SERVICE AGREEMENT NO. 2604

SERVICE AGREEMENT NO. 2604
 TRANSMISSION PROJECT

INTERCONNECTION AGREEMENT
 AMONG THE

NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.
 AND

NEW YORK STATE ELECTRIC & GAS CORPORATION
 AND

NEW YORK TRANSCO, LLC
 Dated as of March 1, 2021

(New York Energy Solution Segment B Transmission Project)

SERVICE AGREEMENT NO. 2604

TABLE OF CONTENTS

Page Number

ARTICLE 1. DEFINITIONS 2

ARTICLE 2. EFFECTIVE DATE, TERM AND TERMINATION 8

2.1 Effective Date 8

2.2 Term of Agreement 8

2.3 Termination 8

2.4 Termination Costs 9

2.5 Disconnection 10

2.6 Survival 11

ARTICLE 3. REGULATORY FILINGS 11

ARTICLE 4. SCOPE OF SERVICE 11

4.1 Interconnection of Transmission Facilities 11

4.2 No Transmission Delivery Service 11

4.3 No Other Services 11

ARTICLE 5. NETWORK UPGRADE FACILITIES ENGINEERING, PROCUREMENT,

AND CONSTRUCTION 12

5.1 Network Upgrade Facilities 12

5.2 General Conditions Applicable to Network Upgrade Facilities Constructed by

Transmission Developer 12

5.3 Equipment Procurement 13

5.4 Construction Commencement 14

5.5 Work Progress 14

5.6 Information Exchange 14

5.7 Network Upgrade Facilities 14

5.8 Access Rights 15

5.9 Lands of Other Property Owners 15

5.10 Permits 16

5.11 Suspension 16

5.12 Taxes 17

5.13 Tax Status; Non-Jurisdictional Entities 22

5.14 Modification 22

ARTICLE 6. TESTING AND INSPECTION 23

6.1 Pre-In-Service Date Testing and Modifications 23

6.2 Post-In-Service Date Testing and Modifications 23

6.3 Right to Observe Testing 23

6.4 Right to Inspect 23

ARTICLE 7. METERING 24

7.1 General 24

7.2 Check Meters 24

7.3 Standards 24

7.4 Testing of Metering Equipment 24

7.5 Metering Data 25

ARTICLE 8. COMMUNICATIONS 25

8.1 Transmission Developer Obligations 25

i

SERVICE AGREEMENT NO. 2604

8.2 Remote Terminal Unit 25

8.3 No Annexation 26

ARTICLE 9. OPERATIONS 26

9.1 General 26

9.2 NYISO and Connecting Transmission Owner Obligations 26

9.3 Transmission Developer Obligations 26

9.4 Outages and Interruptions 27

9.5 Switching and Tagging Rules 29

9.6 Disturbance Analysis Data Exchange 30

ARTICLE 10. MAINTENANCE 30

10.1 Connecting Transmission Owner Obligations 30

10.2 Transmission Developer Obligations 30

10.3 Coordination 30

10.4 Secondary Systems 30

10.5 Operating and Maintenance Expenses 30

ARTICLE 11. PERFORMANCE OBLIGATION 31

11.1 Transmission Project 31

11.2 Network Upgrade Facilities 31

11.3 Special Provisions for Affected Systems 31

11.4 Provision of Security 31

11.5 Forfeiture of Security 32

11.6 Network Upgrade Facility Costs 32

11.7 Line Outage Costs 33

ARTICLE 12. INVOICE 33

12.1 General 33

12.2 Final Invoice and Refund of Remaining Security 33

12.3 Payment 34

12.4 Disputes 34

ARTICLE 13. EMERGENCIES 34

13.1 Obligations 34

13.2 Notice 34

13.3 Immediate Action 34

13.4 NYISO, Transmission Developer, and Connecting Transmission Owner

Authority. 35

13.5 Limited Liability 35

ARTICLE 14. REGULATORY REQUIREMENTS AND GOVERNING LAW 35

14.1 Regulatory Requirements 35

14.2 Governing Law 35

ARTICLE 15. NOTICES 36

15.1 General 36

15.2 Billings and Payments 36

15.3 Alternative Forms of Notice 36

15.4 Operations and Maintenance Notice 36

ARTICLE 16. FORCE MAJEURE 36

ARTICLE 17. DEFAULT 37

17.1 General 37

ii

SERVICE AGREEMENT NO. 2604

17.2 Right to Terminate 37

ARTICLE 18. INDEMNITY, CONSEQUENTIAL DAMAGES AND INSURANCE 37

18.1 Indemnity 37

18.2 No Consequential Damages 39

18.3 Insurance 39

ARTICLE 19. ASSIGNMENT 41

ARTICLE 20. SEVERABILITY 42

ARTICLE 21. COMPARABILITY 42

ARTICLE 22. CONFIDENTIALITY 42

22.1 Confidentiality 42

22.2 Term 42

22.3 Confidential Information 43

22.4 Scope 43

22.5 Release of Confidential Information 43

22.6 Rights 43

22.7 No Warranties 44

22.8 Standard of Care 44

22.9 Order of Disclosure 44

22.10 Termination of Agreement 44

22.11 Remedies 44

22.12 Disclosure to FERC, its Staff, or a State 45

22.13 Required Notices Upon Requests or Demands for Confidential Information ..45

ARTICLE 23. TRANSMISSION DEVELOPER AND CONNECTING TRANSMISSION

OWNER NOTICES OF ENVIRONMENTAL RELEASES 45

ARTICLE 24. INFORMATION REQUIREMENT 46

24.1 Information Acquisition 46

24.2 Information Submission Concerning the Network Upgrade Facilities 46

24.3 Updated Information Submission Concerning the Transmission Project 46

24.4 Information Supplementation 47

ARTICLE 25. INFORMATION ACCESS AND AUDIT RIGHTS 47

25.1 Information Access 47

25.2 Reporting of Non-Force Majeure Events 47

25.3 Audit Rights 48

25.4 Audit Rights Periods 48

25.5 Audit Results 48

ARTICLE 26. SUBCONTRACTORS 49

26.1 General 49

26.2 Responsibility of Principal 49

26.3 No Limitation by Insurance 49

ARTICLE 27. DISPUTES 49

27.1 Submission 49

27.2 External Arbitration Procedures 49

27.3 Arbitration Decisions 50

27.4 Costs 50

27.5 Termination 50

ARTICLE 28. REPRESENTATIONS, WARRANTIES AND COVENANTS 50

iii

SERVICE AGREEMENT NO. 2604

28.1 General 50

ARTICLE 29. MISCELLANEOUS 51

29.1 Binding Effect 51

29.2 Conflicts 51

29.3 Rules of Interpretation 51

29.4 Compliance 52

29.5 Joint and Several Obligations 52

29.6 Entire Agreement 52

29.7 No Third Party Beneficiaries 52

29.8 Waiver 53

29.9 Headings 53

29.10 Multiple Counterparts 53

29.11 Amendment 53

29.12 Modification by the Parties 53

29.13 Reservation of Rights 53

29.14 No Partnership 54

29.15 Other Transmission Rights 54

Appendices

iv

SERVICE AGREEMENT NO. 2604

TRANSMISSION PROJECT INTERCONNECTION AGREEMENT

THIS TRANSMISSION PROJECT INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into this 1st day of March, 2021, by and among New York Transco, LLC, a limited liability company organized and existing under the laws of the State of New York
(“Transmission Developer” with a Transmission Project), the New York Independent System Operator, Inc., a not-for-profit corporation organized and existing under the laws of the State of New York (“NYISO”), and New York State Electric & Gas Corporation a corporation organized and existing under the laws of the State of New York (“Connecting Transmission Owner”).
Transmission Developer, the NYISO, or Connecting Transmission Owner each may be referred to as a “Party” or collectively referred to as the “Parties.”

RECITALS

WHEREAS, NYISO operates the New York State Transmission System and Connecting
Transmission Owner owns certain facilities included in the New York State Transmission
System;

WHEREAS, Transmission Developer intends to construct, own, and operate a Transmission

Project described in Appendix C to this Agreement that will interconnect to the New York State Transmission System;

WHEREAS, the NYISO selected the Transmission Project proposed by Transmission

Developer and Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”) as the more efficient or cost effective transmission solution to address a Public Policy Transmission Need in accordance with the NYISO’s Public Policy Transmission Planning Process located in Attachment Y of the ISO OATT;

WHEREAS, Transmission Developer and National Grid entered into the Development

Agreement (as defined herein) with the NYISO for purposes of constructing the Transmission Project and placing it in-service to satisfy the Public Policy Transmission Need;

WHEREAS, National Grid assigned its rights, duties, and obligations under the Development Agreement to Transmission Developer on March 10, 2020, giving Transmission Developer sole rights to the development of the Transmission Project;

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

WHEREAS, portions of the Transmission Project will interconnect to the New York State

Transmission System at facilities owned and operated by the Connecting Transmission Owner;

WHEREAS, Transmission Interconnection Studies determined that certain Network Upgrade Facilities were required on the Connecting Transmission Owner’s system for the Transmission Project to connect reliably to the system in a manner that meets the NYISO Transmission
Interconnection Standard;

1

SERVICE AGREEMENT NO. 2604

WHEREAS, Transmission Developer, NYISO, and Connecting Transmission Owner have

agreed to enter into this Agreement for the purpose of interconnecting the Transmission Project with the Connecting Transmission Owner’s facilities included in the New York State
Transmission System;

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

ARTICLE 1. DEFINITIONS

Whenever used in this Agreement with initial capitalization, the following terms shall have the

meanings specified in this Article 1. Terms used in this Agreement with initial capitalization that
are not defined in this Article 1 shall have the meanings specified in Section 1 of the ISO OATT,
Section 22.1 of Attachment P of the ISO OATT, Section 25.1.2 of Attachment S of the ISO
OATT, the body of the Transmission Interconnection Procedures or the body of this Agreement.

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

Affected System Operator shall mean the entity that operates an Affected System.

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

designated agent) other than the Connecting Transmission Owner that (i) owns facilities used for the transmission of Energy in interstate commerce and provides Transmission Service under the Tariff, and (ii) owns, leases or otherwise possesses an interest in a portion of the New York State Transmission System where System Deliverability Upgrades, System Upgrade Facilities, or
Network Upgrade Facilities are or will be installed pursuant to Attachment P, Attachment X, Attachment Z, or Attachment S to the ISO OATT.

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

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

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

Applicable Reliability Standards shall mean the requirements and guidelines of the Applicable Reliability Councils, and the Transmission District to which the Transmission Developer’s
Transmission Project is directly interconnected, as those requirements and guidelines are

2

SERVICE AGREEMENT NO. 2604

amended and modified and in effect from time to time; provided that no Party shall waive its

right to challenge the applicability or validity of any requirement or guideline as applied to it in the context of this Agreement.

Base Case shall mean the base case power flow, short circuit, and stability data bases used for
the Transmission Interconnection Studies by the NYISO, Connecting Transmission Owner, or
the Transmission Developer, as described in Section 22.6.1 of the Transmission Interconnection
Procedures.

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

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

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

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

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

Connecting Transmission Owner shall mean the New York public utility or authority (or its
designated agent) that (i) owns facilities used for the transmission of Energy in interstate
commerce and provides Transmission Service under the Tariff, (ii) owns, leases or otherwise
possesses an interest in the portion of the New York State Transmission System or Distribution
System at the Point(s) of Interconnection, and (iii) is a Party to this Agreement. For purposes of
this Agreement, the Connecting Transmission Owner is defined in the introductory paragraph.

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

generating capacity to maintain Operating Reserves in accordance with Good Utility Practice. A Control Area must be certified by the NPCC.

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

Development Agreement shall mean the agreement executed between the NYISO, National Grid, and Transmission Developer concerning the development of the Transmission Project, dated January 10, 2020, as it may be amended from time to time.

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

3

SERVICE AGREEMENT NO. 2604

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

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

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

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

Facilities Study Agreement shall mean the agreement described in Section 22.9.1 of Attachment P of the ISO OATT for conducting the Facilities Study.

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

FERC shall mean the Federal Energy Regulatory Commission (“Commission”) or its successor.

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

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved
by a significant portion of the electric industry during the relevant time period, or any of the
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,

4

SERVICE AGREEMENT NO. 2604

or act to the exclusion of all others, but rather to delineate acceptable practices, methods, or acts generally accepted in the region.

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

Hazardous Substances shall mean any chemicals, materials or substances defined as or

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

Initial Synchronization Date(s) shall mean the date(s) upon which the Transmission Project and
Network Upgrade Facilities, as applicable, are initially synchronized with the New York State
Transmission System and upon which Trial Operation begins, which date(s) shall be set forth in
the milestones table in Appendix B. The Transmission Developer must provide notice of the
Initial Synchronization Date(s) to the other Parties in the form of Appendix E-1 to this
Agreement.

In-Service Date(s) shall mean the date(s) upon which the Transmission Project and Network

Upgrade Facilities, as applicable, are energized consistent with the provisions of this Agreement
and available to provide Transmission Service under the NYISO’s Tariffs, which date(s) shall be
set forth in the milestones table in Appendix B. The Transmission Developer must provide
notice of the In-Service Date(s) to the other Parties in the form of Appendix E-2 to this
Agreement.

IRS shall mean the Internal Revenue Service.

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

Metering Points shall mean the location(s) identified by the NYISO for any Metering

Equipment associated with the Transmission Project that are required for the Transmission Project to provide zonal or subzonal metering data.

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

5

SERVICE AGREEMENT NO. 2604

Network Upgrade Facilities shall mean the least costly configuration of commercially available
components of electrical equipment that can be used, consistent with Good Utility Practice and
Applicable Reliability Requirements, to make the modifications or additions to the New York
State Transmission System that are required for the proposed Transmission Project to connect
reliably to the system in a manner that meets the NYISO Transmission Interconnection Standard.
For purposes of this Agreement, the Network Upgrade Facilities are described in Appendix A of
this Agreement.

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

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

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

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

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

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

Operating Agreement shall mean the operating agreement for non-incumbent transmission

owners between the NYISO and Transmission Developer with Service Agreement No. 2271 of the ISO OATT, with an effective date of May 23, 2016, as the agreement may be amended from time to time.

Party or Parties shall mean NYISO, Connecting Transmission Owner, or Transmission Developer or any combination of the above.

Point(s) of Change of Ownership shall mean the point(s), as set forth in Appendix C to this Agreement, where the Transmission Developer’s Transmission Project connect to the
Connecting Transmission Owner’s system.

Point(s) of Interconnection shall mean the point(s), as set forth in Appendix C to this

Agreement, where the Transmission Developer’s Transmission Project connect to the New York State Transmission System.

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

Security shall mean a bond, irrevocable letter of credit, parent company guarantee or other form
of security from an entity with an investment grade rating, executed for the benefit of the
Connecting Transmission Owner, meeting the commercially reasonable requirements of the

6

SERVICE AGREEMENT NO. 2604

Connecting Transmission Owner with which it is required to be posted pursuant to Article 11.5, and consistent with the Uniform Commercial Code of the jurisdiction identified in Article 14.2.1 of this Agreement.

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

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

System Impact Study Agreement shall mean the agreement described in Section 22.8.1 of Attachment P of the ISO OATT for conducting the System Impact Study.

System Protection Facilities shall mean the equipment, including necessary protection signal communications equipment, required to (1) protect the New York State Transmission System from faults or other electrical disturbances occurring at the Transmission Project and (2) protect the Transmission Project from faults or other electrical system disturbances occurring on the New York State Transmission System or on other delivery systems or other generating systems to which the New York State Transmission System is directly connected.

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

Transmission Developer shall mean an entity that proposes to interconnect its Transmission Project to the New York State Transmission System in compliance with the NYISO
Transmission Interconnection Standard. For purposes of this Agreement, the Transmission Developer is defined in the introductory paragraph.

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

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

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

Transmission Project shall mean the Transmission Developer’s proposed transmission facility
or facilities that collectively satisfy the definition of Transmission Project in Section 22.3.1 of

7

SERVICE AGREEMENT NO. 2604

Attachment P of the ISO OATT. For purposes of this Agreement, the Transmission Project is described in Appendix C of this Agreement.

Transmission Project Interconnection Agreement shall mean this interconnection agreement applicable to the interconnection of the Transmission Project to the New York State
Transmission System.

Trial Operation shall mean the period(s) during which Transmission Developer is engaged in on-site test operations and commissioning of the Transmission Project or Network Upgrade Facilities prior to the In-Service Date.

ARTICLE 2. EFFECTIVE DATE, TERM AND TERMINATION

2.1 Effective Date.

This Agreement shall become effective upon execution by the Parties, subject to

acceptance by FERC, or if filed unexecuted, upon the date specified by FERC. The NYISO and Connecting Transmission Owner shall promptly file this Agreement with FERC upon execution in accordance with Article 3.

