and no course of dealing between the Parties, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

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27.6 Headings. The descriptive headings of the several Articles, Sections, and

paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement. Such headings shall not in any way define or affect the meaning, construction, or scope of any of the provisions hereof.

27.7 Incorporation of Schedules and Exhibits. The schedules, attachments and

exhibits referenced in and attached to this Agreement shall be deemed an integral   
part hereof to the same extent as if written in whole herein. In the event that any   
inconsistency exists between the provisions of this Agreement and any schedules,   
attachments or exhibits attached hereto, the provisions of this Agreement shall   
supersede the provisions of any such schedules, attachments or exhibits.

27.8 Prior Agreements; Modifications. This Agreement and the schedules,

attachments and exhibits attached hereto constitute the entire agreement between   
the Parties with respect to the subject matter hereof, and supersede all previous   
understandings, commitments, or representations concerning such subject matter.   
Each Party acknowledges that the other Party has not made any representations   
other than those that are expressly contained herein. This Agreement may not be   
amended or modified in any way, and none of its provisions may be waived,   
except by a writing signed by an authorized representative of the Party against   
whom the amendment, modification, or waiver is sought to be enforced. The   
Project Managers shall not be authorized representatives within the meaning of   
this Section.

27.9 Severability. Whenever possible, each provision of this Agreement shall be

interpreted in such manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited by, or determined to be invalid under, applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

27.10 Nouns and Pronouns. Whenever the context may require, any pronouns used in   
 this Agreement shall include the corresponding masculine, feminine, or neuter   
 forms, and the singular forms of nouns and pronouns shall include the plural, and   
 vice versa.

27.11 No Third Party Beneficiaries. Nothing in this Agreement is intended to confer   
 on any person, other than the Parties, any rights or remedies under or by reason of   
 this Agreement.

27.12 Validity; Required Regulatory Approvals.

(a) Each Party hereby represents that the provisions of this Agreement constitute valid and legally binding obligations of such Party and are enforceable in accordance with their terms.

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(b) Subject to Section 23.3 of this Agreement, the obligations of each Party

under this Agreement are expressly contingent upon (i) each Party receiving all   
licenses, permits, permissions, certificates, approvals, authorizations, consents,   
franchises and releases from any local, state, or federal regulatory agency or other   
governmental agency or authority (which may include, without limitation and as   
applicable, the NYISO and the NYPSC) or any other third party that may be   
required for such Party in connection with the performance of such Party’s   
obligations under or in connection with this Agreement (the “Required

Approvals”), (ii) each Required Approval being granted without the imposition of   
any modification or condition of the terms of this Agreement or the subject   
transactions, unless such modification(s) or condition(s) are agreed to by both   
Parties in their respective sole discretion, and (iii) all applicable appeal periods   
with respect to the Required Approvals having expired without any appeal having   
been made or, if such an appeal has been made, a full, final and non-appealable   
determination having been made regarding same by a court or other   
administrative body of competent jurisdiction, which determination disposes of or   
otherwise resolves such appeal (or appeals) to the satisfaction of both Parties in   
their respective sole discretion.

(c) Subject to Section 23.3 of this Agreement, if any application or request is   
made in connection with seeking any Required Approval and is denied, or is   
granted in a form, or subject to conditions, that either Party rejects, in its sole   
discretion, as unacceptable, this Agreement shall terminate as of the date that a   
Party notifies the other Party of such denial or rejection, in which event the   
obligations of the Parties under this Agreement shall cease as of such date and this   
Agreement shall terminate, subject to Customer’s obligation to pay Company in   
accordance with the terms of this Agreement (including, without limitation,

Section 21.2 hereof) for all Company Reimbursable Costs. All of the Company’s actual costs in connection with seeking Required Approvals shall be included within the meaning of the term Company Reimbursable Costs and shall be paid for by Customer.

