

Original Service Agreement No. 1743

**AMENDED AND RESTATED AGREEMENT
FOR THE RETAIL TRANSMISSION
OF EXPANSION POWER**

Between

**NIAGARA MOHAWK POWER CORPORATION
D/B/A NATIONAL GRID**

And

THE POWER AUTHORITY OF THE STATE OF NEW YORK

POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET ALBANY, N.Y. 12207

APPLICATION FOR ELECTRIC SERVICE

WHEREAS, the Power Authority Act as amended by Chapter 32 of the Laws of 1987 (the "Act") requires the Power Authority of the State of New York ("the Authority") to make available 250 megawatts of firm hydroelectric power and associated energy from the Niagara Power Project ("Expansion Power") to industrial customers ("Expansion Power Customers") which the Authority shall designate in accordance with the criteria set forth in the Act, and

WHEREAS, Expansion Power is generally available within 30 miles of the Niagara Project or as amended by the Act and this Agreement is limited solely to such power, and

WHEREAS, Niagara Mohawk Power Corporation d/b/a National Grid ("the Company") owns and operates transmission and distribution facilities capable of providing delivery of Expansion Power and is able to provide customer services to Expansion Power Customers, and

WHEREAS, the Company has purchased Expansion Power from the Authority for resale to Expansion Power Customers as a class since February 1961, and

WHEREAS, the Authority desires to continue to sell Expansion Power associated with Existing and Additional Allocations (as defined in Provision K below) to the Company for resale to those Expansion Power Customers designated by the Authority pursuant to agreements by and among the Authority, Company and Expansion Power Customers ("Allocation and Service Agreements"), and

WHEREAS, the Authority and the Company also desire to amend this Agreement to implement Company's Merger Joint Proposal and to reflect the restructuring of transmission services caused by the formation of the New York Independent System Operator, Inc.,

NOW THEREFORE, the Company hereby applies to the Authority for the purchase of Expansion Power associated with Existing and, as applicable, Additional Allocations for resale to Expansion Power customers pursuant to individual contracts entered into by the Authority, the Company and each Expansion Power Customer in such amounts as may be allocated from time to time by the Authority for resale under this Agreement to Expansion Power Customers within the Company's service territory.

Expansion Power capacity and energy associated with Existing and Additional Allocations shall be made available by the Authority and accepted by the Company at the Authority's Niagara Power Project switchyard. Subject to this Agreement and the Allocation and Service Agreements and their schedules, the provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the official Compilation of Codes, Rules and Regulations of the State of New York) ("the Rules"), Service Tariff No. 46 – Expansion Power Resale Service as now in effect and/or such superseding tariff(s) or other applicable tariff(s) as the Authority may later promulgate, relating to Expansion Power, all as such Rules and Service Tariff(s) may be later amended from time to time by the Authority, are hereby incorporated into this contract with the same force and effect as if herein set forth at length. As used herein, the term "Service Tariff No. 46" means such Service Tariff applicable to Expansion Power, all as may be subsequently amended and/or supplemented by the Authority. In the event of any inconsistencies, conflicts or differences between the provisions of Service Tariff No. 46 and the Rules, the provisions of Service Tariff No. 46 shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of the Application for Electric Service and Service Tariff No. 46, the provisions of the Application for Electric Service shall govern. In the event of any inconsistencies, conflicts or differences among the provisions

of the Allocation and Service Agreements, Service Tariff No. 46, the Rules or the Application for Electric Service, the Allocation and Service Agreements shall govern.

DEFINITIONS

The Authority and the Company agree that the following definitions shall apply for the purposes of this Agreement:

(a) *This Agreement* is this Original Service Agreement No. 1743, which provides for the bundled sale and transmission of Expansion Power to eligible customers of the Authority, and which shall be separate and distinct from the provisions of the EP Resale Contract governing purchases and sales of Expansion Power and associated energy that are not bundled with the delivery services provided under this Agreement.

(b) *Merger Joint Proposal* is the Company's Merger Joint Proposal filed with and approved by the New York State Public Service Commission ("the PSC") in its Opinion No. 01-6 issued December 3, 2001 in Case 01-M-0075.

(c) *Rate Plan Period* is the Rate Plan Period established by the Merger Joint Proposal.

(d) *EP Resale Contract* is the Contract for Sale for Resale of Expansion Power entered into on February 22, 1989 between the Company and the Authority governing the purchase by the Company of Expansion Power from the Authority and the Resale of such Expansion Power to eligible Expansion Power customers of the Authority, portions of which do not involve transmission services regulated by the Federal Energy Regulatory Commission ("FERC") and, consequently, are not included in or affected by any of the provisions of this Agreement.

A. Service to be Provided

1. The Authority agrees to sell and the Company agrees to purchase for resale under the provisions of this Agreement the Expansion Power and energy associated with Existing Allocations of Expansion Power as defined in Provision K below.

2. At the Authority's option, the Company also will also purchase for resale under the provisions of this Agreement Expansion Power and energy associated with Additional Allocations of Expansion Power as defined in Provision K below and for all other deliveries of Expansion Power ("New Allocations"). Alternatively, Authority may sell Expansion Power and energy associated with such Additional and New Allocations directly to the individual Expansion Power Customer receiving such allocations, in which case the Company shall provide only unbundled retail transmission service for such Additional Allocations under this Agreement, provided however that once this option is exercised by the Authority for one customer, all Additional and New Allocations thereafter made shall be sold by the Authority directly to the customer receiving such allocations.

3. Transmission service for all New Allocations shall be governed in all respects by the provisions of Part IV of the Open Access Tariff of the New York Independent System Operator, Inc. or any successor thereto ("NYISO"), as filed with the FERC and in effect from time to time ("OATT"), and the retail delivery provisions of Rate Schedules S.C. No. 2-D, S.C. No. 3, S.C. No. 3-A and S.C. No. 4 of the Company's Retail Tariff P.S.C. No. 207 – Electricity or successor thereto, approved by the PSC and in effect from time to time ("Retail Tariff"), and not by the provisions of this Agreement. Except as provided in the preceding subsection, the Company shall continue to purchase and resell any Expansion Power and energy which it is contractually obligated to purchase for resale to customers receiving such New Allocations by

the existing provisions of the EP Resale Contract governing such unbundled purchases and resales. Such purchases and resales of unbundled Expansion Power and energy shall continue to be governed by the EP Resale Contract or such other agreements as may be in effect between the Company and the Authority from time to time. With respect to such matters, the Parties have removed the provisions of the EP Resale Contract addressing such unbundled purchases and resales of Expansion Power and energy from this Agreement, which are not subject to the FERC's jurisdiction under the Federal Power Act. Accordingly, the Parties agree that their removal of these non-jurisdictional provisions from this Agreement is not intended to and does not affect in any way the continuing validity and enforceability of these non-jurisdictional provisions of the EP Resale Contract, which remain a valid and binding contract between the Company and the Authority under New York law.

4. The Company shall resell Expansion Power and energy made available to it under this Agreement to Expansion Power Customers in the amounts of their individual Existing and, as applicable, Additional Allocations, provided that it is determined prior to initiation of service or increase in allocation to any such Expansion Power customer that such Customer is capable of being served by the Company's system in the Company's judgment.

5. In connection with the resale of Existing and Additional Allocations of Expansion Power and energy, the Company shall not impose upon Expansion Power Customers conditions (other than those specifically set forth in this Agreement and the associated Expansion Power Allocation and Service Agreement and its attached Schedules A and B) which are materially different from those conditions it imposes on the Company's other customers of similar characteristics. The resale by the Company of such Expansion Power shall be in accordance with the terms and conditions provided herein. Contracts for the resale and delivery of Existing

and Additional Allocations of Expansion Power and energy by the Company shall incorporate this Agreement by reference. Such contracts shall be consistent with the terms and conditions of Provision H of this Agreement.

6. To the extent that the Authority elects to sell Expansion Power and energy associated with Additional Allocations directly to Expansion Power Customers receiving such allocations, the Company shall be relieved of any obligation to pay the Authority the charges established in Provision B of this Agreement, including without limitation the NYISO Charges as defined therein, and Expansion Power and energy associated with such Additional Allocations shall not be included in such Expansion Power Customer's demands subject to the charges established in subparts (a), (b) or (c) of part 2 of Provision H hereof or in subparts (a) or (b) of part 3 of Provision H hereof, but shall be included in such customer's demands under subparts (d) and (e) of part 2 of Provision H hereof and subparts (c) and (d) of part 3 of Provision H hereof, so that this Agreement shall not apply to sales of Expansion Power and energy associated with such Additional Allocations (which shall instead be made by the Authority directly to the customer) but shall apply to the transmission and delivery of such power and energy to such customer.

B. Payment by the Company

Except as provided in paragraph 6 of Provision A above, the Company shall pay the Authority the sum of (a), (b) and (c) below for Expansion Power capacity and associated energy delivered to the Company by the Authority under this Agreement during any billing period.

(a) The capacity charge per kilowatt for Existing and, as applicable, Additional Allocations of Expansion Power provided for in Service Tariff No. 46, applied to the

sum of the demands billed to all Expansion Power Customers under all Existing and, as applicable, Additional Allocations.

(b) The energy charge provided for in Service Tariff No. 46, or any modification thereof, applied to the sum of the energy billed to all Expansion Power Customers under all Existing and, as applicable, Additional Allocations.