2.2 Term of Agreement.

Subject to the provisions of Article 2.3, this Agreement shall remain in effect for a period of forty (40) years from the Effective Date and shall be automatically renewed for each
successive one-year period thereafter.

2.3 Termination.

2.3.1 Written Notice.

2.3.1.1 Written Notice of Termination

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

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

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

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

2.3.1.2 Suspension Period for Project Transfer

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

2.3.1.2.3. During the suspension period, the running of any advanced notice of termination time

8

SERVICE AGREEMENT NO. 2604

period pursuant to Article 2.3.1.1 will be paused. The Agreement shall not be terminated during the suspension period without the written agreement of all Parties.

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

2.3.1.2.3 If, pursuant to its Tariff, the NYISO selects a new developer to complete
the Transmission Project, Transmission Developer shall coordinate with the new developer
concerning the assignment of this Agreement to the new developer pursuant to the assignment
requirements in Article 19 of this Agreement. All liabilities under this Agreement existing prior
to such transfer shall remain with the Transmission Developer, unless otherwise agreed upon by
the Transmission Developer and the new developer as part of their good faith negotiations
regarding the transfer.

2.3.2 Default.

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

2.3.3 Compliance.

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

2.4 Termination Costs.

If a Party elects to terminate this Agreement pursuant to Article 2.3.1 above, the

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

Transmission Developer under this Agreement that are incurred by the Transmission Developer
or the other Parties through the date, as applicable, of the other Parties’ receipt of a Party’s notice
of termination or of the Parties’ mutual agreement to terminate the agreement. Such costs

9

SERVICE AGREEMENT NO. 2604

include any cancellation costs relating to orders or contracts. In the event of termination by the Transmission Developer, all Parties shall use commercially Reasonable Efforts to mitigate the costs, damages and charges arising as a consequence of termination. Upon termination of this Agreement, unless otherwise ordered or approved by FERC:

2.4.1 With respect to any portion of the Network Upgrade Facilities that have not yet been constructed or installed, but that is being relied upon by other projects in the manner
described in Article 11.5 of this Agreement, Transmission Developer shall forfeit any remaining Security in accordance with the requirements in Article 11.5.

2.4.2 With respect to any portion of the Network Upgrade Facilities that has not yet
been constructed or installed and is not being relied upon by other projects in the manner
described in Article 11.5 of this Agreement, the Connecting Transmission Owner shall to the
extent possible and with Transmission Developer’s authorization cancel any pending orders of,
or return, any materials or equipment for, or contracts for construction of, such facilities;
provided that in the event Transmission Developer elects not to authorize such cancellation,
Transmission Developer shall assume all payment obligations with respect to such materials,
equipment, and contracts, and the Connecting Transmission Owner shall deliver such material
and equipment, and, if necessary, assign such contracts, to Transmission Developer as soon as
practicable, at Transmission Developer’s expense. To the extent that Transmission Developer
has already paid Connecting Transmission Owner for any or all such costs of materials or
equipment not taken by Transmission Developer, Connecting Transmission Owner shall
promptly refund such amounts to Transmission Developer, less any costs, including penalties
incurred by the Connecting Transmission Owner to cancel any pending orders of or return such
materials, equipment, or contracts.

2.4.3 Connecting Transmission Owner may, at its option, retain any portion of such

materials, equipment, or facilities that Transmission Developer chooses not to accept delivery of, in which case Connecting Transmission Owner shall be responsible for all costs associated with procuring such materials, equipment, or facilities.

2.4.4 With respect to any portion of the Network Upgrade Facilities, and any other

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

2.5 Disconnection.

Upon termination of this Agreement, Transmission Developer and Connecting

Transmission Owner will take all appropriate steps to disconnect the Transmission Developer’s Transmission Project from the New York State Transmission System and to perform such work as may be necessary to ensure that the New York State Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and the safety and reliability criteria of Connecting Transmission Owner and NYISO. All costs required to effectuate such disconnection shall be borne by the Transmission Developer, unless such termination resulted from the Connecting Transmission Owner’s Default of this Agreement.

10

SERVICE AGREEMENT NO. 2604

2.6 Survival.

This Agreement shall continue in effect after termination to the extent necessary to

provide for final billings and payments and for costs incurred hereunder; including billings and payments pursuant to this Agreement and Transmission Developer’s satisfaction of the Security requirements in Article 11.5; to permit the determination and enforcement of liability and
indemnification obligations arising from acts or events that occurred while this Agreement was in effect; and to permit Transmission Developer and Connecting Transmission Owner each to have access to the lands of the other pursuant to this Agreement or other applicable agreements, to disconnect, remove or salvage its own facilities and equipment.

ARTICLE 3. REGULATORY FILINGS

NYISO and Connecting Transmission Owner shall file this Agreement (and any

amendment hereto) with the appropriate Governmental Authority, if required. Any information
related to studies for interconnection asserted by Transmission Developer to contain Confidential Information shall be treated in accordance with Article 22 of this Agreement and Attachment F
to the ISO OATT. If the Transmission Developer has executed this Agreement, or any
amendment thereto, the Transmission Developer shall reasonably cooperate with NYISO and
Connecting Transmission Owner with respect to such filing and to provide any information
reasonably requested by NYISO and Connecting Transmission Owner needed to comply with
Applicable Laws and Regulations.

ARTICLE 4. SCOPE OF SERVICE

4.1 Interconnection of Transmission Facilities.

The Transmission Developer’s Transmission Project and the Connecting Transmission
Owner’s transmission system shall interconnect at the Points of Interconnection set forth in
Appendix C of this Agreement in accordance with the terms and conditions of this Agreement.

4.2 No Transmission Delivery Service.

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

4.3 No Other Services.

The execution of this Agreement does not constitute a request for, nor agreement to provide Energy, any Ancillary Services or Installed Capacity under the NYISO Market Administration and Control Area Services Tariff (“Services Tariff”).

11

SERVICE AGREEMENT NO. 2604

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

5.1 Network Upgrade Facilities

Unless otherwise mutually agreed to by Transmission Developer and Connecting

Transmission Owner, Transmission Developer shall select the In-Service Date and Initial

Synchronization Date of the Network Upgrade Facilities, and such dates shall be set forth in

Appendix B hereto. The Transmission Developer shall design, procure, construct, and install the Network Upgrade Facilities as described in Appendix A hereto, using Reasonable Efforts to
complete them by the dates set forth in Appendix B hereto. The Connecting Transmission
Owner shall not be required to undertake any action which is inconsistent with its standard safety practices, its material and equipment specifications, its design criteria and construction
procedures, its labor agreements, and Applicable Laws and Regulations. In the event the
Transmission Developer reasonably expects that it will not be able to complete the Network
Upgrade Facilities by the specified dates, the Transmission Developer shall promptly provide
written notice to the Connecting Transmission Owner and NYISO, and shall undertake
Reasonable Efforts to meet the earliest dates thereafter.

5.2 General Conditions Applicable to Network Upgrade Facilities Constructed by

Transmission Developer.

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

5.2.1 Transmission Developer shall engineer, procure equipment, and construct the

Network Upgrade Facilities (or portions thereof) using Good Utility Practice and using standards and specifications provided by the Connecting Transmission Owner;

5.2.2 Transmission Developer’s engineering, procurement and construction of the Network Upgrade Facilities shall comply with all requirements of law to which Connecting Transmission Owner would otherwise have been subject in the engineering, procurement or construction of the Network Upgrade Facilities;

5.2.3 Connecting Transmission Owner shall review and approve the engineering
design, equipment acceptance tests, and the construction of the Network Upgrade Facilities;

5.2.4 Prior to commencement of construction, Transmission Developer shall provide to Connecting Transmission Owner and NYISO a schedule for construction of the Network
Upgrade Facilities, and shall promptly respond to requests for information from Connecting Transmission Owner or NYISO;

5.2.5 At any time during construction, Connecting Transmission Owner shall have the
right to gain unrestricted access to the Network Upgrade Facilities and to conduct inspections of
the same;

12

SERVICE AGREEMENT NO. 2604

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

5.2.7 Transmission Developer shall indemnify Connecting Transmission Owner and

NYISO for claims arising from the Transmission Developer’s construction of Network Upgrade Facilities under procedures applicable to Article 18.1 Indemnity;

5.2.8 Transmission Developer shall transfer control of Network Upgrade Facilities to the Connecting Transmission Owner;

5.2.9 Transmission Developer shall transfer ownership of the Network Upgrade Facilities to Connecting Transmission Owner;

5.2.10 Connecting Transmission Owner shall approve and accept for operation and

maintenance the Network Upgrade Facilities to the extent engineered, procured, and constructed in accordance with this Article 5.2;

5.2.11 Transmission Developer shall deliver to NYISO and Connecting Transmission
Owner “as built” drawings, information, and any other documents that are reasonably required
by NYISO or Connecting Transmission Owner to assure that the Network Upgrade Facilities are
built to the standards and specifications required by Connecting Transmission Owner; and

5.2.12 Transmission Developer shall be responsible for the costs that Connecting Transmission Owner incurs in executing the responsibilities enumerated to Connecting Transmission Owner under Article 5.2. The Connecting Transmission Owner shall invoice Transmission Developer for such costs pursuant to Article 12.

5.3 Equipment Procurement.

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

5.3.1 NYISO and Connecting Transmission Owner have completed the Facilities Study pursuant to the Facilities Study Agreement; and

13

SERVICE AGREEMENT NO. 2604

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

Transmission Developer has provided Security to the Connecting Transmission Owner in accordance with Article 11.4 by the date specified in Appendix B hereto.

5.4 Construction Commencement.

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

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

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

5.4.3 The Transmission Developer has provided Security to the Connecting

Transmission Owner in accordance with Article 11.4 by the dates specified in Appendix B
hereto.

5.5 Work Progress.

The Transmission Developer will keep the NYISO and Connecting Transmission Owner
advised periodically as to the progress of the design, procurement and construction efforts of the
Transmission Project and Network Upgrade Facilities. The NYISO and Connecting
Transmission Owner may, at any time, request a progress report from the Transmission
Developer.

5.6 Information Exchange.

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

5.7 Network Upgrade Facilities

Transmission Developer shall submit initial and final specifications for the Network
Upgrade Facilities to Connecting Transmission Owner and NYISO for review and comments
pursuant to the dates set forth in Appendix B. Connecting Transmission Owner and NYISO
shall review such specifications to ensure that the Network Upgrade Facilities are compatible
with the technical specifications, operational control, and safety requirements of the Connecting
Transmission Owner and NYISO and comment on such specifications pursuant to the dates set
forth in Appendix B. All specifications provided hereunder shall be deemed to be Confidential
Information.

14

SERVICE AGREEMENT NO. 2604

The review of Transmission Developer’s final specifications by Connecting Transmission Owner and NYISO shall not be construed as confirming, endorsing, or providing a warranty as to the design, fitness, safety, durability or reliability of the Transmission Project or Network
Upgrade Facilities. Transmission Developer shall make such changes to the Network Upgrade Facilities as may reasonably be required by Connecting Transmission Owner or NYISO, in
accordance with Good Utility Practice, to ensure that the Network Upgrade Facilities are
compatible with the technical specifications, operational control, and safety requirements of the Connecting Transmission Owner and NYISO.

Transmission Developer shall design and construct the Network Upgrade Facilities in

accordance with Good Utility Practice and the Connecting Transmission Owner’s standards and specifications. Transmission Developer shall deliver to the Connecting Transmission Owner and NYISO pursuant to the dates set forth in Appendix B “as-built” drawings, information and
documents for the Network Upgrade Facilities.

The Connecting Transmission Owner shall transfer operational control of Network

Upgrade Facilities at a voltage of 230 kV or greater upon completion of such facilities, but shall
not transfer operational control of Network Upgrade Facilities of a voltage of less than 230 kV.

5.8 Access Rights.

Upon reasonable notice and supervision by a Granting Party, and subject to any required
or necessary regulatory approvals, the Connecting Transmission Owner and Transmission
Developer (each a “Granting Party”) shall each furnish to the other Parties (“Access Party”) at no
cost any rights of use, licenses, rights of way and easements with respect to lands owned or
controlled by the Granting Party, its agents (if allowed under the applicable agency agreement),
or any Affiliate, that are necessary to enable the Access Party to obtain ingress and egress at the
Point(s) of Interconnection, or any other necessary point, to construct, operate, maintain, repair,
test (or witness testing), inspect, replace or remove facilities and equipment to: (i) interconnect
the Transmission Project and Network Upgrade Facilities with the New York State Transmission
System; (ii) operate and maintain the Transmission Project, Network Upgrade Facilities, and the
New York State Transmission System; and (iii) disconnect or remove the Access Party’s
facilities and equipment upon termination of this Agreement. In exercising such licenses, rights
of way and easements, the Access Party shall not unreasonably disrupt or interfere with normal
operation of the Granting Party’s business and shall adhere to the safety rules and procedures
established in advance, as may be changed from time to time, by the Granting Party and provided
to the Access Party. The Access Party shall indemnify the Granting Party against all claims of
injury or damage from third parties resulting from the exercise of the access rights provided for
herein.

5.9 Lands of Other Property Owners.

If any part of the Network Upgrade Facilities is to be installed on property owned by

persons other than Transmission Developer or Connecting Transmission Owner, the Connecting
Transmission Owner agrees, to the extent permitted by applicable law, at Transmission
Developer’s expense use efforts, similar in nature and extent to those that it typically undertakes
for its own or affiliated generation, including use of its eminent domain authority, and to the

15

SERVICE AGREEMENT NO. 2604

extent consistent with state law, to procure from such persons any rights of use, licenses, rights of way and easements that are necessary to construct, operate, maintain, test, inspect, replace or remove the Network Upgrade Facilities upon such property.

5.10 Permits.

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

5.11 Suspension.

Transmission Developer reserves the right, upon written notice to Connecting

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

In the event of suspension under this Article 5.11, Transmission Developer shall be

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

Connecting Transmission Owner shall invoice Transmission Developer for such costs
pursuant to Article 12 and shall use due diligence to minimize its costs. In the event
Transmission Developer suspends work by the Transmission Developer and Connecting

16

SERVICE AGREEMENT NO. 2604

Transmission Owner required under this Agreement pursuant to this Article 5.11, and has not informed the Parties that it is recommencing its work and requested Connecting Transmission Owner to recommence its work required under this Agreement on or before the expiration of three (3) years following commencement of such suspension, this Agreement shall be deemed terminated. The three-year period shall begin on the date of the written notice required under this Article 5.11 or the date specified in the written notice of suspension.

5.12 Taxes.

5.12.1 Developer Payments Not Taxable.

The Transmission Developer and Connecting Transmission Owner intend that all

payments or property transfers made by Transmission Developer to Connecting Transmission
Owner for the installation of the Network Upgrade Facilities shall be non-taxable, either as
contributions to capital, or as an advance, in accordance with the Internal Revenue Code and any
applicable state income tax laws and shall not be taxable as contributions in aid of construction
or otherwise under the Internal Revenue Code and any applicable state income tax laws.

5.12.2 Representations and Covenants.

In accordance with IRS Notice 2001-82 and IRS Notice 88-129, Transmission Developer
represents and covenants that (i) ownership of the electricity generated at the Large Generating
Facility will pass to another party prior to the transmission of the electricity on the New York
State Transmission System, (ii) for income tax purposes, the amount of any payments and the
cost of any property transferred to the Connecting Transmission Owner for the Network Upgrade
Facilities will be capitalized by Transmission Developer as an intangible asset and recovered
using the straight-line method over a useful life of twenty (20) years, and (iii) any portion of the
Network Upgrade Facility that is a “dual-use intertie,” within the meaning of IRS Notice 88-129,
is reasonably expected to carry only a de minimis amount of electricity in the direction of the
Transmission Project. For this purpose, “de minimis amount” means no more than 5 percent of
the total power flows in both directions, calculated in accordance with the “5 percent test” set
forth in IRS Notice 88-129. This is not intended to be an exclusive list of the relevant conditions
that must be met to conform to IRS requirements for non-taxable treatment.

At Connecting Transmission Owner’s request, Transmission Developer shall provide Connecting Transmission Owner with a report from an independent engineer confirming its representation in clause (iii), above. Connecting Transmission Owner represents and covenants that the cost of the Network Upgrade Facilities paid for by Transmission Developer will have no net effect on the base upon which rates are determined.

5.12.3 Indemnification for the Cost Consequences of Current Tax Liability Imposed
 Upon the Connecting Transmission Owner.

Notwithstanding Article 5.12.1, Transmission Developer shall protect, indemnify and
hold harmless Connecting Transmission Owner from the cost consequences of any current tax
liability imposed against Connecting Transmission Owner as the result of payments or property
transfers made by Transmission Developer to Connecting Transmission Owner under this

17

SERVICE AGREEMENT NO. 2604

Agreement, as well as any interest and penalties, other than interest and penalties attributable to any delay caused by Connecting Transmission Owner.

