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SERVICE AGREEMENT NO. 2257

SERVICE AGREEMENT NO. 2257
 AMENDED AND RESTATED

TRANSMISSION FACILITY INTERCONNECTION AGREEMENT
 by and among the

NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.,
NEW YORK STATE ELECTRIC & GAS CORPORATION,
 and

TRANS-ALLEGHENY INTERSTATE LINE COMPANY

Dated as of July 31, 2019

(Pierce Brook Substation)

SERVICE AGREEMENT NO. 2257

TABLE OF CONTENTS

ARTICLE 1. DEFINITIONS 2

ARTICLE 2. EFFECTIVE DATE, TERM AND TERMINATION 7

ARTICLE 3. REGULATORY FILINGS 9

ARTICLE 4. SCOPE OF INTERCONNECTION SERVICE 10

ARTICLE 5. SYSTEM UPGRADE FACILITIES ENGINEERING, PROCUREMENT,

AND CONSTRUCTION 10

ARTICLE 6. TESTING AND INSPECTION 28

ARTICLE 7. METERING 30

ARTICLE 8. COMMUNICATIONS 32

ARTICLE 9. OPERATIONS 33

ARTICLE 10. MAINTENANCE 40

ARTICLE 11. PERFORMANCE OBLIGATION 42

ARTICLE 12. INVOICE 43

ARTICLE 13. EMERGENCIES 44

ARTICLE 14. REGULATORY REQUIREMENTS AND GOVERNING LAW 46

ARTICLE 15. NOTICES 46

ARTICLE 16. FORCE MAJEURE 47

ARTICLE 17. DEFAULT 48

ARTICLE 18. INDEMNITY, LIMITATION OF LIABILITY, AND INSURANCE 49

ARTICLE 19. ASSIGNMENT 55

ARTICLE 20. SEVERABILITY 56

ARTICLE 21. COMPARABILITY 56

ARTICLE 22. CONFIDENTIALITY 57

ARTICLE 23. ENVIRONMENTAL RELEASES 62

ARTICLE 24. [Reserved] 63

i

SERVICE AGREEMENT NO. 2257

ARTICLE 25. INFORMATION ACCESS AND AUDIT RIGHTS 63

ARTICLE 26. SUBCONTRACTORS 65

ARTICLE 27. DISPUTES 66

ARTICLE 28. REPRESENTATIONS, WARRANTIES AND COVENANTS 68

ARTICLE 29. MISCELLANEOUS 70

APPENDIX A - ATTACHMENT FACILITIES AND SYSTEM UPGRADE FACILITIES 76

APPENDIX B - MILESTONES 83

APPENDIX C - INTERCONNECTION AND CONSTRUCTION PROVISIONS 84

APPENDIX D - SECURITY ARRANGEMENTS DETAILS 89

APPENDIX E - ADDRESSES FOR DELIVERY OF NOTICES AND BILLINGS 90

ii

SERVICE AGREEMENT NO. 2257

AMENDED AND RESTATED TRANSMISSION FACILITY
 INTERCONNECTION AGREEMENT

THIS AMENDED AND RESTATED TRANSMISSION FACILITY

INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into this 31st day
of July, 2019, by and among New York Independent System Operator, Inc. (“NYISO”), a not-
for-profit corporation organized and existing under the laws of the State of New York, New York
State Electric & Gas Corporation (“NYSEG”), a corporation organized and existing under the
laws of the State of New York, and Trans-Allegheny Interstate Line Company (“TrAILCo”), a
corporation organized and existing under the laws of the State of Maryland. NYSEG, NYISO or
TrAILCo each may be referred to as a “Party” or collectively referred to as the “Parties.” The
terms “Party” and “Parties” as used herein shall not include PJM Interconnection, L.L.C.
(“PJM”) or any successor Regional Transmission Organization. Upon the effectiveness of this
Agreement, that certain Transmission Facility Interconnection Agreement entered into on March
16, 2016, by and among NYISO, NYSEG, and TrAILCo, and accepted for filing by Federal
Energy Regulatory Commission on May 6, 2016 in Docket No. ER16-1230-000, shall be deemed
superseded.

RECITALS

WHEREAS, NYSEG is the owner of the Homer City to Five Mile Road 345 kV transmission line (the “HC - FMR Line”); and

WHEREAS, the HC - FMR Line is operated by, and under the functional control of, the New York Independent System Operator, Inc. (“NYISO”), and the HC - FMR Line is considered part of the New York State Transmission System; and

WHEREAS, TrAILCo is the owner of the Pierce Brook 345/230/115 kV substation (the “Pierce Brook Substation” or “Transmission Facility”); and

WHEREAS, once in service, the Pierce Brook Substation will be operated by, and under the functional control of, PJM and is considered part of the PJM Transmission System; and

WHEREAS, NYISO, NYSEG and TrAILCo have agreed to enter into this Agreement for the
purpose of interconnecting the Pierce Brook Substation to the New York State Transmission
System; and

WHEREAS, the interconnection of the Pierce Brook Substation will entail electrically

bifurcating the HC - FMR Line into two segments: (a) the Five Mile Road to Pierce Brook

Substation segment (the “FMPB Segment”); and (b) the Pierce Brook Substation to Homer City segment (the “PBHC Segment”); and

WHEREAS, the FMPB Segment and the PBHC Segment shall each be owned by NYSEG and under the functional control of the NYISO; and

SERVICE AGREEMENT NO. 2257

WHEREAS, the interconnection of the Pierce Brook Substation to the HC - FMR Line has been studied by TrAILCo and the results of that study are reflected in a “Facilities Study-Final” report dated December 4, 2015; and

WHEREAS, PJM is a signatory to this Agreement consistent with American Electric Power Service Corporation, 112 FERC ¶ 61,128 at P 10 (2005), to ensure that PJM is kept fully apprised of the matters addressed herein so that PJM may be kept aware of any reliability and planning issues that may arise.

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 the NYISO Open-Access Transmission Tariff (“NYISO OATT”).

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

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, ReliabilityFirst, PJM, the NPCC and the NYSRC.

Applicable Reliability Standards shall mean the requirements and guidelines of the Applicable
Reliability Councils, as those requirements and guidelines are amended and modified and in
effect from time to time; provided that no Party shall waive its right to challenge the applicability
or validity of any requirement or guideline as applied to it in the context of this Agreement.

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.

2

SERVICE AGREEMENT NO. 2257

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

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

Commercial Operation shall mean the status of the interconnection of the Pierce Brook

Substation to the HC - FMR Line at the Point(s) of Interconnection, and the energization of the Pierce Brook Substation, which points and substation have commenced transmitting electricity, excluding electricity transmitted during Trial Operation.

Commercial Operation Date shall mean the date on which the Point(s) of Interconnection and
the Pierce Brook Substation have achieved Commercial Operation as agreed to by the Parties.

Confidential Information shall mean any information that is defined as confidential by Article

22 of this Agreement.

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 or ReliabilityFirst, as applicable.

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.

Dispute Resolution shall mean the procedure described in Article 27 of this Agreement for resolution of a dispute between the Parties.

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.

Emergency shall mean any abnormal condition or situation which NYSEG 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, NYSEG’s electrical system, 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 or NYSEG, 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 Transmission
System, or the PJM Transmission System, as applicable, is in when an abnormal condition

3

SERVICE AGREEMENT NO. 2257

occurs that requires automatic or immediate manual action to prevent or limit loss of the New York State Transmission System or the PJM Transmission System, or generators that could adversely affect the reliability of the New York State Transmission System, or the PJM
Transmission System, as applicable.

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

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

FERC or Commission shall mean the Federal Energy Regulatory 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,
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 NYSEG, TrAILCo,
NYISO, PJM 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.

HC - FMR Line shall mean NYSEG’s Homer City to Five Mile Road 345 kV transmission line, which, upon the commercial operation of the Transmission Facility, shall be comprised of the FMPB Segment and the PBHC Segment.

4

SERVICE AGREEMENT NO. 2257

Initial Energization Date shall mean the date upon which the Pierce Brook Substation is

initially interconnected and energized with the New York State Transmission System and upon which Trial Operation begins.

IRS shall mean the Internal Revenue Service.

Loss shall mean any and all liabilities, damages, losses, claims, including claims relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorneys’ fees, and all other obligations by or to third parties.

Metering Equipment shall mean all metering equipment installed or to be installed pursuant to this Agreement at the Point(s) of Interconnection, including but not limited to instrument
transformers, MWh‐meters, data acquisition equipment, transducers, remote terminal unit,
communications equipment, phone lines, and fiber optics.

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

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

transmission system, which includes: (i) the Transmission Facilities under NYISO Operational Control; (ii) the Transmission Facilities Requiring NYISO 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 shall mean the New York Independent System Operator, Inc. or its successor organization.

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

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

Outage Start Date shall mean that date set forth in Appendix B to this Agreement.

Party or Parties shall mean NYSEG, NYISO, or TrAILCo, or any combination of the above. PJM shall mean the PJM Interconnection, L.L.C. or its successor organization.

PJM Tariff shall mean the PJM OATT, as filed with the Commission, as amended or supplemented from time to time, or any successor tariff.

PJM Transmission System shall mean the transmission facilities under the operational control
of PJM.

5

SERVICE AGREEMENT NO. 2257

Point of Change in Ownership shall mean the point(s), as set forth in Figure 1 to Appendix A
to this Agreement, where the System Upgrade Facilities owned by TrAILCo connect to the HC -
FMR Line.

Point of Interconnection shall mean the point(s), as set forth in Figure 1 to Appendix A to this Agreement, where the System Upgrade Facilities owned by TrAILCo 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.

ReliabilityFirst shall mean the ReliabilityFirst Corporation or its successor organization.

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.

Stand Alone System Upgrade Facilities shall mean System Upgrade Facilities that NYSEG
may construct without affecting day-to-day operations of the New York State Transmission
System during their construction, or that TrAILCo may construct without affecting day-to-day
operations of the New York State Transmission System during their construction. The Stand
Alone System Upgrade Facilities are identified in Appendix A to this Agreement.

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 on the HC - FMR Line or the Pierce Brook
Substation, (2) protect the HC - FMR Line 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, (3)
protect the PJM Transmission System from faults or other electrical disturbances occurring at the
Pierce Brook Substation or the HC - FMR Line, and (4) protect the Pierce Brook Substation
from faults or other electrical system disturbances occurring on the PJM Transmission System or
on other delivery systems or other generating systems to which the PJM Transmission System is
directly connected.

System 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, or the PJM Transmission System, as applicable, that are required to
maintain system reliability due to: (i) changes in the system, including such changes as load
growth and changes in load pattern, to be addressed in the form of generic generation or

transmission projects; and (ii) proposed interconnections.

TrAILCo shall have the meaning set forth in the introductory paragraph of this Agreement,
which entity owns, leases or otherwise possesses an interest in the portion of the PJM
Transmission System, namely, the Transmission Facility, at the Point(s) of Interconnection.

6

SERVICE AGREEMENT NO. 2257

Transmission Facility shall mean the Pierce Brook Substation.

Trial Operation shall mean the period during which TrAILCo is engaged in on‐site test

operations and commissioning of the interconnection of the Transmission Facility to the HC -
FMR Line prior to Commercial Operation.

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. NYISO, NYSEG
and TrAILCo shall promptly file this Agreement with FERC upon execution in accordance with
Article 3.1.

2.2 Term of Agreement.

Subject to the provisions of Article 2.3, this Agreement shall remain in effect for a period

of twenty ( 20 ) 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.

This Agreement may be terminated by NYSEG or TrAILCo after giving the non-

terminating Parties ninety (90) Calendar Days advance written notice, or by the Parties notifying FERC after the Pierce Brook Substation permanently ceases Commercial Operation.

2.3.2 Default.

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

7

SERVICE AGREEMENT NO. 2257

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

terminating Party shall pay all costs incurred (including any cancellation costs relating to orders or contracts for System Upgrade Facilities and equipment) or charges assessed by the other
Parties, as of the date of the other Parties’ receipt of such notice of termination, that are the
responsibility of the terminating Party under this Agreement. In the event of termination by a Party, 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 System Upgrade Facilities owned by

TrAILCo that have not yet been constructed or installed, TrAILCo shall, to the extent possible, cancel any pending orders of, or return, any materials or equipment for, or contracts for
construction of, such facilities. With respect to any portion of the System Upgrade Facilities
owned by NYSEG that have not yet been constructed or installed, NYSEG shall, to the extent
possible, cancel any pending orders of, or return, any materials or equipment for, or contracts for construction of, such facilities.

