

Original Service Agreement No. 1951

COST REIMBURSEMENT AGREEMENT

THIS COST REIMBURSEMENT AGREEMENT (the "Agreement"), made and entered into as of this November 9, 2012 (the "Effective Date"), by and between the **NEW YORK POWER AUTHORITY**, having an office and place of business at 30 South Pearl Street, Albany, New York 12207 (the "Customer"), and **NIAGARA MOHAWK POWER CORPORATION**, a corporation organized and existing under the laws of the State of New York, having an office and place of business at 300 Erie Boulevard West, Syracuse, New York 13202 (the "Company"). Customer and Company may be referred to hereunder, individually, as a "Party" or, collectively, as the "Parties".

WITNESSETH

WHEREAS, Customer is seeking to address potential discrepancies between the design and actual field conditions of its transmission facilities in accordance with the facility ratings alert issued by NERC (defined below) on October 7, 2010, and updated on November 30, 2010; and

WHEREAS, Customer undertook a review of its transmission facilities and identified a number of field conditions which may have the potential to result in discrepancies in line ratings; and

WHEREAS, some of the field conditions impacting Customer's transmission facilities are certain structures owned or operated by Company over which Customer's facilities pass (i.e., "underbuilt structures");

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

1.0 Definitions

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

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

"Company Reimbursable Costs" means the actual costs and expenses incurred by Company and/or its affiliates in connection with performance of the Work (as defined below) or otherwise incurred by Company in connection with the Project (as defined below) or this Agreement, and including, without limitation, any such costs that may have been incurred by Company prior to the Effective Date. These Company Reimbursable Costs shall include,

without limitation, the actual expenses for labor (including, without limitation, internal labor), services, materials, subcontracts, equipment or other expenses incurred in the execution of the Work or otherwise in connection with the Project, all applicable overhead, all federal, state and local taxes incurred, all costs of outside experts, consultants, counsel and contractors, all other third-party fees and costs, and all costs of obtaining any required consents, releases, approvals, or authorizations.

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

"Dollars" and "\$" mean United States of America dollars.

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

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

"Estimated Cost of Work" shall have the meaning set forth in Schedule A attached hereto.

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

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

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

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

"NYISO" shall mean the New York Independent System Operator, Inc.

"NYSRC" shall mean the New York State Reliability Council.

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

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

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

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

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

"Supplemental Conditions" means those terms and conditions, if included in the Agreement by mutual written agreement of the Parties, which add to or modify the Agreement and are incorporated by reference as if fully set forth in the Agreement. In the case of a conflict between the Supplemental Conditions and the Agreement, the Supplemental Conditions shall prevail.

"Work" shall have the meaning specified in Section 3.1 of this Agreement.

2.0 Term

2.1 This Agreement shall become effective as of the Effective Date and shall remain in full force and effect until performance has been completed hereunder and final payment is made as contemplated by this Agreement.

3.0 Scope of Work

3.1 The scope of work is set forth in Schedule A of this Agreement, attached hereto and incorporated herein by reference (the "Work").

- 3.2 Company shall use reasonable efforts to perform the Work in accordance with Good Utility Practice. Prior to completion of the Work, Customer shall have the right to notify the Company of the need for correction of defective Work that does not meet the standards of this Section 3.2. If the Work is defective within the meaning of the prior sentence, the Company shall promptly complete, correct, repair or replace such defective Work, as appropriate, at no added cost to the Customer if the previously incurred total Company Reimbursable Costs are equal to or in excess of the Estimated Cost of Work. However, as long as the total Company Reimbursable Costs do not exceed the Estimated Cost of Work, then items of defective Work identified by the Customer prior to completion of the Work that Company reasonably determines need to be re-performed in order to comply with the standards in this Section 3.2 shall be completed or re-performed subject to reimbursement of all costs associated therewith as part of Company Reimbursable Costs. The remedy set forth in this Section is the sole and exclusive remedy granted to Customer for any failure of Company to meet the performance standards or requirements set forth in this Agreement.

4.0 Changes in the Work

- 4.1 Each Party shall inform the other no later than the start of Work in writing of the name and contact information for the respective Project Manager per Section 25.1 of this Agreement.
- 4.2 If Customer requests a change in the Work, such request shall be submitted to the Company in writing. If the Parties agree to a change in the Work, such agreed change will be set forth in writing, and the Work schedule shall be adjusted and/or extended as mutually agreed by the Parties. Any additional costs arising from such change shall be paid by the Customer as part of Company Reimbursable Costs when invoiced by the Company in accordance with Section 7.2 of this Agreement.
- 4.3 Notwithstanding the above, Company may make any reasonable changes in the Work to ensure the completion of the Project, prevent delays in the schedule, or meet the requirements of governmental authorities, laws, regulations, ordinances, Good Utility Practice and/or codes. Company shall provide Customer with notice of the changes to the Work within fifteen (15) business days of such changes being implemented. The Work schedule shall be adjusted accordingly and any additional costs shall be paid by the Customer as part of Company Reimbursable Costs when invoiced by the Company in accordance with Section 7.2 of this Agreement.

5.0 Performance and Schedule

- 5.1 The Company shall use commercially-reasonable efforts to attempt to have Work performed by its direct employees performed during normal working hours. The foregoing notwithstanding, if Work is performed outside of normal working hours,

Customer shall be responsible for paying all actual costs incurred in connection therewith, including, without limitation, applicable overtime costs, as part of Company Reimbursable Costs.

- 5.2 If Customer requests, and the Company agrees, to work outside normal working hours due to delays in the Project schedule or for other reasons, Company shall be entitled to recover all resulting costs as part of Company Reimbursable Costs.
- 5.3 The Projected Project Milestone Schedule is set forth in Schedule B, attached hereto and incorporated herein by reference. The Projected Project Milestone Schedule is an estimate only and subject to change.

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

- 6.1 The Work Cost Estimate (as defined in Schedule A) is an estimate only. Customer shall pay all Company Reimbursable Costs actually incurred by Company.