(c) A charge for the recovery of transmission and NYISO costs incurred by the Authority in connection with the delivery of Existing and, as applicable, Additional Allocations as provided for in Service Tariff No. 46 (“the NYISO Charges”), including without limitation the charges imposed on the Authority by Exhibit 1, Schedule A, Section 2 of this Agreement, provided however that nothing in this Agreement shall be construed as limiting in any way any right of any Expansion Power Customer to challenge the Authority’s right to impose such charges pursuant to the Authority’s own rate-making procedures under New York Law.

Where power and energy substituted for Expansion Power and energy is delivered to the Company elsewhere, and/or metered elsewhere, appropriate adjustment of meter readings will be made to compensate for losses as if delivery were made at the Authority’s Niagara Power Project Switchyard.

C. Rate Change Notification

Subject to the Allocation and Service Agreements and their schedules, the rates determined in accordance with Special Provision B of Service Tariff No. 46 shall be subject to increase by the Authority, at any time upon thirty (30) days prior written notice to the Company and Expansion Power Customers.

D. Reactive Power

Both the Authority and the Company shall supply or absorb reactive power as may be desirable, insofar as in their judgment they are able to do so without adverse effects. The Authority will supply reactive power as required to assure adequate voltage at the point of delivery. The Authority will not be obligated to supply reactive power at the point of receipt in the Company's system, but it may do so at extra charge, if requested.

E. Metering of the Company Purchases

The Company and the Authority shall endeavor to agree upon the type and location of metering equipment to be installed at each interconnection between their respective systems. Such equipment will be provided, maintained, operated and tested by the party on whose premises it is located. All deliveries and receipts between the Company and the Authority, as determined from the meter readings, from schedules of deliveries and from other data, will be adjusted for losses in transmission and transformation, as determined by the Authority in consultation with the Company, to the equivalent of amounts at the Authority's Niagara Switchyard at the Authority's delivery voltages to the Company. The Company and the Authority will establish and may as required from time to time revise the procedures for determining the amounts delivered and received. The Company and the Authority shall have the

right to inspect and verify the metering equipment of the other upon reasonable notice. Failure to reach agreement will be resolved in the manner prescribed in the metering provisions of the Rules.

F. Interruption of Service

It is agreed that the sale of Expansion Power by the Authority to the Company under this Agreement will be furnished on a firm basis except for (1) interruptions or reductions resulting from Force Majeure events as set forth in Provision G; (2) interruptions or reductions due to action instituted by automatic or manual control which result in disconnection for the purpose of maintaining overall reliability and continuity of the Company's transmission and/or distribution systems or for the purpose of protecting the Company's generation, transmission or distribution facilities; and (3) temporary interruptions or reductions which, in the sole discretion of the Company, are necessary for the purpose of maintenance, repairs, replacements or installation of equipment, safety, emergency, or investigation inspection. Neither party shall be liable to the other or to any Expansion Power Customers for loss, cost, damages or expense, including but not limited to consequential damages, resulting from interruption, reduction, or impairment of delivery service.

G. Force Majeure

In the event the Company or the Authority should be delayed in or prevented from performing or carrying out any of the provisions of this Agreement by reasons of or through strikes, stoppage of labor, failure of contractors or suppliers of materials, riots, fire, flood, ice, invasion, civil war, insurrection, military or usurped power, order of any Court granted in any bona fide adverse legal proceeding or action, or of any civil or military authority either de facto or de jure, or explosion, act of God or the public enemies, or any cause reasonably beyond its

control and not attributable to its gross negligence, then in such case or cases, such party shall not be liable to the other party or to Expansion Power Customers for or on account of any loss, damage, injury or expense resulting from or arising out of such delay or prevention; provided, however, that the party encountering such delay or prevention shall use due diligence to remove the cause or causes thereof.

H. Terms and Conditions for the Resale of Existing and Additional Allocations of Expansion Power

Subject to the Allocation and Service Agreements and their schedules, the Authority and the Company agree to the following terms and conditions under which the Company will provide energy and capacity associated with Existing and, as applicable, Additional Allocations of Expansion Power to Expansion Power Customers.

1. Contract Demand

The contract demand of each Expansion Power Customer will be the amount of any Existing and/or Additional Allocation(s) of Expansion Power allocated to such Expansion Power Customer by the Authority which the Company agrees to purchase and sell hereunder and the Expansion Power Customer agrees to take and pay for.

2. Rates and Charges

Subject to Provision A of this Agreement, the Company shall charge and collect from Expansion Power Customers, and Expansion Power Customers shall pay the greater of either (i) the sum of rates and charges of a, b, c, d and e of this item 2 or (ii) the minimum monthly charge as determined in item 3 below.

a. Capacity Charge. The capacity charge as provided for in Service Tariff No. 46 applied to the Customer's billing demand for its Existing and, as applicable, Additional Allocation(s) of Expansion Power as determined in Paragraph 4b below;

b. Energy Charge. The energy charge as provided for in Service Tariff No. 46 applied to the energy associated with the Customer's Existing and, as applicable, Additional Allocation(s) of Expansion Power as determined in Paragraph 4c below;

c. Authority Transmission Charge. A charge for the recovery of all transmission and NYISO costs charged to the Company as provided for in Service Tariff No. 46 and subpart (c) of Provision B of this Agreement.

d. Transmission, Delivery and Customer Service Charge. The transmission, delivery and customer service charge(s) as set forth in Exhibit I applied to the Expansion Power Customer's demands under all of its Existing and Additional Allocations;

e. Applicable Taxes Charge. A charge representing reimbursement to the Company for all applicable taxes, including but not limited to the Gross Receipts Tax the Company is required to pay as a result of the delivery of the energy and capacity associated with its Customer's Existing and Additional Allocation(s) of Expansion Power to the Expansion Power Customer.

3. Minimum Monthly Charge

Subject to Provision A of this Agreement, the minimum monthly charge shall be the sum of items 3a, 3b, 3c and 3d below.

a. Capacity Charge. The capacity charge as provided for in Service Tariff No. 46 applied to the Expansion Power Customer's contract demand for its Existing and, as applicable, Additional Allocation(s) of Expansion Power; and

b. Authority Transmission Charge. A charge for the recovery of all transmission and NYISO costs charged to the Company as provided for in Service Tariff No. 46 and subpart (c) of Provision B of this Agreement; and

c. Transmission, Delivery and Customer Service Charge. The transmission, delivery and customer service charge(s) as provided for in Exhibit I applied to the Expansion Power Customer's demands for all of its Existing and Additional Allocations; and

d. Applicable Taxes Charge. A charge representing reimbursement to the Company for all applicable taxes it is required to pay as a result of the delivery of the energy and capacity associated with the Customer's Existing and Additional Allocation(s) of Expansion Power to the Expansion Power Customer.

4. Billing

a. Billing Period. Each billing period for Expansion Power Customers shall be based on a Company's normal billing cycle unless the Company and the Authority otherwise agree.

b. Demand. The billing demand charged by the Company to each Expansion Power Customer for service under this Agreement will be the highest 30-minute integrated demand during each billing period recorded on the Expansion Customer's meter multiplied by the ratio of the Expansion Power Customer's contract demand for its Existing and, as applicable, Additional Allocations of Expansion Power to the greater of the highest 30-minute integrated demand recorded on Expansion Power Customer's meter in the applicable months as set forth in Exhibit I Schedule B ending with the current billing period, or the sum of Expansion Power Customer's contract demands for all power contracts other than retail service contracts adjusted for losses.

c. Energy. The kilowatt-hours charged by the Company to each Expansion Power Customer for service under this Agreement will be the total number of kilowatt-hours recorded on the Expansion Power Customer's meter for the billing period multiplied by the ratio

of the Expansion Power contract demand for its Existing and, as applicable, Additional Allocations of Expansion Power to the greater of the highest 30-minute integrated demand recorded on the Expansion Power Customer's meter in the applicable months as set forth in Exhibit I Schedule B ending with the current billing period, or the sum of the Expansion Power Customer's contract demands for all power contracts other than retail service contracts adjusted for losses.

d. Losses. Because the Authority's charges for Expansion Power capacity and energy provided for in Service Tariff No. 46 and delivered under this Agreement are applicable at the Authority's Niagara Switchyard, the Company will charge the Expansion Power customer for both Expansion Power capacity and energy associated with all of its Existing and Additional Allocations purchased and sold under this Agreement that is actually measured at the Expansion Power Customer's meter and Expansion Power capacity and energy associated with such allocations that is lost in the process of delivery from the Authority's switchyard. Except in instances where the billing formula accomplishes this result without the application of a specific loss factor, adjustment for losses will be based on Exhibit I, Schedule B. For deliveries of Expansion Power and energy associated with Additional Allocations sold by the Authority directly to the customer, the amount of such Expansion Power and energy delivered to the customer's premises shall be similarly reduced to account for such losses using the loss adjustment factors specified in Exhibit I, Schedule B. The loss factors therein provided or any revisions thereof will be determined by the Company in consultation with the Authority, provided however that no change to such transmission and delivery charges or loss allowances shall be proposed or made by the Company or the Authority to be effective prior to January 1, 2012. Such loss adjustment shall be in addition to the marginal losses established in the NYISO OATT and charged to the Authority under Section 2 of Exhibit I, Schedule A of this Agreement.