2.4.2 With respect to any portion of the System Upgrade Facilities, and any

other facilities already installed or constructed pursuant to the terms of this Agreement, and

8

SERVICE AGREEMENT NO. 2257

unless said termination is due to NYSEG’s Default under Article 17, TrAILCo shall be

responsible for all costs associated with the removal, relocation or other disposition or retirement of such materials, equipment, or facilities, where applicable.

2.5 Disconnection.

Upon termination of this Agreement, NYSEG and TrAILCo will take all appropriate

steps to disconnect the Pierce Brook Substation from the HC - FMR Line and to return the HC -
FMR Line to its configuration prior to the interconnection described herein. All costs required to effectuate such disconnection and return of the HC - FMR Line shall be borne by TrAILCo, unless such termination resulted from NYSEG’s Default of this Agreement.

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; 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 NYSEG and TrAILCo 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

3.1 Filing.

NYISO, TrAILCo and NYSEG shall file this Agreement (and any amendment hereto)

with the appropriate Governmental Authority, if required. Any information related to studies for
interconnection asserted by NYSEG or TrAILCo to contain Confidential Information shall be

9

SERVICE AGREEMENT NO. 2257

treated in accordance with Article 22 of this Agreement and Attachment F to the NYISO OATT. NYSEG and TrAILCo shall reasonably cooperate with NYISO and one another with respect to such filing and shall provide any information reasonably requested by the other Party needed to comply with Applicable Laws and Regulations.

ARTICLE 4. SCOPE OF INTERCONNECTION SERVICE

4.1 Provision of Service.

NYSEG shall permit TrAILCo to interconnect the Pierce Brook Substation to the HC -
FMR Line 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 NYISO OATT, and does not convey any right to deliver electricity to any specific customer or Point of Delivery.

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

5.1 Construction Dates/Description of Facilities.

NYSEG, in consultation with TrAILCo, shall select the Outage Start Date. NYSEG and
TrAILCo shall mutually select the Initial Energization Date and the Commercial Operation Date
for completion of the System Upgrade Facilities set forth in Appendix A hereto, including Stand
Alone System Upgrade Facilities, and such dates shall be set forth in Appendix B hereto.

5.1.1 Construction of System Upgrade Facilities.

TrAILCo and NYSEG shall design, procure, construct and install the System Upgrade
Facilities, using Reasonable Efforts (unless Appendix C of this Agreement requires a superior
level of effort) to complete the System Upgrade Facilities in accordance with Appendices A and

10

SERVICE AGREEMENT NO. 2257

C, and by the dates set forth in Appendix B hereto. Certain System Upgrade Facilities, as set forth in Appendix A hereto, shall be constructed by TrAILCo but shall be owned, operated,
maintained, tested, repaired and replaced by NYSEG. Neither NYSEG nor TrAILCo shall 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 either NYSEG or TrAILCo
reasonably expects that it will not be able to complete the System Upgrade Facilities by the
specified dates, that Party shall promptly provide written notice to the other Party, and to the NYISO, and shall undertake Reasonable Efforts (unless Appendix C of this Agreement requires a superior level of effort) to meet the earliest dates thereafter.

5.2 Equipment Procurement.

If responsibility for construction of the System Upgrade Facilities is to be borne by TrAILCo, then TrAILCo shall commence the design of the System Upgrade Facilities, and procure necessary equipment, as soon as practicable after all of the following conditions are satisfied, unless NYSEG and TrAILCo otherwise agree in writing:

5.2.1 TrAILCo has received written authorization to proceed with design and

procurement from NYSEG by the date specified in Appendix B hereto.

5.2.2 TrAILCo has provided security to NYSEG in accordance with Appendix

C hereto.

5.3 Construction Commencement.

TrAILCo shall commence construction of the System Upgrade Facilities for which it is responsible as soon as practicable after the following additional conditions are satisfied:

11

SERVICE AGREEMENT NO. 2257

5.3.1 Approval of the appropriate Governmental Authority has been obtained

for any facilities requiring regulatory approval;

5.3.2 Necessary real property rights and rights‐of‐way have been obtained, to

the extent required for the construction of the System Upgrade Facilities;

5.3.3 TrAILCo has received written authorization to proceed with construction

from NYSEG; and

5.3.4 TrAILCo has provided security to NYSEG in accordance with Appendix

C hereto.

5.4 Work Progress.

NYSEG and TrAILCo will keep each other, and NYISO advised periodically as to the

progress of their respective design, procurement and construction efforts. Any Party may, at any time, request a progress report from TrAILCo or NYSEG. If, at any time, NYSEG determines that the completion of the System Upgrade Facilities will not be required until after the specified Commercial Operation Date, NYSEG will provide written notice to TrAILCo of such later date upon which the completion of the System Upgrade Facilities will be required.

5.5 Information Exchange.

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

12

SERVICE AGREEMENT NO. 2257

5.6 System Upgrade Facilities.

TrAILCo and NYSEG shall design, procure, construct, install and own the System Upgrade Facilities in accordance with Appendix A and the following.

5.6.1 Specifications For System Upgrade Facilities.

The specifications for System Upgrade Facilities, including System Protection Facilities, are set forth in Appendix A.

5.6.2 No Warranty.

The review by TrAILCo of NYSEG’s final specifications for System Upgrade Facilities to be constructed or installed by NYSEG shall not be construed as confirming, endorsing, or providing a warranty as to the design, fitness, safety, durability or reliability of those System Upgrade Facilities. NYSEG shall make such changes to those System Upgrade Facilities as may reasonably be required by TrAILCo in accordance with Good Utility Practice.

The review by NYSEG of TrAILCo’s final specifications for System Upgrade Facilities to be constructed or installed by TrAILCo shall not be construed as confirming, endorsing, or providing a warranty as to the design, fitness, safety, durability or reliability of those System Upgrade Facilities. TrAILCo shall make such changes to those System Upgrade Facilities as may reasonably be required by NYSEG in accordance with Good Utility Practice.

5.6.3 Design and Construction.

The System Upgrade Facilities shall be designed and constructed in accordance with
Good Utility Practice. Within one hundred twenty (120) Calendar Days after the Commercial
Operation Date, unless NYSEG and TrAILCo agree on another mutually acceptable deadline,
TrAILCo shall deliver to NYSEG “as‐built” drawings, information, and documents for the

13

SERVICE AGREEMENT NO. 2257

System Upgrade Facilities, such as: a one‐line diagram, a site plan showing the HC - FMR Line
(as segmented) and the System Upgrade Facilities, plan and elevation drawings showing the
layout of the System Upgrade Facilities, a relay functional diagram, relaying AC and DC
schematic wiring diagrams and relay settings for all facilities associated with TrAILCo’s
step‐down transformers, the facilities connecting the HC - FMR Line to the step‐down
transformers and the System Upgrade Facilities, and the impedances (determined by factory
tests) for the associated step‐down transformers and the HC - FMR Line. NYSEG shall provide
to TrAILCo, and coordinate with TrAILCo, with respect to proposed specifications for the HC -
FMR Line control and protection settings, transformer tap settings, and communications, if
applicable. NYSEG and TrAILCo shall confer with the NYISO and PJM regarding the transfer
of operational control of the System Upgrade Facilities to the NYISO, or PJM, as applicable,
upon completion of such facilities.

5.7 [Reserved]

5.8 Access Rights.

5.8.1 NYSEG’s Access. Upon reasonable notice and supervision by the

TrAILCo, TrAILCo hereby authorizes the authorized agents, representatives, contractors, and
employees of NYSEG to enter the facilities of TrAILCo at all reasonable times and subject to
any required or necessary regulatory approvals, shall furnish to NYSEG at no cost any rights of
use, licenses, rights of way and easements with respect to lands owned or controlled by TrAILCo
to the extent reasonably required for NYSEG to obtain ingress and egress at the Point of
Interconnection to operate, maintain, repair, test (or witness testing), inspect, replace or remove
facilities and equipment to: (i) interconnect the Pierce Brook Substation to the HC - FMR Line;
(ii) operate and maintain the HC - FMR Line, the System Upgrade Facilities owned by NYSEG,

14

SERVICE AGREEMENT NO. 2257

and the New York State Transmission System; and (iii) disconnect or remove NYSEG’s

facilities and equipment upon termination of this Agreement. TrAILCo’s obligation hereunder
shall be to provide NYSEG (and its agents, representatives, contractors and employees) adequate
and continuous access to all sites where access is authorized under this Article 5.8. NYSEG and
its authorized agents, representatives, contractors and employees, shall comply with TrAILCo’s
safety and security procedures, switching and tagging rules, and escort and other applicable
access requirements, including NERC CIP requirements, in connection with exercising the rights
of access granted hereby. TrAILCo shall give prompt notice to NYSEG of any changes to
TrAILCo’s safety and security procedures, switching and tagging rules, and escort and other
applicable access requirements.

NYSEG must, prior to any access to TrAILCo’s facilities, and during the term of this Agreement, provide and maintain insurance in the kinds and amounts referred in Article 18.

TrAILCo reserves the right to deny access to NYSEG’s authorized agents, representatives, contractors and employees, in or around TrAILCo’s facilities if, in TrAILCo’s sole judgment, such authorized agents, representatives, contractors and employees are:

(a) bringing, using, distributing, selling or

possessing illegal drugs or alcoholic beverages at the TrAILCo’s facilities;

(b) unfit for duty at any time during their

assignment and under the influence of alcohol or other drugs; or

(c) otherwise engaged in any improper or

unlawful activity.

15

SERVICE AGREEMENT NO. 2257

Furthermore, TrAILCo shall have the authority to suspend NYSEG’s access, work or operations (including access, work or operations of any of NYSEG’s agents, representatives, contractors and employees) in and around such TrAILCo facilities if, in its sole judgment, at any time hazardous conditions arise or any unsafe practices are being followed by NYSEG’s agents, representatives, contractors and employees and NYSEG fails to take immediate measures to correct such conditions or practices. In exercising its access rights under this Article 5.8.1, NYSEG shall not unreasonably disrupt or interfere with normal operation of TrAILCo’s business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by TrAILCo and provided to NYSEG. In accordance with Article 18, NYSEG shall indemnify TrAILCo against all claims of injury or damage from third parties resulting from the exercise of the access rights provided for herein.

5.8.2 TrAILCo’s Access. Upon reasonable notice and supervision by NYSEG,

NYSEG hereby authorizes the authorized agents, representatives, contractors, and employees of
TrAILCo to enter the facilities of NYSEG at all reasonable times and subject to any required or
necessary regulatory approvals, shall furnish to TrAILCo at no cost any rights of use, licenses,
rights of way and easements with respect to lands owned or controlled by NYSEG to the extent
reasonably required for TrAILCo to obtain ingress and egress at the Point of Interconnection to
construct, operate, maintain, repair, test (or witness testing), inspect, replace or remove facilities
and equipment to: (i) interconnect the Pierce Brook Substation to the HC - FMR Line; (ii)

operate and maintain the Pierce Brook Substation, the System Upgrade Facilities owned by
TrAILCo, and the PJM Transmission System; and (iii) disconnect or remove the TrAILCo’s
facilities and equipment upon termination of this Agreement and return the HC - FMR Line to
its pre-interconnection configuration. NYSEG’s obligation hereunder shall be to provide

16

SERVICE AGREEMENT NO. 2257

TrAILCo (and its agents, representatives, contractors and employees) adequate and continuous
access to all sites where access is authorized under this Article 5.8. TrAILCo and its authorized
agents, representatives, contractors and employees, shall comply with NYSEG’s safety and
security procedures, switching and tagging rules, and escort and other applicable access
requirements in connection with exercising the rights of access granted hereby. NYSEG shall
give prompt notice to TrAILCo of any changes to NYSEG’s safety and security procedures,
switching and tagging rules, and escort and other applicable access requirements.
 TrAILCo must, prior to any access to NYSEG’s facilities, and during the term of this Agreement, provide and maintain insurance in the kinds and amounts referred in Article 18 hereof.