7.0 **Payment**

- 7.1 Within thirty (30) Days following the Effective Date, the Company shall invoice Customer for an initial prepayment of Two Hundred Thirty-Nine Thousand Six Hundred dollars (\$239,600) ("Initial Prepayment") and Customer shall pay the Initial Prepayment to Company net thirty (30) Days of invoice receipt. Company shall not be obligated to commence Work under this Agreement prior to receiving the Initial Prepayment.
- 7.2 Company may periodically invoice Customer for Company Reimbursable Costs incurred. Company is not required to issue periodic invoices to Customer and may elect, in its sole discretion, to continue performance hereunder after the depletion of the Initial Prepayment or Second Prepayment, as applicable, and invoice Customer at a later date. Except as otherwise expressly provided for in this Agreement, all invoices shall be due and payable net thirty (30) Days from receipt of the invoice. The payment of interest by Customer on overdue amounts in connection with this Agreement shall be governed by subparagraphs 5 through 8 of paragraph D of the Customer's prompt payment policy, a copy of which is attached hereto as Schedule F ("Prompt Payment Policy"). For the avoidance of doubt: in the event of any difference or conflict between the terms of this Agreement and the terms of the Prompt Payment Policy, the terms of this Agreement shall govern. In addition to any other rights and remedies available to Company, if any payment due from Customer under this Agreement is not received within five (5) Days of the applicable invoice due date, Company may suspend any or all Work pending receipt of all overdue amounts from Customer.

- 7.3 Company's invoices to Customer for all sums owed under this Agreement shall be sent to the individual and address specified below, or to such other individual and address as Customer may designate upon written notice to the Company:

New York Power Authority
ATTN: Accounts Payable
P. O. Box 437
White Plains, N.Y. 10602-0437

- 7.4 Payments to the Company shall be made by Automated Clearing House transfer in accordance with the following bank instructions:

Wire Payment: JP Morgan Chase
ABA#.021000021
Credit: National Grid USA
Account #.77149642

8.0 **Final Payment**

- 8.1 Following completion of the Work, the Company shall perform an overall reconciliation of the total of all Company Reimbursable Costs to the invoiced costs previously paid to Company by Customer under this Agreement ("*Total Payments Made*"). If the total of all Company Reimbursable Costs is greater than the Total Payments Made, the Company shall provide a final invoice to Customer for the balance due to the Company under this Agreement (the "*Balance Amount*"). If the Total Payments Made is greater than the total of all Company Reimbursable Costs, Company shall reimburse the difference to Customer ("*Reimbursement Amount*"). The Reimbursement Amount or Balance Amount, as applicable, shall be due and payable upon final reconciliation but no later than sixty (60) Days after such reconciliation.

9.0 **Customer's Responsibilities-**

- 9.1 The Customer's responsibilities are set forth in Schedule C of this Agreement, attached hereto and incorporated herein by reference.
- 9.2 Customer shall reasonably cooperate with Company as required to facilitate Company's performance of the Work.
- 9.3 Company shall have no responsibility or liability under this Agreement for any delay in performance, defective performance or nonperformance to the extent such delay in performance, defective performance or nonperformance is caused by the inability or failure of (a) Customer to cooperate or to perform any tasks or responsibilities contemplated to be performed or undertaken by the Customer in Schedule C or elsewhere in this Agreement or (b) Customer and Company to

reach agreement on any matter requiring their mutual agreement under the terms of this Agreement.

10.0 **Meetings**

10.1 Each Party's Project Manager shall attend Project meetings at times and places mutually agreed to by the Parties.

11.0 **Disclaimers**

11.1 THE COMPANY IS NOT IN THE BUSINESS OF PERFORMING DESIGN OR CONSTRUCTION SERVICES FOR PROFIT AND IS NOT RECEIVING ANY FEE OR PROFIT (AS CONTRASTED WITH COST REIMBURSEMENT) FOR ITS PERFORMANCE OF THE WORK HEREUNDER. THE EXCLUSIVE REMEDY GRANTED TO CUSTOMER FOR ANY ALLEGED FAILURE OF COMPANY TO MEET THE PERFORMANCE STANDARDS OR REQUIREMENTS SET FORTH HEREIN IS AS SET FORTH IN SECTION 3.2. COMPANY MAKES NO WARRANTIES, REPRESENTATIONS, OR GUARANTEES IN CONNECTION WITH THE AGREEMENT, ANY PROJECT, OR ANY WORK OR SERVICES PERFORMED IN CONNECTION THEREWITH, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. THIS DISCLAIMER SHALL SURVIVE ANY TERMINATION OR EXPIRATION OF THE AGREEMENT. CUSTOMER ACKNOWLEDGES AND AGREES THAT ANY WARRANTIES PROVIDED BY ORIGINAL MANUFACTURERS, LICENSORS, OR PROVIDERS OF MATERIAL, EQUIPMENT OR OTHER ITEMS PROVIDED OR USED IN CONNECTION WITH THE WORK, INCLUDING ITEMS INCORPORATED IN THE WORK ("THIRD PARTY WARRANTIES"), ARE NOT TO BE CONSIDERED WARRANTIES OF THE COMPANY AND THE COMPANY MAKES NO REPRESENTATIONS, GUARANTEES, OR WARRANTIES AS TO THE APPLICABILITY OR ENFORCEABILITY OF ANY SUCH THIRD PARTY WARRANTIES.