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

This indemnification obligation shall terminate at the earlier of (1) the expiration of the ten-year testing period and the applicable statute of limitation, as it may be extended by the Connecting Transmission Owner upon request of the IRS, to keep these years open for audit or adjustment, or (2) the occurrence of a subsequent taxable event and the payment of any related indemnification obligations as contemplated by this Article 5.12.

5.12.4 Tax Gross-Up Amount.

Transmission Developer’s liability for the cost consequences of any current tax liability
under this Article 5.12 shall be calculated on a fully grossed-up basis. Except as may otherwise
be agreed to by the parties, this means that Transmission Developer will pay Connecting
Transmission Owner, in addition to the amount paid for the Network Upgrade Facilities, an
amount equal to (1) the current taxes imposed on Connecting Transmission Owner (“Current
Taxes”) on the excess of (a) the gross income realized by Connecting Transmission Owner as a
result of payments or property transfers made by Transmission Developer to Connecting
Transmission Owner under this Agreement (without regard to any payments under this Article

5.12) (the “Gross Income Amount”) over (b) the present value of future tax deductions for

depreciation that will be available as a result of such payments or property transfers (the “Present Value Depreciation Amount”), plus (2) an additional amount sufficient to permit the Connecting Transmission Owner to receive and retain, after the payment of all Current Taxes, an amount equal to the net amount described in clause (1).

For this purpose, (i) Current Taxes shall be computed based on Connecting Transmission
Owner’s composite federal and state tax rates at the time the payments or property transfers are
received and Connecting Transmission Owner will be treated as being subject to tax at the
highest marginal rates in effect at that time (the “Current Tax Rate”), and (ii) the Present Value
Depreciation Amount shall be computed by discounting Connecting Transmission Owner’s
anticipated tax depreciation deductions as a result of such payments or property transfers by

18

SERVICE AGREEMENT NO. 2604

Connecting Transmission Owner’s current weighted average cost of capital. Thus, the formula
for calculating Transmission Developer’s liability to Connecting Transmission Owner pursuant
to this Article 5.12.4 can be expressed as follows: (Current Tax Rate x (Gross Income Amount -
Present Value Depreciation Amount))/(1 - Current Tax Rate). Transmission Developer’s
estimated tax liability in the event taxes are imposed shall be stated in Appendix A.

5.12.5 Private Letter Ruling or Change or Clarification of Law.

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

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

5.12.6 Subsequent Taxable Events.

If, within 10 years from the date on which the relevant Network Upgrade Facilities are
placed in service, (i) Transmission Developer Breaches the covenants contained in Article

5.12.2, (ii) a “disqualification event” occurs within the meaning of IRS Notice 88-129, or (iii)
this Agreement terminates and Connecting Transmission Owner retains ownership of the
Network Upgrade Facilities, the Transmission Developer shall pay a tax gross-up for the cost
consequences of any current tax liability imposed on Connecting Transmission Owner,
calculated using the methodology described in Article 5.12.4 and in accordance with IRS Notice
90-60.

5.12.7 Contests.

In the event any Governmental Authority determines that Connecting Transmission

Owner’s receipt of payments or property constitutes income that is subject to taxation,

Connecting Transmission Owner shall notify Transmission Developer, in writing, within thirty

(30) Calendar Days of receiving notification of such determination by a Governmental

Authority. Upon the timely written request by Transmission Developer and at Transmission

Developer’s sole expense, Connecting Transmission Owner may appeal, protest, seek abatement
of, or otherwise oppose such determination. Upon Transmission Developer’s written request and
sole expense, Connecting Transmission Owner may file a claim for refund with respect to any

19

SERVICE AGREEMENT NO. 2604

taxes paid under this Article 5.12, whether or not it has received such a determination.

Connecting Transmission Owner reserves the right to make all decisions with regard to the

prosecution of such appeal, protest, abatement or other contest, including the selection of counsel and compromise or settlement of the claim, but Connecting Transmission Owner shall keep
Transmission Developer informed, shall consider in good faith suggestions from Transmission Developer about the conduct of the contest, and shall reasonably permit Transmission Developer or a Transmission Developer representative to attend contest proceedings.

Transmission Developer shall pay to Connecting Transmission Owner on a periodic
basis, as invoiced by Connecting Transmission Owner, Connecting Transmission Owner’s
documented reasonable costs of prosecuting such appeal, protest, abatement or other contest,
including any costs associated with obtaining the opinion of independent tax counsel described
in this Article 5.12.7. The Connecting Transmission Owner may abandon any contest if the
Transmission Developer fails to provide payment to the Connecting Transmission Owner within
thirty (30) Calendar Days of receiving such invoice. At any time during the contest, Connecting
Transmission Owner may agree to a settlement either with Transmission Developer’s consent or
after obtaining written advice from nationally-recognized tax counsel, selected by Connecting
Transmission Owner, but reasonably acceptable to Transmission Developer, that the proposed
settlement represents a reasonable settlement given the hazards of litigation. Transmission
Developer’s obligation shall be based on the amount of the settlement agreed to by Transmission
Developer, or if a higher amount, so much of the settlement that is supported by the written
advice from nationally-recognized tax counsel selected under the terms of the preceding
sentence. The settlement amount shall be calculated on a fully grossed-up basis to cover any
related cost consequences of the current tax liability. The Connecting Transmission Owner may
also settle any tax controversy without receiving the Transmission Developer’s consent or any
such written advice; however, any such settlement will relieve the Transmission Developer from
any obligation to indemnify Connecting Transmission Owner for the tax at issue in the contest
(unless the failure to obtain written advice is attributable to the Transmission Developer’s
unreasonable refusal to the appointment of independent tax counsel).

5.12.8 Refund.

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

20

SERVICE AGREEMENT NO. 2604

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

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

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

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

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

5.12.9 Taxes Other Than Income Taxes.

Upon the timely request by Transmission Developer, and at Transmission Developer’s
sole expense, Connecting Transmission Owner shall appeal, protest, seek abatement of, or
otherwise contest any tax (other than federal or state income tax) asserted or assessed against
Connecting Transmission Owner for which Transmission Developer may be required to
reimburse Connecting Transmission Owner under the terms of this Agreement. Transmission
Developer shall pay to Connecting Transmission Owner on a periodic basis, as invoiced by
Connecting Transmission Owner, Connecting Transmission Owner’s documented reasonable
costs of prosecuting such appeal, protest, abatement, or other contest. Transmission Developer
and Connecting Transmission Owner shall cooperate in good faith with respect to any such
contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot
be deferred, no amount shall be payable by Transmission Developer to Connecting Transmission
Owner for such taxes until they are assessed by a final, non-appealable order by any court or
agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due
and payable after appeal, Transmission Developer will be responsible for all taxes, interest and
penalties, other than penalties attributable to any delay caused by Connecting Transmission
Owner.

21

SERVICE AGREEMENT NO. 2604

5.13 Tax Status; Non-Jurisdictional Entities.

5.13.1 Tax Status.

Each Party shall cooperate with the other Parties to maintain the other Parties’ tax status. Nothing in this Agreement is intended to adversely affect the tax status of any Party including the status of NYISO, or the status of any Connecting Transmission Owner with respect to the issuance of bonds including, but not limited to, Local Furnishing Bonds.

5.14 Modification.

5.14.1 General.

If, prior to the In-Service Date of the Transmission Project or Network Upgrade

Facilities, either the Transmission Developer or Connecting Transmission Owner proposes to
modify the Transmission Project or Network Upgrade Facilities, they must inform the other
Parties of the proposed modification and must satisfy the requirements for such modifications in

(i) Section 22.5.4 of Attachment P to the ISO OATT, and (ii) the Development Agreement. The Transmission Developer shall be responsible for the cost of any such additional modifications, including the cost of studying the materiality and impact of the modification.

Following the In-Service Date of the Transmission Project or Network Upgrade

Facilities, either the Transmission Developer or Connecting Transmission Owner may undertake
modifications to its facilities covered by this Agreement. If either the Transmission Developer
or Connecting Transmission Owner plans to undertake a modification that reasonably may be
expected to affect the other Party’s facilities, that Party shall provide to the other Party, and to
NYISO, sufficient information regarding such modification so that the other Party and NYISO
may evaluate the potential impact of such modification prior to commencement of the work.

Such information shall be deemed to be Confidential Information hereunder and shall include information concerning the timing of such modifications and whether such modifications are expected to interrupt the transmission of electricity at the Point(s) of Interconnection. The Party desiring to perform such work shall provide the relevant drawings, plans, and specifications to the other Party and NYISO at least ninety (90) Calendar Days in advance of the commencement of construction regarding such work or such shorter period upon which the Parties may agree, which agreement shall not unreasonably be withheld, conditioned or delayed.

5.14.2 Standards.

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

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

5.14.3 Modification Costs.

Transmission Developer or Connecting Transmission Owner, as applicable, shall not be
assigned the costs of any additions, modifications, or replacements that the other Party makes to
the New York State Transmission System to facilitate the interconnection of a third party to the

22

SERVICE AGREEMENT NO. 2604

New York State Transmission System, or to provide Transmission Service to a third party under
the ISO OATT, except in accordance with the cost allocation procedures in Attachment S of the
ISO OATT.

ARTICLE 6. TESTING AND INSPECTION

6.1 Pre-In-Service Date Testing and Modifications.

Prior to the In-Service Date of the Transmission Project or Network Upgrade Facilities,
as applicable, the Transmission Developer and/or Connecting Transmission Owner shall test: (i)
the Network Upgrade Facilities in accordance with Connecting Transmission Owner’s
specifications and subject to Connecting Transmission Owner’s oversight and approval, and (ii)
the Transmission Project to ensure safe and reliable operation, as such responsibilities are
specified in Appendix B of this Agreement. Similar testing may be required after initial
operation. Transmission Developer and Connecting Transmission Owner shall each make any
modifications to its facilities that are found to be necessary as a result of such testing.
Transmission Developer shall bear the cost of all such testing and modifications. Transmission
Developer and Connecting Transmission Owner shall coordinate with NYISO prior to
performing the testing of the Transmission Project and Network Upgrade Facilities and prior to
the facilities entering into service.

6.2 Post-In-Service Date Testing and Modifications.

Transmission Developer and Connecting Transmission Owner shall each at its own

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

6.3 Right to Observe Testing.

Transmission Developer and Connecting Transmission Owner shall each notify the other Party, and the NYISO, in advance of its performance of tests of the Transmission Project and Network Upgrade Facilities. The other Party, and the NYISO, shall each have the right, at its own expense, to observe such testing.

6.4 Right to Inspect.

Transmission Developer and Connecting Transmission Owner shall each have the right,
but shall have no obligation to: (i) observe the other Party’s tests and/or inspection of any of its
System Protection Facilities and other protective equipment; (ii) review the settings of the other
Party’s System Protection Facilities and other protective equipment; and (iii) review the other
Party’s maintenance records relative to the System Protection Facilities and other protective
equipment. NYISO shall have these same rights of inspection as to the facilities and equipment
of Transmission Developer and Connecting Transmission Owner. A Party may exercise these

23

SERVICE AGREEMENT NO. 2604

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

ARTICLE 7. METERING

7.1 General.

Connecting Transmission Owner shall be responsible for the metering at any Metering
Points identified by the NYISO in connection with the interconnection of the Transmission
Project with Connecting Transmission Owner’s system in accordance with the requirements in
this Article 7. Connecting Transmission Owner and/or Transmission Developer shall, as such
responsibilities are specified in Appendix A of this Agreement, procure and install any required
Metering Equipment prior to any operation of the Transmission Project. Connecting
Transmission Owner shall own, operate, test, maintain, and, if directed by the NYISO, relocate
such Metering Equipment in accordance with ISO Procedures, as such requirements are amended
from time to time. Connecting Transmission Owner shall provide the NYISO with metering data
in accordance with the metering requirements set forth in this Agreement, the NYISO Tariffs,
and ISO Procedures, as such requirements are amended from time to time. Transmission
Developer shall bear all reasonable documented costs associated with the purchase and
installation of the Metering Equipment.

7.2 Check Meters.

Transmission Developer, at its option and expense, may install and operate, on its

premises and on its side of the Points of Interconnection, one or more check meters to check

Connecting Transmission Owner’s meters. Such check meters shall be for check purposes only
and shall not be used for the measurement of power flows for purposes of this Agreement, except
as provided in Article 7.4 below. The installation, operation and maintenance thereof shall be
performed entirely by Transmission Developer in accordance with Good Utility Practice.

7.3 Standards.

Connecting Transmission Owner and Transmission Developer shall, as such

responsibilities are specified in Appendix A of this Agreement, install, calibrate, and test revenue quality Metering Equipment including potential transformers and current transformers in
accordance with ISO Procedures, as such requirements are amended from time to time.

7.4 Testing of Metering Equipment.

Connecting Transmission Owner shall inspect and test all of its Metering Equipment

upon installation and at least once every two (2) years thereafter. If required by ISO Procedures,
Connecting Transmission Owner shall, at its own expense, inspect or test Metering Equipment
more frequently than every two (2) years. Connecting Transmission Owner shall give reasonable

24

SERVICE AGREEMENT NO. 2604

notice of the time when any inspection or test shall take place, and NYISO and Transmission
Developer may have representatives present at the test or inspection. If at any time Metering
Equipment is found to be inaccurate or defective, it shall be adjusted, repaired or replaced at
Connecting Transmission Owner’s expense in order to provide accurate metering. Connecting
Transmission Owner and NYISO shall address the loss of meter data or meter data anomalies in
accordance with ISO Procedures. The NYISO shall reserve the right to review all associated
metering equipment installation on the Transmission Developer’s or Connecting Transmission
Owner’s property at any time.

7.5 Metering Data.

At Connecting Transmission Owner’s expense, the metered data shall be telemetered to
one or more locations designated by NYISO. Such telemetered data shall be used, under normal
operating conditions, as the official measurement of the amount of energy at the Metering Points.

ARTICLE 8. COMMUNICATIONS

8.1 Transmission Developer Obligations.

Transmission Developer shall maintain satisfactory operating communications, including
providing analog and digital real-time telemetry, with Connecting Transmission Owner and
NYISO in accordance with the requirements in this Agreement, the Operating Agreement
(including Section 2.05, Local Control Center, Metering and Telemetry), NYISO Tariffs, and
ISO Procedures, as such requirements are amended from time to time. Transmission Developer
shall provide standard voice line, dedicated voice line and facsimile communications at its
control center for the Transmission Project through use of either the public telephone system, or
a voice communications system that does not rely on the public telephone system. Transmission
Developer shall also provide the dedicated data circuit(s) necessary to provide Transmission
Developer data to Connecting Transmission Owner and NYISO as set forth in Appendix D
hereto. The data circuit(s) shall extend from the Transmission Project to the location(s) specified
by Connecting Transmission Owner and NYISO. Any required maintenance of such
communications equipment shall be performed by Transmission Developer. Operational
communications shall be activated and maintained under, but not be limited to, the following
events: system paralleling or separation, scheduled and unscheduled shutdowns, equipment
clearances, and hourly and daily load data.

8.2 Remote Terminal Unit.

Prior to the Initial Synchronization Date of the Transmission Project, a Remote Terminal
Unit, or equivalent data collection and transfer equipment acceptable to the Parties, shall be
installed by Transmission Developer, or by Connecting Transmission Owner at Transmission
Developer’s expense, to gather accumulated and instantaneous data to be telemetered to the
location(s) designated by Connecting Transmission Owner and NYISO through use of a
dedicated point-to-point data circuit(s) as indicated in Article 8.1. The communication protocol
for the data circuit(s) shall be specified by Connecting Transmission Owner and NYISO.
Instantaneous bi-directional analog real power and reactive power flow information must be
telemetered directly to the location(s) specified by Connecting Transmission Owner and NYISO.

25

SERVICE AGREEMENT NO. 2604

Each Party will promptly advise the appropriate other Party if it detects or otherwise learns of any metering, telemetry or communications equipment errors or malfunctions that require the attention and/or correction by that other Party. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible.

8.3 No Annexation.

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

ARTICLE 9. OPERATIONS

9.1 General.

Each Party shall comply with Applicable Laws and Regulations and Applicable

Reliability Standards. Each Party shall provide to the other Parties all information that may

reasonably be required by the other Parties to comply with Applicable Laws and Regulations and Applicable Reliability Standards. Connecting Transmission Owner or Transmission Developer, as applicable, shall provide the NYISO with notifications of all of its power system equipment additions or modifications in accordance with ISO Procedures, including the NYISO’s
Reliability Analysis Data Manual (Manual 24).

9.2 NYISO and Connecting Transmission Owner Obligations.

Connecting Transmission Owner and NYISO shall cause the New York State

Transmission System to be operated, maintained and controlled in a safe and reliable manner in
accordance with this Agreement and the NYISO Tariffs. Connecting Transmission Owner and
NYISO may provide operating instructions to Transmission Developer consistent with this
Agreement, NYISO procedures and Connecting Transmission Owner’s operating protocols and
procedures as they may change from time to time. Connecting Transmission Owner and NYISO
will consider changes to their respective operating protocols and procedures proposed by
Transmission Developer.