NYSEG reserves the right to deny access to TrAILCo’s authorized agents,

representatives, contractors and employees, in or around the NYSEG’s facilities if, in NYSEG’s sole judgment, such authorized agents, representatives, contractors and employees are:

(a) bringing, using, distributing, selling or possessing illegal drugs or alcoholic beverages at the NYSEG’s facilities;

(b) unfit for duty at any time during their assignment and under the influence of alcohol or other drugs; or

(c) otherwise engaged in any improper or unlawful activity.

Furthermore, NYSEG shall have the authority to suspend TrAILCo’s access, work or
operations (including access, work or operations of any of TrAILCo’s agents, representatives,
contractors and employees) in and around such NYSEG facilities if, in its sole judgment, at any
time hazardous conditions arise or any unsafe practices are being followed by TrAILCo’s agents,

17

SERVICE AGREEMENT NO. 2257

representatives, contractors and employees and TrAILCo fails to take immediate measures to correct such conditions or practices. In exercising its access rights under this Article 5.8.2, TrAILCo shall not unreasonably disrupt or interfere with normal operation of NYSEG’s business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by NYSEG and provided to TrAILCo. In accordance with Article 18, TrAILCo shall indemnify NYSEG 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 System Upgrade Facilities is to be installed on or adjacent to property

owned by persons other than NYSEG or TrAILCo, TrAILCo shall at its own expense use efforts,
similar in nature and extent to those that it typically undertakes for its own or affiliated
transmission, including use of its eminent domain authority, and to the extent consistent with
state law, to procure from such persons any rights of use, licenses, rights of way and easements
that are necessary to construct, operate, maintain, test, inspect, replace or remove the System
Upgrade Facilities upon such property. NYSEG shall cooperate with TrAILCo’s efforts under
this Article 5.9.

5.10 Permits.

TrAILCo and NYSEG 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, TrAILCo
shall provide permitting assistance to NYSEG comparable to that provided to TrAILCo’s own,
or an Affiliate’s, generation or transmission facilities, if any, provided that NYSEG shall pay
TrAILCo’s costs in providing such permitting assistance. With respect to this paragraph,

18

SERVICE AGREEMENT NO. 2257

NYSEG shall provide permitting assistance to TrAILCo comparable to that provided to

NYSEG’s own, or an Affiliate’s, generation or transmission facilities, if any, provided that TrAILCo shall pay NYSEG’s costs in providing such permitting assistance.

5.11 Tax Status; Non‐Jurisdictional Entities.

5.11.1 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 the NYISO.

5.12 Taxes.

5.12.1 TrAILCo Payments Not Taxable.

NYSEG and TrAILCo intend that all payments or property transfers made by TrAILCo to NYSEG for the procurement, construction and installation of the NYSEG System 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, as applicable, TrAILCo
represents and covenants that ownership of the electricity transmitted at the Point of
Interconnection will pass to another party prior to the transmission of the electricity on the New
York State Transmission System. NYSEG represents and covenants that the cost of the NYSEG

19

SERVICE AGREEMENT NO. 2257

System Upgrade Facilities, paid for by TrAILCo, 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 NYSEG.

Notwithstanding Article 5.12.1, TrAILCo shall protect, indemnify and hold harmless

NYSEG from the cost consequences of any current tax liability imposed against NYSEG as the result of payments or property transfers made by TrAILCo to NYSEG under this Agreement, as well as any interest and penalties, other than interest and penalties attributable to any delay
caused by NYSEG.

NYSEG shall not include a gross‐up for the cost consequences of any current tax liability
in the amounts it charges TrAILCo under this Agreement unless (i) NYSEG has determined, in
good faith, that the payments or property transfers made by TrAILCo to NYSEG should be
reported as income subject to taxation or (ii) any Governmental Authority directs NYSEG to
report payments or property as income subject to taxation; provided, however, that NYSEG may
require TrAILCo to provide security, in a form reasonably acceptable to NYSEG (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. TrAILCo shall reimburse NYSEG 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 NYSEG 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 NYSEG
upon request of the IRS, to keep these years open for audit or adjustment, or (2) the occurrence

20

SERVICE AGREEMENT NO. 2257

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.

TrAILCo’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 TrAILCo will pay NYSEG, in addition to the amount paid for
the NYSEG System Upgrade Facilities, an amount equal to (1) the current taxes imposed on
NYSEG (“Current Taxes”) on the excess of (a) the gross income realized by NYSEG as a result
of payments or property transfers made by TrAILCo to NYSEG 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 NYSEG 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 NYSEG’s composite

federal and state tax rates at the time the payments or property transfers are received and NYSEG
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 NYSEG’s anticipated tax depreciation deductions as a result of such payments or
property transfers by NYSEG’s current weighted average cost of capital. Thus, the formula for
calculating TrAILCo’s liability to NYSEG pursuant to this Article 5.12.4 can be expressed as
follows: (Current Tax Rate x (Gross Income Amount ‐ Present Value of Tax Depreciation))/(1 ‐
Current Tax Rate).

21

SERVICE AGREEMENT NO. 2257

5.12.5 Private Letter Ruling or Change or Clarification of Law.

At TrAILCo’s request and expense, NYSEG 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 TrAILCo to
NYSEG under this Agreement are subject to federal income taxation. TrAILCo 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 TrAILCo’s
knowledge. NYSEG and TrAILCo shall cooperate in good faith with respect to the submission
of such request.

NYSEG shall keep TrAILCo 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 TrAILCo to participate in all discussions with the IRS regarding such request for a private letter ruling. NYSEG shall allow TrAILCo to attend all
meetings with IRS officials about the request and shall permit TrAILCo 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 NYSEG System Upgrade

Facilities are placed in service, (i) TrAILCo Breaches the covenants contained in Article 5.12.2, or (ii) this Agreement terminates and NYSEG retains ownership of the NYSEG System Upgrade Facilities, TrAILCo shall pay a tax gross‐up for the cost consequences of any current tax liability imposed on NYSEG, calculated using the methodology described in Article 5.12.4 and in
accordance with IRS Notice 90‐60.

22

SERVICE AGREEMENT NO. 2257

5.12.7 Contests.

In the event any Governmental Authority determines that NYSEG’s receipt of payments
or property constitutes income that is subject to taxation, NYSEG shall notify TrAILCo, in
writing, within thirty (30) Calendar Days of receiving notification of such determination by a
Governmental Authority. Upon the timely written request by TrAILCo and at TrAILCo’s sole
expense, NYSEG may appeal, protest, seek abatement of, or otherwise oppose such
determination. Upon TrAILCo’s written request and sole expense, NYSEG may file a claim for
refund with respect to any taxes paid under this Article 5.12, whether or not it has received such
a determination. NYSEG 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 NYSEG shall keep TrAILCo informed, shall
consider in good faith suggestions from TrAILCo about the conduct of the contest, and shall
reasonably permit TrAILCo or an TrAILCo representative to attend contest proceedings.

TrAILCo shall pay to NYSEG on a periodic basis, as invoiced by NYSEG, NYSEG’s

documented reasonable costs of prosecuting such appeal, protest, abatement or other contest. At
any time during the contest, NYSEG may agree to a settlement either with TrAILCo’s consent or
after obtaining written advice from nationally‐recognized tax counsel, selected by NYSEG, but
reasonably acceptable to TrAILCo, that the proposed settlement represents a reasonable
settlement given the hazards of litigation. TrAILCo’s obligation shall be based on the amount of
the settlement agreed to by TrAILCo, 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. Any settlement without

23

SERVICE AGREEMENT NO. 2257

TrAILCo’s consent or such written advice will relieve TrAILCo from any obligation to indemnify NYSEG for the tax at issue in the contest.

5.12.8 Refund.

In the event that (a) a private letter ruling is issued to NYSEG which holds that any

amount paid or the value of any property transferred by TrAILCo to NYSEG 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
NYSEG in good faith that any amount paid or the value of any property transferred by TrAILCo
to NYSEG under the terms of this Agreement is not taxable to NYSEG, (c) any abatement,
appeal, protest, or other contest results in a determination that any payments or transfers made by
TrAILCo to NYSEG are not subject to federal income tax, or (d) if NYSEG receives a refund
from any taxing authority for any overpayment of tax attributable to any payment or property
transfer made by TrAILCo to NYSEG pursuant to this Agreement, NYSEG shall promptly
refund to TrAILCo the following:

(i) Any payment made by TrAILCo 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 TrAILCo to NYSEG for such taxes which

NYSEG did not submit to the taxing authority, calculated in accordance with the methodology set forth in FERC’s regulations at 18 C.F.R. section 35.19a(a)(2)(iii) from the date payment was made by TrAILCo to the date NYSEG refunds such payment to TrAILCo, and

(iii) With respect to any such taxes paid by NYSEG, any refund or credit NYSEG
receives or to which it may be entitled from any Governmental Authority, interest (or that

24

SERVICE AGREEMENT NO. 2257

portion thereof attributable to the payment described in clause (i), above) owed to NYSEG for such overpayment of taxes (including any reduction in interest otherwise payable by NYSEG to any Governmental Authority resulting from an offset or credit); provided, however, that NYSEG will remit such amount promptly to TrAILCo only after and to the extent that NYSEG has
received a tax refund, credit or offset from any Governmental Authority for any applicable
overpayment of income tax related to the NYSEG System Upgrade Facilities.

The intent of this provision is to leave both TrAILCo and NYSEG, to the extent

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

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

25

SERVICE AGREEMENT NO. 2257

5.14 Modification.

5.14.1 General.

Either NYSEG or TrAILCo may undertake modifications to its facilities covered by this
Agreement. If either NYSEG or TrAILCo 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 the work or such shorter period upon which the Parties may agree, which agreement shall not unreasonably be withheld, conditioned or delayed.

In the case of Transmission Facility modifications, the Party making such modification shall provide reasonable prior notice of such modifications to the other Parties. For
modifications that do not require TrAILCo or NYSEG to submit an Interconnection Request, the NYISO, in consultation with the other Parties, shall use Reasonable Efforts to provide, within sixty (60) Calendar Days (or such other time as the Parties may agree), an estimate of any
additional modifications to the New York State Transmission System or System Upgrade
Facilities necessitated by such modification and a good faith estimate of the costs thereof.
TrAILCo shall be responsible for the cost of any such additional modifications, including the
cost of studying the impact of the TrAILCo modification.

26

SERVICE AGREEMENT NO. 2257

5.14.2 Standards.

Except as provided in Appendix A or C, (a) any additions, modifications, or replacements made to TrAILCo’s facilities shall be designed, constructed and operated in accordance with this Agreement, applicable NYISO and PJM requirements, and Good Utility Practice, and (b) any
additions, modifications, or replacements made to NYSEG’s facilities shall be designed,
constructed and operated in accordance with this Agreement, applicable NYISO requirements,
and Good Utility Practice.

5.14.3 Modification Costs.

NYSEG shall not be assigned the costs of any additions, modifications, or replacements
that TrAILCo makes to System Upgrade Facilities owned by TrAILCo, or the PJM Transmission
System to facilitate the interconnection of a third party to the System Upgrade Facilities owned
by TrAILCo, or the PJM Transmission System, or to provide Transmission Service to a third
party under the PJM OATT. NYSEG shall be responsible for the costs of any additions,
modifications, or replacements to the System Upgrade Facilities owned by NYSEG, that may be
necessary to maintain or upgrade such NYSEG System Upgrade Facilities consistent with
Applicable Laws and Regulations, Applicable Reliability Standards or Good Utility Practice
except if such additions, modifications, or replacements are required as a result of modifications
made by TrAILCo to its System Upgrade Facilities, in which case TrAILCo shall be responsible
for such costs.