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

12.0 **Liability and Indemnification**

- 12.1 To the fullest extent permitted by applicable law, Customer shall indemnify and hold harmless, and at Company's option, defend Company, its parents and affiliates and their respective contractors, officers, directors, servants, agents, representatives, and employees (each, individually, an "Indemnified Party" and, collectively, the "Indemnified Parties"), from and against any and all liabilities, damages, losses, costs, expenses (including, without limitation, any and all reasonable attorneys' fees and disbursements), causes of action, suits, liens, claims, damages, penalties, obligations, demands or judgments of any nature, including, without limitation, for death, personal injury and property damage, economic damage, and claims brought by third parties for personal injury and/or property damage (collectively, "Damages"), incurred by any Indemnified Party to the extent caused by the negligence, unlawful act or omission, or intentional misconduct of Customer, its parents or affiliates, third-party contractors, or their respective officers, directors, servants, agents, representatives, and employees, arising out of or in connection with this Agreement, the Project, or any Work, except to the extent such Damages are caused by the negligence, intentional misconduct or unlawful act of the Company or any person or entity for whom Company is legally responsible.
- 12.2 The Company's total cumulative liability to Customer for all claims of any kind, whether based upon contract, tort (including negligence and strict liability), or otherwise, for any loss, injury, or damage connected with, or resulting from, this Agreement or the Work, shall not exceed the aggregate amount of all payments made to Company by Customer under this Agreement.
- 12.3 Neither Party shall be liable to the other Party for consequential, indirect, special, incidental, multiple, or punitive damages (including, without limitation, attorney's fees or litigation costs) in connection with or related to this Agreement, including, without limitation, damage claims based on causes of action for breach of contract, tort (including negligence), or any other theory of recovery, whether or not (i) such damages were reasonably foreseeable or (ii) the Parties were advised or aware that such damages might be incurred.
- 12.4 Neither Party shall be liable to the other Party for claims of lost profits, delays, loss of use, business interruption, or claims of customers, whether such claims are categorized as direct or consequential damages, or whatever the theory of recovery, and whether or not (i) such damages were reasonably foreseeable or (ii) the Parties were advised or aware that such damages might be incurred.
- 12.5 Anything in this Agreement to the contrary notwithstanding, neither Party shall be responsible for any failure or inability to perform hereunder to the extent such failure or inability is caused by the acts or omissions of the other Party (including any contractor of such other Party or any person or entity for whom such other Party is legally responsible) or any third party.

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

13.0 **Employee Claims; Insurance**

13.1 The Company elects to self-insure to maintain the insurance coverage amounts set forth in Schedule D of this Agreement.

13.2 Prior to commencing Work on the Project and during the term of the Agreement, the Customer, at its own cost and expense, shall procure and maintain insurance in form and amounts set forth in Schedule D of this Agreement, or shall, at the Customer's sole and absolute discretion, elect to self-insure provided that the Customer provides written notice to the Company prior to commencing any Work under this Agreement.

13.3 Prior to commencing the Work, the Customer, provided that that the Customer does not elect to self insure, shall have its insurer, if any, furnish to the Company certificates of insurance, on forms approved by the Insurance Commissioner of the State of New York, evidencing the insurance coverage required by this Article 14.0.

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

14.0 **Assignment and Subcontracting**

14.1 Each Party may assign this Agreement or any part thereof to any affiliated entity controlling, controlled by, or under common control with, the assigning Party provided such assignee shall be bound by the terms and conditions of this Agreement. For purposes of this Section, "control" of an entity shall mean the ownership of, with right to vote, fifty percent (50%) or more of the outstanding voting securities or equity of such entity. Any assignment of this Agreement in violation of the foregoing shall be voidable at the option of the non-assigning Party.

15.0 **Independent Contractor**

15.1 Company and Customer shall be independent contractors, and neither Party shall be deemed to be an agent of the other Party.

16.0 **Examination, Inspection and Witnessing**

- 16.1 Subject to Customer's and its representatives' compliance with Company's security and other access requirements, the Customer and/or its representatives shall have the right to inspect and examine the Work, from time to time, at Customer's sole cost and expense, with reasonable prior notice to Company. Unless otherwise agreed between the Parties, such inspections, examinations and tests shall be scheduled during normal business hours.
- 16.2 Company shall inspect all Work and make or cause to be made all tests required by Good Utility Practice at Customer's sole cost and expense as part of Company Reimbursable Costs.
- 16.3 At times and places mutually agreed to by the Parties, Customer and Company, or their respective designated representatives, shall be entitled to witness any test contemplated by this Agreement.

17.0 **Safety**

- 17.1 Each Party shall be responsible for the safety and supervision of its respective employees involved with the Work or on the Sites. In connection with the Project, both Parties shall, and shall require their respective representatives, contractors, and employees to, comply with all applicable Federal, state and local safety requirements, rules, regulations, laws and ordinances, including without limitation, compliance with the safety regulations adopted under the Occupational Safety and Health Act of 1970 (OSHA), as amended from time to time.

18.0 **Approvals, Permits and Easements**

- 18.1 The actual cost of obtaining all permits, licenses, permissions, or consents obtained by Company necessary for the Project and the Work shall be paid for by Customer as part of Company Reimbursable Costs.

19.0 **Environmental Protection; Hazardous Substances or Conditions**

- 19.1 Customer agrees to hold harmless, defend, and indemnify the Company, its affiliates and contractors, and their respective directors, officers, agents, servants, employees and representatives from and against any and all claims and/or liability in connection with, relating to, or arising out of (i) the presence, discovery, release, threat of release or generation of Hazardous Substances in connection with the activities contemplated by this Agreement, or (ii) the breach by Customer (or any person or entity for whom Customer is legally responsible) of any Federal, state, or local laws, rules, regulations, codes, or ordinances relating to the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §§ 9601 et seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §§

6901 et seq., except to the extent such presence, discovery, release, threat of release, generation or breach (i) occurred prior to the Effective Date as a result of the acts or omissions of the Company or any person or entity for whom the Company is legally responsible or (ii) is or are caused by the negligent or unlawful act of the Company or of any person or entity for whom the Company is legally responsible. The obligations under this Section shall not be limited in any way by any limitation on Customer's insurance or by any limitation of liability or disclaimer provisions contained in this Agreement. The provisions of this Section shall survive the expiration or earlier termination of this Agreement.

- 19.2 Customer shall promptly inform the Company, in writing, of any known Hazardous Substances, or unsafe, dangerous, or potentially dangerous, conditions or structures, whether above-ground or underground, that are present on, under, over, or in Customer owned, occupied, used, or operated facilities or property (including, without limitation, easements, rights-of-way, or other third-party property, but excluding any property or facilities that have been exclusively occupied, used or operated by Company) to be used or accessed in connection with the Work or the Project.