5. Other Provisions

a. Delivery Point. The delivery point is the point where the Company's incoming lines are attached to the Expansion Power Customer's receiving substation.

b. Changes to Exhibit I. The Company shall have the right to revise Exhibit I by unilateral filing with the Federal Energy Regulatory Commission (FERC), or any other appropriate regulatory body, in accordance with the applicable rules and regulations of such regulatory body and the Authority and Expansion Power Customers shall have the unilateral right to intervene in such proceedings, provided however that no change to Exhibit I shall be proposed or made by the Company or the Authority to be effective prior to January 1, 2012.

c. Metering. Where practical Expansion Power shall be separately metered for each Expansion Power Customer. Where such separate metering is not practical, a methodology to determine the Expansion Power portion of the total measured demand and energy through one set of meters will be established by the Company in consultation with the Authority and the Expansion Power Customer. Such a procedure shall not preclude the Expansion Power Customer from requesting separate metering either initially or subsequently. Maximum demands measured over fifteen-minute intervals will be converted to thirty minute demands, and vice versa, by use of a conversion factor or method developed by the Company and approved by the Authority.

d. Adjustments to Meter Readings. When delivery of Expansion Power is at line voltage and metering is on the low side of a customer-owned substation (a condition other than the norm and mutually agreed to) meter readings shall be adjusted to amounts at delivery voltage before determination of the billing amounts as provided for herein.

e. Alternate Billing Methods. When necessary, the Company with the concurrence of the Expansion Power Customer and the approval of the Authority may determine the billing amounts by alternate methods including that method contained in the agreement between the Authority and the Company regarding short term opportunity purchases by Expansion Power Customers at retail rates.

f. Availability of Expansion Power. The Company is obligated to supply and/or deliver Expansion Power associated with Existing and Additional Allocations to Expansion Power Customers when and only when such power is available to the Company from the Authority's generating facilities or from other substitute sources available to the Authority. If the Authority power is not available to the Company for resale as Expansion Power, and as a result not available for resale to Expansion Power Customers under this Agreement, the capacity charge shall be reduced in proportion to the number of hours during which Expansion power purchased and resold hereunder was available to the Company to the total hours for the billing period. When the Company receives notice from the Authority of the unavailability of Expansion Power associated with Existing or Additional Allocations, the Company will in turn attempt to notify in person, by telephone or electronic delivery each Expansion Power Customer. Such notice to be followed by written notice delivered within three working days thereafter. Prior to notification, the power and energy supplied by Company shall be deemed to be an "Emergency Supply" by the Company to the Expansion Power Customer(s) and shall be included in the Company's calculation of that Customer's billing demand on a pro-rata basis only for those periods during which the Emergency Supply was provided. Once notified that Expansion Power is not available, the Expansion Power Customer(s) may elect to take service from the Company or discontinue service. Such election by the Expansion Power Customer shall be confirmed by written notice delivered to the Company within three working days

thereafter. Such service, if selected by the Expansion Power Customer(s), will be supplied at the Company's applicable retail rate(s) for the period during which Expansion Power is not available to the Company.

g. Authority Transmission Charges. Where the Company compensates the Authority for transmission and NYISO costs incurred by the Authority pursuant to Service Tariff No. 46 and subpart (c) of Provision B of this Agreement, each Expansion Power Customer will compensate the Company for that part of the total amount paid by the Company to the Authority determined by the relationship that each Expansion Power Customer's billing parameters (including but not limited to demand, energy or time) associated with its Existing and/or, as applicable, Additional Allocation(s) upon which the Authority based the amount charged to the Company. To the extent that Company is unable to recover any charges imposed on it by the Authority to recover any of the NYISO Charges from any Expansion Power Customer after exercising diligent efforts, which shall include pursuit of Company's remedies for customers not paying their bills when due but shall not include any obligation to commence or defend any legal action concerning the validity of such charges, which litigation shall be Authority's sole responsibility, the Authority shall refund such amounts to Company and Company shall assign, pledge or otherwise transfer to the Authority a security interest in all of Company's rights to collect the unpaid NYISO Charges. The security interest assigned to the Authority hereunder shall be absolute and unconditional, but shall not confer any rights on the Authority with respect to the collection by Company of any amounts due to Company under this Agreement other than the NYISO Charges, which shall also be absolute and unconditional. Company shall have no authority to adjust, settle or compromise the amount or payment owed by any Expansion Power Customer for the NYISO Charges without the written concurrence of the Authority, and the

Authority shall have no authority to adjust, settle or compromise the amount or payment owed by any Expansion Power Customer to Company under this Agreement for any other charges without the written consent of the Company. All revenues received by Company from any Expansion Power Customer for service under this Agreement shall be applied beginning with the oldest outstanding invoice first and that with respect to any invoice that is only partially paid, all money received as payment shall be allocated between the NYISO Charges and all other charges on such invoice, including any applicable late fees, on the basis of the rates that such charges bear to the total charges assessed in that invoice.

h. Term of Allocation. Once initiated, service to an Expansion Power Customer under an Existing or Additional Allocation shall continue until the earliest of (a) termination as to all or a portion of the Customer's contract demand (to the nearest 100 kilowatts) as of the end of a calendar month, by Expansion Power Customer with at least ninety (90) days prior written notice to the Authority and the Company, (b) termination by the Authority under the provisions of the Expansion Power Customer's applicable Allocation and Service Agreements, (c) expiration of the term of the Expansion Power Allocation and Service Agreement or (d) the later of the expiration of the Authority's existing license for the Niagara Power Project or in the event such license is renewed on terms allowing continuation of service hereunder, June 30, 2013. If the Authority withdraws an Existing or Additional Allocation of Expansion Power in whole or in part from an Expansion Power Customer, the Expansion Power Customer's Expansion Power Allocation and Service Agreement with the Company shall thereupon terminate to the extent of such withdrawal.

I. Notices

All correspondence relating to this Agreement shall be directed to the following:

For the Authority

For the Company

Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, N.Y. 10601-1170

Vice President Transmission Commercial Services
National Grid USA
300 Erie Boulevard West
Syracuse, N.Y. 13202

Except where otherwise herein specifically provided, any notice, or request required or authorized by this Agreement by either party to the other shall be deemed properly given if given by U.S. First Class mail addressed to the noticed party at the address set forth above or by personal electronic delivery of same to the address set forth above. Either party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

J. Term

This Agreement shall become effective upon the date of its execution by Authority after approval by the Governor of the State of New York and commence at 12:01 A.M. on the 60th day after the date of execution by Authority or such other date as the Authority and Company shall mutually agree and shall remain in effect until the later of (a) the expiration of the Authority's existing license for the Niagara Power Project or (b) in the event such license is renewed on terms allowing continuation of service hereunder, June 30, 2013. Except as expressly stated in the preceding sentence, the Authority waives any right it may have to terminate the retail transmission provisions of this Agreement during the Rate Plan Period established in the Merger Joint Proposal.

K. Eligibility and Modification of Service

Subject to the Allocation and Service Agreements and their schedules, including the rate commitments contained therein, and this Provision K, the Authority may from time to time add

or delete Expansion Power Customers and/or change the amounts of Expansion Power sold to Company under this Agreement and/or its rates for Expansion Power delivered to the Company for resale to Expansion Power Customers under this Agreement as provided herein:

a. Existing Allocations of Expansion Power (“Existing Allocations”) are those allocations listed on Attachment Exhibit I, Schedule C of this Agreement.

b. Existing Allocations of Expansion Power which the Authority has agreed in writing on or before September 1, 2003 to renew until June 30, 2013 in the event its Niagara Power Project license is renewed shall not be regarded as New Allocations as a result of the extension of such Existing Allocation(s) or the modification of such allocation(s) to reduce the amount of Expansion Power to be delivered thereunder, in either event without modification to the customer or the premises where such Expansion Power is to be delivered and used (provided however that transfers and assignments of allocations from a customer premise/location on Company’s system, such as a change in ownership/occupancy of a premise/location, will not be deemed “New Allocations”).

c. A customer with one or more Existing or Additional Allocation(s) of Expansion Power may receive one or more Additional or New Allocation(s) of Expansion Power and/or one or more New Allocation(s) of Replacement Power (as defined in Company’s Rate Schedule FERC No. 19) without causing its Existing or Additional Allocation(s) to be classified as New Allocation(s); and

d. The Authority shall be entitled to allocate an additional 35.00 MW of Expansion Power (“Additional Allocations”) which Additional Allocations shall not be regarded as New Allocations of Expansion Power so long as all of the following requirements are met:

(i) Such Additional Allocations of Expansion Power shall be the first 35.00 MW of Expansion Power allocated by the Authority's Trustees to Expansion Power Customers served at primary voltage or above after February 1, 2002, of which no more than 30.00 MW shall be allocated to Expansion Power Customers served at subtransmission or primary voltage; and

(ii) Such Additional Allocations of Expansion Power shall be allocated by the Authority's Trustees prior to September 1, 2006; and

(iii) Such Additional Allocations of Expansion Power shall be subject to both the transmission rates established in this Agreement and local distribution rates to be fixed by a local distribution services agreement between the Authority and the Company separate from this Agreement, which shall consist of a charge determined by multiplying the difference between the transmission service charge in this Agreement and the total delivery charge (exclusive of CTC) established in the Retail Tariff by the following percentage amounts:

-	through 10/31/07:		0%
-	11/1/07	- 10/31/08:	20%
-	11/1/08	- 10/31/09:	40%
-	11/1/09	- 10/31/10:	60%
-	11/1/10	- 10/31/11:	80%
-	11/1/11	- 12/31/11:	100%

iv) Such Additional Allocations of EP shall be allocated exclusively to serve incremental load at the premises identified in the customer's application. Incremental load is load that is created by the construction or installation of new facilities (buildings, machinery and equipment) or expansion of existing facilities, provided that in the case of the expansion of existing facilities, incremental load shall not include the load of such facilities prior to expansion or addition.