TrAILCo shall not be assigned the costs of any additions, modifications, or replacements
that NYSEG makes to the System Upgrade Facilities owned by NYSEG, or the New York State
Transmission System to facilitate the interconnection of a third party to the System Upgrade
Facilities owned by NYSEG, or the New York State Transmission System, or to provide

27

SERVICE AGREEMENT NO. 2257

Transmission Service to a third party under the NYISO Tariff, except in accordance with the cost
allocation procedures in Attachment S of the NYISO Tariff or as approved by the appropriate
Governmental Authority. TrAILCo shall be responsible for the costs of any additions,
modifications, or replacements to the System Upgrade Facilities owned by TrAILCo, that may
be necessary to maintain or upgrade such TrAILCo System Upgrade Facilities consistent with
Applicable Laws and Regulations, Applicable Reliability Standards or Good Utility Practice
except if such additions, modifications, or replacements are required as a result of modifications
made by NYSEG to its System Upgrade Facilities, in which case NYSEG shall be responsible
for such costs.

ARTICLE 6. TESTING AND INSPECTION

6.1 Pre‐Commercial Operation Date Testing and Modifications.

Prior to the Commercial Operation Date, TrAILCo shall test its System Upgrade

Facilities, and NYSEG shall test its System Upgrade Facilities to ensure their safe and reliable operation. Similar testing may be required after initial operation. NYSEG and TrAILCo shall each make any modifications to its facilities that are found to be necessary as a result of such testing. TrAILCo shall bear the cost of all such testing and modifications to its and NYSEG’s System Upgrade Facilities. NYSEG and TrAILCo shall transmit test energy through the Point(s) of Interconnection only if it has arranged for the transmission of such test energy in accordance with TrAILCo, PJM, NYSEG and NYISO procedures.

6.2 Post‐Commercial Operation Date Testing and Modifications.

NYSEG and TrAILCo 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 Pierce

28

SERVICE AGREEMENT NO. 2257

Brook Substation with the New York State Transmission System in a safe and reliable manner. NYSEG and TrAILCo 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.

NYSEG and TrAILCo shall each notify the other Party, and the NYISO, in advance of its performance of tests of the System Upgrade Facilities. The other Party, and the NYISO, shall have the right, at its own expense, to observe such testing.

6.4 Right to Inspect.

NYSEG and TrAILCo 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 Upgrade Facilities, the System Protection Facilities and other protective
equipment. NYISO shall have the same rights of inspection as to the facilities and equipment of
NYSEG and TrAILCo. A Party may exercise these rights from time to time as it deems
necessary upon reasonable notice to the other Party. The exercise or nonexercise by a Party of
any such rights shall not be construed as an endorsement or confirmation of any element or
condition of the System Upgrade Facilities, or the System Protection Facilities or other
protective equipment or the operation thereof, or as a warranty as to the fitness, safety,
desirability, or reliability of same. Any information that a Party obtains through the exercise of
any of its rights under this Article 6.4 shall be treated in accordance with Article 22 of this
Agreement.

29

SERVICE AGREEMENT NO. 2257

ARTICLE 7. METERING

7.1 General.

NYSEG and TrAILCo shall each comply with applicable requirements of the NYISO

when exercising its rights and fulfilling its responsibilities under this Article 7. Unless otherwise
agreed by TrAILCo and NYSEG, TrAILCo shall install Metering Equipment at the Point(s) of
Interconnection prior to any operation of the Transmission Facility and shall own, operate, test
and maintain such Metering Equipment. Net power flows including MW and MVAR, MWHR
and loss profile data to and from the HC - FMR Line shall be measured at the Point(s) of
Interconnection. TrAILCo shall provide metering quantities, in analog and/or digital form, as
required, to the other Parties, upon request. TrAILCo shall bear all reasonable documented costs
associated with the ownership, purchase, installation, operation, testing and maintenance of the
Metering Equipment.

7.2 Check Meters.

NYSEG, at its option and expense, may install and operate, on its premises and on its

side of the Point of Interconnection, one or more check meters to check TrAILCo’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 check meters shall be subject at all reasonable times to inspection and examination by TrAILCo or its designee. The installation, operation and maintenance thereof shall be performed entirely by NYSEG in accordance with Good Utility Practice.

30

SERVICE AGREEMENT NO. 2257

7.3 Standards.

TrAILCo shall install, calibrate, and test revenue quality Metering Equipment including potential transformers and current transformers in accordance with applicable ANSI and
Governmental Authority standards, including applicable NYISO requirements.

7.4 Testing of Metering Equipment.

TrAILCo shall inspect and test all of the Metering Equipment upon installation and

thereafter in accordance with applicable NYISO requirements. TrAILCo shall give reasonable
notice of the time when any inspection or test shall take place, and NYSEG 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 the owner’s expense, in
order to provide accurate metering, unless the inaccuracy or defect is due to TrAILCo’s failure to
maintain, then TrAILCo shall pay. If Metering Equipment fails to register, or if the
measurement made by Metering Equipment during a test varies by more than the range set forth
in the applicable NYISO or PJM standard, TrAILCo shall adjust the measurements by correcting
all measurements for the period during which Metering Equipment was in error by using the
other Party’s check meters, if installed. If no such check meters are installed or if the period
cannot be reasonably ascertained, the adjustment shall be for the period immediately preceding
the test of the Metering Equipment equal to one‐half the time from the date of the last previous
test of the Metering Equipment. NYISO reserves the right to inspect all Metering Equipment
installed on NYSEG’s or TrAILCo’s property at reasonable times and upon reasonable notice to
NYSEG or TrAILCo, as applicable.

31

SERVICE AGREEMENT NO. 2257

7.5 Metering Data.

Subject to the provisions of Appendix C, and at TrAILCo’s expense, the metered data
shall be telemetered to one or more locations designated by TrAILCo, NYISO and NYSEG.
Such telemetered data shall be used, under normal operating conditions, as the official
measurement of the amount of energy delivered from the HC - FMR Line to the Point of
Interconnection and/or from the Transmission Facility to the Point of Interconnection.

ARTICLE 8. COMMUNICATIONS

8.1 TrAILCo Obligations.

In accordance with applicable NYISO requirements, and subject to Appendix C,

TrAILCo shall install and maintain satisfactory operating communications with NYSEG and
NYISO. TrAILCo shall provide the equipment, labor and contract services and dedicated data
circuit(s) necessary to provide TrAILCo data to NYSEG and NYISO in accordance with
applicable NYISO and NYSEG requirements. The data circuit(s) shall extend from the
Transmission Facility to the location(s) specified by NYSEG. Any required repair, replacement
or maintenance of such communications equipment shall be performed by TrAILCo.
Operational communications shall be activated and maintained under, but not limited to, the
following events: system paralleling or separation, scheduled and unscheduled outages,
equipment clearances, and hourly and daily load data. Prior to the Commercial Operation Date,
satisfactory communications shall be in place, in accordance with this Article 8.1 and Section B
of Appendix C.

32

SERVICE AGREEMENT NO. 2257

8.2 Remote Terminal Unit.

A Remote Terminal Unit, or equivalent data collection and transfer equipment acceptable
to the Parties, shall be installed by TrAILCo at TrAILCo’s expense, in accordance with Section
B of Appendix C, to gather accumulated and instantaneous data to be telemetered to the
location(s) designated by TrAILCo. 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.

33

SERVICE AGREEMENT NO. 2257

9.2 NYSEG Obligations.

NYSEG shall, at its own expense, operate, maintain and control the System Upgrade Facilities owned by NYSEG in a safe and reliable manner in accordance with this Agreement and the NYISO Tariff.

9.3 TrAILCo Obligations.

TrAILCo shall, at its own expense, operate, maintain and control the System Upgrade

Facilities owned by TrAILCo, including the Transmission Facility, in a safe and reliable manner

in accordance with this Agreement and the PJM Tariff.

9.4 Synchronization.

Consistent with the mutually acceptable procedures of NYSEG and TrAILCo and the

NYISO and PJM, NYSEG and TrAILCo are responsible for the proper synchronization of the

Pierce Brook Substation to the New York State Transmission System.

9.5 [Reserved]

9.6 Outages and Interruptions.

9.6.1 Outages.

9.6.1.1 Outage Authority and Coordination. NYSEG may, in

accordance with applicable NYISO procedures and Good Utility Practice, and in coordination
with TrAILCo remove from service any of its respective System Upgrade Facilities that may
impact TrAILCo’s facilities as necessary to perform maintenance or testing or to install or
replace equipment. TrAILCo may, in accordance with applicable PJM procedures and Good
Utility Practice, and in coordination with NYSEG, remove from service any of its respective
System Upgrade Facilities that may impact NYSEG’s facilities as necessary to perform
maintenance or testing or to install or replace equipment. Absent an Emergency, or Emergency

34

SERVICE AGREEMENT NO. 2257

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 NYSEG and
TrAILCo. 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.

9.6.1.2 Outage Schedules. NYSEG shall post scheduled outages of its

transmission facilities on the NYISO OASIS, and TrAILCo shall post scheduled outages of its transmission facilities on the PJM OASIS.

9.6.1.3 Outage Restoration. If an outage on the System Upgrade

Facilities of TrAILCo or NYSEG 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 to the NYISO,
or PJM, as applicable, 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.

9.6.2 Interruption of Service. If required by Good Utility Practice or

Applicable Reliability Standards to do so, TrAILCo may require NYSEG to interrupt or reduce
transmission of electricity over the HC - FMR Line, and NYSEG may require TrAILCo to
interrupt or reduce transmission of electricity over the Transmission Facility if either TrAILCo,
NYSEG or the NYISO deems the interruption of such transmission of electricity to be necessary:

(a) for purposes of Good Utility Practice, to protect a Party’s facilities from physical damage or

35

SERVICE AGREEMENT NO. 2257

to prevent injury or damage to persons or property; or (b) to comply with Applicable Reliability Standards. The following provisions shall apply to any interruption or reduction permitted under this Article 9.6.2:

9.6.2.1 The interruption or reduction shall continue only for so long as

reasonably necessary to: (a) protect its facilities from physical damage or to prevent injury or damage to persons or property under Good Utility Practice; or (b) comply with Applicable Reliability Standards;

9.6.2.2 Any such interruption or reduction shall be made on an equitable,

non-discriminatory basis with respect to all transmission facilities directly connected to that part of the PJM Transmission System and New York State Transmission System owned, respectively, by TrAILCo or NYSEG;

9.6.2.3 When the interruption or reduction must be made under

circumstances which do not allow for advance notice, TrAILCo or NYSEG, as applicable, shall notify the other Party (and the NYISO) by telephone as soon as practicable of the reasons for the curtailment, interruption, or reduction, and, if known, its expected duration. Telephone notification shall be followed by written notification as soon as practicable;

9.6.2.4 Except during the existence of an Emergency or Emergency State,

when the interruption or reduction can be scheduled with advance notice, TrAILCo or NYSEG,
as applicable, shall notify the other Party (and the NYISO) in advance regarding the timing of
such scheduling and further notify the other Party (and the NYISO) of the expected duration.
TrAILCo and NYSEG, as applicable, shall coordinate with the other Party (and the NYISO)
using Good Utility Practice to schedule the interruption or reduction during periods of least

36

SERVICE AGREEMENT NO. 2257

impact to both NYSEG and TrAILCo, the New York State Transmission System, and the PJM Transmission System; and

9.6.2.5 The Parties shall cooperate and coordinate with each other, and the

PJM and NYISO, to the extent necessary in order to restore the HC - FMR Line, System Upgrade Facilities, the New York State Transmission System, and the PJM Transmission System to their normal operating state, consistent with system conditions and Good Utility Practice, and in accordance with the directives of the NYISO and PJM.

9.6.3 System Protection and Other Control Requirements.

9.6.3.1 System Protection Facilities. TrAILCo shall install, operate and

maintain, at its expense, any System Protection Facilities that may be required on TrAILCo’s
facilities, including its System Upgrade Facilities, as a result of the interconnection of the
Transmission Facility to the New York State Transmission System. NYSEG shall install at
TrAILCo’s expense any System Protection Facilities that may be required on the NYSEG’s
facilities, including its System Upgrade Facilities or the New York State Transmission System as
a result of the interconnection of the Transmission Facility to the New York State Transmission
System.

9.6.3.2 The protection facilities of both NYSEG and TrAILCo shall be

designed and coordinated with other systems in accordance with Good Utility Practice and Applicable Reliability Standards.