20.0 **Suspension of Work**

- 20.1 Subject to Section 21.2, below, Customer may interrupt, suspend, or delay the Project upon written notice to the Company specifying the nature and expected duration of the interruption, suspension, or delay. Customer shall be responsible to pay Company for all costs incurred by Company that arise as a result of such interruption, suspension or delay.
- 20.2 As a precondition to the Company resuming the Work following a suspension under Section 21.1, the estimated schedule shall be revised as mutually agreed by the Parties to reflect the interruption, suspension, or delay. Adjustments to the Company Reimbursable Costs shall reflect any costs or expenses the Company incurs as a result of the interruption, suspension, or delay.

21.0 **Right to Terminate Agreement**

- 21.1 Notwithstanding any other provision of this Agreement, if either Party (a) fails to comply with any of the material terms or conditions of the Agreement; (b) sells or transfers all or substantially all of its assets; (c) enters into any voluntary or involuntary bankruptcy proceeding or receivership; or (d) makes a general assignment for the benefit of its creditors, then the other Party shall have the right, without prejudice to any other right or remedy and after giving five (5) Days' written prior notice to the other Party and a reasonable opportunity for cure (not to exceed thirty (30) days in the case of a failure to pay amounts when due), to terminate this Agreement, in whole or in part, and thereupon each Party shall immediately discontinue its performance hereunder to the extent feasible and

make every reasonable effort to procure cancellation of existing commitments, orders and contracts upon terms that are reasonably expected to minimize all associated costs. However, nothing herein will restrict Company's ability to complete aspects of the Work that Company must reasonably complete in order to return its facilities and the Sites to a configuration in compliance with Good Utility Practice and all applicable laws, codes, regulations and standards.

21.2 If the event of any early termination or cancellation of the Work as contemplated in this Agreement, Customer shall pay Company the Company Reimbursable Costs for:

- a. all Work completed on or before the effective date of termination or cancellation;
- b. other costs reasonably incurred by Company in connection with the Work prior to Company's receipt of the termination or cancellation notice for materials, equipment, tools, construction equipment and machinery, engineering and other items, materials, assets or services which cannot reasonably be avoided, mitigated or cancelled;
- c. costs reasonably incurred to unwind Work performed prior to Company's receipt of the termination or cancellation notice to the extent reasonably necessary to return Company's facilities and the Sites to a configuration in compliance with Good Utility Practice and all applicable laws, codes, regulations and standards, including, without limitation, applicable NERC and NPCC protection; and
- d. reasonable demobilization expenses incurred by Company which cannot be reasonably avoided or mitigated.

22.0 **Delays; Unforeseen Difficulties**

22.1 Any delays or failure of performance by Company shall not constitute a default and shall be excused hereunder, if and to the extent such delays or failures of performance are caused by unforeseen conditions or occurrences beyond the reasonable control of the Company. The price and time for performance under this Agreement shall be adjusted accordingly.

23.0 **Force Majeure**

23.1 A "*Force Majeure Event*" shall include fire, flood, windstorm, adverse weather conditions, emergencies, explosion, riot, war, sabotage, acts of God, strikes or labor slow-downs, court injunction or order, federal and/or state law or regulation, delays by governmental authorities in approving license and permit requests necessary in connection with the Work or Project, or order by any federal or state

regulatory agency, or other similar causes beyond the affected Party's reasonable control. Without limiting the foregoing, a "Force Majeure Event" shall also include unavailability of personnel, equipment, supplies, or other resources ("Resources") due to diversion of such Resources for other utility-related duties in connection with an emergency or other similar contingency, including, without limitation, storms or other adverse weather condition. If a Force Majeure Event should occur and impair the ability of either or both Parties to perform its, or their respective, obligations hereunder, then, to the extent affected by such Force Majeure Event, the performance of this Agreement, with the exception of payment obligations, shall be suspended for the duration of such Force Majeure Event. At the conclusion of a Force Majeure Event, the price and time for performance under this Agreement shall be adjusted as reasonably necessary to overcome the effect of the delay occasioned by such Force Majeure Event. The foregoing notwithstanding and with the exception of payment obligations, if, as the direct or indirect result of any Force Majeure Event, the Parties' continued performance hereunder becomes irreparably impaired or prevented, the Parties may mutually agree to terminate this Agreement, in whole or in part, with no further obligation or liability; provided, however, that, notwithstanding any such termination, Customer shall pay the Company all of the Company's Company Reimbursable Costs incurred up to the effective date of such termination.

- 23.2 Within thirty (30) Days after the termination of any delay occasioned by a Force Majeure Event, the affected Party shall give written notice to the other Party specifying the estimated impact of the delay.

24.0 **Extensions of Time**

- 24.1 Company may reasonably request an extension to the schedule for changes in the Project, as contemplated by Article 4.0, and for events of Force Majeure, as provided in Article 23.0.

25.0 **Proprietary and Confidential Information**

- 25.1 Each Party acknowledges that in the course of the performance of this Agreement it may have access to Proprietary Information, as hereinafter defined, of the other Party. Proprietary Information shall include (i) all technical and other non-public or proprietary information which is furnished or disclosed by the Disclosing Party (as such term is defined below), or its affiliates (or its or its affiliates, agents, servants, contractors, or employees) to the Receiving Party or its Representatives (as such Willis are defined below) in connection with the Project or the Work and that is described or identified (at the time of disclosure) as being non-public, confidential or proprietary, or the non-public or proprietary nature of which is apparent from the context of the disclosure or the contents or nature of the information disclosed; (ii) any market sensitive information (including, without limitation, outages scheduled on generators or transmission lines of any Party or

any third party) and (iii) memoranda, notes, reports, files, copies, extracts, inventions, discoveries, improvements, or any other thing prepared or derived by the Receiving Party or its Representatives from the information described in (i) or (ii) preceding. All Proprietary Information in tangible form of expression which has been delivered (or thereafter created by copy or reproduction pursuant to this Agreement) shall be and remain the property of the Party which is disclosing such Proprietary Information (the "Disclosing Party").