27.13 Notices All formal notices, demands, or communications under this Agreement

shall be submitted in writing either by hand, registered or certified mail, or recognized overnight mail carrier to:

To Company: NYSEG

Ellen Miller

Vice President - Engineering Services   
NYSEG

83 Edison Drive,

Augusta, ME.04336 207-522-8984

ellen.miller@cmpco.com

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To Customer: FirstEnergy Service Company   
 Legal Department

76 South Main Street A-GO-15

Attn: Attorney for FERC & Wholesale Connection Support

And

Agreements Support Manager   
FirstEnergy Services Company

76 South Main street

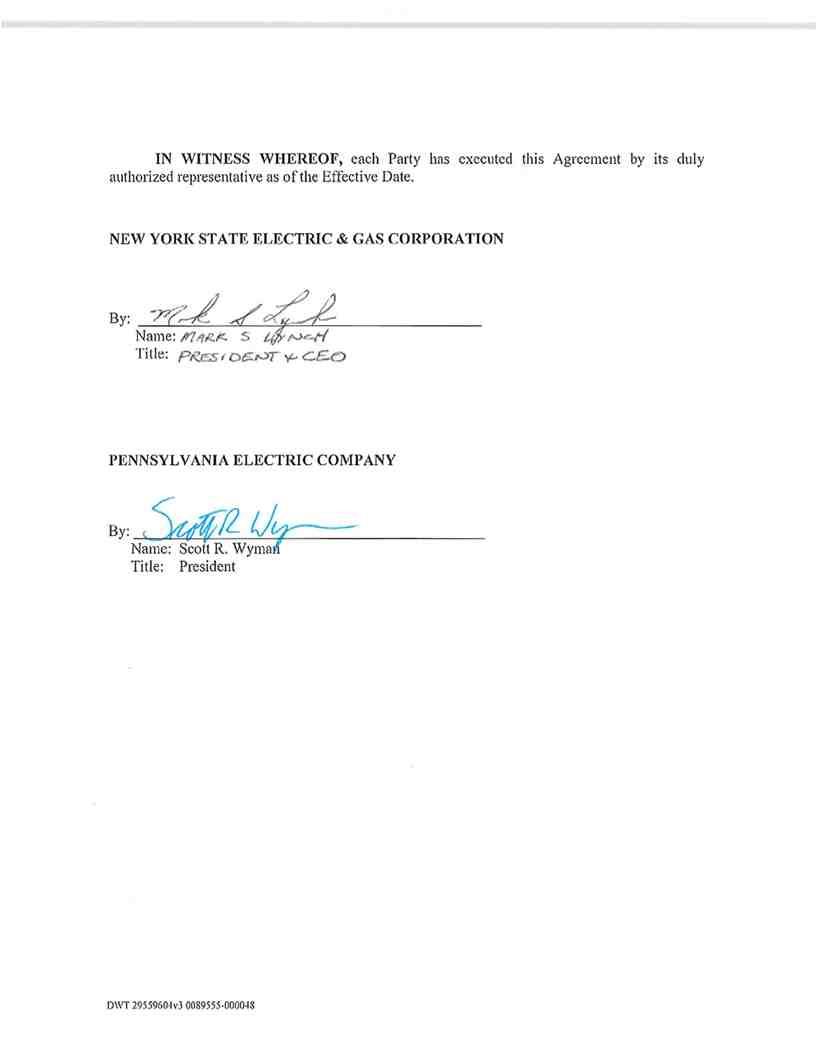
Akron, Ohio 44308

Attn: Michael J. Thorn

27.14 Counterparts. This Agreement may be executed in multiple counterparts, each   
 of which shall be considered an original. The exchange of copies of this   
 Agreement and of signature pages by facsimile or other electronic transmission   
 (including, without limitation, by e-mailed PDF) shall constitute effective   
 execution and delivery of this Agreement as to the Parties and may be used in lieu   
 of the original Agreement for all purposes. Signatures of the Parties transmitted   
 by facsimile or other electronic means (including, without limitation, by e-mailed   
 PDF) shall be deemed to be their original signatures for all purposes.

[Signatures are on following page.]