9.3 Transmission Developer Obligations.

Transmission Developer shall at its own expense operate, maintain and control the

Transmission Project in a safe and reliable manner and in accordance with this Agreement, the NYISO Tariffs, ISO Procedures, and the Operating Agreement. Transmission Developer shall operate the Transmission Project in accordance with NYISO and Connecting Transmission
Owner requirements, as such requirements are set forth or referenced in Appendix C hereto. Appendix C will be modified to reflect changes to the requirements as they may change from time to time. Any Party may request that the appropriate other Party or Parties provide copies of the requirements set forth or referenced in Appendix C hereto.

26

SERVICE AGREEMENT NO. 2604

9.4 Outages and Interruptions.

9.4.1 Outages.

9.4.1.1 Outage Authority and Coordination.

Transmission Developer and Connecting Transmission Owner may each, in accordance
with NYISO procedures and Good Utility Practice and in coordination with the other Party,
remove from service any of its respective Transmission Project facilities or Network Upgrade
Facilities that may impact the other Party’s facilities as necessary to perform maintenance or
testing or to install or replace equipment. Absent an Emergency or Emergency State, the Party
scheduling a removal of such facility(ies) from service will use Reasonable Efforts to schedule

such removal on a date and time mutually acceptable to both the Transmission Developer and the Connecting Transmission Owner. In all circumstances either Party planning to remove such
facility(ies) from service shall use Reasonable Efforts to minimize the effect on the other Party
of such removal.

9.4.1.2 Outage Schedules.

The Transmission Developer or Connecting Transmission Owner, as applicable, and

pursuant to ISO Procedures, shall post scheduled outages of its respective transmission facilities on the NYISO OASIS.

9.4.1.3 Outage Restoration.

If an outage on the Transmission Project or Network Upgrade Facilities adversely affects the other Party’s operations or facilities, the Party that owns the facility that is out of service shall use Reasonable Efforts to promptly restore such facility(ies) to a normal operating
condition consistent with the nature of the outage. The Party that owns the facility that is out of service shall provide the other Party and NYISO, to the extent such information is known,
information on the nature of the Emergency or Emergency State, an estimated time of
restoration, and any corrective actions required. Initial verbal notice shall be followed up as soon as practicable with written notice explaining the nature of the outage.

9.4.2 Interruption of Service. If required by Good Utility Practice or Applicable
Reliability Standards to do so, the NYISO, Connecting Transmission Owner, or Transmission Developer may require the Connecting Transmission Owner or Transmission Developer to
interrupt the transmission of electricity if such transmission of electricity could adversely affect the ability of NYISO and, as applicable, Connecting Transmission Owner or Transmission
Developer to perform such activities as are necessary to safely and reliably operate and maintain the New York State Transmission System. The following provisions shall apply to any
interruption permitted under this Article 9.4.2:

9.4.2.1 The interruption shall continue only for so long as reasonably necessary under Good Utility Practice;

27

SERVICE AGREEMENT NO. 2604

9.4.2.2 When the interruption must be made under circumstances which do not
allow for advance notice, NYISO, Connecting Transmission Owner, or Transmission Owner
shall notify, as applicable, Transmission Developer or Connecting Transmission Owner by
telephone as soon as practicable of the reasons for the curtailment or interruption, and, if known,
its expected duration. Telephone notification shall be followed by written notification as soon as
practicable;

9.4.2.3 Except during the existence of an Emergency or Emergency State, when
the interruption can be scheduled without advance notice, NYISO, Connecting Transmission
Owner, or Transmission Developer shall notify, as applicable, Transmission Developer or
Connecting Transmission Owner in advance regarding the timing of such scheduling and of the
expected duration. The Parties shall coordinate with each other using Good Utility Practice to
schedule the interruption during periods of least impact to the Transmission Developer, the
Connecting Transmission Owner and the New York State Transmission System;

9.4.2.4 The Parties shall cooperate and coordinate with each other to the extent

necessary in order to restore the Transmission Project, Network Upgrade Facilities, and the New York State Transmission System to their normal operating state, consistent with system
conditions and Good Utility Practice.

9.4.3 System Protection and Other Control Requirements.

9.4.3.1 System Protection Facilities. Transmission Developer shall, at its

expense, install, operate and maintain System Protection Facilities as a part of the Transmission Project. Connecting Transmission Owner shall install at Transmission Developer’s expense any System Protection Facilities that may be required on the New York State Transmission System as a result of the interconnection of the Transmission Project.

9.4.3.2 The protection facilities of both the Transmission Developer and Connecting Transmission Owner shall be designed and coordinated with other systems in accordance with Good Utility Practice and Applicable Reliability Standards.

9.4.3.3 The Transmission Developer and Connecting Transmission Owner shall each be responsible for protection of its respective facilities consistent with Good Utility Practice and Applicable Reliability Standards.

9.4.3.4 The protective relay design of the Transmission Developer and

Connecting Transmission Owner shall each incorporate the necessary test switches to perform the tests required in Article 6 of this Agreement. The required test switches will be placed such that they allow operation of lockout relays while preventing breaker failure schemes from
operating and causing unnecessary breaker operations and/or the tripping of the Transmission Developer’s Transmission Project.

9.4.3.5 The Transmission Developer and Connecting Transmission Owner will each test, operate and maintain System Protection Facilities in accordance with Good Utility Practice, NERC and NPCC criteria.

28

SERVICE AGREEMENT NO. 2604

9.4.3.6 Prior to the In-Service Dates of the Network Upgrade Facilities and

Transmission Project, the Transmission Developer and Connecting Transmission Owner shall
each perform, or their agents shall perform, a complete calibration test and functional trip test of
the System Protection Facilities. At intervals suggested by Good Utility Practice and following
any apparent malfunction of the System Protection Facilities, the Transmission Developer and
Connecting Transmission Owner shall each perform both calibration and functional trip tests of
its System Protection Facilities. These tests do not require the tripping of any in-service

generation unit. These tests do, however, require that all protective relays and lockout contacts be activated.

9.4.4 Requirements for Protection.

In compliance with NPCC requirements and Good Utility Practice, Transmission

Developer shall provide, install, own, and maintain relays, circuit breakers and all other devices
necessary to remove any fault contribution of the Transmission Project to any short circuit
occurring on the New York State Transmission System not otherwise isolated by Connecting
Transmission Owner’s equipment, such that the removal of the fault contribution shall be
coordinated with the protective requirements of the New York State Transmission System. Such
protective equipment shall include, without limitation, a disconnecting device or switch with
load-interrupting capability located between the Transmission Project and the New York State
Transmission System at a site selected upon mutual agreement (not to be unreasonably withheld,
conditioned or delayed) of the Transmission Developer and Connecting Transmission Owner.
Transmission Developer shall be responsible for protection of the Transmission Project and
Transmission Developer’s other equipment from such conditions as negative sequence currents,
over- or under-frequency, sudden load rejection, over- or under-voltage, and generator loss-of-
field. Transmission Developer shall be solely responsible to disconnect the Transmission Project
and Transmission Developer’s other equipment if conditions on the New York State
Transmission System could adversely affect the Transmission Project.

9.4.5 Power Quality.

Neither the facilities of Transmission Developer nor the facilities of Connecting

Transmission Owner shall cause excessive voltage flicker nor introduce excessive distortion to
the sinusoidal voltage or current waves as defined by ANSI Standard C84.1-1989, in accordance
with IEEE Standard 519, or any applicable superseding electric industry standard. In the event
of a conflict between ANSI Standard C84.1-1989, or any applicable superseding electric industry
standard, ANSI Standard C84.1-1989, or the applicable superseding electric industry standard,
shall control.

9.5 Switching and Tagging Rules.

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

29

SERVICE AGREEMENT NO. 2604

9.6 Disturbance Analysis Data Exchange.

The Parties will cooperate with one another and the NYISO in the analysis of

disturbances to either the Transmission Project or the New York State Transmission System by
gathering and providing access to any information relating to any disturbance, including
information from disturbance recording equipment, protective relay targets, breaker operations
and sequence of events records, and any disturbance information required by Good Utility
Practice.

ARTICLE 10. MAINTENANCE

10.1 Connecting Transmission Owner Obligations.

Connecting Transmission Owner shall maintain its transmission facilities, including the
Network Upgrade Facilities, in a safe and reliable manner and in accordance with this
Agreement.

10.2 Transmission Developer Obligations.

Transmission Developer shall maintain its Transmission Project in a safe and reliable manner and in accordance with this Agreement.

10.3 Coordination.

The Transmission Developer and Connecting Transmission Owner shall confer regularly to coordinate the planning, scheduling and performance of preventive and corrective
maintenance on the Transmission Project and Network Upgrade Facilities. The Transmission Developer and Connecting Transmission Owner shall keep NYISO fully informed of the
preventive and corrective maintenance that is planned, and shall schedule all such maintenance in accordance with NYISO procedures.

10.4 Secondary Systems.

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

10.5 Operating and Maintenance Expenses.

Subject to the provisions herein addressing the use of facilities by others, and except for operations and maintenance expenses associated with modifications made for providing

30

SERVICE AGREEMENT NO. 2604

interconnection or transmission service to a third party and such third party pays for such

expenses, Transmission Developer shall be responsible for all reasonable expenses including overheads, associated with owning, operating, maintaining, repairing, and replacing the
Transmission Project. The Connecting Transmission Owner shall be responsible for all
reasonable expenses including overheads, associated with owning, operating, maintaining, repairing, and replacing the Network Upgrade Facilities.

ARTICLE 11. PERFORMANCE OBLIGATION

11.1 Transmission Project.

Transmission Developer shall design, procure, construct, install, own and/or control the Transmission Project described in Appendix C hereto, at its sole expense.

11.2 Network Upgrade Facilities.

Transmission Developer shall design, procure, construct, and install the Network

Upgrade Facilities described in Appendix A hereto. Connecting Transmission Owner shall have ownership and control of the Network Upgrade Facilities.

11.3 Special Provisions for Affected Systems.

For the re-payment of amounts advanced to Affected System Operator for Network

Upgrade Facilities, the Transmission Developer and Affected System Operator shall enter into an
agreement that provides for such re-payment, but only if responsibility for the cost of such
Network Upgrade Facilities is not to be allocated in accordance with the Facilities Study report.
The agreement shall specify the terms governing payments to be made by the Transmission
Developer to the Affected System Operator as well as the re-payment by the Affected System
Operator.

11.4 Provision of Security.

Within thirty (30) Calendar Days of the Effective Date of this Agreement, Transmission
Developer shall provide Connecting Transmission Owner with Security in the amount of the cost
estimate for the Network Upgrade Facilities in accordance with Section 22.9.3 of Attachment P
of the ISO OATT, as documented in the Facilities Study report. This amount is set forth in
Appendix A of this Agreement. If the Transmission Developer: (i) does not pay an invoice
issued by the Connecting Transmission Owner pursuant to Article 12.1 within the timeframe set
forth in Article 12.3 or (ii) does not pay any disputed amount into an independent escrow
account pursuant to Article 12.4, the Connecting Transmission Owner may draw upon
Transmission Developer’s Security to recover such payment. The Security shall be reduced on a
dollar-for-dollar basis for payments made to Connecting Transmission Owner for the purpose of
performing engineering design, constructing, procuring, and installing the Network Upgrade
Facilities.

In addition:

31

SERVICE AGREEMENT NO. 2604

11.4.1 The guarantee must be made by an entity that meets the commercially

reasonable creditworthiness requirements of Connecting Transmission Owner, and contains

terms and conditions that guarantee payment of the Security amount set forth in Appendix A of this Agreement.

11.4.2 The letter of credit must be issued by a financial institution reasonably

acceptable to Connecting Transmission Owner and must specify a reasonable expiration date.

11.4.3 The surety bond must be issued by an insurer reasonably acceptable to Connecting Transmission Owner and must specify a reasonable expiration date.

11.5 Forfeiture of Security

The Security that the Transmission Developer provides the Connecting Transmission

Owner in accordance with Article 11.4 of this Agreement shall be irrevocable and shall be

subject to forfeiture in the event that the Transmission Developer subsequently terminates or

abandons development of the Transmission Project. Any Security provided by the Transmission
Developer to the Connecting Transmission Owner shall be subject to forfeiture to the extent
necessary to defray the cost of: (1) Network Upgrade Facilities required for other Transmission
Developers whose Transmission Project interconnection studies included the Transmission
Developer’s Transmission Project and Network Upgrade Facilities in their base cases; and (2)
System Upgrade Facilities and System Deliverability Upgrade Facilities required for projects for
which the Transmission Project and Network Upgrade Facilities were included in their Annual
Transmission Reliability Assessment and/or Class Year Deliverability Study, as applicable. If
Transmission Developer’s Security is subject to forfeiture to defray the costs of an affected
upgrade pursuant to this Article 11.5 and the Security is not in a form that can be readily drawn
on by the Connecting Transmission Owner to defray the costs of the affected upgrade,
Transmission Developer shall negotiate in good faith with the Connecting Transmission Owner
to replace the Security with cash or an alternative form of Security that can be readily drawn on
by Connecting Transmission Owner up to the amount required to satisfy Transmission
Developer’s Security obligations under this Agreement, including defraying the costs of the
affected upgrade. Connecting Transmission Owner shall only be responsible for using
Transmission Developer’s Security to defray the costs of an affected upgrade to the extent
Transmission Developer has provided cash or Security in a form that the Connecting
Transmission Owner can readily draw on to defray such costs.

11.6 Network Upgrade Facility Costs

11.6.1 If the actual cost of Network Upgrade Facilities is less than the agreed-to and secured amount, Transmission Developer is responsible only for the actual cost figure.

11.6.2 If the actual cost of Network Upgrade Facilities is greater than the agreed-to and
secured amount because other projects have been expanded, accelerated, otherwise modified or
terminated, Transmission Developer is responsible only for the agreed-to and secured amount for
the Network Upgrade Facilities. The additional cost is covered by the developers of the
modified projects, or by the drawing on the cash that has been paid and the Security that has
been posted for terminated projects, depending on the factors that caused the additional cost.

32

SERVICE AGREEMENT NO. 2604

Such forfeitable Security from other developers will be drawn on only as needed for this

purpose, and only to the extent that the terminated project associated with that Security has caused additional cost and that the developer of the terminated project has provided cash or Security in a form that the Connecting Transmission Owner can readily draw on.

11.6.3 If the actual cost of the Network Upgrade Facilities is greater than the agreed-to and secured amount for reasons other than those set forth in Article 11.6.2, Transmission
Developer will pay the additional costs to Connecting Transmission Owner as such costs are incurred. Disputes between Transmission Developer and Connecting Transmission Owner
concerning costs in excess of the agreed-to and secured amount will be resolved by the parties in accordance with the terms and conditions of Article 27.

11.7 Line Outage Costs.

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

ARTICLE 12. INVOICE

12.1 General.

The Transmission Developer and Connecting Transmission Owner shall each submit to
the other Party, on a monthly basis, invoices of amounts due for the preceding month. Each
invoice shall state the month to which the invoice applies and fully describe the services and
equipment provided. The Transmission Developer and Connecting Transmission Owner may
discharge mutual debts and payment obligations due and owing to each other on the same date
through netting, in which case all amounts one Party owes to the other Party under this

Agreement, including interest payments or credits, shall be netted so that only the net amount remaining due shall be paid by the owing Party.

12.2 Final Invoice and Refund of Remaining Security.

Within six months after completion of the construction of the Network Upgrade

Facilities, Connecting Transmission Owner shall provide an invoice of the final cost of the

construction of the Network Upgrade Facilities and shall set forth such costs in sufficient detail
to enable Transmission Developer to compare the actual costs with the estimates and to ascertain
deviations, if any, from the cost estimates. Connecting Transmission Owner shall refund to
Transmission Developer any amount by which the actual payment by Transmission Developer
for estimated costs exceeds the actual costs of construction within thirty (30) Calendar Days of
the issuance of such final construction invoice. Following the later of the completion of the
construction of the Network Upgrade Facilities and Transmission Developer’s payment of any
final invoice issued under this Article 12.2, Connecting Transmission Owner shall refund to the
Transmission Developer any remaining portions of its Security, except as set forth in Article

11.5. Connecting Transmission Owner shall provide Transmission Developer with the refunded amount within thirty (30) Calendar Days of the Parties’ satisfaction of the requirements in this
Article 12.2.

33

SERVICE AGREEMENT NO. 2604

12.3 Payment.

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

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

12.4 Disputes.

In the event of a billing dispute between Connecting Transmission Owner and

Transmission Developer, Connecting Transmission Owner shall continue to perform under this Agreement as long as Transmission Developer: (i) continues to make all payments not in dispute; and (ii) pays to Connecting Transmission Owner or into an independent escrow account the
portion of the invoice in dispute, pending resolution of such dispute. If Transmission Developer fails to meet these two requirements for continuation of service, then Connecting Transmission Owner may provide notice to Transmission Developer of a Default pursuant to Article 17.
Within thirty (30) Calendar Days after the resolution of the dispute, the Party that owes money to the other Party shall pay the amount due with interest calculated in accord with the methodology set forth in FERC’s Regulations at 18 C.F.R. § 35.19a(a)(2)(iii).