- 25.2 General Restrictions. Upon receiving Proprietary Information, the receiving Party (the "Receiving Party") and its Representative shall keep in strict confidence and not disclose to any person (with the exception of the Representatives of the Receiving Party, to the extent each such Representative has a need to know in connection herewith) any of the Disclosing Party's Proprietary Information except as otherwise provided by the terms and conditions of this Agreement. The Receiving Party and its Representatives shall not use such Proprietary Information except for the purposes identified herein without the prior written approval of the Disclosing Party. The Receiving Party shall be solely liable for any breach of this Section to the extent caused by its Representatives. For purposes of this Section, the term "Representative(s)" shall mean the affiliates of the Receiving Party and the officers, directors, employees, contractors, and representatives of such Receiving Party and of its affiliates. Customer agrees that any Proprietary Information will be used solely for the Project and will not be used, either directly or indirectly, for the Customer's financial gain and/or commercial advantage or in violation of any applicable laws, rules or regulations.
- 25.3 Additional Marking Requirements. In the event either Party discloses its Proprietary Information to the other Party unmarked or in oral or visual form, the Disclosing Party shall notify the Receiving Party in writing that such Information is deemed proprietary within forty-eight (48) hours of its disclosure. Such Proprietary Information shall be treated in the manner set forth above from the date such written notice is received.
- 25.4 Exceptions. The Receiving Party shall not be precluded from, nor liable for, disclosure or use of any Proprietary Information if:
- 25.4.1 the Proprietary Information is in or enters the public domain, other than by a breach of this Section; or
- 25.4.2 the Proprietary Information is known to the Receiving Party or its Representatives at the time of first disclosure hereunder, or thereafter becomes known to the Receiving Party or its Representatives prior to or subsequent to such disclosure without similar restrictions from a source other than the Disclosing Party, as evidenced by written records; or

- 25.4.3 the Proprietary Information is developed by the Receiving Party or its Representatives independently of any disclosure under this Agreement as evidenced by written records; or
- 25.4.4 the Proprietary Information is disclosed more than three (3) years after first receipt of the disclosed Proprietary Information, or three (3) years after the termination or expiration of this Agreement, whichever occurs later ; or
- 25.4.5 the Disclosing Party consents to the disclosure or use of the Proprietary Information; or
- 25.4.6 the Receiving Party or its Representatives has a reasonable belief that disclosure of the Proprietary Information is necessary for public safety reasons and has attempted to provide as much advance notice of the disclosure to the Disclosing Party as is practicable under the circumstances.

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

26.0 **Governing Law**

26.1 This Agreement is made and shall be interpreted, construed, governed, and enforced in accordance with the laws of the State of New York without reference to such State's conflict-of-laws doctrine.

26.1.1 The Company and Customer agree to submit to the personal jurisdiction of the courts in the State of New York, or the Federal District courts in the State of New York, as permitted by law, with respect to any matter or dispute arising out of this Agreement.

27.0 **Miscellaneous**

- 27.1 **Project Managers.** Promptly following the Effective Date, each Party shall designate a Project Manager and shall provide the other Party with a written notice containing the name and contact information of its Project Manager. Whenever either Party is entitled to approve a matter, the Project Manager for the Party responsible for the matter shall notify the Project Manager of the other Party of the nature of such matter. The Project Managers shall discuss such matter, and each Project Manager shall confer on such matter on behalf of his/her Party. The foregoing notwithstanding, in no event shall Project Managers be authorized to amend or modify the provisions of this Agreement.
- 27.2 **Dispute Resolution.** Any dispute arising under this Agreement shall be the subject of good-faith negotiations between the Parties. Each Party shall designate one or more representatives with the authority to negotiate the matter in dispute for the purpose of participating in such negotiations. Unless a Party identifies exigent circumstances reasonably requiring expedited resolution of the dispute by a court or agency with jurisdiction over the dispute, any dispute that is not resolved through good-faith negotiations after a negotiation period of not less than sixty (60) days may be submitted by either Party for resolution to a court or to an agency with jurisdiction over the dispute. Notwithstanding the foregoing, any dispute arising under this Agreement may be submitted to non-binding arbitration or any other form of alternative dispute resolution upon the agreement of both Parties to participate in such an alternative dispute resolution process. During the pendency of any dispute, the Parties will continue to execute their obligations under the Agreement, except for disputed portions thereof, unless otherwise mutually agreed in writing.
- 27.3 **Compliance with Law.** Each Party shall comply, at all times, with, and procure the compliance, at all times, by all of its subcontractors with, all applicable federal, state, and local laws, rules, codes, regulations, and ordinances in connection with this Agreement and performance of the Work hereunder. Such compliance shall include, among other things, compliance with all applicable wage and hour laws and regulations and all other laws and regulations dealing with or relating to the employment of persons, and the payment of contributions, premiums, and taxes required by such laws and regulations.

- 27.4 **Form and Address.** All notices, invoices and other communications from either Party to the other hereunder shall be in writing and shall be deemed received (i) upon actual receipt when personally delivered, (ii) upon acknowledgment of receipt if sent by facsimile, (iii) upon the expiration of the third (3rd) business Day after being deposited in the United States mails, postage prepaid, certified or registered mail, or (iv) upon the expiration of one (1) business Day after being deposited during the regular business hours for next-day delivery and prepaid for overnight delivery with a national overnight courier, addressed to the other Party. Each Party may change its address by giving the other Party notice thereof in conformity with this Section. Any payments made under this Agreement, if made by mail, shall be deemed to have been made on the date of receipt thereof.
- 27.5 **Exercise of Right.** No failure or delay on the part of either Party in exercising any right, power, or privilege hereunder, and no course of dealing between the Parties, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.
- 27.6 **Additional Actions and Documents.** Each Party hereby agrees to take or cause to be taken such further actions, to execute, acknowledge, deliver and file, or cause to be executed, acknowledged, delivered and filed, such further documents and instruments, and to use its commercially reasonable efforts to obtain such consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms, and conditions of this Agreement, whether at or after the execution of this Agreement.
- 27.7 **Headings.** The descriptive headings of the several Articles, sections, and paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement. Such headings shall not in any way define or affect the meaning, construction, or scope of any of the provisions hereof.
- 27.8 **Incorporation of Schedules and Exhibits.** The schedules, attachments and exhibits referenced in and attached to this Agreement shall be deemed an integral part hereof to the same extent as if written in whole herein. In the event that any inconsistency exists between the provisions of this Agreement and any schedules, attachments or exhibits attached hereto, the provisions of this Agreement shall supersede the provisions of any such schedules, attachments or exhibits.