The Authority shall give the Company not less than thirty (30) days written notice prior to the effective date of any changes. Unless otherwise agreed upon by the Company and the Authority, service to each Expansion Power Customer shall not commence until an Expansion Power Allocation and Service Agreement with the affected Expansion Power Customer has been executed.

L. Prior Contracts

Reserved for future use.

M. Acceptance

Upon approval or acceptance by FERC, this Agreement shall constitute the contract between the parties for electric service hereunder, effective as of the date of such acceptance by FERC.

N. Billing Data

a. On written consent of each existing Expansion Power Customer, Company shall provide Authority with two years of historic billing data, to the extent available for such Expansion Power Customer, within 30 days of acceptance or approval FERC of this Substitute

First Revised Rate Schedule FERC No. 159 by FERC and at no charge to Authority. Such billing data shall be provided, at Company's option, in electronic form via Company's website, and shall be limited to meter reading dates, consumption (kW, kWh and RKVA, including on- and off-peak data, if applicable), monthly metered demands, current meter number (if applicable), type of meter reading (by Company, by the Expansion Power Customer or estimated), and identification of the portion of such electric service (kW and kWh) supplied by Authority under each Authority power program in which the Expansion Power Customer participates.

b. On written consent of each new Expansion Power Customer, Company shall provide Authority with two years of historic billing data for such customer, to the extent available, within five (5) days of Authority's request in the same form as for existing Expansion Power Customers at no cost to Authority. New Expansion Power Customers are retail customers connected to Company's delivery system who have received an Additional Allocation of Expansion Power and were not receiving service under any Authority power program on the day immediately preceding the date on which deliveries of that Additional Allocation commence.

c. On written consent of each Expansion Power Customer, Authority shall have the option to purchase historic recorded interval load data from Company, to the extent available, pursuant to Company's established charges, terms and conditions for the provision of such information to Energy Service Companies served under Company's Retail Tariff.

d. On written consent of each Expansion Power Customer, Company shall provide Authority with all data recorded by and currently retrieved from Company's retail meters for such Expansion Power Customer (kW, kWh and RKVA, including all currently retrieved recorded interval load data), at no cost to Authority. In addition, Company shall also provide Authority with all other information and calculations used to determine the portion of such Expansion Power Customer's demands which Company reported to NYISO or billed to

such Expansion Power Customer as served by Authority under each Authority power program in which the Expansion Power Customer participates, including such customer's historic demand, if any, and a copy of the relevant portions of any agreement(s) between Company and such customer modifying the generally applicable method for apportioning deliveries between Authority power and non-Authority power furnished by Company under its Retail Tariff, on reasonable request and at no cost to Authority.

e. The metering data described in subpart (d) above shall be provided electronically via Company's website at no charge to Authority when the data is acceptable by Company to bill its customers, no later than the day after the account is billed by Company. Where Company uses estimated meter readings to bill an account or to report to NYISO, such estimated meter readings shall be provided electronically, via Company's website and to the extent available in a form consistent with subpart (d), at no charge when the data is acceptable to Company to bill its customers or to report to the NYISO, no later than the day after the account is billed by Company or reported to the NYISO. All subsequent changes, corrections or adjustments to previously supplied data will be made available electronically to Authority, via Company's website and to the extent available in a form consistent with subpart (d) when the data is acceptable to Company to be used for its customers or reported to the NYISO.

f. Authority shall be prohibited from disclosing any of the billing and usage information provided to it pursuant to this Provision N to any party other than Company and the Expansion Power Customer to whom such data relates, unless required by law or authorized in writing by the Expansion Power Customer in question. Authority shall also be prohibited from using any of such billing and usage data for any purpose other than scheduling Authority's power deliveries to such Expansion Power Customers and billing NYISO-related charges to such

customer, unless Authority and such Expansion Power Customer enter into a written agreement providing Authority with broader or narrower rights with respect to such information.

O. Other Provisions

a. This Agreement is not intended to and does not create any third party beneficiaries with respect to the transmission services provided hereunder.

b. The Authority acknowledges and agrees that Company makes no warranties of any kind with respect to the billing and usage data supplied by Company, including without limitation any warranties of merchantability or fitness for intended use.

c. In no event shall Company be liable for any incidental, consequential or punitive damages caused by or arising from Company's provision of, failure to provide, delay in providing, or errors in all or any part of the billing and usage data which Company agrees to provide under this Agreement.

d. The provisions of subparts a, b, and c of this Provision O shall survive the expiration or termination of this Agreement.

P. Rate Change Rights

Absent the written agreement of all of the parties to the Settlement filed on April 21, 2004 in FERC Docket Nos. ER03-989-000, ER03-990-000, ER03-991-000 and ER03-992-000 (“the Sponsoring Parties”), the standard of review for any and all changes to the provisions of Provisions A, H, J, K or P of this Agreement, to Schedule A of Exhibit I hereof, or to Section 1 of Schedule B of Exhibit I hereof, proposed by any of the Sponsoring Parties to be effective during the Rate Plan Period shall be the “public interest” standard of review set forth in United Gas Pipeline Co. v. Mobile Gas Services Corp., 350 U.S. 322 (1956), and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 345 (1956) (the “Mobile Sierra” doctrine). Nothing in this Agreement shall be construed as making any of the Sponsoring Parties other than the Authority and the Company parties to this Agreement or as limiting the Company’s unilateral right to file to amend the rate or non-rate provisions of either Part IV of the NYISO OATT or the Retail Tariff applicable to deliveries of New Allocations of Expansion Power.

Niagara Mohawk Power Corporation d/b/a
National Grid

By
Date

Attest.

Accepted:

Power Authority of the State of New York

By

Date

Attest.

APPLICATION FOR ELECTRIC
AND
RESALE AGREEMENT

EXHIBIT I
SCHEDULE A

TRANSMISSION, DELIVERY AND CUSTOMER SERVICE CHARGE
FOR
EXISTING AND ADDITIONAL ALLOCATIONS OF EXPANSION POWER

1. Charges to Expansion Power Customers for Transmission Services Provided By
Niagara Mohawk Power Corporation

For delivery at 2.2 KV to 15 KV\$1.52*

For delivery above 15 KV \$1.52*

In addition to the transmission charges, loss adjustments and other charges specified in this Agreement, the Authority shall pay to Niagara Mohawk the Customer Transition Charge (“CTC”) established in the Agreement Among Niagara Mohawk Power Corporation, New York Power Authority and Department of Public Service Resolving and Settling Certain Disputes dated May 22, 1997 and accepted by the Commission by order dated October 23, 1997 in Docket Nos. ER97-2006-000 and EL97-29-000, on: (1) all allocations of Expansion Power in Niagara Mohawk’s service area in excess of 250 MW; and (2) all allocations of Expansion Power in Niagara Mohawk’s service area made pursuant to paragraph 13(b) of section 1005 of the New York Public Authorities Law for revitalization purposes after May 22, 1997 to the extent that the amount of such allocation, when added to the amount of the then-existing Expansion Power sales in Niagara Mohawk’s service area, exceeds 210 MW.

2. Charges to Authority for Transmission Services Provided by the New York
Independent System Operator, Inc.

2.1 Notwithstanding any other provisions of this Agreement, the Authority shall compensate NYISO directly for the following transmission services provided by the NYISO pursuant to its Open Access Transmission Tariff (“OATT”) (as the provisions of that Tariff maybe amended and in effect from time to time), to the same extent as though the transmission service received by the Authority under this Agreement were provided under the NYISO OATT:

* Rates to be applied per kilowatt-month to the Expansion Power Customer’s Contract Demand for Expansion Power.

- 2.1.1 **Ancillary Services 1-6.** The Authority shall compensate NYISO directly for charges for NYISO Ancillary Services 1-6 for services associated with all withdrawals of Expansion Power for delivery to Expansion Power Customers under this Agreement as provided in the NYISO OATT; and
 - 2.1.2 **Marginal Losses.** The Authority shall compensate NYISO directly for Marginal Losses associated with all deliveries of Expansion Power under this Agreement as provided in the NYISO OATT. The Authority may compensate the NYISO for such losses either by supplying energy or by paying the NYISO's charges for transmission losses. In either event, however, the total amount of energy sold to and delivered on behalf of Expansion Power customers under this Agreement, as measured at the Niagara Switchyard, shall be deemed to include all such loss amounts, as well as the additional loss amounts specified in Exhibit I, Schedule B; and
 - 2.1.3 **NTAC.** The Authority shall compensate NYISO directly for the NYPA Transmission Adjustment Charge ("NTAC") associated with deliveries to Expansion Power Customers as provided in the NYISO OATT; and
 - 2.1.4 **Congestion.** The Authority shall compensate NYISO directly for all congestion costs associated with the delivery of Expansion Power under this Agreement pursuant to the provisions of the NYISO OATT; and
 - 2.1.5 **Grandfathered TCCs.** The Authority shall be entitled to receive the grandfathered TCCs associated with the grandfathered delivery services provided under this Agreement as provided in Attachments K and L of the NYISO OATT.
 - 2.1.6 **Miscellaneous.** The Authority is responsible for any and all other charges, assessments, or other amounts due to NYISO under the provisions of its OATT for the transmission of all Expansion Power delivered under this Agreement.
- 2.2 In addition, the Authority under this Agreement will be subject to all other requirements for grandfathered agreements set forth in the NYISO OATT, including, without limitation, Attachments K and L and the scheduling, balancing and regulation provisions of the NYISO OATT. The Transmission Capacity Reservation applicable to the Agreement shall be the amount set forth in the NYISO OATT, Attachment L, Table 1A, as specified in the last three columns titled "Sum MW," "Win MW" and "Interface Allocations-

Summer Period” as specified for “Cont. # 99” of Table 1A. Electricity delivered by the Authority to Niagara Mohawk’s transmission system in excess of these transmission capacity reservations will be transmitted under the terms and conditions of the NYISO OATT rather than this Agreement. The requirement set forth in the preceding sentence also applies to any expansion of transmission service or transmission capacity contemplated in this Agreement.