ARTICLE 13. EMERGENCIES

13.1 Obligations.

Each Party shall comply with the Emergency State procedures of NYISO, the applicable Reliability Councils, Applicable Laws and Regulations, and any emergency procedures agreed to by the NYISO Operating Committee. Transmission Developer and Connecting Transmission Owner agree to coordinate with NYISO to develop procedures that will address the operations of the Transmission Project during Emergency conditions.

13.2 Notice.

Each Party shall notify the other Parties promptly when it becomes aware of an

Emergency or Emergency State that affects, or may reasonably be expected to affect, the

Transmission Project or the New York State Transmission System. To the extent information is known, the notification shall describe the Emergency or Emergency State, the extent of the
damage or deficiency, the expected effect on the operation of Transmission Developer’s or
Connecting Transmission Owner’s facilities and operations, its anticipated duration and the
corrective action taken and/or to be taken. The initial notice shall be followed as soon as
practicable with written notice.

13.3 Immediate Action.

Unless, in Transmission Developer’s reasonable judgment, immediate action is required,
Transmission Developer shall obtain the consent of Connecting Transmission Owner, such
consent to not be unreasonably withheld, prior to performing any manual switching operations at

34

SERVICE AGREEMENT NO. 2604

the Transmission Project in response to an Emergency or Emergency State either declared by

NYISO, Connecting Transmission Owner or otherwise regarding New York State Transmission
System.

13.4 NYISO, Transmission Developer, and Connecting Transmission Owner

Authority.

Consistent with ISO Procedures, Good Utility Practice, and this Agreement, any Party
may take whatever actions with regard to the New York State Transmission System it deems
necessary during an Emergency or Emergency State in order to (i) preserve public health and
safety, (ii) preserve the reliability of the New York State Transmission System, (iii) limit or
prevent damage, and (iv) expedite restoration of service. Transmission Developer and
Connecting Transmission Owner shall use Reasonable Efforts to assist the other in such actions.

13.5 Limited Liability.

No Party shall be liable to another Party for any action it takes in responding to an

Emergency or Emergency State so long as such action is made in good faith and is consistent with Good Utility Practice and the NYISO Tariffs.

ARTICLE 14. REGULATORY REQUIREMENTS AND GOVERNING LAW

14.1 Regulatory Requirements.

Each Party’s obligations under this Agreement shall be subject to its receipt of any

required approval or certificate from one or more Governmental Authorities in the form and

substance satisfactory to the applying Party, or the Party making any required filings with, or

providing notice to, such Governmental Authorities, and the expiration of any time period

associated therewith. Each Party shall in good faith seek and use its Reasonable Efforts to obtain such other approvals. Nothing in this Agreement shall require Transmission Developer to take any action that could result in its inability to obtain, or its loss of, status or exemption under the Federal Power Act or the Public Utility Holding Company Act of 2005 or the Public Utility
Regulatory Policies Act of 1978, as amended.

14.2 Governing Law.

35

SERVICE AGREEMENT NO. 2604

14.2.1 The validity, interpretation and performance of this Agreement and each of its

provisions shall be governed by the laws of the state of New York, without regard to its conflicts of law principles.

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

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

ARTICLE 15. NOTICES

15.1 General.

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

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

15.2 Billings and Payments.

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

15.3 Alternative Forms of Notice.

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

15.4 Operations and Maintenance Notice.

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

ARTICLE 16. FORCE MAJEURE

16.1 Economic hardship is not considered a Force Majeure event.

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

any obligation hereunder, other than the obligation to pay money when due, to the extent the

Party is prevented from fulfilling such obligation by Force Majeure. A Party unable to fulfill any obligation hereunder (other than an obligation to pay money when due) by reason of Force

36

SERVICE AGREEMENT NO. 2604

Majeure shall give notice and the full particulars of such Force Majeure to the other Parties in writing or by telephone as soon as reasonably possible after the occurrence of the cause relied upon. Telephone notices given pursuant to this Article shall be confirmed in writing as soon as reasonably possible and shall specifically state full particulars of the Force Majeure, the time and date when the Force Majeure occurred and when the Force Majeure is reasonably expected to cease. The Party affected shall exercise due diligence to remove such disability with reasonable dispatch, but shall not be required to accede or agree to any provision not satisfactory to it in order to settle and terminate a strike or other labor disturbance.

ARTICLE 17. DEFAULT

17.1 General.

No Breach shall exist where such failure to discharge an obligation (other than the

payment of money) is the result of Force Majeure as defined in this Agreement or the result of an
act or omission of the other Parties. Upon a Breach, the non-Breaching Parties shall give written
notice of such to the Breaching Party. The Breaching Party shall have thirty (30) Calendar Days
from receipt of the Breach notice within which to cure such Breach; provided however, if such
Breach is not capable of cure within thirty (30) Calendar Days, the Breaching Party shall
commence such cure within thirty (30) Calendar Days after notice and continuously and
diligently complete such cure within ninety (90) Calendar Days from receipt of the Breach
notice; and, if cured within such time, the Breach specified in such notice shall cease to exist.

17.2 Right to Terminate.

If a Breach is not cured as provided in this Article 17, or if a Breach is not capable of

being cured within the period provided for herein, the non-Breaching Parties acting together shall thereafter have the right to declare a Default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder and, whether or not those Parties terminate this Agreement, to recover from the defaulting Party all amounts due hereunder, plus all other damages and remedies to which they are entitled at law or in equity. The provisions of this Article will survive termination of this Agreement.

ARTICLE 18. INDEMNITY, CONSEQUENTIAL DAMAGES AND INSURANCE

18.1 Indemnity.

Each Party (the “Indemnifying Party”) shall at all times indemnify, defend, and save

harmless, as applicable, the other Parties (each an “Indemnified Party”) from, any and all

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

37

SERVICE AGREEMENT NO. 2604

Indemnifying Party of any Environmental Law or the release by the Indemnifying Party of any Hazardous Substance.

18.1.1 Indemnified Party.

If a Party is entitled to indemnification under this Article 18 as a result of a claim by a third party, and the Indemnifying Party fails, after notice and reasonable opportunity to proceed under Article 18.1.3, to assume the defense of such claim, such Indemnified Party may at the expense of the Indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.

18.1.2 Indemnifying Party.

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

harmless under this Article 18, the amount owing to the Indemnified Party shall be the amount of such Indemnified Party’s actual Loss, net of any insurance or other recovery.

18.1.3 Indemnity Procedures.

Promptly after receipt by an Indemnified Party of any claim or notice of the

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

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

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

38

SERVICE AGREEMENT NO. 2604

consent of the Indemnified Party, which shall not be unreasonably withheld, conditioned or
delayed.

18.2 No Consequential Damages.

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

18.3 Insurance.

Transmission Developer and Connecting Transmission Owner shall each, at its own

expense, procure and maintain in force throughout the period of this Agreement and until

released by the other Parties, the following minimum insurance coverages, with insurers

authorized to do business in the state of New York and rated “A- (minus) VII” or better by A.M. Best & Co. (or if not rated by A.M. Best & Co., a rating entity acceptable to the NYISO):

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

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

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

18.3.3 Commercial Business Automobile Liability Insurance — under ISO Coverage
Form No. CA 00 01 10 13, as amended or supplemented from time to time, or an equivalent
form acceptable to the NYISO — for coverage of owned and non-owned and hired vehicles,
trailers or semi-trailers designed for travel on public roads, with a minimum, combined single
limit of One Million Dollars ($1,000,000) per occurrence for bodily injury, including death,
and property damage.

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

Commercial General Liability, and Commercial Business Automobile Liability Insurance

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

39

SERVICE AGREEMENT NO. 2604

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

18.3.6 The Commercial General Liability Insurance, Commercial Business

Automobile Liability Insurance and Umbrella/Excess Liability Insurance policies of

Transmission Developer and Connecting Transmission Owner shall each name the other Party
and its respective directors, officers, agents, servants and employees (“Other Party Group”) as
additional insureds. For Commercial General Liability Insurance, Transmission Developer
and Connecting Transmission Owner each shall name the Other Party Group as additional
insureds under the following ISO form numbers, as amended or supplemented from time to
time, or an equivalent form acceptable to the NYISO: (i) ISO Coverage Form No. CG 20 37 04

13 (“Additional Insured — Owners, Lessees or Contractors —Completed Operations”) and (ii)

(A) ISO Coverage Form No. CG 20 10 04 13 (“Additional Insured — Owner, Lessees or

Contractors — Scheduled Person or Organization”), or (B) ISO Coverage Form No. CG 20 26

04 13 (“Additional Insured — Designated Person or Organization”). For Commercial Business
Automobile Liability Insurance, Transmission Developer and Connecting Transmission Owner
shall each name the Other Party Group as additional insureds under ISO Coverage Form No. CA

20 48 10 13 (“Designated Insured for Covered Autos Liability Coverage”), as amended or supplemented from time to time, or an equivalent form acceptable to the NYISO.

18.3.7 All policies shall contain provisions whereby the insurers waive all rights of

subrogation in accordance with the provisions of this Agreement against the Other Party Group and provide thirty (30) Calendar days advance written notice to the Other Party Group prior to non-renewal, cancellation or any material change in coverage or condition.

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

18.3.9 The Commercial General Liability Insurance, Commercial Business Automobile Liability Insurance and Umbrella/Excess Liability Insurance policies, if written on a Claims First Made Basis in a form acceptable to the NYISO, shall be maintained in full force and effect for
two (2) years after termination of this Agreement, which coverage may be in the form of an
extended reporting period (ERP) or a separate policy, if agreed by Transmission Developer and Connecting Transmission Owner.

18.3.10 The requirements contained herein as to the types and limits of all insurance to
be maintained by the Transmission Developer and Connecting Transmission Owner are not

40

SERVICE AGREEMENT NO. 2604

intended to and shall not in any manner, limit or qualify the liabilities and obligations assumed by those Parties under this Agreement.

18.3.11 Each of Transmission Developer and Connecting Transmission Owner shall

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

18.3.12 Notwithstanding the foregoing, Transmission Developer and Connecting

Transmission Owner may each self-insure to meet the minimum insurance requirements of

Articles 18.3.1 through 18.3.9 to the extent it maintains a self-insurance program; provided that,
such Party’s senior debt is rated at investment grade, or better, by Standard & Poor’s and that its
self-insurance program meets the minimum insurance requirements of Articles 18.3.1 through

18.3.9. For any period of time that such Party’s senior debt is unrated by Standard & Poor’s or is rated at less than investment grade by Standard & Poor’s, the Party shall comply with the
insurance requirements applicable to it under Articles 18.3.1 through 18.3.9. In the event that a Party is permitted to self-insure pursuant to this Article 18.3.12, it shall notify the other Party that it meets the requirements to self-insure and that its self-insurance program meets the
minimum insurance requirements in a manner consistent with that specified in Articles 18.3.1 through 18.3.9 and provide evidence of such coverages.

18.3.13 Transmission Developer and Connecting Transmission Owner agree to report to each other in writing as soon as practical all accidents or occurrences resulting in injuries to any person, including death, and any property damage arising out of this Agreement.

18.3.14 Notwithstanding the minimum insurance coverage types and amounts described
in this Article 18.3, each of Transmission Developer and Connecting Transmission Owner: (i)
shall also maintain any additional insurance coverage types and amounts required under
Applicable Laws and Regulations, including New York State law, and under Good Utility
Practice for the work performed by such Party and its subcontractors under this Agreement, and
(ii) shall satisfy the requirements set forth in Articles 18.3.6 through 18.3.13 with regard to the
additional insurance coverages, including naming the Other Party Group as additional insureds
under these policies.

ARTICLE 19. ASSIGNMENT

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

Parties; provided that a Party may assign this Agreement without the consent of the other Parties
to any Affiliate of the assigning Party with an equal or greater credit rating and with the legal
authority and operational ability to satisfy the obligations of the assigning Party under this
Agreement; provided further that a Party may assign this Agreement without the consent of the
other Parties in connection with the sale, merger, restructuring, or transfer of a substantial
portion or all of its assets, so long as the assignee in such a transaction directly assumes in
writing all rights, duties and obligations arising under this Agreement; and provided further that
the Transmission Developer shall have the right to assign this Agreement, without the consent of

41

SERVICE AGREEMENT NO. 2604

the NYISO or Connecting Transmission Owner, for collateral security purposes to aid in

providing financing for the Transmission Project, provided that the Transmission Developer will
promptly notify the NYISO and Connecting Transmission Owner of any such assignment. Any
financing arrangement entered into by the Transmission Developer pursuant to this Article will
provide that prior to or upon the exercise of the secured party’s, trustee’s or mortgagee’s
assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee
will notify the NYISO and Connecting Transmission Owner of the date and particulars of any
such exercise of assignment right(s) and will provide the NYISO and Connecting Transmission
Owner with proof that it meets the requirements of Articles 11.4 and 18.3. Any attempted
assignment that violates this Article is void and ineffective. Any assignment under this
Agreement shall not relieve a Party of its obligations, nor shall a Party’s obligations be enlarged,
in whole or in part, by reason thereof. Where required, consent to assignment will not be
unreasonably withheld, conditioned or delayed.

ARTICLE 20. SEVERABILITY

If any provision in this Agreement is finally determined to be invalid, void or

unenforceable by any court or other Governmental Authority having jurisdiction, such

determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this Agreement.

ARTICLE 21. COMPARABILITY

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

ARTICLE 22. CONFIDENTIALITY

22.1 Confidentiality.

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

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

22.2 Term.

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

42

SERVICE AGREEMENT NO. 2604

22.3 Confidential Information.

The following shall constitute Confidential Information: (1) any non-public information that is treated as confidential by the disclosing Party and which the disclosing Party identifies as Confidential Information in writing at the time, or promptly after the time, of disclosure; or (2) information designated as Confidential Information by the NYISO Code of Conduct contained in Attachment F to the ISO OATT.

22.4 Scope.

Confidential Information shall not include information that the receiving Party can

demonstrate: (1) is generally available to the public other than as a result of a disclosure by the
receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential
basis before receiving it from the disclosing Party; (3) was supplied to the receiving Party
without restriction by a third party, who, to the knowledge of the receiving Party after due
inquiry, was under no obligation to the disclosing Party to keep such information confidential;

(4) was independently developed by the receiving Party without reference to Confidential

Information of the disclosing Party; (5) is, or becomes, publicly known, through no wrongful act
or omission of the receiving Party or Breach of this Agreement; or (6) is required, in accordance
with Article 22.9 of this Agreement, Order of Disclosure, to be disclosed by any Governmental
Authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any
legal proceeding establishing rights and obligations under this Agreement. Information
designated as Confidential Information will no longer be deemed confidential if the Party that
designated the information as confidential notifies the other Party that it no longer is
confidential.

22.5 Release of Confidential Information.

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

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

22.6 Rights.

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

43

SERVICE AGREEMENT NO. 2604

22.7 No Warranties.

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

22.8 Standard of Care.

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

22.9 Order of Disclosure.

If a court or a Government Authority or entity with the right, power, and apparent

authority to do so requests or requires any Party, by subpoena, oral deposition, interrogatories,

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

22.10 Termination of Agreement.

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

22.11 Remedies.

The Parties agree that monetary damages would be inadequate to compensate a Party for
another Party’s Breach of its obligations under this Article 22. Each Party accordingly agrees
that the other Parties shall be entitled to equitable relief, by way of injunction or otherwise, if the
first Party Breaches or threatens to Breach its obligations under this Article 22, which equitable
relief shall be granted without bond or proof of damages, and the receiving Party shall not plead
in defense that there would be an adequate remedy at law. Such remedy shall not be deemed an
exclusive remedy for the Breach of this Article 22, but shall be in addition to all other remedies

44

SERVICE AGREEMENT NO. 2604

available at law or in equity. The Parties further acknowledge and agree that the covenants

contained herein are necessary for the protection of legitimate business interests and are

reasonable in scope. No Party, however, shall be liable for indirect, incidental, or consequential
or punitive damages of any nature or kind resulting from or arising in connection with this
Article 22.