37

SERVICE AGREEMENT NO. 2257

9.6.3.3 NYSEG and TrAILCo shall each be responsible for protection of

its respective facilities consistent with Good Utility Practice and Applicable Reliability

Standards.

9.6.3.4 The protective relay design of NYSEG and TrAILCo 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 NYSEG’s HC - FMR Line or the System Upgrade Facilities.

9.6.3.5 NYSEG and TrAILCo will each test, operate and maintain System

Protection Facilities in accordance with Good Utility Practice and applicable ReliabilityFirst and NPCC criteria.

9.6.3.6 Prior to the Commercial Operation Date, NYSEG and TrAILCo

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, NYSEG and TrAILCo shall each perform both calibration and functional trip tests of the System Protection Facilities in a manner and at intervals consistent with TrAILCo’s standard practice for performing such tests. 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.

9.6.4 Requirements for Protection.

In compliance with applicable ReliabilityFirst and NPCC requirements, and Good Utility
Practice, NYSEG and TrAILCo, as applicable, shall provide, install, own, and maintain relays,

38

SERVICE AGREEMENT NO. 2257

circuit breakers and all other devices necessary to remove any fault contribution of the HC -

FMR Line or the Pierce Brook Substation to any short circuit occurring on the New York State Transmission System or the PJM Transmission System not otherwise isolated by the other
Party’s equipment, such that the removal of the fault contribution shall be coordinated with the protective requirements of the New York State Transmission System or the PJM Transmission System. Such protective equipment shall include, without limitation, a disconnecting device or switch with load‐interrupting capability located between the Transmission Facility and the New York State Transmission System at a site selected upon mutual agreement (not to be
unreasonably withheld, conditioned or delayed) of NYSEG and TrAILCo.

9.6.5 Power Quality.

Neither the facilities of NYSEG nor the facilities of TrAILCo 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.

9.7 Switching and Tagging Rules.

NYSEG and TrAILCo 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.

39

SERVICE AGREEMENT NO. 2257

9.8 [Reserved]

9.9 Disturbance Analysis Data Exchange.

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

disturbances to either the Pierce Brook Substation, the PJM Transmission System, the HC -
FMR Line, 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.

9.10 Emergency Operations

NYSEG shall have the right, including but not limited to after receiving a directive from the NYISO, to direct TrAILCo to take action with regard to breakers at the Pierce Brook
Substation necessary to disconnect the PBHC Segment in order to respond to an Emergency as set forth in Articles 9.10.1 and 9.10.2 below.

9.10.1 NYSEG does not have the right nor the capability to open breakers at the

Pierce Brook Substation, but rather NYSEG will have the unilateral right to direct TrAILCo to undertake that action with regard to necessary breakers at the Pierce Brook Substation to
disconnect the PBHC Segment based on directives from NYISO or based on conditions or circumstances requiring a response to an Emergency; and

9.10.2 TrAILCo agrees that it shall promptly take the actions specified in a

directive issued by NYSEG as indicated in Articles 9.10 and 9.10.1 above in a safe and efficient manner and consistent with Good Utility Practice.

ARTICLE 10. MAINTENANCE

40

SERVICE AGREEMENT NO. 2257

10.1 TrAILCo Obligations.

TrAILCo shall maintain the Pierce Brook Substation and System Upgrade Facilities
owned by TrAILCo in a safe and reliable manner and in accordance with this Agreement.

10.2 NYSEG Obligations.

NYSEG shall maintain the HC - FMR Line and System Upgrade Facilities owned by NYSEG in a safe and reliable manner and in accordance with this Agreement.

10.3 Coordination.

NYSEG and TrAILCo shall confer regularly to coordinate the planning, scheduling and performance of preventive and corrective maintenance on the Pierce Brook Substation, HC -
FMR Line, and the System Upgrade Facilities. NYSEG and TrAILCo 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.

NYSEG and TrAILCo 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 NYSEG or TrAILCo’s facilities and equipment which may reasonably be expected to impact the other Party. NYSEG and TrAILCo 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.

41

SERVICE AGREEMENT NO. 2257

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
interconnection or transmission service to a third party and such third party pays for such
expenses, TrAILCo shall be responsible for all reasonable expenses including overheads,
associated with: owning, operating, maintaining, repairing, and replacing its System Upgrade Facilities. NYSEG shall be entitled to the recovery of incremental operating and maintenance expenses that it incurs associated with System Upgrade Facilities, if and to the extent provided for under Attachment S to the NYISO OATT.

ARTICLE 11. PERFORMANCE OBLIGATION

11.1 Compensation for Emergency Services.

If, during an Emergency State, NYSEG provides services at the request or direction of
TrAILCo, NYSEG will be compensated for such services. If, during an Emergency State,
TrAILCo provides services at the request or direction of NYSEG, TrAILCo will be compensated for such services.

11.2 Line Outage Costs.

Notwithstanding anything in Applicable Laws and Regulations to the contrary, NYSEG may propose to recover line outage costs associated with the installation of TrAILCo System Upgrade Facilities on a case‐by‐case basis; provided, however, NYSEG shall not have the right to recover line outage costs from TrAILCo if such line outage costs are caused by NYSEG’s Default under this Agreement.

42

SERVICE AGREEMENT NO. 2257

ARTICLE 12. INVOICE

12.1 General.

Each Party shall each submit to another Party, on a monthly basis, invoices of amounts
due for the preceding month, as applicable. Each invoice shall state the month to which the
invoice applies and fully describe the services and equipment provided. The Parties 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. The allocation of any costs, expenses, or
charges to a Party under this Agreement shall not in any way limit the right of each Party to
collect such costs or charges in rates approved by the appropriate Governmental Authority.

12.2 Payment.

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

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.

12.3 Disputes.

In the event of a billing dispute between the Parties, each Party shall continue to perform
under this Agreement and such dispute shall be subject to resolution in accordance with Article

27. Within thirty (30) Calendar Days after the resolution of the dispute, the Party that owes

43

SERVICE AGREEMENT NO. 2257

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. section 35.19a(a)(2)(iii).

ARTICLE 13. EMERGENCIES

13.1 Obligations.

Subject to Article 9.10, NYSEG shall comply with the Emergency State procedures of NYISO, the Applicable Reliability Councils, and Applicable Laws and Regulations, and (b) TrAILCo shall comply with the Emergency State procedures of PJM, the Applicable Reliability Councils, and Applicable Laws and Regulations. TrAILCo and NYSEG agree to coordinate with NYISO and PJM to develop procedures that will address the operations of the HC - FMR Line and the Pierce Brook Substation 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 Facility, the HC - FMR Line, the System Upgrade Facilities, the New York State Transmission System, or the PJM 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 NYSEG’s or TrAILCo’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.

Subject to Article 9.10, or unless, in NYSEG’s reasonable judgment, immediate action is
required, NYSEG shall obtain the consent of TrAILCo, such consent to not be unreasonably

44

SERVICE AGREEMENT NO. 2257

withheld, or delayed, prior to performing any manual switching operations at the HC - FMR
Line or Systems Upgrade Facilities owned by NYSEG in response to an Emergency or
Emergency State either declared by NYISO, TrAILCo or otherwise regarding New York State Transmission System. Unless, in TrAILCo’s reasonable judgment, immediate action is required, TrAILCo shall obtain the consent of NYSEG, such consent not to be unreasonably withheld,
prior to performing any manual switching operations at the TrAILCo System Upgrade Facilities in response to an Emergency or Emergency State either declared by PJM, or TrAILCo, or
otherwise regarding the PJM Transmission System.

13.4 TrAILCo and NYSEGAuthority.

Subject to Article 9.10 and consistent with Good Utility Practice, TrAILCo or NYSEG,
as the case may be, may take whatever actions with regard to the New York State Transmission
System, the PJM Transmission System, and the System Upgrade Facilities owned by that Party,
as it deems necessary during an Emergency or Emergency State in order to: (i) preserve public
health and safety; (ii) preserve the reliability of the PJM Transmission System and the New York
State Transmission System, as applicable; (iii) limit or prevent damage; and (iv) expedite

restoration of service. NYSEG and TrAILCo shall use Reasonable Efforts to assist the other in such actions.

13.5 Limited Liability.

No Party shall be liable to any other 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.

45

SERVICE AGREEMENT NO. 2257

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

14.2 Governing Law.

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 law, 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

46

SERVICE AGREEMENT NO. 2257

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 E 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 E 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 E hereto.

15.4 Operations and Maintenance Notice.

NYSEG and TrAILCo 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 Force Majeure.

16.1.1 Economic hardship is not considered a Force Majeure event.

47

SERVICE AGREEMENT NO. 2257

16.1.2 A Party shall not be responsible or liable, or deemed, in Default with

respect to any obligation hereunder, (including obligations under Article 4 of this Agreement) ,
other than the obligation to pay money when due, to the extent the Party is prevented from
fulfilling such obligation by Force Majeure. A Party unable to fulfill any obligation hereunder
(other than an obligation to pay money when due) by reason of Force Majeure shall give notice
and the full particulars of such Force Majeure to the other Parties in writing or by telephone as
soon as reasonably possible after the occurrence of the cause relied upon. Telephone notices
given pursuant to this Article shall be confirmed in writing as soon as reasonably possible and
shall specifically state full particulars of the Force Majeure, the time and date when the Force
Majeure occurred and when the Force Majeure is reasonably expected to cease. The Party
affected shall exercise due diligence to remove such disability with reasonable 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 Default.

17.1.1 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

48

SERVICE AGREEMENT NO. 2257

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.

17.1.2 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, LIMITATION OF LIABILITY, AND INSURANCE

18.1 Indemnity.

Except as provided in Appendix C, NYSEG or TrAILCo (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 Losses arising out of or resulting from (i) the
Indemnifying’s Party’s Breach, negligence, or intentional wrongdoing under this Agreement,
except in cases where the Indemnifying Party can demonstrate that the Loss of the Indemnified
Party was caused (in whole or in part) by the gross negligence or intentional wrongdoing of the
Indemnified Party or (ii) the violation by the Indemnifying Party of any Environmental Law or
the release by the Indemnifying Party of any Hazardous Substance. TrAILCo shall provide an
additional, independent indemnity to NYSEG in accordance with the provisions of Section C(10)

49

SERVICE AGREEMENT NO. 2257

of Appendix C, and any conflict between that provision of Appendix C and this Article 18 shall be resolved in favor of Section C(10) of Appendix C.

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

50

SERVICE AGREEMENT NO. 2257

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

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

18.2 Limitation of Liability.

18.2.1 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

51

SERVICE AGREEMENT NO. 2257

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. The Parties expressly agree
the damages that NYSEG may seek to recover pursuant to Appendix C shall not be considered
special, indirect, incidental, consequential, or punitive damages whose recovery is limited by this
Article 18.2.1.

18.2.2 Nothing in this Agreement shall be construed to create or give rise to any

liability on the part of PJM, and the Parties expressly waive any claims that may arise against PJM under this Agreement.

18.2.3 The Parties acknowledge and understand that the signature of the

authorized representative of PJM on this Agreement is for the limited purpose of acknowledging
that representatives of PJM have read the terms of this Agreement. The Parties and PJM further
state that they understand that FERC desires that the Parties keep PJM fully apprised of the
matters addressed herein as well as any reliability and planning issues that may arise under this
Agreement, and that the signature of the PJM representative shall not in any way be deemed to
imply that PJM is taking responsibility for the actions of any Party, that PJM has any affirmative
duties under this Agreement or that PJM is liable in any way under this Agreement.

18.3 Insurance.

NYSEG and TrAILCo shall each, at its own expense, 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:

52

SERVICE AGREEMENT NO. 2257

18.3.1 Employers’ Liability and Workers’ Compensation Insurance providing

statutory benefits in accordance with the laws and regulations of New York State.

18.3.2 Commercial General Liability Insurance including premises and

operations, personal injury, broad form property damage, broad form blanket contractual liability
coverage (including coverage for the contractual indemnification) products and completed
operations coverage, coverage for explosion, collapse and underground hazards, independent
contractors coverage, coverage for pollution to the extent normally available and punitive
damages to the extent normally available and a cross liability endorsement, with minimum limits
of One Million Dollars ($1,000,000) per occurrence/One Million Dollars ($1,000,000) aggregate
combined single limit for personal injury, bodily injury, including death and property damage.