3. The Authority, directly or through an agent, shall maintain at all times during which services are provided under this Agreement, a valid and binding service agreement with NYISO.

APPLICATION FOR ELECTRIC SERVICE
AND
RESALE AGREEMENT

EXHIBIT I
SCHEDULE B

MISCELLANEOUS EXPANSION POWER ITEMS

1. Loss factors
2. Billing and Late payment charge
3. Interest on customer deposits
4. Applicable month determination
5. Demand integration

1) In addition to the marginal losses which NYPA is required to provide to NYISO to compensate it for losses on the Bulk Power System as provided in Section 2 of Schedule A of Exhibit I of this Agreement, the following additional loss adjustments shall apply in recognition of the efficiencies of Niagara Mohawk's delivery system beyond the Bulk Power System operated by the NYISO:

	Beginning
	1-1-90*
a. 2.2 kilovolts to 15 kilovolts	7.31%
b. 22 kilovolts to 50 kilovolts	4.24%
c. over 60 kilovolts	1.98%

* Subject to provisions to Section H, Paragraph 5.b.

2) Payment by customer is due when bill is rendered. Customer is in default unless payment is made at or is mailed to designated office or bill-paying agency of Company on or before the twentieth day of the month following the period for which the bill is rendered or ten (10) days after the bill is rendered,, whichever is later. Payment must be made without regard to any counterclaims whatever. Failure to receive a bill does not relieve Customer of responsibility for payment of amounts due.

A late payment charge of one and one-half percent (1 1/2%) shall be applied and added to the customer's cumulative unpaid balance on the first day of the calendar month succeeding the date of a Customer's default and successive months thereafter, until such time as the customer pays in full the cumulative amount due, including the late interest charge. Company shall have the right upon not less than fifteen (15) days' advance written notice to Customer to discontinue furnishing electric service to Customer for non-payment of bills and to refuse to resume same so long as any part of the amount due remains unpaid. Such discontinuance of electric service will not relieve the Customer of liability for any minimum charge during the time electric service is so discontinued. The rights given herein to Company shall be in addition to all other remedies available to Company, either at law or in equity, for the breach of any of the provisions hereof.

3) When a deposit from an Expansion Power Customer is required by the Company, the Customer shall be entitled to interest thereon at the rate per annum of eight and one-fourth percent (8 1/4%) or such other interest rate which would apply to customer deposits held by the Company for similarly situated retail electric customer.

4) The applicable period in months for determining the Expansion Power Customer's highest 30-minute integrated demand recorded at the delivery point ending with the current month is 12 months provided, however, that if the sum of the Customer's allocations of

Authority power is decreased during the term of this Agreement, the applicable months shall not include any of the months preceding the effective date of such decrease.

5) The 30-minute integrated demands shall normally be arrived at by accumulating (in KWh per hour) delivered energy over the 30-minute interval. Conversion from 15-minute to 30 minute demands will normally be arrived at by accumulating (in KWh per hour) delivered energy over 30-minutes rather than 15-minutes and visa versa.

6) When metering is on the low side of the receiving substation, meter readings shall be adjusted before determination of billing amounts as follows:

(a) When a transformer or bank of transformers is rated at 1000 KVA or more: Metered active demands will be multiplied by a factor based on transformer efficiency at 80% KVA load. Metered energy will be multiplied by a factor based on load losses of transformers at 80% KVA load to which will be added the constant no-load transformer losses at normal voltage for 730 hours per month. The multiplying factors and no-load losses will be derived for date published by the transformer manufacturer, when available, or by General Electric Company for transformer of similar voltage, type, and size.

(b) In all other cases metered energy will be increased by three per cent.

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LIST OF EXISTING ALLOCATIONS OF EXPANSION POWER

EXHIBIT I
SCHEDULE C
PAGE 1 OF 2

<u>COMPANY NAME</u>	<u>Service Address</u>	<u>RS 159 Allocations</u>	<u>KW</u>
3M	305 SAWYER AVE	TONAWANDA, NY 14151	1,500
ADM Milling Co.	250 GANSON ST	BUFFALO, NY 14205	1,500
American Axle & Manufacturing	1001 E DELAVAN	BUFFALO, NY 14215	3,000
American Axle & Manufacturing	2390 KENMORE AVE	TONAWANDA, NY 14150	3,250
BOC Gases <u>1/</u>	101 KATHERINE ST	BUFFALO, NY 14210	10,500
Bristol Myers Squibb	100 FOREST AVE	BUFFALO, NY 14213	750
Brunner Inc.	3959 BATES RD	MEDINA, NY 14103	1,800
Buffalo Newspress Inc.	200 BROADWAY	BUFFALO, NY 14204	250
C&S Wholesale Grocers, Inc.	100 ALLIED DR	CHEEKTOWAGA, NY 14227	300
Client Logic	699 HERTEL AVE	BUFFALO, NY 14207	250
Cliffstar Corp.	WRIGHT ST	DUNKIRK, NY 14048	500
Coyne Textile Services	111 JAMES E CASEY DR	BUFFALO, NY 14206	350
Dunkirk Specialty Steel	66 HOWARD AVE	DUNKIRK, NY 14048	6,800
E.I. Du Pont de Nemours & Co.	BUFFALO AVE & CHEMICAL RD	NIAGARA FALLS, NY 14302	1,450
E.I. Du Pont de Nemours & Co.	RIVER RD	BUFFALO, NY 14207	1,800
Fairbank Farms Inc.	5151 FAIRBANKS RD	ASHVILLE, NY 14710	700
Ferro Electronics Materials Inc	4511 HYDE PARK BLVD	NIAGARA FALLS, NY 14305	3,000
Fieldbrook Farms Icecream	810 MAIN STREET	DUNKIRK, NY 14048	3,000
Ford Motor Company	3660 LAKE SHORE RD	WOODLAWN, NY 14219	7,200
Freezer Queen Foods, Inc.	975 FUHRMAN BLVD	BUFFALO, NY 14203	1,050
General Mills, Inc.	54 S MICHIGAN AVE	BUFFALO, NY 14203	1,000
General Motors Corp. <u>2/</u>	2390 KENMORE AVE	TONAWANDA, NY 14150	15,700
Globe Metallurgical, Inc.	3807 HIGHLAND AVE	NIAGARA FALLS, NY 14302	23,000
Goodyear Dunlop Tires No.America Ltd.	RIVER RD-SHERIDAN DR	BUFFALO, NY 14240	6,000
Hydro-Air Components, Inc.	4950 CAMP RD	HAMBURG, NY 14075	250
Ingram Micro	1740 WEHRLE RD	WILLIAMSVILLE, NY 14221	900
International Imaging Materials Inc.	308 COMMERCE DR	AMHERST, NY 14228	1,000
International Imaging Materials Inc.	310 COMMERCE DR	AMHERST, NY 14228	1,250
ISG Lackawanna Inc.	3555 LAKE SHORE RD	BUFFALO, NY 14219	10,400
Lakeside Warehouse Corp.	26 E TALCOTT ST	DUNKIRK, NY 14048	500
Norampac Industries	4001 PACKARD RD	NIAGARA FALLS, NY 14302	1,600
North American Hoganas	5950 PACKARD RD	NIAGARA FALLS, NY 14304	4,000
Nuttall Gear	2221 NIAGARA FALLS BLVD	NIAGARA FALLS, NY 14302	350
Occidental Chemical Corp.	4700 BUFFALO AVE	NIAGARA FALLS, NY 14304	38,700
Praxair, Inc.	E PARK DR & WOODWARD AVE	TONAWANDA, NY 14151	2,000
Praxair, Inc.	137 47TH ST	NIAGARA FALLS, NY 14305	2,000
Protective Enclosures	2150 ELMWOOD AVE	BUFFALO, NY 14207	250
Ralston Purina Company	3800 MIDDLE RD	DUNKIRK, NY 14048	2,900
Red Wing Co.	196 NEWTON STREET	FREDONIA, NY 14063	750
Republic Engineered Products	S-3049 LAKE SHORE RD	BUFFALO, NY 14219	7,400

EXHIBIT I
 SCHEDULE C
 PAGE 2 OF 2

<u>COMPANY NAME</u>		<u>Service Address</u>	RS 159 Allocations
Russer Foods	665 PERRY ST	BUFFALO, NY 14240	2,250
Sherwood, Division of Harsco Corp.	2111 LIBERTY DR	NIAGARA FALLS, NY 14304	400
Special Metals Corp.	100 WILLOWBROOK AVE	DUNKIRK, NY 14048	1,000
Stollberg Inc.	4111 WITMER RD	NIAGARA FALLS, NY 14305	300
Trico Products	50 THIELMAN DR	BUFFALO, NY 14206	250
Tulip Corp.	3125 HIGHLAND AVE	NIAGARA FALLS, NY 14305	300
Ultra Tool & Plastics Inc.	500 COMMERCE DR	AMHERST, NY 14228	500
Total			173,900

1/ 750 kW of Expansion Power temporarily assigned to BOC Gases.