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

Notwithstanding anything in this Article 22 to the contrary, and pursuant to 18 C.F.R.
section 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests
information from one of the Parties that is otherwise required to be maintained in confidence
pursuant to this Agreement or the ISO OATT, the Party shall provide the requested information
to FERC or its staff, within the time provided for in the request for information. In providing the
information to FERC or its staff, the Party must, consistent with 18 C.F.R. section 388.112,
request that the information be treated as confidential and non-public by FERC and its staff and
that the information be withheld from public disclosure. Parties are prohibited from notifying
the other Parties to this Agreement prior to the release of the Confidential Information to the
Commission or its staff. The Party shall notify the other Parties to the Agreement when it is
notified by FERC or its staff that a request to release Confidential Information has been received
by FERC, at which time the Parties may respond before such information would be made public,
pursuant to 18 C.F.R. section 388.112. Requests from a state regulatory body conducting a
confidential investigation shall be treated in a similar manner if consistent with the applicable
state rules and regulations. A Party shall not be liable for any losses, consequential or otherwise,
resulting from that Party divulging Confidential Information pursuant to a FERC or state
regulatory body request under this paragraph.

22.13 Required Notices Upon Requests or Demands for Confidential Information

Except as otherwise expressly provided herein, no Party shall disclose Confidential

Information to any person not employed or retained by the Party possessing the Confidential

Information, except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the
disclosing Party to be required to be disclosed in connection with a dispute between or among
the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the
other Party, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its
obligations under this Agreement, the ISO OATT or the ISO Services Tariff. Prior to any
disclosures of a Party’s Confidential Information under this subparagraph, or if any third party or
Governmental Authority makes any request or demand for any of the information described in
this subparagraph, the disclosing Party agrees to promptly notify the other Party in writing and
agrees to assert confidentiality and cooperate with the other Party in seeking to protect the
Confidential Information from public disclosure by confidentiality agreement, protective order or
other reasonable measures.

ARTICLE 23. TRANSMISSION DEVELOPER AND CONNECTING TRANSMISSION
 OWNER NOTICES OF ENVIRONMENTAL RELEASES

Transmission Developer and Connecting Transmission Owner shall each notify the other
Party, first orally and then in writing, of the release of any Hazardous Substances, any asbestos

45

SERVICE AGREEMENT NO. 2604

or lead abatement activities, or any type of remediation activities related to the Transmission
Project or Network Upgrade Facilities, each of which may reasonably be expected to affect the
other Party. The notifying Party shall: (i) provide the notice as soon as practicable, provided

such Party makes a good faith effort to provide the notice no later than twenty-four hours after
such Party becomes aware of the occurrence; and (ii) promptly furnish to the other Party copies
of any publicly available reports filed with any Governmental Authorities addressing such
events.

ARTICLE 24. INFORMATION REQUIREMENT

24.1 Information Acquisition.

Connecting Transmission Owner and Transmission Developer shall each submit specific information regarding the electrical characteristics of their respective facilities to the other, and to NYISO, as described below and in accordance with Applicable Reliability Standards.

24.2 Information Submission Concerning the Network Upgrade Facilities.

The initial information submission by Connecting Transmission Owner shall occur no
later than one hundred eighty (180) Calendar Days prior to Trial Operation of the Network
Upgrade Facilities and shall include New York State Transmission System information
necessary to allow the Transmission Developer to select equipment and meet any system
protection and stability requirements, unless otherwise mutually agreed to by the Transmission
Developer and Connecting Transmission Owner. On a quarterly basis Transmission Developer
shall provide the other Parties a status report on the construction and installation of the Network
Upgrade Facilities, including, but not limited to, the following information: (1) progress to date;

(2) a description of the activities since the last report; (3) a description of the action items for the next period; and (4) the delivery status of equipment ordered.

24.3 Updated Information Submission Concerning the Transmission Project.

The updated information submission by the Transmission Developer, including

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

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

If the Transmission Developer’s data is different from what was originally provided to
Connecting Transmission Owner and NYISO pursuant to a Transmission Interconnection Study
agreement among Connecting Transmission Owner, NYISO and Transmission Developer and
this difference may be reasonably expected to affect the other Parties’ facilities or the New York
State Transmission System, but does not require the submission of a new Transmission

46

SERVICE AGREEMENT NO. 2604

Interconnection Application, then NYISO will conduct appropriate studies to determine the

impact on the New York State Transmission System based on the actual data submitted pursuant to this Article 24.3. Such studies will provide an estimate of any additional modifications to the New York State Transmission System or Network Upgrade Facilities based on the actual data and a good faith estimate of the costs thereof. The Transmission Developer shall not begin Trial Operation for the Transmission Project until such studies are completed. The Transmission
Developer shall be responsible for the cost of any modifications required by the actual data,
including the cost of any required studies.

24.4 Information Supplementation.

Prior to the In-Service Date, the Transmission Developer and Connecting Transmission Owner shall supplement their information submissions described above in this Article 24 with any and all “as-built” Transmission Project and Network Upgrade Facilities information or “astested” performance information that differs from the initial submissions or, alternatively, written confirmation that no such differences exist. The Transmission Developer shall conduct tests on the Transmission Project as required by Good Utility Practice.

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

ARTICLE 25. INFORMATION ACCESS AND AUDIT RIGHTS

25.1 Information Access.

Each Party (“Disclosing Party”) shall make available to another Party (“Requesting

Party”) information that is in the possession of the Disclosing Party and is necessary in order for
the Requesting Party to: (i) verify the costs incurred by the Disclosing Party for which the
Requesting Party is responsible under this Agreement; and (ii) carry out its obligations and
responsibilities under this Agreement. The Parties shall not use such information for purposes
other than those set forth in this Article 25.1 of this Agreement and to enforce their rights under
this Agreement.

25.2 Reporting of Non-Force Majeure Events.

Each Party (the “Notifying Party”) shall notify the other Parties when the Notifying Party
becomes aware of its inability to comply with the provisions of this Agreement for a reason other
than a Force Majeure event. The Parties agree to cooperate with each other and provide
necessary information regarding such inability to comply, including the date, duration, reason for

47

SERVICE AGREEMENT NO. 2604

the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply. Notwithstanding the foregoing, notification, cooperation or information provided under this Article shall not entitle the Party receiving such notification to allege a cause for anticipatory breach of this Agreement.

25.3 Audit Rights.

Subject to the requirements of confidentiality under Article 22 of this Agreement, each
Party shall have the right, during normal business hours, and upon prior reasonable notice to
another Party, to audit at its own expense the other Party’s accounts and records pertaining to the
other Party’s performance or satisfaction of its obligations under this Agreement. Such audit
rights shall include audits of the other Party’s costs, calculation of invoiced amounts, and each
Party’s actions in an Emergency or Emergency State. Any audit authorized by this Article shall
be performed at the offices where such accounts and records are maintained and shall be limited
to those portions of such accounts and records that relate to the Party’s performance and
satisfaction of obligations under this Agreement. Each Party shall keep such accounts and
records for a period equivalent to the audit rights periods described in Article 25.4 of this
Agreement.

25.4 Audit Rights Periods.

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

Accounts and records related to the design, engineering, procurement, and construction of the Network Upgrade Facilities shall be subject to audit for a period of twenty-four months
following Connecting Transmission Owner’s issuance of a final invoice in accordance with
Article 12.2 of this Agreement.

25.4.2 Audit Rights Period for All Other Accounts and Records.

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

25.5 Audit Results.

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

48

SERVICE AGREEMENT NO. 2604

ARTICLE 26. SUBCONTRACTORS

26.1 General.

Nothing in this Agreement shall prevent a Party from utilizing the services of any

subcontractor as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Parties for the performance of such subcontractor.

26.2 Responsibility of Principal.

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

26.3 No Limitation by Insurance.

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

ARTICLE 27. DISPUTES

27.1 Submission.

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

27.2 External Arbitration Procedures.

Any arbitration initiated under this Agreement shall be conducted before a single neutral
arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten

(10) Calendar Days of the submission of the Dispute to arbitration, each Party shall choose one
arbitrator who shall sit on a three-member arbitration panel. In each case, the arbitrator(s) shall

49

SERVICE AGREEMENT NO. 2604

be knowledgeable in electric utility matters, including electric transmission and bulk power

issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall conduct the
arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration
Association (“Arbitration Rules”) and any applicable FERC regulations or RTO rules; provided, however, in the event of a conflict between the Arbitration Rules and the terms of this Article 27, the terms of this Article 27 shall prevail.

27.3 Arbitration Decisions.

Unless otherwise agreed by the Parties, the arbitrator(s) shall render a decision within

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

27.4 Costs.

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

27.5 Termination.

Notwithstanding the provisions of this Article 27, any Party may terminate this

Agreement in accordance with its provisions or pursuant to an action at law or equity. The issue of whether such a termination is proper shall not be considered a Dispute hereunder.

ARTICLE 28. REPRESENTATIONS, WARRANTIES AND COVENANTS

28.1 General.

Each Party makes the following representations, warranties and covenants:

28.1.1 Good Standing.

Such Party is duly organized, validly existing and in good standing under the laws of the
state in which it is organized, formed, or incorporated, as applicable; that it is qualified to do
business in the state or states in which the Transmission Project and Network Upgrade Facilities
owned by such Party, as applicable, are located; and that it has the corporate power and authority

50

SERVICE AGREEMENT NO. 2604

to own its properties, to carry on its business as now being conducted and to enter into this
Agreement and carry out the transactions contemplated hereby and perform and carry out all
covenants and obligations on its part to be performed under and pursuant to this Agreement.

28.1.2 Authority.

Such Party has the right, power and authority to enter into this Agreement, to become a
Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and
binding obligation of such Party, enforceable against such Party in accordance with its terms,
except as the enforceability thereof may be limited by applicable bankruptcy, insolvency,
reorganization or other similar laws affecting creditors’ rights generally and by general equitable
principles (regardless of whether enforceability is sought in a proceeding in equity or at law).

28.1.3 No Conflict.

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

28.1.4 Consent and Approval.

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

ARTICLE 29. MISCELLANEOUS

29.1 Binding Effect.

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

29.2 Conflicts.

If there is a discrepancy or conflict between or among the terms and conditions of this cover agreement and the Appendices hereto, the terms and conditions of this cover agreement shall be given precedence over the Appendices, except as otherwise expressly agreed to in
writing by the Parties.

29.3 Rules of Interpretation.

This Agreement, unless a clear contrary intention appears, shall be construed and

interpreted as follows: (1) the singular number includes the plural number and vice versa; (2)

reference to any person includes such person’s successors and assigns but, in the case of a Party,

51

SERVICE AGREEMENT NO. 2604

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

29.4 Compliance.

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

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

29.5 Joint and Several Obligations.

Except as otherwise stated herein, the obligations of NYISO, Transmission Developer
and Connecting Transmission Owner are several, and are neither joint nor joint and several.

29.6 Entire Agreement.

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

29.7 No Third Party Beneficiaries.

This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and permitted their assigns.

52

SERVICE AGREEMENT NO. 2604

29.8 Waiver.

The failure of a Party to this Agreement to insist, on any occasion, upon strict

performance of any provision of this Agreement will not be considered a waiver of any

obligation, right, or duty of, or imposed upon, such Party. Any waiver at any time by either
Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a
waiver with respect to any other failure to comply with any other obligation, right, duty of this
Agreement. Termination or Default of this Agreement for any reason by the Transmission
Developer shall not constitute a waiver of the Transmission Developer’s legal rights to obtain
Capacity Resource Interconnection Service and Energy Resource Interconnection Service from
the NYISO and Connecting Transmission Owner in accordance with the provisions of the ISO
OATT. Any waiver of this Agreement shall, if requested, be provided in writing.

29.9 Headings.

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

29.10 Multiple Counterparts.

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

29.11 Amendment.

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

29.12 Modification by the Parties.

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

29.13 Reservation of Rights.

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

53

SERVICE AGREEMENT NO. 2604

and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

29.14 No Partnership.

This Agreement shall not be interpreted or construed to create an association, joint

venture, agency relationship, or partnership among the Parties or to impose any partnership

obligation or partnership liability upon any Party. No Party shall have any right, power or

authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, any other Party.

29.15 Other Transmission Rights.

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

54

SERVICE AGREEMENT NO. 2604

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

New York Independent System Operator, Inc.

By:

Name:

Title:

Date:

New York State Electric & Gas Corporation

By: By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

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

Date: Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

New York Transco, LLC

By: By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Victor Mullin Name: Paul Haering \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: President Title: Vice President of Capital Investment

Date: Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

55

SERVICE AGREEMENT NO. 2604

APPENDICES

Appendix A

Network Upgrade Facilities

Appendix B

Milestones

Appendix C

Interconnection Details

Appendix D

Security Arrangements Details

Appendix E-1

Initial Synchronization Date

Appendix E-2

In-Service Date

Appendix F

Addresses for Delivery of Notices and Billings

SERVICE AGREEMENT NO. 2604

APPENDIX A

NETWORK UPGRADE FACILITIES

1. Network Upgrade Facilities (“NUFs”)

A. Network Upgrade Facilities for Connecting Transmission Owner’s

Transmission System

The Transmission Project will interconnect to the New York State Transmission System
at existing transmission facilities owned and operated by the Connecting Transmission Owner.
The Facilities Study identified NUFs required to reliably interconnect the Transmission Project
to the Connecting Transmission Owner’s system. The Connecting Transmission Owner has
provided the Transmission Developer and/or its agent with the requisite specifications and
standards to enable the Network Upgrade Facilities at Connecting Transmission Owner’s
facilities to be consistent with Connecting Transmission Owner’s requirements. Revisions to
such specifications and standards that occur after the 30% design packages have been reviewed
and approved by the Connecting Transmission Owner will not be imposed on the NUFs to avoid
the need for any redesigns.

The NUFs on Connecting Transmission Owner’s system are as follows:

i. NUFs at Falls Park 115 kV Substation

There are a number of Network Upgrade Facilities required at the Falls Park 115 kV Substation.

The installation of metering equipment at Connecting Transmission Owner’s Falls Park
Substation is required to monitor the interchange of energy between the Falls Park Substation
and Transmission Developer’s new Churchtown Substation. The required metering equipment
has been installed by Connecting Transmission Owner; however, remote terminal unit
programming is required. In addition, a modem and phone line are also required to
allow remote access for Connecting Transmission Owner. If sufficient points are unavailable to
connect the metering signals to the existing remote terminal unit, additional hardware will be
required.

The metering of energy interchange between the Connecting Transmission Owner’s Falls
Park Substation and National Grid’s Hudson Substations is required, and metering equipment
was installed prior to the issuing of the Facility Study. However, remote terminal unit
programming is required. In addition, a modem and phone line are also required to allow remote
access for the Connecting Transmission Owner. Further, line protection between the Falls Park
and Hudson Substations require interconnecting the two substations via fiber for high speed
communications assisted tripping. This requires tie-in of the exiting fiber optic in the Optical
Ground Wire (“OPGW”) to the Falls Park 115 kV Substation, as well as installation of a
protective relay communications system, interposing relays, and numerous relay settings
changes.

A-1

SERVICE AGREEMENT NO. 2604

There is currently a small section of OPGW on the line to the Hudson Substation. This
segment of OPGW will be terminated at a splice box on Structure L-731-12, and will continue
on to National Grid’s Hudson Substation. The Facility Study includes costs for interconnecting
the fiber to the Falls Park 115 kV substation. The costs for running fiber from the end of the
existing OPGW to the Hudson Substation will be borne by the Transmission Developer and is
addressed in the related Transmission Project Interconnection Agreement for this Transmission

Project among the NYISO, National Grid, and Transmission Developer. In addition, a new high speed communications system is required for line protection between the Falls Park Substation and National Grid’s Schodack Substations. The new high speed communications system will require leasing a T1 line. The existing Falls Park 115 kV Substation will require upgrades
including the following major electrical equipment and facilities:

• Equipment for high speed communications tripping, including JungleMux multiplexers
 from the Hudson and Schodack Substations; and

• Tie-in of existing fiber in OPGW to the Hudson Substation and leased line to the
 Schodack Substation.

ii. NUFs at Coopers Corner 345kV Substation

NUFs are required at Connecting Transmission Owner’s Coopers Corner Substation to handle the increased current flow due to the Transmission Project. The NUFs at the Coopers Corner Substation include the following major electrical equipment and facilities:

• Two (2) three phase 345 kV dead tank circuit breakers;

• Ten (10) three phase 345 kV motor operated disconnect switches;

• Two (2) single phase 345 kV line traps;

• Six (6) single phase 345 kV column current transformers with five (5) 4000:5, C800

multi-ratio current transformers and a single ratio (ratio to be determined) current transformers for overall column flashover protection;

• Four (4) breaker management relays with a single cabinet, within original control house;
• Replacement of four breaker failure schemes with system A utilizing SEL-451 relays for

breaker management and system B using existing line protection relays; this requires four
new SEL-451 relays and revisions to two existing L90 line protection relays; new column
current transformer (“CT”) flash over protection will be provided by some of the new
SEL-451 relays;

• 345 kV bus work and conductors;

• Power and control and communication cables;

• Circuit and equipment wiring;

• Reconfiguration of breaker failure schemes to new breaker management relays or backup

line relays;

• Relay setting revision, including any required temporary settings;

• Communication panes and equipment;

• Fencing, grounding, conduit/trench system as required to facilitate installation of new

equipment;

• Installation of all reinforced concrete foundations; and

A-2

SERVICE AGREEMENT NO. 2604

• Galvanized steel structures with foundations and anchor bolts.