- 27.9 **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute but one and the same instrument. This Agreement may also be executed via counterpart facsimiles or in "PDF" format by electronic mail upon (a) the telecopy or emailing by each Party of a signed signature page thereof to the other Party, with, in the case of facsimile, return receipt requested and received and (b) the Parties' agreement that they will each concurrently post a fully executed original counterpart of this Agreement to the other Party.
- 27.10 **Prior Agreements; Modifications.** This Agreement and the schedules, attachments, and exhibits attached hereto constitute the entire agreement between the Parties with respect to the subject matter hereof, and supersede all previous understandings, commitments, or representations concerning the subject matter. Each Party acknowledges that the other Party has not made any representations other than those that are contained herein. This Agreement may not be amended or modified in any way, and none of its provisions may be waived, except by a writing signed by an authorized officer of the Party against whom the amendment, modification, or waiver is sought to be enforced.
- 27.11 **Severability.** Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision of this Agreement and any law, such law shall prevail; provided, however, that in such event, the provisions of this Agreement so affected shall be curtailed and limited only to the extent necessary to permit compliance with the minimum legal requirement, and no other provisions of this Agreement shall be affected thereby and all such other provisions shall continue in full force and effect.
- 27.12 **Nouns and Pronouns.** Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine, or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.
- 27.13 **No Third Party Beneficiaries.** Nothing in this Agreement is intended to confer on any person, other than the Parties, any rights or remedies under or by reason of this Agreement.
- 27.14 **Validity; Required Regulatory Approvals.** Each Party hereby represents that the provisions of this Agreement constitute valid and legally binding obligations of such Party and are enforceable in accordance with their terms.

The obligations of each Party under this Agreement are expressly contingent upon (i) each Party receiving all approvals, authorizations, consents, franchises, Permits, and licenses from any local, state, or federal regulatory agency or other governmental agency that may be required for such Party in connection with the performance of such Party's obligations under or in connection with this Agreement (the "Required Regulatory Approvals") and (ii) each Required Regulatory Approval being granted without the imposition of any modification or condition of the terms of this Agreement or the subject transactions, unless such modification(s) or condition(s) are agreed to by both Parties in their respective sole discretion. If any application is made in connection with seeking any Required Regulatory Approval and is denied, or is granted in a form, or subject to conditions, that either Party rejects, in its sole discretion, as unacceptable, this Agreement shall terminate as of the date that a Party notifies the other Party of such denial or rejection, in which event the obligations of the Parties under this Agreement shall cease as of such date and this Agreement shall terminate, subject to Customer's obligation to pay Company for all Company Reimbursable Costs incurred through the effective termination date. All of the Company's actual costs for obtaining Required Regulatory Approvals shall be included within the meaning of the term Company Reimbursable Costs and shall be paid for by Customer.

- 27.15 **Notices** All formal notices, demands, or communications under this Agreement shall be submitted in writing either by hand, registered or certified mail, or recognized overnight mail carrier to:

To Customer: Mr. John Canale
VP — Project Management
New York Power Authority
123 Main Street
White Plains, NY 10601
(914) 681-6706

To Company: Mr. William Malee
Director, Transmission Commercial Services
National Grid
40 Sylvan Road
Waltham, MA 02451
(781) 907-2422

[Signatures are on following page.]

IN WITNESS WHEREOF, each Party has executed this Agreement by its duly authorized representative as of the Effective Date.

NEW YORK POWER AUTHORITY

By: Patricia A. Seto
Name: PATRICIA A. Seto
Title: UP Procurement

NIAGARA MOHAWK POWER CORPORATION d/b/a National Grid

By: William L. Malee
Name: William L. Malee
Title: Director, Transmission Commercial

Schedule A: Scope of Work

To eliminate line clearance issues with NYPA facilities, Company shall design, engineer, procure, relocate, construct and test Company's electric delivery facilities as described in the attached Facility Listing (Schedule E) and listed below.

GROUP A — High Priority

<u>Site</u>	<u>Work Description</u>	<u>Estimate</u>
1	lower conductor, cut two pole tops	\$4700
2	lower conductor, cut one pole top	\$3500
3	lower conductor	\$2200
4	lower conductor	\$2800
5	3 pole installations to allow for lowering of conductors at transmission crossing and adjustment of a street crossing to maintain road clearance that is impacted when those conductors get adjusted	\$18,000
7	Lower conductor	\$1400
8	Replace 3 poles and the associated wire etc.	\$122,000
9	<u>N/A</u>	<u>No Charge</u>
15	Install primary dip replace 1 pole add 1 pole 360' 3ph UG	\$85,000
21	<u>N/A</u>	<u>No Charge</u>

GROUP B * — Medium Priority

<u>Site</u>	<u>Work Description</u>	<u>Estimate</u>
<u>10</u>	Site removed from Work List per Customer email of 11/7/2012	-----
<u>11</u>	Bring line from rear lot to the road, install 5 poles 7	\$100,000
<u>12</u>	Lower primary on pole replace and lower primary guy. sole-owned poles	\$1600
<u>13</u>	Cut a portion off a pole top, lower the arms a foot on two structures	\$19,000
<u>14</u>	replace 8' crossarms with 10' crossarm and lower primary cut top of pole	\$2300
<u>16</u>	replace 8' crossarms with 10' crossarm and lower primary cut top of pole	\$52,000
<u>17</u>	install 730' of Primary UG cable , 2 poles and 2	\$82,000

	anchors	
<u>18</u>	install 325' of Primary UG cable in 5" conduit, plus 1 spare 5" conduit , 1 pole and 2 anchors	\$40,000
<u>19</u>	install 710' of Primary UG cable in 5" conduit, plus 1 spare 5" conduit , pull box and 2 anchors.	\$73,000
<u>20</u>	install 540' of Primary UG cable, concrete encased in 5" conduit, plus 1 spare 5" conduit , pull box, 2 poles and 2 anchors	\$146,000

* Upon written notice on or before March 1, 2013, the Customer may request removal of any site(s) from the Group B work list.