2/ 2000 kW of Expansion Power temporarily assigned to General Motors.

EXPANSION POWER ALLOCATION AND SERVICE AGREEMENT
AMONG
POWER AUTHORITY OF THE STATE OF NEW YORK
AND
NIAGARA MOHAWK POWER CORPORATION
AND

Agreement made this _____ day of _____ 19__ by
and among the POWER AUTHORITY OF THE STATE OF NEW YORK ("the
Authority"), created pursuant to Chapter 772 of the New York Laws of
1931 and existing under Title I of article V of the Public Authorities
Law, having its office and principal place of business at 10 Columbus
Circle, New York. New York 10019. NIAGARA MOHAWK POWER CORPORATION
("the Company"), a corporation organized and existing under the laws
of the State of New York, having its office and principal place of
business at 300 Erie Boulevard West, Syracuse, New York 13202, and
_____, ("the Customer"), a corporation organized and existing
under the laws of the State of Delaware having its office and
principal place of business at, _____

WITNESSETH

WHEREAS, the Authority and the Company have mutually agreed
to the provisions of a "Contract for the Sale and Resale of Expansion
Power" ("Resale Agreement") between the Authority and the Company,

WHEREAS, Customer has applied to Authority for allocation of Expansion Power for use in its facilities in New York State, and

WHEREAS, on _____, 198_ the Authority Trustees approved an allocation of Expansion Power to Customer on the terms set forth herein,

NOW THEREFORE, the parties hereto agree as follows:

Article 1

Allocation, Delivery and Commencement

1.1 The amount of firm power which the Customer requests, which the Authority agrees to make available to the Company at the Authority's Niagara Project Switchyard and which the Company agrees to accept for resale to the Customer pursuant to the Resale Agreement and this Agreement is ____ kilowatts. This amount shall be the Customer's "Contract Demand".

1.2 The Company agrees to make available, transmit, deliver and provide customer service to the Customer, commencing (date), or such other date as may be mutually agreed, _____ kilowatts of three-phase, 60-Hertz firm Expansion Power and the applicable energy associated therewith. Delivery of Expansion Power at _____ volts (nominal) shall be to the Customer's premises located at _____, New York at the point where the Company's incoming lines attach to the Customer's receiving substation structure ("delivery point").

Article 2
Acceptance

2.1 The Authority agrees to observe and perform the applicable terms and conditions set forth in Schedule B, "Expansion Power Commitment", the provisions of which represent a bilateral agreement between the Authority and the Customer and which may be amended by mutual agreement of Authority and Customer.

2.2 The Company agrees to observe and perform the applicable terms and conditions as are in effect from time to time set forth in Schedule A, "Rates, Rules and Regulations Applicable to the Sale of Expansion Power", the provisions of which represent a bilateral agreement between the Company and the Customer which may be amended by mutual agreement of the Company and Customer and to charge Expansion Power Customers all applicable rates and charges in effect from time to time for the purchase, transmission, delivery and customer service of Expansion Power as set forth in Provision H of the Resale Agreement and Exhibit B to this Agreement, including the applicable taxes charged and Authority transmission charge.

- 2.3 The Customer agrees:
- a. to observe and perform the applicable terms and conditions set forth herein, in the Resale Agreement and in Schedule A "Rates, Rules and Regulations Applicable to the Sale of Expansion Power", and Schedule B "Expansion Power Commitment" all attached hereto and made a part of this Service Agreement.

- b. to take Expansion Power and pay the Company all applicable rates and charges as are in effect from time to time for the purchase, transmission, delivery and customer services of Expansion Power as set forth in Provision H of the Resale Agreement and Schedule B to this Agreement including the applicable taxes charged and Authority transmission charge.
- c. to abide by the allowance for transformer losses, if applicable, referred to in Exhibit I of the Resale Agreement.
- d. subject to the terms of provision H(5)(f) of the Resale Agreement regarding Emergency Supply, to pay the Company, in accordance with its Tariff PSC 207 Electricity Service Classification Ho. 4, as it may be amended or superseded from time to time, for power and energy and other services furnished by the Company to the Customer that are not available to and taken by the Customer pursuant to Schedule A.

Article 3
Notification

All correspondence regarding this Agreement shall be directed to or mailed to the following:

For the Authority:

Vice President-Industrial
Economic Development
New York Power Authority
10 Columbus Circle
New York, New York 10019

For the Customer:

ATTN: _____

For the Company:

Vice President - Power Contracts
Niagara Mohawk Power Corporation
300 Erie Boulevard West
Syracuse, New York 13202

Except for emergencies, any notice which under the terms of this Agreement must or may be given or made by the parties shall be deemed properly given if given by First Class U.S. mail addressed to the noticed party at the address set forth above or by personal or electronic delivery of same to the address set forth above. Any party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

Article 4

Continuation and Termination of Service.

Once initiated, service under this Agreement shall continue in effect until the earliest of (a) termination as to all or a portion of the Contract Demand (to the nearest 100 kilowatts) as of the end of any calendar month by the Customer at least upon ninety (90) days prior written notice to the Authority and the Company, (b) termination by the Authority pursuant to Schedule B or (c) upon termination of the Resale Agreement.

Article 5

Previous Contracts

This agreement shall be effective as of the effective date of the Resale Agreement.

This Agreement supersedes all previous contracts providing for resale of Expansion Power by the Company to the Customer but only to the extent that such contracts concern Expansion Power Service and including but not limited to the contract dated May 12, 1982.

This Agreement supersedes all previous Expansion Power contracts for the sale of Expansion Power by the Authority to the Customer including but not limited to Contract EP-21 between the Authority and the Customer.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year above first written.

(CUSTOMER)

By _____
Authorized Officer

Date _____
(ATTEST)

By _____

Accepted:
POWER AUTHORITY OF THE STATE OF NEW YORK

By _____

Date _____
(ATTEST)

By _____

NIAGARA MOHAWK POWER CORPORATION

By _____

Date _____
(ATTEST)

By _____

EXPANSION POWER ALLOCATION AND SERVICE AGREEMENT

SCHEDULE A

RATES, RULES AND REGULATIONS APPLICABLE TO
THE SALE OF EXPANSION POWER

The Resale Agreement is incorporated into and made a part of this Agreement by reference. Customer agrees to pay Company the rates and charges and agrees to abide by the provisions set forth in the Resale Agreement together with the charges, if any, as contained in this schedule.

Customer by entering into this Agreement also accepts and agrees to abide by, observe and perform the following terms and provisions upon which the service under this Agreement will be supplied:

1. The availability of power and energy contracted for, less losses specified in the Resale Agreement at the stated nominal voltage and frequency at the agreed-upon point of delivery shall constitute delivery of power and energy by Company to Customer for the purposes of this Agreement.

2. Company does not guarantee against variation in voltage or cycle, but insofar as it may be within Company's direct control Company will endeavor to maintain as nearly as reasonably possible a constant voltage at Customer's point of delivery.

3. (a) Customer and Company agree that a ninety-five per cent (95%) power factor at Customer's metering point is substantially equivalent to a ninety per cent (90%) power factor at Authority's Niagara Switching Station. Company will supply and bill under its applicable rate schedule reactive kilovolt-amperes needed by Customer to permit Customer to maintain a power factor of ninety-five per cent (95%) at Customer's metering point. Customer and Company agree that the reactive power so supplied and billed shall be the amount, if any, by which the maximum metered thirty-minute integrated kilovolt-amperes of lagging reactive demand which shall have occurred during the billing period exceeds one-third of the sum of the kilowatt billing demands.

(b) Customer, in taking three-phase electric energy, shall maintain as nearly as is reasonably possible, equal currents in each of the three phase conductors at the point of delivery. If at any time the current in any phase conductor shall exceed the average of the currents in all the three phase conductors by more than five per cent (5%), the amount to be paid by Customer under this Agreement for the period within which the unbalance occurred may be increased by a percentage equal to that of the unbalance.

4. Company will install at Customer's cost and expense such three phase overhead extension to a point on Customer's premises designated by Company, as Company in its sole judgment deems necessary. Company will install at Customer's cost and expense a three phase overhead extension from said designated point on Customer's premises to the point of delivery. Should the delivery point be so located that it is impracticable to supply energy to it by means of an overhead extension or whenever Customer by reason of preference specifies either an underground extension or overhead facilities in excess of the three phase overhead extension which Company in its sole judgment has determined to be necessary and adequate for the service requested, then Customer shall pay Company all additional cost and expense thereby incurred.

5. All facilities provided to supply service to the point of delivery shall be the sole property of Company regardless of whether or not contributions to the cost thereof have been made by Customer. If service supplied to Customer under this Agreement is terminated for any reason, Customer shall have the right to acquire that portion of facilities installed pursuant to this Agreement which is used solely for service to Customer and located on Customer's premises. Such right may be exercised by Customer upon payment to Company of Company's depreciated replacement cost for such portion of such facilities.

6. Company reserves the right to defer construction of an extension for Customer until Customer's premises shall have been properly wired for the service intended.

7. Customer shall provide the service entrance in accordance with Company's requirements, and all wiring on Customer's premises beyond the point of delivery. The location of the service entrance shall be designated by Company. Company will accept approval of Customer's wiring by New York Board of Fire Underwriters or other competent inspectors. Service will not be connected until all of Customer's wiring has been so approved.