18.3.3 Comprehensive Automobile Liability Insurance 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 Excess Public Liability Insurance over and above the Employers’ Liability

Commercial General Liability and Comprehensive Automobile Liability Insurance coverage, with a minimum combined single limit of Twenty Million Dollars ($20,000,000) per
occurrence/Twenty Million Dollars ($20,000,000) aggregate.

18.3.5 The Commercial General Liability Insurance, Comprehensive Automobile

Insurance and Excess Public Liability Insurance policies of NYSEG and TrAILCo shall name
the other Party, its parent, associated and Affiliate companies and their respective directors,
officers, agents, servants and employees (“Other Party Group”) as additional insured. All
policies shall contain provisions whereby the insurers waive all rights of subrogation in

53

SERVICE AGREEMENT NO. 2257

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 anniversary date of cancellation or any material change in coverage or condition.

18.3.6 The Commercial General Liability Insurance, Comprehensive Automobile

Liability Insurance and Excess Public 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. NYSEG and TrAILCo shall each be responsible for its respective deductibles or
retentions.

18.3.7 The Commercial General Liability Insurance, Comprehensive Automobile

Liability Insurance and Excess Public Liability Insurance policies, if written on a Claims First

Made Basis, 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 tail coverage or extended reporting period coverage if agreed by NYSEG and TrAILCo.

18.3.8 The requirements contained herein as to the types and limits of all

insurance to be maintained by NYSEG and TrAILCo are not intended to and shall not in any
manner, limit or qualify the liabilities and obligations assumed by those Parties under this
Agreement.

18.3.9 Within ten (10) days following execution of this Agreement, and as soon

as practicable after the end of each fiscal year or at the renewal of the insurance policy and in

any event within ninety (90) days thereafter, NYSEG and TrAILCo shall provide certification of

54

SERVICE AGREEMENT NO. 2257

all insurance required in this Agreement, executed by each insurer or by an authorized representative of each insurer.

18.3.10 Notwithstanding the foregoing, NYSEG and TrAILCo may each

self‐insure to meet the minimum insurance requirements of Articles 18.3.2 through 18.3.8 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 18.3.2 through 18.3.8. For any period of time that a
Party’s senior debt is unrated by Standard & Poor’s or is rated at less than investment grade by
Standard & Poor’s, such Party shall comply with the insurance requirements applicable to it

under Articles 18.3.2 through 18.3.9. In the event that a Party is permitted to self‐insure

pursuant to this Article 18.3.10, 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 Article 18.3.9.

18.3.11 NYSEG and TrAILCo 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.

ARTICLE 19. ASSIGNMENT

19.1 Assignment.

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

Party; provided that a Party may assign this Agreement without the consent of the other Party 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

55

SERVICE AGREEMENT NO. 2257

Agreement; provided further that a Party may assign this Agreement without the consent of the
other Party 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. 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

20.1 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

21.1 Comparability.

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

56

SERVICE AGREEMENT NO. 2257

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.

22.1.1 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.

22.1.2 Confidential Information.

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

57

SERVICE AGREEMENT NO. 2257

22.1.3 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 22.1.8 of this Agreement, Order of Disclosure, to be disclosed. 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.

22.1.4 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 NYSEG, 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.

58

SERVICE AGREEMENT NO. 2257

22.1.5 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.

22.1.6 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.

22.1.7 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 Party under this Agreement or its regulatory requirements, including the
NYISO OATT and NYISO Services Tariff. The NYISO shall, in all cases, treat the information
it receives in accordance with the requirements of Attachment F to the NYISO OATT.

22.1.8 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

59

SERVICE AGREEMENT NO. 2257

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.

22.1.9 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.

22.1.10 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
available at law or in equity. The Parties further acknowledge and agree that the covenants

60

SERVICE AGREEMENT NO. 2257

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.

22.1.11 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 NYISO 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.

61

SERVICE AGREEMENT NO. 2257

22.1.12

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 NYISO OATT on the NYISO Services Tariff. Prior to
any disclosures of a Party’s Confidential Information under this subparagraph, or if any third
party or Governmental Authority makes any request or demand for any of the information
described in this subparagraph, the disclosing Party agrees to promptly notify the other Party in
writing and agrees to assert confidentiality and cooperate with the other Party in seeking to
protect the Confidential Information from public disclosure by confidentiality agreement,
protective order or other reasonable measures.

ARTICLE 23. ENVIRONMENTAL RELEASES

23.1 NYSEG and TrAILCo Notice.

Subject to reporting requirements that may be imposed on NYSEG and TrAILCo under
Applicable Laws and Regulations, NYSEG and TrAILCo shall each notify the other Party, first
orally and then in writing, of the release of any Hazardous Substances, any asbestos or lead
abatement activities, or any type of remediation activities related to the Transmission Facility,
each of which may reasonably be expected to affect the other Party. Subject to reporting
requirements that may be imposed on NYSEG and TrAILCo under Applicable Laws and
Regulations, the notifying Party shall: (i) provide the notice as soon as practicable, provided

62

SERVICE AGREEMENT NO. 2257

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. [Reserved]

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
the inability to comply, and corrective actions taken or planned to be taken with respect to such

63

SERVICE AGREEMENT NO. 2257

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 the
other Parties, 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 System Upgrade Facilities shall be subject to audit for a period of twenty‐four months following the Commercial Operation Date.

64

SERVICE AGREEMENT NO. 2257

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.

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 Party 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 Party
for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been

65

SERVICE AGREEMENT NO. 2257

made; provided, however, that in no event shall NYSEG or NYISO be liable for the actions or
inactions of TrAILCo or its subcontractors with respect to obligations of TrAILCo 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 Party. 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.

66

SERVICE AGREEMENT NO. 2257

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
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

67

SERVICE AGREEMENT NO. 2257

filed with FERC if it affects jurisdictional rates, terms and conditions of service or System 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 Facility and System Upgrade Facilities,
owned by such Party, as applicable, are located; and that it has the corporate power and authority
to own its properties, to carry on its business as now being conducted and to enter into this

68

SERVICE AGREEMENT NO. 2257

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.

69

SERVICE AGREEMENT NO. 2257

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; provided, however that Appendix C shall control in the event of a conflict with this cover Agreement. For purposes of this Article 29.2, the term “cover Agreement” shall refer to Articles 1 through 29 of this Agreement.

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,
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

70

SERVICE AGREEMENT NO. 2257

or such Appendix to this Agreement, 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 NYISO 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 NYSEG and TrAILCo 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

71

SERVICE AGREEMENT NO. 2257

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.

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. 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.

72

SERVICE AGREEMENT NO. 2257

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.

TrAILCo, NYISO and NYSEG each 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; provided that each Party shall have the right to protest any such filing by another Party and to participate fully in any
proceeding before FERC in which such modifications may be considered. Nothing in this
Agreement shall limit the rights of the Parties or of FERC under sections 205 or 206 of the
Federal Power Act and FERC’s rules and regulations thereunder, except to the extent that the
Parties otherwise mutually agree as provided herein.

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

73

SERVICE AGREEMENT NO. 2257

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 either Party 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 System Upgrade Facilities.

29.16 Services Agreement.

Upon the date this Agreement becomes effective in accordance with Article 2.1 of this Agreement, the Services Agreement between NYSEG and FirstEnergy Service Company
(“FSC”), dated October 23, 2015 (the “Services Agreement”), shall be deemed superseded and NYSEG and FSC shall take all steps necessary to cancel the Services Agreement as a filed rate schedule at FERC. As a condition to the effectiveness of this Agreement, NYSEG and FSC shall execute a letter agreement, which shall be dated as of the Effective Date, confirming that the Services Agreement is superseded upon the effectiveness of this Agreement.

74

SERVICE AGREEMENT NO. 2257

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 State Electric & Gas Trans-Allegheny Interstate Line Company

Corporation

By: By:

Title: Title:

Date: Date:

NYSEG Control
By:

New York Independent System Operator,
Inc.

By:

Title:

Date:

The signature below of the authorized representative of PJM is for the limited purpose of acknowledging that a representative of PJM has read this Agreement as of this \_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_ (month), \_\_\_\_\_\_ (year).

PJM Interconnection, L.L.C.

By:

(Signature)

Name:

(Print)

Title:

75

SERVICE AGREEMENT NO. 2257

APPENDIX A - ATTACHMENT FACILITIES AND SYSTEM UPGRADE FACILITIES

1. Attachment Facilities:

None.

2. System Upgrade Facilities:

(a) Stand Alone System Upgrade Facilities

The Stand Alone System Upgrade Facilities consist of the new Pierce Brook

345/230/115kV substation (the “Pierce Brook Substation”). The Points of

Interconnection (“POIs”) to the NYISO system are on the NYSEG Homer City - Five

Mile Road 345kV line (the “HC - FMR Line). The Pierce Brook Substation will connect
approximately 120.3 miles from Homer City substation1 and approximately 31.8 miles
from National Grid’s Five Mile Road substation on the HC - FMR Line. In order to
connect the HC - FMR Line to the Pierce Brook Substation, a new 345kV three (3)
breaker ring bus substation is required. The HC - FMR Line will be routed through this
new 345kV three breaker ring causing the line to be segmented into two shorter lines.
The Parties to this Agreement understand and acknowledge that the Pierce Brook
Substation will be connected to Penelec’s Farmers Valley - Potter 115kV Line (the “FVP
Line”) approximately 2.1 miles from Farmers Valley substation and 5.7 miles from the
Two Mile Run tap substation. The FVP Line will be interconnected to Pierce Brook
Substation through the same three (3) breaker ring bus substation through which the HC -
FMR Line will be interconnected to the Pierce Brook Substation and the FVP Line will
be segmented into two shorter lines, each owned by Penelec. The interconnection of the
FVP Line to the Pierce Brook Substation shall be accomplished in accordance with the
terms and conditions of an interconnected service agreement between TrAILCo and
Penelec (the “TrAILCo/Penelec ISA”).

The Pierce Brook Substation will consist of a 345/230kV transformer, a 230/115kV
transformer, transmission line dead-end (pull-off) structures, 345, 230, and 115kV
breakers, disconnect switches, CCVTs, VTs, control building, steel support structures,
bus work, and associated equipment to construct a complete substation that meets the
requirements of the Parties. The Area One Line (Appendix A) provides a diagrammatic
representation of the scope of equipment that is part of this facility. The Stand Alone
System Upgrade Facilities work shall include but is not limited to the design,
procurement, construction, installation, and commissioning of the following:

• Civil/site work: clearing, grubbing, excavation, backfilling, grading, drainage,
 and crushed stone surfacing for the substation work;

• Foundations: A-frame and miscellaneous equipment foundations for the
 disconnect switches, CCVTs, circuit breakers, transformers, and other
 associated equipment as part of the System Upgrade Facilities (“SUF”) at the
 POIs;

1 NYSEG and Penelec are each 50% owners of Homer City substation assets.

76

SERVICE AGREEMENT NO. 2257

• Grounding: The substation grounding shall be in accordance with IEEE 80

and FirstEnergy Corp. (“FE”) substation design standards;

• 345kV, 230kV, and 115kV transmission line dead end (pull-off) structures;

• Galvanized steel structures;

• Conduit and cable trench system;

• AC station service;

• DC station service;

• RTU;

• Relaying: control panels and relays;

• Communication panel and equipment;

• Power, protection, control, and communication cables.