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LIST OF EXHIBITS

Exhibit A Scope of Work

Exhibit B Projected Milestone Schedule

Exhibit C Insurance Requirements

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Exhibit A: Scope of Work

General Scope Description: Based on the replacement by Penelec of the relaying on the Hillside line at East Towanda, NYSEG will replace existing relays with a new SEL 421, which will communicate via a new RFL 9785, and add an SEL 451 breaker control at the Hillside Substation. The Work to be performed by NYSEG is as follows:

A Protection:

All old electromechanical relays (50/50N FDP CHC, 21/GCY, 68/CEB, 67NC/CLPG,   
 A/W/VAR SHARK) will be replaced with SEL421 on “A” Line protection.

A new SEL451 Breaker Control relay will be added. The A Line Relay will communicate   
 through existing Power line carrier using RFL9785 with a check back system.

B Protection:

Existing Hillside Station ”B” protection relay will stay with the exception of a

modification on Cross tripping.

B protection relays will use the existing power line carrier as is.

DME: Existing DME will have to update and accommodate new relays. Key Assumptions:

No new cables will need to be run.

No integration one-line exists and therefore does not need updating. No HMI to update. Relay fail alarm will be integrated.

Equipment connected to 70PD (Line tuning CCVT) shall be verified only. Should   
 mitigation be required, that will be performed as additional scope (i.e., not included in   
 this estimate).

The changes can be incorporated within the existing footprint. The work is currently not intended to be performed in phases.

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Exhibit B: Projected Milestone Schedule

The following schedule is based on a signed CRA and money in-place. That date has been defined as “H” day.

Task Milestone Completion Date

1 Conceptual Engineering H + 1 month

2 Detailed Engineering H + 5 months (4 months)

3 Procurement H + 9 months (4 months)

4 Engineering / Construction H + 10 months (1 month)

5 Testing & Commissioning H + 11 months (1 month)

6 Closeout H + 12 months (1 month)

The dates above represent the Parties’ preliminary schedule, which is subject to adjustment, alteration, and extension.

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Exhibit C: Insurance Requirements

Workers Compensation and Employers Liability Insurance as required by the

State of New York. If required, coverage shall include the U.S. Longshore and Harbor Workers’ Compensation Act and the Jones Act.

Public Liability (Including Contractual Liability), covering all activities and

operations to be performed by it under this Agreement, with the following

minimum limits:

(A) Bodily Injury - $1,000,000/$1,000,000

Property Damage - $1,000,000/$1,000,000   
OR

(B) Combined Single Limit - $1,000,000   
 OR

(C) Bodily Injury and Property Damage per Occurrence - $1,000,000   
 General Aggregate & Product Aggregate - $2,000,000 each

Umbrella or Excess Liability, coverage with a minimum limit of $ 4,000,000.

1. Upon request, either Party shall promptly provide the requesting Party with either evidence

of insurance or certificates of insurance evidencing the insurance coverage above. Customer   
shall provide such certificates or evidence of insurance to Company at the following address:

To:

Company shall provide such certificates or evidence of insurance to Customer at the following address:

To:

2. Should any of the above-described policies be cancelled before the expiration date thereof,

notice will be delivered in accordance with the policy provisions.

3. If a party fails to secure or maintain any insurance coverage, or any insurance coverage is

canceled before the completion of all services provided under this Agreement, and such party fails immediately to procure such insurance as specified herein, then the non-defaulting party has the right but not the obligation to procure such insurance and, at its option, either bill the cost thereof to the defaulting party or deduct the cost thereof from any sum due the defaulting party under this Agreement.

4. To the extent requested, both Parties shall furnish to each other copies of any accidents

report(s) sent to the Party’s insurance carriers covering accidents or incidents occurring in

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connection with or as a result of the performance of the Work for the Project under this Agreement.

5. Each Party shall comply with any governmental and/or site-specific insurance requirements

even if not stated herein.

6. By the date that such coverage is required, each Party represents to the other that it will have

full policy limits available and shall notify each other in writing when coverages required herein have been reduced as a result of claim payments, expenses, or both.

7. Customer shall name the Company as an additional insured for all coverages except

Workers’ Compensation and Employers Liability Insurance in order to provide the Company with protection from liability arising out of activities of Customer relating to the Project and associated Work.

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