8. If new metering is required, Company will furnish and install the meter or meters at Customer's cost and expense to measure the electricity used by Customer, subject to the provisions of Company's rate schedule, P.S.C. No. 207 Electricity, including Service Classification No. 4. The point of metering shall be determined by Company. Such meter or meters may be installed on Customer's side of the point of delivery and shall remain the property of Company. Customer shall furnish sufficient and proper space for the installation of the meter or meters. Customer shall be responsible for the protection of the meters and other Company property located on Customer's premises and shall exercise reasonable care to prevent theft of, damage to, or interference with such equipment.

9. Company's service may be refused or withdrawn when Customer's wiring or equipment is so designed or operated as to disturb Company's service to other customers. Company will give Customer reasonable notice of such condition by telephone, telegram or letter, as the situation shall require for the protection of service to any of Company's customers. Customer shall remove such condition promptly and with due diligence. Service will be resumed within a reasonable time after Customer has corrected the condition causing such disturbance.

10. "Reserved for Future Use"

11. A deposit of an amount equal to the charges for the estimated consumption of electricity for two calendar months will be required of the Customer, unless waived upon satisfactory reference being furnished. Company reserves the right to require a deposit from any Customer at any time. Company may withhold its service, or discontinue its service, should Customer fail to pay the required deposit. Deposits shall be deemed security for the payment of unpaid bills or other claims of the Company against the Customer upon the termination of service. If any deposit is required, Customer shall be entitled to interest thereon at the rate per annum as specified in the Resale Agreement or any modifications thereof.

12. If any wire or contrivance is connected upon Customer's premises with any wire used for supplying electricity to Customer in such manner that Customer takes electricity under such circumstances that a meter provided by Company for the purpose does not register the quantity consumed or if any meter or other instrument installed upon Customer's premises for measuring the quantity of electric energy consumed is wrongfully obstructed, altered, injured or prevented from functioning, or if any fraud upon Company shall be practiced upon Customer's premises, Company may, at any time, without notice, discontinue the supply of electric energy to Customer and remove its meter or meters, apparatus and wires. Service will not be restored to such Customer until payment has been made to Company for all electricity consumed on the premises and not metered, and for the full cost of removing and restoring or relocating the meter or meters, apparatus and service lateral.

13. (a) Expansion Power under this Agreement, unless otherwise specified, will be furnished continuously except (i) for interruptions or reductions due to causes or conditions set forth in subparagraphs (b), (c), and (d) of this Section 13; (ii) for interruptions or reductions due to operation of devices installed by Company for its power system protection; and (iii) for temporary interruptions or reductions, which in the opinion of Company are necessary or desirable for the purposes of maintenance, repairs, replacements, installation of equipment, or investigation or inspection. Company, except in case of emergency as determined by Company, will give Customer reasonable advance notice of such temporary interruptions or reductions and will exercise diligence to remove the cause thereof.

(b) If Authority power is not available to Company and as a result is not available to Customer, and if an adjustment is allowed to and received by and credited to Company pursuant to the Resale Agreement and Customer qualifies for an adjustment from Company in the manner and to the extent Company must qualify to obtain an adjustment from Authority under said Resale Agreement the minimum charge and the capacity charge to Customer shall be reduced in proportion to the curtailment and/or reduction in service to Customer in the manner provided in said Resale Agreement.

(c) If because of conditions on the transmission system of Company the delivery of Expansion Power under this Agreement shall be interrupted or reduced below the rate of delivery Company is obligated to supply hereunder or below the rate of delivery required by Customer at the time of such reduction, whichever is the lesser, the total number of hours of curtailed service in any billing period shall be determined by adding the sum of the number of hours of interrupted service to the product of the number of hours of reduced service multiplied by the percentage of such reduction below such rate of delivery Company is obligated to supply or below the rate of delivery required by Customer at the time of such reduction, whichever is the lesser. The minimum charge, the capacity charge and the transmission and delivery charge shall each be proportionately adjusted in the ratio that the total number of hours of such curtailed service so determined bears to the total number of hours in the billing period involved.

(d) The undertaking of Company to supply Expansion Power under this Agreement is made by Company and accepted by Customer expressly subject to curtailment of, interruptions in, reduction of and/or temporary discontinuances or withdrawals of the supply of such power in whole or in part by reason of strike, riot, fire, lightning, storm, flood, invasion, act of God or of the public enemies, accident, interruptions, reductions and/or withdrawals of the supply of such power by said Authority, reasonable necessity for making repairs, alterations or improvements in Company's facilities, or by reason of state, federal or other governmental supervision, regulation, limitation or prohibition, or by reason of judicial or administrative decree or order, or by reason of any other cause beyond the reasonable control of Company, or by reason of any combination of such causes. Upon request of Company, Customer shall discontinue or diminish the use of such power if and to the extent that Company deems it necessary or proper because of the causes or conditions specified or referred to in this subparagraph (d). In case Customer fails to comply with any such request, Company may discontinue the entire supply of power until the termination of such cause or causes.

In the event of any curtailment of, interruption in, reduction of and/or discontinuances or withdrawals of the supply of Expansion Power because of the causes or conditions specified or referred to in this subparagraph (d), Customer shall be entitled to a pro rata abatement of the minimum charge, the capacity charge and the transmission and delivery charge for the period of curtailment of,

interruptions in, reduction of and/or discontinuances or withdrawals of the supply of such power except to the extent Customer obtains an adjustment under subparagraphs (b) and (c) of this Section 13. The abatement provided in this subparagraph (d) shall not apply to the transmission and delivery charge if such curtailment, interruption, reduction, discontinuance, or withdrawal is caused by a reduction and/or withdrawal of the supply of Authority power.

(e) If Customer is prevented from taking Expansion Power by reason of riot at Customer's plant, fire, lightning, storm, flood, invasion, act of God or of the public enemies, accident, or by reason of state, federal or governmental supervision, regulation, limitation or prohibition directed to Customer, or by reason of judicial or administrative decree or order directed to Customer, Company may, if in its sole discretion it so deems proper, credit against the amount of the minimum charge for Expansion Power such amount as Company may deem appropriate, subject to Customer's reasonable diligence in removing the reason or reasons preventing Customer from taking Expansion Power.

(f) If Company is unable to deliver service to Customer, due to strike or other labor disagreement affecting Company's employees, there shall be an appropriate adjustment of minimum and demand charges. Notwithstanding the provisions of 13(e) above, if Customer is unable to take service from Company due to strike or other labor disagreement affecting Customer's employees, there shall be no abatement of charges applied under this agreement.

(g) All curtailments of, interruptions in, reductions, discontinuances and/or withdrawals of and/or defects or irregularities in the supply of Expansion Power under this Agreement are subject to the foregoing provisions of this Section 13 and Customer shall be limited in its remedies to the relief set forth in this Section 13.

14. Neither by inspection, if any, or non-rejection, nor in any other way, does Company give any warranty, expressed or implied, as to the adequacy, safety or other characteristics of any structures, equipment, wires, appliances or devices owned, installed or maintained by Customer or leased by Customer from third parties.

Company will not be liable for any injury, casualty or damage resulting in any way from the supply or use of electricity under this Agreement or from the presence or operation of Company's structures, equipment, wires, appliances or devices on Customer's premises in connection with service under this Agreement, except injuries or damages resulting from the negligence of Company.

15. Customer hereby grants Company a license to construct, install, operate, maintain, replace or repair, either or all, upon the property of Customer such facilities as in the opinion of Company are necessary or desirable for the purposes of this Agreement, and for such purposes shall provide suitable space and reasonable access.

Customer's substation shall be operated at the direction of and under the supervision of Company.

16. Customer which has installed power factor corrective equipment which has to be taken out of service periodically for maintenance or inspection will be permitted to disconnect such apparatus not more than three times a year, for periods of not more than twelve hours each and at such times as may be acceptable to Company. The reactive demand which occurs during such periods shall be disregarded in determining the reactive demand charge for that month.

17. If Authority, pursuant to the Resale Agreement, shall modify the rate schedules or charges applicable to Customer as specified in the Resale Agreement the Authority is obligated to notify Company and Customer promptly thereof. In the case of an increase in rates and charges for power, energy and/or transmission and delivery, and/or by increased loss allowances, Customer, by notice in writing to Company within sixty (60) days after notice to Customer of promulgation of such superseding rate schedules or charges, may elect to terminate this Agreement effective at any time within six (6) months from the effective date of the new rate schedule, provided that so long as Customer continues to take power hereunder Customer shall pay the applicable rates and charges from time to time effective under the provisions of the Resale Agreement.

In the event Company elects to terminate said Resale Agreement, Company shall give Customer prompt notice of its election. If Authority gives Company a notice pursuant to the Resale Agreement, Company agrees to apprise Customer thereof promptly.

18. Whenever, at Customer's request, Company relocates equipment or facilities to suit the convenience of Customer, Customer shall reimburse Company for the cost incurred by Company.

19. Company shall not be required to provide facilities for service in excess of the amount of the total demand specified in this Agreement.

20. All service to a Customer hereunder at a single location shall be rendered through a single meter except when a Customer's requirements are such that service has to be taken through more than one feeder and it is impracticable to measure the service through a single meter, in which case the quantities derived from all necessary meters may be combined for billing purposes. The maximum metered demand shall be the maximum sum of the coincident demands metered on all feeders, determined on each feeder by a single meter and totalized by an approved demand meter with its totalizing relay, or by adding the separate demands recorded on individual meter charts; the reactive KVA demand shall be similarly determined and the kilowatt-hours shall be the sum of the kilowatt-hours recorded by the separate watt-hour meters.