NOTE: Company's specifications for electrical requirements referenced for this Agreement include: ESB-750; ESB-752; ESB-755 and ESB-756, Appendix A as such may be amended, modified and superseded from time to time. See:

<https://www.nationalgridus.com/niagaramohawk/constructionare>

Schedule B: Project Milestone Schedule

PROJECTED MILESTONE SCHEDULE

Task	Milestone	Date	Responsible Party
1.	Execute Agreement	November, 2012	Customer/Company
2.	Invoice and Payment of Pre-Payment	November, 2012	Customer/Company
3.	Start Interference Corrections — Group A*	October, 2012	Company
4.	Complete Interference Corrections — Group A	December, 2012/ January 2013	Company
5.	Start Interference Corrections — Group B*	March 1, 2013	Company
6.	Complete Interference Corrections — Group B	December 31, 2013	Company

*Group A and Group B shall be as defined in Schedule A to this Agreement.

The dates above represent the Parties preliminary schedule, which is subject to adjustment, alteration, and extension in accordance with the terms of this Agreement.

Schedule C: Customer's Responsibilities

Customer shall provide:

1. If and to the extent applicable or under the control of the Customer, complete and accurate information regarding requirements for Services, including, without limitation, constraints, space, requirements, underground or hidden facilities and structures, and all applicable drawings and specifications; and
2. At Sites where Customer has site control, provide access to the Site where services are to be performed for Company and its contractors and adequate parking for Company and contractor vehicles; and.
3. Other responsibilities and access deemed necessary by Company to facilitate performance of the Services

Schedule D: Insurance Requirements

- Workers Compensation and Employers Liability Insurance as required by the State of New York. If required, coverage shall include the U.S. Longshoremen's, Harbor Workers Compensation Act & the Jones Act.
 - Public Liability (Including Contractual Liability), covering all activities and operations to be performed by it under this Agreement, with following minimum limits:
 - (A) Bodily Injury - \$1,000,000/\$1,000,000
Property Damage - \$1,000,000/\$1,000,000
OR
 - (B) Combined Single Limit - \$1,000,000
OR
 - (C) Bodily Injury and Property Damage per Occurrence - \$1,000,000
General Aggregate & Product Aggregate - \$2,000,000 each
 - Umbrella or Excess Liability, coverage with a minimum limit of \$ 4,000,000.
1. Upon request, either Party shall promptly provide the requesting Party with either evidence of insurance or certificates of insurance evidencing the insurance coverage above. Customer shall provide such certificates or evidence of insurance to Company at the following address:

To: National Grid c/o NIAGARA MOHAWK POWER CORPORATION
Attention: Risk Management, A-4
300 Erie Boulevard West
Syracuse, NY 13202

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

To: Jules Franko — Sr. Procurement Specialist
123 Main Street
White Plains, NY 10601

2. Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions.
3. If a party fails to secure or maintain any insurance coverage, or any insurance coverage is canceled before the completion of all services provided under this Agreement, and such party fails immediately to procure such insurance as specified herein, then the non-defaulting party has the right but not the obligation to procure such insurance and, at its option, either bill the cost thereof to the defaulting party or deduct the cost thereof from any sum due the defaulting party under this Agreement.
4. To the extent requested, both Parties shall furnish to each other with copies of any accidents report(s) sent to the a party's insurance carriers covering accidents or incidents occurring in connection with or as a result of the performance of the Work for the Project under this Agreement.

5. Each Party shall comply with any governmental and/or site specific insurance requirements even if not stated herein.
6. By the date that such coverage is required, each Party represents to the other that it will have full policy limits available and shall notify each other in writing when coverage's required herein have been reduced as a result of claim payments, expenses, or both.
7. Customer shall name the Company as an additional insured for all coverage's except Workers Compensation and Employers Liability Insurance in order to provide the Company with protection from liability arising out of activities of Customer relating to the Project and associated Work.

Schedule E: Facility Listing

PRIORITY	NYPA POI LOCATION	site number	Easement needed	town	line name	voltage	UNDERBUILD UTILITY VOLTAGE
HIGH - end of 2012	NS01-09/04 9-911.pdf	1	No	Wheatfield		13.2	13.2kV
HIGH - end of 2012	NR2-14/06	2	No	Pendleton		13.2	13.2kV
HIGH - end of 2012	NR2-33/3	3	No	Alabama		4.8	4.8 KV
HIGH - end of 2012	SR1-46/06	4	No	Elba		4.8	7.62kV
HIGH - end of 2012	SR1-46/07	5	No	Elba		4.8	4.8 KV
HIGH - end of 2012	SR1-57/07	6		Riga		34.5	N/A
HIGH - end of 2012	NR2-57/7	7	No	Riga		4.8	4.8 KV

PRIORITY	NYPA POI LOCATION	site number	Easement needed	town	line name	voltage	UNDERBUILD UTILITY VOLTAGE
HIGH - end of 2012	RP02-SUB	8		Henrietta	Mortimer - Golah 109	69.0	N/A
HIGH - end of 2012	PC02-71/01	9		Lysander	Curtis St - Teall 13	115.0	N/A
MEDIUM - end of 2013	CE01-12/05	10	Yes-NYPA	Sullivan	Bridgeport 16854	13.2	13.2 KV
MEDIUM - end of 2013	CE01-19/04	11	Yes-3	Sullivan	Peterboro 51457	4.2	4.16 KV
MEDIUM - end of 2013	CE01-26/06	12	No	Vernon	Oneida 50157	7.6	7.62 KV
MEDIUM - end of 2013	CE01-46/06	13		Marcy	Trenton-Whitesboro 25, Marcy Hospital TAP	46.0	13.2 KV
MEDIUM - end of 2013	CE02-49/03	14	No	Marcy	Cavanaugh 61654	13.2	13.2 KV