• 2- 345kV dead-end (pull-off) structures;

• 3 - 230kV dead-end (pull-off) structures;

• 3 - 115kV dead-end (pull-off) structures;

• 2 - 345kV, 2000 A wave traps;

• 1 - 115kV, 1200 A wave trap;

• 3 - line tuners;

• 10 - 345kV, 2000 A disconnect switches;

• 9 - 230kV, 2000 A disconnect switches;

• 1 - 115kV, 3000 A disconnect switches;

• 8 - 115kV, 2000A, disconnect switches;

• 4 - 345kV, 3000 A, 63 kA SF6 breakers;

• 3 - 230kV, 3000 A, 50 kA SF6 breakers;

• 3 - 115kV, 3000 A, 40 kA SF6 breakers;

• 1 - 345/230kV 336/448/560 MVA autotransformer;

• 1 - 230/115kV 180/240/300 MVA autotransformer;

• 6 - 345kV coupling capacitor voltage transformers (“CCVT”);

• 6 - 345kV voltage transformers (“VT”) for revenue metering;

• 15 - 345 kV (1500:5) SR revenue metering accuracy current transformers (“CTs”);

• 6 - 230kV CCVTs;

• 6 - 115kV CCVTs;

• 345kV bus work;

• 230kV bus work;

• 115kV bus work;

• 345kV structures;

• 230kV structures;

• 115kV structures;

• Grounding materials;

• Conduit and cable trench;

• Control cabling;

77

SERVICE AGREEMENT NO. 2257

• 1 - 362 kV, 3000 A, 63kA SF6 independent pole-operated breakers with

synchronous switching controller;

• 1 - 3-Phase, 345 kV, 125 MVAR shunt reactor;

• 12 - 345 kV arresters;

• Control building with panels for metering, protection, control, and
 communication;

• Primary and backup protection systems;

• Power line carrier systems;

• 1 - Station battery (125 V DC) with rack;

• 1 - Station battery charger;

• Relay panels;

• AC Station Service Panels;

• DC panels;

• Station service transformer;

• Back-up station service transformer;

• Fencing;

TrAILCo will engineer, design, procure all materials, and construct the Pierce Brook Stand Alone SUF. This includes all relaying and protection for the 345/230/115kV substation including its breakers, disconnect switches, bus work, structures,
transformers, and control building.

(b) System Upgrade Facilities

The interconnection of the new Pierce Brook substation is the only work that affects the
operation of the NYSEG or Penelec transmission systems during its construction. As
such, the 345kV and 115kV transmission line work that would be part of the Pierce
Brook SUF at POI is not a Stand Alone SUF as work will need to be performed by
NYSEG and National Grid on the 345 kV as well as West Penn Power and Penelec on
the 115 kV.

All work to be performed by Pennsylvania Electric Company (“Penelec”) as described
below in this section (b) shall be performed pursuant to and shall be governed by a
separate Engineering and Construction Services Agreement entered into between Penelec
and TrAILCo dated September 24, 2015 and accepted for filing in FERC Docket No.
ER16-080-000.

(1) Line Loop SUF - Farmers Valley - Potter 115kV Line

In order to connect the new Pierce Brook 345/230/115kV substation to the

Penelec 115kV transmission system, Penelec will loop the existing Farmers

Valley - Potter 115kV line between Farmers Valley and Two Mile Run

substations into the proposed Pierce Brook substation. Looping the Farmers

Valley - Potter 115kV line to the Pierce Brook 345/230/115kV substation forms
two (2) transmission circuits: the Farmers Valley - Pierce Brook 115kV line and
the Pierce Brook - Potter 115kV line. Both new transmission lines will be owned
by Penelec with the cost for Penelec to modify the lines being paid for by

78

SERVICE AGREEMENT NO. 2257

TrAILCo. Penelec will have the responsibility to engineer, design, procure all materials, and construct the Line Loop SUF.

This would include the following physical equipment:

• New wood pole structures;

• Horizontal post insulators.

(2) Protection SUF - Homer City 345kV Remote End

The new Pierce Brook substation is segmenting the NYSEG Homer City - Five Mile Road 345kV. At Homer City, line relaying will be upgraded to be
compatible with equipment installed at Pierce Brook. The wave trap and
transmitter will also be replaced. In addition, relay settings will be changed in order to accommodate the new line length and the new substation. Penelec will have the responsibility to engineer, design, procure all materials, and construct the SUF at Homer City. This includes modifying power line carrier equipment,
replacing exiting relays, and changing existing relay settings.

(3) Line Loop SUF - Homer City - Five Mile Road 345kV Line

In order to connect the Pierce Brook Substation to the HC - FMR Line, TrAILCo, on behalf of NYSEG, will loop the existing HC - FMR Line between Homer City substation and National Grid’s Five Mile Road substation into the Pierce Brook Substation, thereby forming two (2) transmission circuits: the Homer City -
Pierce Brook 345kV line and the Pierce Brook - Five Mile Road 345kV line. Both new transmission lines will be owned by NYSEG.

TrAILCo, on behalf of NYSEG, will engineer, design, procure all materials, and construct the HC - FMR Line modifications at the Pierce Brook Substation POI. This would include obtaining any rights or way agreements, permits, and/or
certifications required to modify the line. This would also include all equipment for the 345kV line taps (line structures, conductor, insulators, and terminations on dead-end structures, etc.). All work will be performed using NYSEG standards.
The new line loop will be owned and operated by NYSEG. TrAILCo will pay for the cost of NYSEG to review and accept the engineering, design and procurement of materials, provide standards, and attend meetings and site visits as needed. The scope of work for the line loop is as follows:

• Install 6 new 345kV structures.

• Install (1) new three pole deadend angle-0° to 5° guyed, steel structure.

• Install (2) new three pole deadend angle-5° to 90° guyed, steel structure.

• Install (1) new two pole tangent H-Frame, steel structure.

• Install (1) new H-Frame Running angle-3° to 20° guyed, steel structure.

• Install (1) new single pole vertical deadend-0° to 100° steel structure with
 concrete foundation

• Remove existing steel lattice tower B-398.

79

SERVICE AGREEMENT NO. 2257

• Transfer existing conductors and shield wires from B-398 to the east side
 of a new three pole deadend angle-0° to 5° structure.

• Transfer existing conductors and shield wires from south of B-399 to the
 north side of new three pole deadend angle-5° to 90° structure.

• Remove excess existing conductors and shield wires between B-398 and
 new three pole deadend angle-5° to 90° structure.

• Install new conductors ((2) 1033 kcmil 45/7ACSR) and shield wires

(7/16” EHS 7 Strand steel) from the new three pole deadend structures through the new H-frame and new deadend structures, and into the Pierce Brook substation.

(4) Protection SUF - NYSEG Stolle Road 345kV Remote End

NYSEG will perform a relay protection coordination analysis for its Stolle Road substation.

3. Cost Estimates:

a. System Upgrade Facilities

(1) Pierce Brook 345/230/115 kV Substation

The estimated cost for constructing the System Upgrade Facilities at the POI is $35,368,600.

(2) Line Loop SUF - Homer City - Five Mile Road 345kV Line

The estimated cost for the line Loop System Upgrade Facilities from the existing HC - FMR Line between Homer City substation and National Grid’s Five Mile Road substation into the Pierce Brook Substation is $3,055,000.

NYSEG will have the responsibility to review and accept the engineering, design
and procurement of materials, provide standards, and attend meetings and site
visits, as needed, to support the design and construction of the 345kV line loop.
TrAILCo will be responsible for the cost and expense of NYSEG to perform this
work. The cost will include transmission engineering design review, real estate,
Energy Control Center SCADA review and work requirements, and system

protection reviews. The estimate for NYSEG to perform this work is $50,000, which shall be compensated by TrAILCo.

(3) Line Loop SUF - Farmers Valley - Potter 115kV Line

The estimated cost for the line Loop System Upgrade Facilities from the Farmers Valley - Potter 115kV line is $696,500.

(4) Protection SUF - Homer City 345kV Remote End

The estimated cost for the protection System Upgrade Facilities at Homer City is $262,900.

80

SERVICE AGREEMENT NO. 2257

(5) Protection SUF - NYSEG Stolle Road 345kV Remote End

NYSEG will also perform a relay protection coordination analysis for its Stolle
Road substation. The estimated cost for NYSEG to perform this analysis is
$10,000.

Transmission Owner Standards

The System Upgrade Facilities to be constructed by Penelec, West Penn and TrAILCo,
with the exception of the 345 kV Line Loop work, will be designed to meet the following requirements:

• FirstEnergy Transmission Planning Criteria

• FirstEnergy Requirements for Transmission Connected Facilities

• FirstEnergy Transmission System Protection Practices

• FirstEnergy Substation Design Standards Manual

• Power Circuit Breakers 23 kV through 500 kV (“FE-BKR-1”)

• Open Rack Power Capacitors (“FE-CAP-1”)

• Liquid Immersed Substation Power & GSU Transformers (“FE-TR-1”)

81

SERVICE AGREEMENT NO. 2257

Figure 1

Simplified One-Line Diagram

82

SERVICE AGREEMENT NO. 2257

APPENDIX B - MILESTONES

In accordance with Article 5.1 of this Agreement, the following milestone dates shall apply to the designated performance:

1. Outage Start Date - the date that the HC - FMR Line outage commences which shall
 be no less than fourteen (14) days from the date TrAILCo receives NYSEG’s
 construction authorization pursuant to Section 5.3.3 of this Agreement.

2. Initial Energization Date - that date which is not greater than thirty (30) days from
 the Outage Start Date.

3. Trial Period - shall be defined as the ten (10) day period from the Initial Energization
 Date needed for commissioning and testing.

4. Commercial Operation Date - shall be defined as that date which is ten (10) days
 after the Initial Energization Date.

The duration of the Work Period defined in Appendix C, Section C(2), accounts for the period from the Outage Start Date to the Commercial Operation Date of the Transmission
Facility (i.e., the Pierce Brook Substation).

83

SERVICE AGREEMENT NO. 2257

APPENDIX C - INTERCONNECTION AND CONSTRUCTION PROVISIONS

A. Interconnection Description

The Pierce Brook Substation project is a new 345kV to 230kV to 115kV substation which will
be located in the northwest region of the Penelec service territory and loops the HC - FMR Line
and the FVP Line into Pierce Brook Substation. The Pierce Brook Substation will consist of a
345/230kV transformer, a 230kV/115kV transformer, and 345kV, 230kV, and 115kV ring buses
designed to significantly improve reliability to customers in northern Penelec service territory by
providing additional sources (345kV/230kV and 230kV/115kV transformation) and allow

facilities (i.e. breakers, switches, etc.) to be taken out of service for maintenance without

interrupting the flow of power between Farmers Valley, East Towanda, and Pierce Brook

substations. Inclusion of 230kV transformation at the Pierce Brook Substation also allows for the construction of a new 230kV line to Lewis Run substation at a later date.

The Project is a mandatory PJM baseline Regional Transmission Expansion Plan (“RTEP”)

upgrade and is needed to mitigate thermal and voltage Transmission Planning Criteria violations in the northern Penelec service territory (i.e. McKean, Potter, and Tioga counties) resulting from several NERC Category B and C contingencies.

B. Interconnection Provisions

The following are additional interconnection provisions to which the Parties agree to be bound:

1. TrAILCo will utilize the FE RTU at Pierce Brook substation to send metering

data (amps, watts, vars, and revenue MWh) and breaker status directly to the

NYSEG energy control center. The data provided to NYSEG via the FE RTU will
be in a DNP3 protocol stream, through a 4 wire audio tone, Bell 202T leased line
equivalent connection to JUMX equipment. The communication medium will be
leased T1 phone circuits from Pierce Brook substation to the NYSEG energy
control centers. The RTU will be owned and operated by TrAILCo at its cost and
expense.

2. TrAILCo will, at its own cost and expense, establish dial-up access to all 345 kV

revenue metering at Pierce Brook Substation for data collection via NYSEG’s MV-90 data collection system.

3. The Pierce Brook Substation will be designed with primary and backup relaying

systems for line and transformer protection, and independent breaker failure for
breaker protection. The primary line relaying will use pilot schemes over power
line carrier on the 345 kV lines to Homer City and Five Mile Road and 115 kV
line to Potter. The backup line relaying on the Homer City and Potter lines will
be step distance. The backup line relaying on the Five Mile Road 345 kV line will
use a pilot scheme over leased T1 circuit. This circuit will be provided by

National Grid. Line current differential over fiber will be used on the 115kV line to Farmers Valley substation.

84

SERVICE AGREEMENT NO. 2257

4. SCADA data requirements for National Grid will be set forth in a separate letter

agreement between TrAILCo and National Grid.

5. The Parties will coordinate with National Grid and PJM to develop mutually

agreeable operating protocols that will address, among other things, routine
switching and relay settings for the operation of the Pierce Brook Substation.