Transmission Developer recently submitted a non-material determination (“NMD”)

request to the NYISO to re-rate certain transmission feeders, which modification would modify
the scope of work at the Coopers Corners Substation. This Agreement was executed prior to the
full reevaluation of work scope reduction resulting from the NYISO’s recent determination that
the NMD request is a non-material change. Once the Connecting Transmission Owner
completes its evaluation of the impact of the modifications at the Coopers Corners Substation,
Connecting Transmission Owner will advise the Transmission Developer of the proposed
Coopers Corners Substation upgrades, and the parties shall mutually agree to the scope of such
upgrades no later than June 30, 2021. Accordingly, the Parties shall amend this Agreement,
pursuant to Articles 29.11 and 29.12, to reflect the modifications for which the Transmission
Developer will be responsible.

iii. NUFs at Craryville 115 kV Substation

The NUFs at Connecting Transmission Owner’s Craryville Substation include the

installation of metering equipment to monitor the energy interchange between Connecting

Transmission Owner’s Falls Park Substation and Transmission Developer’s new Churchtown

Substation. In addition, the line protection proposed at Transmission Developer’s new

Churchtown Substation requires a power line carrier signal to pass through the Craryville

Substation to transfer trip the Klinekill Substation. As a result, a line trap is required to block the signal from being seen by the step down transformer at the Craryville Substation. No protection will be configured at the Craryville Substation to process the power line carrier signal.

The NUFs at the Craryville Substation include the following major electrical equipment and facilities:

• One (1) three phase 115 kV combined CT/ potential transformer (“PT”) unit for revenue
 metering;

• One (1) single phase 115 kV line trap;

• One (1) TransData EMS60E09H14SQRT revenue meter (or approved equivalent);

• One (1) SEL 2302 communications processor, or equivalent, for remote terminal unit
 (“RTU”);

• One (1) SEL 2831 transceiver/modem, or equivalent;

• Three (3) single phase surge arresters suitable for 115kV;

• 115 kV bus work;

• Energy monitoring system programming and commissioning;

• Power and control and communication cables;

• Circuit and equipment wiring;

• Meter and communication equipment settings, panel, and equipment;

• Fencing, grounding, conduit/trench system as required to facilitate installation of new
 equipment;

• Installation of all reinforced concrete foundations; and

• Galvanized steel structures with foundations and anchor bolts.

A-3

SERVICE AGREEMENT NO. 2604

Connecting Transmission Owner may require the metering of energy interchange

between its Craryville Substation and Transmission Developer’s new Churchtown Substation to
be located at the new Churchtown Substation. No protection upgrades are proposed for the
Craryville Substation as the transfer trip scheme that originates at Transmission Developer’s new
Churchtown Substation is only intended to transfer trip at the 115/ 34.5 kV Klinekill Substation.
Finally, the final phase determination for the new line trap will be determined during the detailed
design phase.

iv. NUFs at Klinekill 115/345 kV Substation

The NUFs at Connecting Transmission Owner’s Klinekill Substation primarily consist of
a communications system and associated equipment to process the power line carrier transfer trip
signal from Transmission Developer’s new Churchtown Substation. This includes installation of
a new SEL-451 relay to replace the existing relay that performs the 67 and 67N functions for line
984 out of the Klinekill Substation. It is anticipated that the existing electro-mechanical relays
that perform the 67 and 67N functions cannot be adjusted to properly coordinate with the area
relays. If this is not the case, the existing electro-mechanical relays do not need to be replaced.
The existing line 984 protection at the Klinekill Substation consists of directional phase and

neutral overcurrent elements on the low side of the 115/34.5 kV. The power line carrier signal will only be from Transmission Developer’s new Churchtown Substation to Connecting
Transmission Owner’s Klinekill Substation. There will be no transfer trip signal from the Klinekill Substation to the new Churchtown substation.

The NUFs at the Klinekill Substation include the following major electrical equipment and facilities:

• One (1) single phase 115 kV coupling capacitor voltage transformer (“CCVT”) unit;

• One (1) single phase tuned line trap;

• One (1) SEL-451 relay or equivalent for Line 984 and associated transformer protection;

• One (1) RFL GARD 8000 communications processor and associated controls, including
 new 19” rack to be installed within existing control room, to convert the power line
 carrier signal to trip the 34.5 kV breaker 1B-22 via the new SEL-451 relay;

• Three (3) single phase surge arresters suitable for 115 kV;

• 115 kV bus work;

• Power and control and communication cables;

• Circuit and equipment wiring;

• Fencing, grounding, conduit/trench system as required to facilitate installation of new
 equipment;

• Installation of all reinforced concrete foundations; and

• Galvanized steel structures with foundations and anchor bolts.

The final phase determination for the new line trap and CCVT will be determined during the detailed design phase. Transmission Developer shall obtain the information for the power line carrier frequency from the NYISO’s frequency selection process.

v. Subsynchronous Resonance (“SSR”) Study

A-4

SERVICE AGREEMENT NO. 2604

The NYISO’s consultant is performing a study of subsynchronous resonance impacts of the Transmission Project. This Agreement was executed prior to the completion of the SSR study. If any upgrades identified in the SSR study differ in any material way from the facilities identified in the Appendices of this Agreement, the Parties shall amend this Agreement pursuant to Articles 29.11 and 29.12 to reflect the upgrades identified in the SSR study.

2. Interconnection to and Network Upgrade Facilities for Other Connecting

Transmission Owners’ Transmission Systems

A. Niagara Mohawk Power Corporation d/b/a National Grid

Portions of the Transmission Project will interconnect to the New York State

Transmission System at existing transmission facilities owned and operated by National Grid,
which is also a Connecting Transmission Owner for the Transmission Project. The Facilities
Study identified certain Network Upgrade Facilities at National Grid’s Schodack 115 kV
Substation, Greenbush 115 kV Substation, Valkin 115 kV Substation, Hudson 115 kV
Substation, New Scotland Substation and Alps Substation, along with upgrades at the Blue
Stores 115 kV tap, Buckley Corners 115 kV tap, Fort Orange 115 kV tap, LaFarge 115 kV Tap,
ADM Milling 115 kV tap, Hudson 115 kV tap, line 14N interconnection point, and Valkin 115
kV tap, which Network Upgrade Facilities are required to reliably interconnect the Transmission
Project to National Grid’s system. The Transmission Developer, National Grid, and the NYISO
will enter into a separate Transmission Project Interconnection Agreement concerning the
interconnection of the Transmission Project to National Grid’s facilities and the construction or
installation of the related Network Upgrade Facilities on National Grid’s facilities.

B. Central Hudson Gas & Electric Corporation

Portions of the Transmission Project will interconnect to the New York State

Transmission System at existing transmission facilities owned and operated by Central Hudson Gas & Electric Corporation (“Central Hudson”), which is also a Connecting Transmission
Owner for the Transmission Project. The Facilities Study identified certain Network Upgrade Facilities at Central Hudson’s Milan 115 kV Substation, North Catskill Substation, Pleasant
Valley 115 kV Substation, Rock Tavern 345 kV and 115 kV Substations, and Roseton 345 kV Substation that are required to reliably interconnect the Transmission Project to Central
Hudson’s system. The Transmission Developer, Central Hudson, and the NYISO will enter into a separate Transmission Project Interconnection Agreement concerning the interconnection of the Transmission Project to Central Hudson’s facilities and the construction or installation of the related Network Upgrade Facilities on Central Hudson’s facilities.

C. Consolidated Edison Company of New York, Inc.

Portions of the Transmission Project will interconnect to the New York State

Transmission System at existing transmission facilities owned and operated by Consolidated
Edison Company of New York, Inc. (“Con Edison”), which is also a Connecting Transmission
Owner for the Transmission Project. The Facilities Study identified certain Network Upgrade

A-5

SERVICE AGREEMENT NO. 2604

Facilities at Con Edison’s Pleasant Valley 345 kV Substation and its Cricket Valley 345 kV
Substation. The Pleasant Valley Substation upgrades will entail the creation of a new bay and
relocation of existing 345kV feeders, which interconnect the Cricket Valley Substation, and the
interconnection of the Transmission Project’s new 345 kV feeder # Y59. In addition, there will
be a reconductoring for approximately 0.8 miles of the existing feeders 91 and 92 from the Van
Wagner Cap Bank Station into the Pleasant Valley Substation and the interconnection of a new
Phase Angle Regulator on line #398, that are required to reliably interconnect the Transmission
Project to the New York State Transmission System. Transmission Developer, Con Edison, and
the NYISO will enter into a separate Transmission Project Interconnection Agreement
concerning the interconnection of the Transmission Project to Con Edison’s facilities and the
construction or installation of the related Network Upgrade Facilities on Con Edison’s facilities.

D. Orange and Rockland Utilities, Inc.

Portions of the Transmission Project will interconnect to the New York State

Transmission System at existing transmission facilities owned and operated by Orange and
Rockland Utilities, Inc. (“O&R”), which is also a Connecting Transmission Owner for the
Transmission Project. The Facilities Study identified certain Network Upgrade Facilities at
O&R’s Sugarloaf 138 kV Substation that are required to reliably interconnect the Transmission Project to O&R’s system. The Transmission Developer, O&R, and the NYISO will enter into a separate Transmission Project Interconnection Agreement concerning the interconnection of the Transmission Project to O&R’s facilities and the construction or installation of the related
Network Upgrade Facilities on O&R’s facilities.

VI. Affected System Upgrade Facilities

The Transmission Interconnection Studies for the Transmission Project identified New York Power Authority (“NYPA”), Castleton Power, LLC (for the Fort Orange Substation), Holcim (US) Inc. (for the LaFarge Substation), and ADM Milling Co. (for the ADM Milling Substation) as Affected System Operators, which systems are impacted by the Transmission Project. The Facilities Studies conducted for the Transmission Project identified certain
Network Upgrade Facilities required for these Affected Systems.

A. NYPA

The Transmission Interconnection Studies for the Transmission Project identified that
certain Network Upgrade Facilities at NYPA’s East Transition 345 kV Substation, West
Transition 345 kV Substation, and Dolson Ave. 345 kV Substation are required in connection
with the Transmission Project. This work will be performed in accordance with the terms of an
engineering, procurement, and construction agreement by and among the NYISO, Transmission
Developer, and NYPA.

B. Fort Orange Substation

The Transmission Interconnection Studies for the Transmission Project identified that
modifications to the relay settings at the Fort Orange Substation are required in connection with

A-6

SERVICE AGREEMENT NO. 2604

the Transmission Project. The relay resetting and drawing updates will be performed for the Fort Orange Substation to reflect the new Line 14N Tap location in accordance with the terms of an engineering, procurement, and construction agreement by and among the Transmission
Developer, Castleton Power, LLC, and the NYISO.

C. LaFarge Substation

The Transmission Interconnection Studies for the Transmission Project identified that

certain Network Upgrade Facilities at the LaFarge Substation are required in connection with the Transmission Project. This work including, but not limited to, relay resetting, and drawing
updates will be performed for the LaFarge Substation to reflect the new Line 8 Tap location in accordance with the terms of an engineering, procurement, and construction agreement by and among the Transmission Developer, LaFarge, and the NYISO.

D. ADM Milling

The Transmission Interconnection Studies for the Transmission Project identified that
certain Network Upgrade Facilities at the ADM Milling Substation are required in connection
with the Transmission Project. This work will be performed in accordance with the terms of an
engineering, procurement, and construction agreement by and among the NYISO, Transmission
Developer, and ADM Milling. The work will include performance of calculations for the
resetting of relays, and the update to drawings to reflect the new line nomenclature.

4. Cost Estimates for Network Upgrade Facilities on Connecting Transmission

Owner’s System

Description Estimated Costs

Falls Park Substation $136,551

Coopers Corner Substation $7,227,242

Craryville Substation $360,992

Klinekill Substation $242,755

Total $7,967,540

Connecting Transmission Owner and Transmission Developer acknowledge that the

above estimated costs for Network Upgrade Facilities include the amount of $2,482,154.50 (i.e., the estimated engineering and procurement costs of $2,592,119 minus the initial payment of $518,424 under that certain Engineering & Procurement Agreement dated April 23, 2020
between Connecting Transmission Owner and Transmission Developer, plus $408,460.00
associated with the testing and commissioning work hereunder).

5. Security

Pursuant to Article 11.4 of this Agreement, Transmission Developer will provide Connecting Transmission Owner with Security in the amount of $0.

A-7

SERVICE AGREEMENT NO. 2604

Figure A-1

[CONTAINS CEII - THIS PAGE REMOVED FROM PUBLIC VERSION]

A-9

SERVICE AGREEMENT NO. 2604

APPENDIX B

MILESTONES

Milestone

1. Execute Engineering &

Procurement Agreement to advance the Transmission Project schedule

2. Issue written authorization to

proceed with engineering

3. Prepayment issued and received

4. Start engineering of

Transmission Project

5. Start engineering of Network

Upgrade Facilities

6. Complete the Facility Study

7. Place order for towers, poles,

and conductors

8. Place order for Churchtown

substation circuit breakers

9. Order steel for Transmission

Developer substation

10. Complete the Civil/Electrical

Issued for Construction (IFC) packages for the Craryville substation work

11. Complete the Protection and

Controls Issued for Construction (IFC) packages for the

Craryville substation work

Date Responsible Party

Completed Connecting

Transmission Owner/ Transmission

Developer

Completed Transmission

Developer

Completed Connecting

Transmission

Owner/Transmission Developer

Completed Transmission

Developer

Completed Transmission

Developer

Completed NYISO

Completed Transmission

Developer

Completed Transmission

Developer

Completed Transmission

Developer

Completed Transmission

Developer

Completed Transmission

Developer

B-1

SERVICE AGREEMENT NO. 2604

Milestone

12. Complete the Protection and

Controls Issued for Construction (IFC) packages for the Falls

Park substation work

13. Complete the Civil/Electrical

Issued for Construction (IFC) packages for the Falls Park substation work

14. Install foundations at Klinekill

substation to support the
temporary Shoo-Fly installation

15. Execute interconnection

agreement

16. Complete the Telecom and

SCADA Issued for Construction (IFC) packages for the Falls

Park substation work

17. Complete the Telecom and

SCADA Issued for Construction (IFC) packages for the

Craryville substation work

18. Complete relay setting

calculations for Falls Park substation work

19. Craryville substation work

completed for Shoo-fly
configuration temporary

operation, including functional verification of the equipment according to Connecting

Transmission Owner’s standards and protocols.

Date Responsible Party

Completed Transmission

Developer

Completed Transmission

Developer

2-5-21 Transmission

Developer

February 2021 Connecting

Transmission

Owner/Transmission
Developer/ NYISO

2-8-21 Transmission

Developer

2-8-21 Transmission

Developer

3-15-21 Transmission

Developer

4-8-21 Transmission

Developer \*

B-2

SERVICE AGREEMENT NO. 2604

Milestone

20. Testing and commissioning at

Craryville

21. Execution of Asset Purchase

Agreement for Real Property Rights including the

Churchtown substation

22. Receipt of Article VII

certification and receipt of NY PSC Notice to Proceed

23. Falls Park substation work

completed for Shoo-fly
configuration temporary

operation, including functional verification of the equipment according to Connecting

Transmission Owner’s standards and protocols.

24. Complete relay upgrade end to

end testing for line # 14 to Falls Park substation\*\*\*

25. Testing and commissioning at

Falls Park\*\*\*

26. Complete relay upgrade end to

end testing for Line # 14 to Falls Park substation, including

functional verification of the equipment according to

Connecting Transmission Owner’s standards and protocols.\*\*\*

27. Complete relay upgrade end to

end testing for line #984 to Klinekill substation\*\*\*

28. Testing and commissioning at

Klinekill\*\*\*

Date Responsible Party

4-8-21 Connecting

Transmission Owner

On or prior to 5-1- Connecting

21 Transmission Owner/

Transmission Developer

4-22-21 Transmission

Developer

4-28-21 Transmission

Developer \*

5-22-21 Transmission

Developer

5-22-21 Connecting

Transmission Owner

5-22-21 Transmission

Developer

5-22-21 Transmission

Developer

5-22-21 Connecting

Transmission Owner

B-3

SERVICE AGREEMENT NO. 2604

Milestone

29. Complete relay upgrade end to

end testing for Line #13 line to PV 115 kV substation\*\*\*

30. Acquisition and installation of

the 3-way switch on tower
2159.1, including testing and

commissioning and maintenance of the switches and the road

access to the structure.