PRIORITY	NYPA POI LOCATION	site number	Easement needed	town	line name	voltage	UNDERBUILD UTILITY VOLTAGE
HIGH - end of 2012	FE-67/02	15	county permit, 2 private easements	Trenton	Stitville 67053	13.2	13.2kV
MEDIUM - end of 2013	MA2-61/01	16	Yes-private	Pitcairn	N Carthage 52	4.8	4.8kV
MEDIUM - end of 2013	MA1-55/04	17	Yes-private	Edwards	Fine 97866	4.8	4.8kV
MEDIUM - end of 2013	MA1-44/05	18	Yes-private	Russell	Dekalb 98455	7.6	7.62kV
MEDIUM - end of 2013	MA2-40/06	19	Yes-private	Russell	Dekalb 98455	7.6	7.62kV
MEDIUM - end of 2013	MA1-20/05	20	Yes-private	Madrid	Brady 95758	13.2	13.2kv
HIGH - end of 2012	MSU-004/04	21		Norfolk	Dennison-Colton 4/5	115.0	115 KV

Schedule F: Prompt Payment Policy

A. GENERAL

1. This statement is intended to establish rules and regulations as required under Section 2880 of the Public Authorities Law describing the policy of the Power Authority of the State of New York (the "Authority") to promptly pay all proper invoices submitted by any Contractor. Subject to the conditions and exceptions set forth in Section 2880 and herein, in the event any proper invoice is not paid promptly, the Authority shall be liable for the payment of interest on late payments. This policy shall apply to all Contracts entered into on or after April 30, 1988.

B. DEFINITIONS

1. "CONTRACT" means an enforceable agreement entered into between the Authority and a Contractor.
2. "CONTRACTOR" means any person, partnership, private corporation or association: a) selling materials, equipment or supplies or leasing property or equipment to the Authority; b) constructing, reconstructing or repairing buildings, highways or other improvements for or on behalf of the Authority; or c) rendering or providing services to the Authority pursuant to a Contract.
3. "DESIGNATED PAYMENT OFFICE" means the office designated by the Authority to which a proper invoice is to be submitted by a Contractor.
4. "PROPER INVOICE" means a written request for a Contract Payment that is submitted by a Contractor to the Authority's designated payment office setting forth the description, price and quantity of goods, property or services delivered or rendered in accordance with the terms of the Contract, in such form and supported by such other substantiating documentation as the Authority may reasonably require.
5. "RECEIPT OF AN INVOICE" and "INVOICE RECEIVED DATE" mean (a) the date on which proper invoice is actually received in the designated payment office, or (b) the date on which the Authority receives the purchased goods, property or services covered by the proper invoice, whichever is later. With regard to final payments on construction contracts, (b) shall mean the date on which all the Contract Work has been accepted as completed by the Authority in accordance with the Contract terms.
6. "SET-OFF" means the reduction by the Authority of a payment due a Contractor by an amount equal to the amount of an unpaid legally enforceable debt owed by the Contractor to the Authority.

C. RESPONSIBILITY FOR PROMPT PAYMENT

1. The Authority's Controller shall have the responsibility for the implementation of the Prompt Payment Policy and the prompt payment of all proper invoices under the general guidance and supervision of the Executive Vice President & Chief Financial Officer.

D. PROMPT PAYMENT PROCEDURE

1. A Contractor shall request payment under a Contract by submitting a proper invoice to the Authority at its designated payment office at the time and in the manner specified in the Contract.
2. The Authority shall have fifteen (15) calendar days after receipt of an invoice at its designated payment office to notify the Contractor of certain facts and conditions, including but not limited to those listed below, which, in the opinion of the Authority's Controller, justify extension of the statutory payment period.
 - a) there is a defect in the delivered goods, property or services;
 - b) there is a defect in the invoice;
 - c) there are suspected defects or improprieties of any kind the existence of which prevent the commencement of the statutory payment period;
 - d) prior to payment, a statutory or contractual provision requires an inspection period or an audit to determine the resources applied or used by the Contractor in fulfilling the contract terms;
 - e) a proper invoice must be examined by the federal government prior to payment;
 - f) the Authority is prevented from making payment by reason of the filing of a lien, attachment, other legal process or requirement of law.

Any time taken to satisfy or rectify any such facts or conditions shall extend the date by which contract payment must be made in order for the Authority not to become liable for interest payments by an equal period of time.

3. Should the Authority fail to notify a Contractor of such facts and conditions within fifteen calendar days of the invoice received date, the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days between the fifteenth day and the day that notification was transmitted to the Contractor. Should the Authority, in such situations, fail to provide reasonable grounds for its contention that a fact or condition justifying a time extension exists, the date by which contract payment must be made in

order for the Authority not to become liable for interest payment shall be calculated from the invoice received date.

4. The Authority shall make payment within forty five (45) calendar days after the invoice received date. Effective July 1, 1989, the Authority shall make payment within thirty (30) calendar days, excluding legal holidays, after invoice received dates occurring after that date.
5. Except for the payments described in Paragraph E, every payment by the Authority to a Contractor pursuant to a Contract is eligible for interest should the Authority fail to make such payment within forty five (45) days after the invoice received date for contracts entered into between April 30, 1988 and June 30, 1989 and within thirty (30) days for contracts entered into on or after July 1, 1989.
6. The Authority shall not be liable for interest on any retention amounts withheld by the Authority in accordance with the terms of the Contract.
7. Interest shall be computed at the rate set by the state tax commission for corporate taxes pursuant to paragraph one of subsection (e) of section 1096 of the tax law, but the Authority shall not be liable for payment of interest when such interest is less than ten dollars.
8. The Authority has available funds in its custody to pay all interest penalties.

E. EXCEPTIONS

1. Payments are not eligible for interest when they are due and owing by the Authority:
 - a) under the eminent domain procedure law;
 - b) as interest allowed on a judgement by a court pursuant to any provision of law other than section 2880 of the Public Authorities Law;
 - c) to the federal government; to any state agency or its instrumentalities; to any duly constituted unit of local government including but not limited to, counties, cities, towns, villages, school districts, or any of their related instrumentalities; to any other public authority or public benefit corporation; or to its employees when acting in, or incidental to, their public employment capacity;
 - d) in situations where the Authority exercises a legally authorized set-off against all or part of the payment due the Contractor.