6. NYISO will, at TrAILCo’s cost and expense, provide to TrAILCo a RFL 9800

series shelf, 98 TMX cards and telemetry circuits (“NYISO Telemetry

Equipment”). The NYISO Telemetry Equipment will be installed by TrAILCo in racks at Pierce Brook substation. TrAILCo will utilize the NYISO Telemetry Equipment to provide the NYISO data in accordance with NYISO requirements. The NYISO telemetry equipment will receive values from meters at Pierce Brook substation and create an analog signal. The NYISO Telemetry Equipment will be operated and maintained at TrAILCo’s cost and expense.

C. Construction Provisions

The following are additional construction provisions to which the Parties agree to be bound:

1. TrAILCo and NYSEG each have obligations under this Agreement with respect

to System Upgrade Facilities. The Scope of Work for TrAILCo’s construction and installation of System Upgrade Facilities is set forth in sections 2(a), 2(b)(1), 2(b)(2) and 2(b)(3) of Appendix A. The Scope of Work related to NYSEG’s construction and installation of System Upgrade Facilities is set forth in section 2(b)(4) of Appendix A. NYSEG has delegated to TrAILCo the obligation to undertake and complete, at TrAILCo’s cost and expense, the NYSEG Scope of Work described in section 2(b)(3) of Appendix A.

2. TrAILCo shall use best efforts to complete the scope of work described in section

2(b)(3) of Appendix A (the “TrAILCo Scope of Work”) during the period (the

“Work Period”) between the commencement of the scheduled outage of the HC -
FMR Line and the Commercial Operation Date of the Transmission Facility,
which Work Period shall be thirty (30) days in duration. TrAILCo acknowledges
that TIME IS OF THE ESSENCE to complete the TrAILCo Scope of Work
during the Work Period. It is acknowledged that TrAILCo’s inability to complete
all of the work set forth in the TrAILCo Scope of Work within the Work Period
may cause NYSEG to incur economic damages and losses. If the work required
by the TrAILCo Scope of Work is not completed by the expiration of the Work
Period and NYSEG has suffered economic damages or losses as a result, then
NYSEG shall provide a written notice and an invoice to TrAILCo that provides
reasonable detail as to the cause and extent of the damages and or losses and the
amount due from TrAILCo to NYSEG. Subject to TrAILCo’s rights under this
Section 2, TrAILCo shall pay the amount due within five (5) days of the date of
the invoice. TrAILCo’s obligation to pay the amount invoiced pursuant to this
provision shall be absolute and unconditional and without counterclaim or set-off
except in the event the TrAILCo Scope of Work is not complete by the expiration

85

SERVICE AGREEMENT NO. 2257

of the Work Period because of an act or omission of NYSEG, an act or omission of a third-party not under contract with or control of TrAILCo or any affiliate of TrAILCo for purposes of the TrAILCo Scope of Work, an act or omission of the PJM Interconnection, L.L.C. (“PJM”), National Grid, and/or the New York
Independent System Operator, Inc. (“NYISO”), or an event beyond the reasonable control of TrAILCo (e.g., force majeure).

3. NYSEG, at TrAILCo’s expense, shall provide commercially reasonable

cooperation and communication to TrAILCo and shall provide all reasonably

requested documents, information, consents, and access to facilities and property to permit TrAILCo to undertake and complete the TrAILCo Scope of Work
during the Work Period.

4. NYSEG’s agreement to permit TrAILCo to undertake the TrAILCo Scope of

Work is conditioned upon TrAILCo delivering to NYSEG, before the initiation of
the Work Period, of a surety bond (the “Surety Bond”) in the amount of FIVE
MILLION DOLLARS ($5,000,000) in favor of NYSEG issued by a provider
reasonably acceptable to TrAILCo and NYSEG (the “SB Provider”) and in form
and substance reasonably acceptable to NYSEG, pursuant to which SB Provider
guarantees the performance and financial obligations of TrAILCo pursuant to
Sections 2(b)(3) of Appendix A and the performance and financial obligations of
TrAILCo pursuant to Sections C(2), C(10) and C(11) of this Appendix C.

5. The Parties acknowledge and understand that the compliance dates and time

periods set forth in Sections B(1), B(2) and B(3) of this Appendix C are subject to modifications due to: (a) outage scheduling procedures and restrictions; (b) acts or directives of PJM and/or NYISO; and (c) the finalization of applicable design and engineering specifications for equipment and facilities to be provided or
installed pursuant to this Agreement.

6. TrAILCo shall undertake the TrAILCo Scope of Work at its cost and expense,

and consistent with this Agreement and Good Utility Practice. The ownership of equipment and facilities installed by TrAILCo in connection with the Scope of Work shall be set forth in this Agreement.

7. NYSEG may monitor and inspect TrAILCo’s performance of the TrAILCo Scope

of Work. TrAILCo shall maintain adequate communication and coordination between TrAILCo and NYSEG during the Work Period, and TrAILCo shall
notify NYSEG of the commencement of the TrAILCo Scope of Work and the completion of the TrAILCo Scope of Work. For purposes of the performance of the TrAILCo Scope of Work, each Party hereby designates the following point of contact for purposes of communication during the Work Period:

For TrAILCo: Andy Mahlandt

Project Manager - Transmission & Distribution Services

c/o Burns & McDonnell

86

SERVICE AGREEMENT NO. 2257

9400 Ward Parkway

Kansas City, MO 64114
Office: 816-822-4380
Cell: 816-210-2171

Email: amahlandt@burnsmcd.com

For NYSEG: Timothy J. Lynch

Director - Transmission Services
New York State Electric & Gas
Corporation

18 Link Drive
P.O. Box 5224

Binghamton, NY 13902-5224 Office: 585-484-6352

Email: TJLynch@nyseg.com

8. The energization of the Pierce Brook Substation shall occur in accordance with

the testing and commissioning plan to be provided by TrAILCo to NYSEG,

which testing and commissioning plan shall be subject to NYSEG’s reasonable satisfaction. The Commercial Operation Date of the Pierce Brook Substation shall occur only after this Agreement is deemed effective by FERC. TrAILCo shall procure and maintain insurance coverage, for itself and its subcontractors, in accordance with the requirements set forth in Article 18 of this Agreement hereto, and incorporated herein by this reference.

9. Any Party shall report to the other Party verbally and 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.

10. TrAILCo will indemnify, defend at its expense and hold harmless NYSEG and its

Affiliates, and each of their directors, officers, employees, and agents (the

“Indemnitee”) from and against any and all liabilities, claims, demands, suits,

losses, costs, fees, damages or expenses (together, “Losses”) it may suffer, or for
which it may be held liable including, without limitation, reasonable expenses and
attorneys fees incurred in the connection therewith, by reason of: (a) any
work-related accident or injury affecting an employee, agent or subcontractor of
TrAILCo, arising in connection with work performed under the TrAILCo Scope
of Work; (b) any claim by an agency or instrumentality of the federal, state or any
local government, or by an employee, agent or subcontractor of TrAILCo alleging
that the Indemnitee is liable to any party, for any reason, due to TrAILCo’s
negligent performance of the work required by the TrAILCo Scope of Work or
omissions by an employee, agent or subcontractor of TrAILCo; (c) bodily injury,
including death, to any person or persons due to the actions or omissions of
TrAILCo or its agents or subcontractors; (d) damage to or destruction of any
property, including loss of use thereof, due to the actions or omissions of
TrAILCo, or its agents or subcontractors; provided, however, TrAILCo shall not
be required to indemnify, hold harmless and defend the Indemnitee to the extent

87

SERVICE AGREEMENT NO. 2257

Losses related to matters described in Sections (a), (b), (c) and (d) above arise
from the Indemnitee’s negligence or willful misconduct. Individual employees,
agents and subcontractors of TrAILCo who are performing work pursuant to the
TrAILCo Scope of Work shall be considered to be employees, agents or
subcontractors of TrAILCo for all purposes under this Agreement,
notwithstanding any judicial or administrative determination that such employees,
agents or subcontractors of the other party should be regarded as employees under
applicable law. All actions of the employees, agents and subcontractors of
TrAILCo under this Agreement shall be deemed to be actions of TrAILCo under
this Agreement. This provision shall continue and survive any expiration or
termination of this Agreement and completion of the TrAILCo Scope of Work.

11. Return of NYSEG Facilities to Status Quo Ante. It is the express intention of the

Parties that in the absence of the Pierce Brook Substation, the HC - FMR Line

and appurtenant facilities should be restored to their prior electrical configuration.
Therefore, if the Pierce Brook Substation is not in Commercial Operation by the
expiration of the Work Period, or if after the attempted Commercial Operation of
the Pierce Brook Substation it becomes evident in the reasonable determination of
NYSEG, upon consultation with the NYISO, TrAILCo and PJM, that the Pierce
Brook Substation will not be successfully placed in Commercial Operation, then
TrAILCo shall take the steps necessary to return, as soon as practicable, all

NYSEG facilities to the electrical configuration and status of such facilities prior
to the commencement of the TrAILCo Scope of Work by TrAILCo pursuant to
this Agreement; provided, however, that if the Pierce Brook Substation can be
commissioned and placed in Commercial Operation within a reasonably short
period of time following the expiration of the Work Period, then the Parties shall
work together to accomplish such Commercial Operation and TrAILCo shall have
no restoration obligations, but TrAILCo shall continue to have the payment
obligations pursuant to Section C(2) above, subject to the provisions of Section
C(2) above. Such work to restore the NYSEG facilities shall be done at the cost
and expense of TrAILCo and with NYSEG’s cooperation and coordination (and
with the coordination with PJM and NYISO), and shall be completed as soon as is
practicable.

88

SERVICE AGREEMENT NO. 2257

APPENDIX D - SECURITY ARRANGEMENTS DETAILS

Infrastructure security of New York State Transmission System and PJM Transmission System equipment and operations and control hardware and software is essential to ensure
day‐to‐day New York State Transmission System and PJM Transmission System reliability and operational security. The Commission will expect PJM, the NYISO, all Transmission Owners (including NYSEG and TrAILCo), 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.

89

SERVICE AGREEMENT NO. 2257

APPENDIX E - ADDRESSES FOR DELIVERY OF NOTICES AND BILLINGS

Notices:

TrAILCo:

FirstEnergy Service Company

Attn: Manager: FERC & Wholesale Connection Support

76 South Main St.

Akron, OH 44308

Email: mthorn@firstenergycorp.com

NYSEG:

New York State Electric & Gas Corporation

Attn: Transmission Services - Manager Programs/Projects PO Box 5224

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

Fax: (607) 762-8666

NYISO:

Before Commercial Operation of the Transmission Facility:

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 Facility:

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

10 Krey Boulevard

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

90

SERVICE AGREEMENT NO. 2257

Billings and Payments:

TrAILCo:

FirstEnergy Service Company

Attn: Manager: FERC & Wholesale Connection Support

76 South Main St.

Akron, OH 44308

Email: mthorn@firstenergycorp.com

NYSEG:

New York State Electric & Gas Corporation

Attn: Energy Services - Manager, Billing & Risk Management PO Box 5224

Binghamton, New York 13902-5224

91

SERVICE AGREEMENT NO. 2257

ALTERNATIVE FORMS OF DELIVERY OF NOTICES (TELEPHONE, FACSIMILE OR EMAIL):

TrAILCo:

FirstEnergy Service Company

Attn: Manager: FERC & Wholesale Connection Support

76 South Main St.

Akron, OH 44308

Email: mthorn@firstenergycorp.com Phone: (330) 384-3889

FirstEnergy Service Company

Attn: Attorney for FERC & Wholesale Connection Support FERC & Wholesale Connection Support

76 South Main St.

Akron, OH 44308

Email: pnrao@firstenergycorp.com Phone: (330) 384-2422

NYSEG:

New York State Electric & Gas Corporation

Attn: Transmission Services - Manager Programs/Projects PO Box 5224

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

Fax: (607) 762-8666

NYISO:

Before Commercial Operation of the Transmission Facility:

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 Facility:

92

SERVICE AGREEMENT NO. 2257

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

10 Krey Boulevard

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

93