31. Energize Shoo-Fly

32. Perform field switching of 3-

way switch on structure 2159.1 under the direction of the

National Grid Transmission Control Center \*\*

33. Start demolition of the existing

Churchtown substation

34. Complete engineering for

Transmission Project principle components

35. Complete the Civil/ Electrical

Issued for Construction (IFC) packages for the Klinekill

substation work

36. Complete the Telecom and

SCADA Issued for Construction (IFC) packages for the Klinekill substation work

37. Complete the Protection and

Controls Issued for Construction (IFC) packages for Coopers

Corners substation work

Date Responsible Party

5-22-21 Transmission

Developer

5-23-21 Transmission

Developer

5-23-21 Transmission

Developer

5-23-21 Connecting

Transmission Owner

5-24-21 Transmission

Developer

07-2021 Transmission

Developer

11-4-21 Transmission

Developer

11-4-21 Transmission

Developer

11-4-21 Transmission

Developer

B-4

SERVICE AGREEMENT NO. 2604

Milestone

38. Complete testing and energize

Line # 19 between Falls Park and Valkin\*\*\*

39. Complete the relay settings

Issued for Construction (IFC) packages for Klinekill

substation work

40. Complete the Civil/ Electrical

Issued for Construction (IFC) packages for the Coopers

Corners substation work

41. Complete the Protection and

Controls Issued for Construction (IFC) packages for the Coopers Corners substation work

42. Complete all Hudson substation

work for the Hudson to Falls Park substation Line # 20 segment \*\*\*

43. Complete end to end testing and

energize Line #20 (Hudson to Falls Park) \*\*\*

44. Energize Line 984 (Churchtown

to Craryville) \*\*\*

45. Remove temporary 3 way

switch \*\*

Date Responsible Party

12-7-21 Transmission

Developer

12-14-21 Transmission

Developer

12-27-21 Transmission

Developer

12-27-21 Transmission

Developer

3-25-22 Transmission

Developer

4-1-22 Transmission

Developer

5-10-22 Transmission

Developer/Connecting
Transmission Owner

05-2022 Transmission

Developer

B-5

SERVICE AGREEMENT NO. 2604

Milestone Date Responsible Party

46. Complete B2/4282 breaker 10-25-22 Transmission

replacement, 42/4182 breaker Developer

replacement, disconnect switch R116, R110, and R111

replacement, and installation of
strain bus, wave trap, and
breaker control panel. Test and
commission the Bus 8

differential relays at Coopers
Corners Substation, including
functional verification of the
equipment according to
Connecting Transmission
Owner’s standards and
protocols. \*\*\*

47. Complete disconnect switch 11-20-22 Transmission

R100, R102 and R103 Developer

replacement, and replacement of

4 inch bus section between

B2/3482 and R102, and 4 inch
bus section between R104 and
34/B382, replacement of strain
bus and wave trap and

associated breaker CT’s at
Coopers Corners Substation,
including the functional
verification of the equipment
according to Connecting

Transmission Owner’s standards and protocols. \*\*\*

48. Complete disconnect switch 12-20-22 Transmission

R109, and R101 replacement, Developer

testing and commissioning of
the Bus 8 differential relays at
Coopers Corners Substation,
including the functional
verification of the equipment
according to Connecting

Transmission Owner’s standards and protocols. \*\*\*

B-6

SERVICE AGREEMENT NO. 2604

Milestone

49. Complete disconnect switch

R112 replacement, and

associated strain bus installation CTs at Coopers Corners

Substation, including the
functional verification of the
equipment according to
Connecting Transmission
Owner’s standards and
protocols. \*\*\*

50. Complete disconnect switch

R104 replacement, and

associated strain bus installation CTs at Coopers Corners

Substation, including the
functional verification of the
equipment according to
Connecting Transmission
Owner’s standards and
protocols. \*\*\*

51. Complete construction of

Transmission Project

52. Complete construction of

Network Upgrade Facilities

53. Complete testing and

commissioning at Coopers Corner substation \*\*\*

54. Transmission Project Initial

Synchronization Date

55. Complete Transmission Project

In-Service Date

56. Completion of As Builts

Date Responsible Party

3-30-23 Transmission

Developer

4-20-23 Transmission

Developer

11-2023 Transmission

Developer

11-2023 Transmission

Developer

12-2023 Connecting

Transmission Owner

12-2023 Transmission

Developer

12-2023 Transmission

Developer

12-2024 Connecting

Transmission

Owner/Transmission Developer

B-7

SERVICE AGREEMENT NO. 2604

Milestone Date Responsible Party

57. Transmission Project closeout 09-2025 Connecting

completed Transmission Owner

58. Final invoicing 12-2025 Connecting

Transmission Owner

This milestone schedule is contingent upon, but not limited to, outage scheduling, the

Connecting Transmission Owner’s and the Transmission Developer’s successful compliance with the requirements and timely completion of its obligations under this Agreement.

\* Transmission Developer will perform all construction of the Network Upgrade Facilities,
including functional verification of all equipment installed according to the Connecting
Transmission Owner’s standards. Connecting Transmission Owner will perform the
scheduling of requisite outages for existing Connecting Transmission Owner substations.
The testing and commissioning will be performed by Connecting Transmission Owner, but
the Transmission Developer will verify the functionality of the equipment following physical security and NERC Compliance, standard FAC-008 and other standards required by
Connecting Transmission Owner.

\*\* Connecting Transmission Owner’s field switching responsibility will cease once the

temporary 3 way switch is removed from structure 2159.1, which is anticipated to be removed May 2022.

\*\*\* Initial Synchronization Date(s) or In-Service Date(s).

B-8

SERVICE AGREEMENT NO. 2604

APPENDIX C

INTERCONNECTION DETAILS

1. Description of the Transmission Project

The Transmission Project - the New York Energy Solution Project - was submitted by
the Transmission Developer and National Grid and evaluated in the NYISO's Public Policy
Transmission Planning Process to address Segment B of the AC Transmission Needs identified
by the New York Public Service Commission in its December 17, 2015 order in its Case No. 12-
T-0502. The NYISO Board of Directors selected the Transmission Project as the more efficient
and cost-effective transmission solution to Segment B of the AC Transmission Needs on April 8,
2019. Transmission Developer and National Grid entered into the Development Agreement with
the NYISO for purposes of constructing the Transmission Project and placing it in-service to
satisfy the Public Policy Transmission Need. National Grid subsequently assigned its rights,
duties, and obligations under the Development Agreement to Transmission Developer on March
10, 2020, giving Transmission Developer sole rights to the development of the Transmission
Project. The Transmission Developer will develop the Transmission Project in accordance with
the terms of the Development Agreement.

The Transmission Project will be mainly located in three counties (Rensselaer, Columbia
and Dutchess) in the northern and mid-Hudson Valley, New York and includes the following
new facilities that will be constructed, owned, and operated by the Transmission Developer:

• A new 345 kV/115 kV double-circuit transmission line from a new Knickerbocker
 switching station to the existing Pleasant Valley substation, and the rebuild of
 approximately 2.1 miles of the 115 kV Blue Stores Tap;

• A new 345 kV Knickerbocker switching station at the proposed, greenfield site in

Schodack, New York, which will house a bypassable 50% series compensator for the new 345 kV Knickerbocker to Pleasant Valley transmission line;

• Rebuild of the existing NYSEG Churchtown 115 kV switching station in Claverack, New
 York, which will require decommissioning of the existing facility;

• Replacement of certain limiting element terminal equipment at the 345 kV Roseton

substation to increase the thermal rating of Roseton to East Fishkill 345 kV transmission line #305 and the 345 kV New Scotland substation to increase the thermal ratings on the New Scotland to Knickerbocker 345 kV transmission line #2A; and

• Two new 135 MVAR 345 kV capacitor banks electrically connected to the Pleasant
 Valley 345 kV substation.

The Transmission Project includes additional upgrades to existing transmission facilities as identified by the NYPSC in its December 17, 2015 order identifying the AC Transmission Public Policy Transmission Needs.

C-1

SERVICE AGREEMENT NO. 2604

• Terminal upgrades of certain limiting elements to the Rock Tavern 345 kV substation and
 Coopers Corners substation; and

• Upgrades to the Shoemaker to Sugarloaf 138 kV facilities. These originally identified

upgrades to the Shoemaker to Sugarloaf 138kV facilities have been modified through the
NYISO sanctioned non-material determination (NMD) process. As was approved by the
NYISO NMD evaluation/ vetting process, this portion of the Transmission Project now
involves certain modifications to the Central Hudson 115 kV Rock Tavern Substation
connecting to the Orange & Rockland 138 kV Sugarloaf Substation. These modification
will be addressed in each of the Connecting Transmission Owner’s interconnection

agreements.

Additional details concerning the Transmission Project are set forth in Appendices A and B of the Development Agreement.

2. Description of the Points of Interconnection and Points of Change of Ownership

The Point of Interconnection (“POI”) and Point of Change in Ownership (“PCO”) are identified in the table below and shown in Figures C-1, C-2, and C-3 below. The POI and PCO are the same location since the Transmission Project will not require any Connecting
Transmission Owner’s Attachment Facilities. The POI/PCO locations are:

Transmission Line # Structure Structure Description of Change in

Line Designation Number Description Ownership

where where

POI/PCO Is POI/PCO Is

Located Located

Churchtown 984 2159.5 Deadend tower Transmission Developer

Substation ownership will include structure

towards # 2159.5 and conductor,

Craryville insulators, and hardware heading

Substation west towards the Churchtown

Tap Substation (See Figure C-1)

Falls Park 19 Existing Deadend tower CTO ownership will include

Substation tower L-730- existing structure # L-730-12,

Tap towards 12 jumper loops, insulators and

Valkin hardware from the Transmission

Substation Developer end of the jumper

loops, and conductor heading
east towards the existing Falls
Park Substation (See Figure C-2)

C-2

SERVICE AGREEMENT NO. 2604

Falls Park 20 Existing Deadend tower CTO ownership will include

Substation tower L-731- existing structure # L-731-12,

Tap towards 12 jumper loops, insulators, and

Hudson hardware from the Transmission

Substation Developer end of the jumper

loops, and conductor heading
east towards the existing Falls
Park Substation (See Figure C-3)

Figure C-1

Figure C-2

C-3

SERVICE AGREEMENT NO. 2604

Figure C-3

3. Ownership/Control/Maintenance Responsibilities of Network Upgrade Facilities

Transmission Developer shall design, procure, construct, and install the Network

Upgrade Facilities described in Appendix A hereto. Connecting Transmission Owner shall have physical ownership and control of the Network Upgrade Facilities. Transmission Developer shall retain financial ownership of the Network Upgrade Facilities to Connecting Transmission Owner and recover the costs associated with the Network Upgrade Facilities in accordance with
Transmission Developer’s FERC-approved formula rate under the ISO OATT.

4. Temporary Operation Configuration Concerning Churchtown Substation

In order to demo Connecting Transmission Owner’s existing Churchtown Substation, and
restore the existing transmission paths between Connecting Transmission Owner, National Grid,
and Central Hudson back to service, Transmission Developer will install new transmission
structures to establish a temporary “Shoo-Fly” interconnection arrangement to install new
transmission structures that bypass the existing Churchtown Substation and interconnect the
affected transmission feeders. National Grid will install a jumper between Line #13 and Line
#14 to make a 3 line terminal. The new transmission towers (one tower will support a temporary

3 way switch) and conductor to be utilized to effectuate the “Shoo-Fly” design will be owned by
Transmission Developer and will remain in place as an integral component routing the
reconductored feeders into the new Churchtown Substation once completed. Once the
Churchtown Substation is in-service, Transmission Developer will remove the temporary 3 way
switch.

C-4

SERVICE AGREEMENT NO. 2604

The Points of Interconnection for the temporary Shoo-Fly connections with Connecting
Transmission Owner are as follows: a temporary 3 way switch will be installed on new
transmission tower # 2159.1. Each of the switch terminals will connect to: (i) Line #13 - the
National Grid owned portion towards Central Hudson PV115 Substation (POI at 3 way switch);
(ii) Line # 14 - Connecting Transmission Owner’s Falls Park Substation (POI at 3 way switch)
and (iii) Line # 984 to Connecting Transmission Owner’s Craryville Substation (POI at tower #
2159.5). The temporary Shoo-Fly interconnection arrangement is illustrated in Figure C-4.

The Points of Interconnection for the temporary connections with the other affected

Connecting Transmission Owners will be included in the respective Transmission Project

Interconnection Agreements. The Transmission Developer will be responsible for the

maintenance of the 3-way switch and the maintenance of the access road to the structure 2159.1.

Figure C-4

C-5

SERVICE AGREEMENT NO. 2604

5. Transmission Developer Operating Requirements

(a) Transmission Developer must comply with all applicable NYISO tariffs and

procedures, as amended from time to time.

(b) Transmission Developer and the affected Connecting Transmission Owners will
coordinate the scheduling and, under the direction of the National Grid Transmission Control
Center, the operation of the temporary 3 way switch on Structure 2159.1 until such time as the
temporary 3 way switch is physically removed. Removal of the switch is anticipated to occur in
May 2022

C-6

SERVICE AGREEMENT NO. 2604

APPENDIX D

SECURITY ARRANGEMENTS DETAILS

Infrastructure security of New York State Transmission System equipment and

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

D-1

SERVICE AGREEMENT NO. 2604

APPENDIX E-1

INITIAL SYCHRONIZATION DATE

[Date]

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

10 Krey Boulevard

Rensselaer, NY 12144

New York State Electric & Gas Corporation
Attn: Manager-Programs/Projects
Electric Transmission Services
PO Box 5224

Binghamton, NY 13902-5224

Re: [Transmission Project/Network Upgrade Facilities]

Dear :

On [Date] [Transmission Developer] initially synchronized the [describe Transmission

Project/Network Upgrade Facilities]. This letter confirms [Transmission Developer]’s Initial Synchronization Date was [specify].

Thank you.

[Signature]

[Transmission Developer Representative]

E-1

SERVICE AGREEMENT NO. 2604

APPENDIX E-2

IN-SERVICE DATE

[Date]

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

10 Krey Boulevard

Rensselaer, NY 12144

New York State Electric & Gas Corporation
Attn: Manager-Programs/Projects
Electric Transmission Services
PO Box 5224

Binghamton, NY 13902-5224

Re: \_\_\_\_\_\_\_\_\_\_\_\_\_ [Transmission Project/Network Upgrade Facilities]

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

On [Date] [Transmission Developer] has completed Trial Operation of [describe

Transmission Project/Network Upgrade Facilities]. This letter confirms that [describe

Transmission Project/Network Upgrade Facilities] [has/have] commenced service, effective as of [Date plus one day].

Thank you.

[Signature]

[Transmission Developer Representative]

E-2

SERVICE AGREEMENT NO. 2604

APPENDIX F

ADDRESSES FOR DELIVERY OF NOTICES AND BILLINGS

Notices:

NYISO:

Before commercial operation of the Transmission Project:

New York Independent System Operator, Inc.

Attn: Vice President, System and Resource Planning

10 Krey Boulevard

Rensselaer, NY 12144
Phone: (518) 356-6000
Fax: (518) 356-6118

After commercial operation of the Transmission Project:

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

10 Krey Boulevard

Rensselaer, NY 12144
Phone: (518) 356-6000
Fax: (518) 356-6118

Connecting Transmission Owner:

New York State Electric & Gas Corporation
Attn: Manager-Programs/Projects
Electric Transmission Services
PO Box 5224

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

Transmission Developer:

New York Transco, LLC . Attn: Paul Haering

Vice President Capital Investments One Hudson City Center

Hudson, NY 12534

Phone: ((518) 444-4880

Email: paul.haering@nytransco.com

F-1

SERVICE AGREEMENT NO. 2604

Billings and Payments:

Connecting Transmission Owner:

New York State Electric & Gas Corporation Attn: Mgr. Billing & Risk Management
PO Box 5224

Binghamton, NY 13902-5224 Phone: (585) 484-6883
Fax: (607) 762-8885

Transmission Developer:

New York Transco, LLC
One Hudson City Center
Hudson, NY 12534

Attn: Vice President, Capital Investments Phone: ((518) 444-4880

Email: paul.haering@nytransco.com

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

NYISO:

Before commercial operation of the Transmission Project:

New York Independent System Operator, Inc.

Attn: Vice President, System and Resource Planning

10 Krey Boulevard

Rensselaer, NY 12144
Phone: (518) 356-6000
Fax: (518) 356-6118

E-mail: interconnectionsupport@nyiso.com

After commercial operation of the Transmission Project:

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

10 Krey Boulevard

Rensselaer, NY 12144
Phone: (518) 356-6000
Fax: (518) 356-6118

E-mail: interconnectionsupport@nyiso.com

F-2

SERVICE AGREEMENT NO. 2604

Connecting Transmission Owner:

New York State Electric & Gas Corporation
Attn: Manager-Programs/Projects
Electric Transmission Services
PO Box 5224

Binghamton, NY 13902-5224
Phone: (585) 484-6306
J\_mahoney@nyseg.com

Transmission Developer:

New York Transco, LLC
One Hudson City Center
Hudson, NY 12534

Attn: Vice President, Capital Investments Phone: (518) 444-4880

Email: paul.haering@nytransco.com

F-3