21. With respect to Expansion Power no voluntary transfer of this Agreement or the rights of Customer shall be made without the written approval of Authority; provided that any successor to or assignee of the rights of Customer, whether by voluntary transfer, judicial sale, foreclosure sale, or otherwise, shall be subject to all the provisions and conditions of this Agreement to the same extent as though such successor or assignee were the original Customer hereunder; and, provided further, that the execution of a mortgage or trust deed, or judicial or foreclosure sales made thereunder, shall not be deemed voluntary transfers within the meaning of this Article.

22. Customer shall not resell any of the electric energy contracted for or delivered under this Agreement.

23. For a fractional part of a billing period at the beginning or end of service, and for fractional periods due to withdrawals of service, the minimum charge and the demand or capacity charge, shall each be proportionately adjusted in the ratio that the number of hours that electric service is furnished to Customer in such fractional billing period bears to the total number of hours in the billing period involved.

EXPANSION POWER ALLOCATION AND SERVICE AGREEMENT

Schedule B
Expansion Power Commitments

I. Employment Commitment

A. Employment Levels. The Customer shall establish and/or maintain the employment level set forth in Appendix A of this Schedule (the "Base Employment Level"), such employment level being the agreed-upon number of full-time positions held by employees of the Customer at the facilities identified in such Appendix.

B. Employment Records and Reports. A record shall be kept monthly by the Customer, and provided annually to the Authority, of the number of employees occupying the positions of employment set forth in Appendix A, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by Authority and the Customer). Such report shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and data concerning employment levels at facilities receiving Expansion Power including, but not limited to, personnel records and summaries held by the Customer and its affiliates.

II. Reductions of Contract Demand

A. Employment Levels. If the year-end monthly average number of employees occupying the positions of employment set forth in Appendix A remains below 80% of the "Base Employment" level set forth in Appendix A, for two consecutive years (the "Employment Measuring Period"), the Contract Demand may be reduced by the Authority subject to Paragraph C of this Article. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the Employment Measuring Period divided by the Base Employment; provided, however, that a reduction in employment will be deemed not to have taken place if such reduction occurs, as demonstrated to the reasonable satisfaction of the Authority, as a consequence of (a) reduced employment during any strike; (b) increased efficiency or improved technology; or (c) negotiated changes in labor agreements or work rules which increase worker productivity or (d) withdrawals by the Authority of other Authority power sold to the Customer but provided further, that relocation of specific activities away from the facility shall not be considered as productivity improvements. Any such reduction shall be rounded to the nearest one-hundred kilowatts. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

Coincident with the filing of the annual report with the Authority pursuant to Paragraph I.B of this Schedule or prior thereto within the same calendar year, the Customer may request that the Authority adjust the Base Employment shown on Appendix A on account of

the factors set forth in (b), (c) and (d) of the preceding paragraph. Within sixty (60) days of receiving such a request, together with adequate supporting information, the Authority will advise the Customer in writing as to whether or not the Base Employment will be reduced. If the Authority does not grant or deny any such request in writing within the 60 day period, the request shall be deemed to be granted.

B. Power Utilization Levels. A record shall be kept monthly by the Customer, and provided annually to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by this Agreement. If, in any 24-month period, the Customer's Usage Factor, as herein defined, does not exceed 80% in any six consecutive months the Authority may reduce the Contract Demand. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the average "Usage Factor" in the six consecutive months of highest use in such 24-month period during which the Usage Factor was less than 80%. The "Usage Factor" is the ratio in any month of the Customer's maximum metered demand to the sum of the contract demands, as adjusted for losses, for all categories of Authority power allocated to the facility in such month; provided however, that the sum of said contract demands shall not include any quantity of power temporarily assigned for use by others or with respect to which the Authority has received from the Customer a notice of reduction or termination pursuant to contract. Any such reduction shall be rounded to the nearest one-hundred kilowatts. In the event of

a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Notice of Intent to Reduce Contract Demand. In the event that the Authority determines that the Contract Demand will be wholly or partially reduced as provided above, at least thirty (30) days prior written notice of such reduction shall be given to the Customer, specifying the amount of the reduction of Contract Demand and the reason therefor.

III. Rates

A. Rates. Except as provided in Paragraph B below, the rates to be charged by the Authority to the Company for Expansion Power capacity and energy and to be charged by the Company to the Customer shall be the rates set forth in the Authority's Service Tariff No. 46 issued as of _____, and attached to the Contract for the Sale and Resale of Expansion Power between Authority and the Company dated _____ and no amendment of Service Tariff No. 46 shall affect the rates to be charged by the Authority to the Company for Expansion Power capacity and energy to be resold by the Company to the Customer.

B. Notwithstanding any provision of Service Tariff No. 46. this Agreement or the Authority's Rules and Regulations to the contrary, the rates determined in accordance with this Article shall be subject to increase by Authority, at any time upon thirty (30) days prior written notice to the Customer, to enable the Authority to meet its obligations to the holders of its bonds, notes and other instruments of indebtedness; provided that any increase in revenues to meet such obligations shall be on a non-arbitrary basis, from sales for the benefit of Expansion Power customers as well as all of other Authority customers so that, to the extent lawful and considering the marketability of power from each Authority generating facility and the Authority's competitive position with respect to other electric suppliers, the revenue increase for each Authority customer rate class is to the extent practicable, the same dollar amount per unit of energy consumption. Any increase in rates hereunder shall be apportioned equally between the demand and energy rates determined in accordance with Paragraph III.A of this schedule.

With respect to any such rate increase the Secretary of the Authority, on behalf of the Authority, shall forward to the Customer with the notice of increase an explanation of the reasons for the increase and why the revenues from the operation of the Authority's projects will be insufficient to assure that revenues available for debt service meet prescribed levels or will be insufficient, together with other moneys available therefore in the Authority's General Fund, to provide all the payments and meet all other requirements as specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The notice shall

include a reasonably detailed statement of the actual and estimated revenues, operating and maintenance expenses, and other information upon which such determination was made. The Authority shall also identify the sources from which it will obtain the total of increased revenues required and the bases upon which the Authority will allocate the increased revenue requirements among its customers.

Any increase in rates hereunder shall remain in effect only so long as such increase is necessary to provide revenues required for the purpose above stated. During any period that any such increase is in effect, the Authority shall review the necessity for the continuation of the increased charges on or before November 1 of each year and may determine that the increase in effect is no longer necessary and that as of a date specified by the Authority the rates shall be reduced to the levels prescribed in Paragraph III.A of this schedule.

At such time as the Authority determines that any increase in rates pursuant to this paragraph above the levels prescribed in Paragraph III.A of this schedule is no longer necessary, the Authority shall, if deemed feasible and advisable in the sole lawful discretion of the Trustees, make repayment to the Company for repayment to the Customer of any or all of the amounts paid by the Customer, any such repayment being on a non-discriminatory basis to all then-existing Expansion Power Customers served under an agreement containing this provision concerning such repayment. Such repayment may be effected at the Authority's option, by monthly credits against future billings to the Company for Expansion Power resold to the Customer, such credits

to be passed on to the Customer by the Company.

At the request of the Customer made after publication thereof the Authority shall provide to the Customer the following:

- (a) The most recent Annual Report to the Governor and the Legislature;
- (b) The most recent Authority 6-month financial statements as of June 30;
- (c) The most recent Official Statement issued in connection with the issuance of Authority obligations by the Authority; and
- (d) A copy of the most recent certificate required to be filed with the Trustee under the Authority's General Purpose Bond Resolution pursuant to Paragraph 2 of Section 609 of such Resolution.

IV. Affirmative Action Polity

The Customer as employer will not discriminate against employees or applicants for employment because of race, religion, color, national origin, sex, age, or disability, and will undertake or continue existing programs of affirmative action to ensure that minority group persons and women are afforded equal opportunity without discrimination. Such programs shall include, but not be limited to,

recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation. The Customer shall provide to the Authority, annually, a report in a form satisfactory to the Authority concerning the status of the Customer's affirmative action programs. Such reporting requirement shall be satisfied by submission to the Authority of copies of form EEO-1 or the equivalent, or such other reports or filings concerning the Customer's affirmative action programs at each facility receiving Expansion Power as are required to be prepared and filed with New York State or Federal authorities pursuant to law or regulation. The Authority shall maintain the same degree of confidentiality accorded such reports as required of any federal or state agencies by applicable statutes. In no event shall such material be released without at least ten (10) days written notice to the Customer.

V. Covenant with Respect to Defense of Agreement and Rates

In the event any action or proceeding, judicial or administrative, is brought against the Authority, the Company, or the Customer challenging or affecting any term or provision of this Schedule, the Authority and the Customer shall support and cooperate in the defense of the entire Schedule and each and every term hereof (including, in particular, the terms concerning establishment of rates in this Schedule and the Authority's statutory authority to set and collect such rates). In the event that any such challenge results in

the Authority being directed to adopt rates or a method of setting rates which results in a rate different from the rates established pursuant to this Schedule, the Authority, and the Customer recognize and agree that they are bound by this Schedule, that the Authority shall set and the Customer shall pay to the extent lawful, the rates established pursuant to said Schedule, and that each party irrevocably waives to the extent lawful any rights adjudged in any such action or proceeding inconsistent with its contractual obligations herein.

Schedule B

APPENDIX A

Base Employment Level

In accordance with Article I of this Schedule, the Customer agrees to a Base Employment Level of: _____

Such Base Employment Level is the number of full-time positions held by employees of the Customer at the following facilities located at:

