

2.5 Local Furnishing Bonds and Other Tax Exempt Financing

2.5.1 Tax Exempt Financing Pursuant to Section 142(f) of the Internal Revenue Code:

This provision is applicable only to Transmission Owners that have financed facilities for the local furnishing of Energy with Local Furnishing Bonds, as described in Section 142(f) of the Internal Revenue Code ("Local Furnishing Bonds"). Notwithstanding any other provision of this Tariff, neither the ISO nor the Transmission Owner shall be required to provide transmission service to any Eligible Customer pursuant to this Tariff if the provision of such transmission service would jeopardize the tax-exempt status of any Local Furnishing Bond(s) used to finance the Transmission Owner's facilities.

2.5.2 Section 211 Order:

The provision of transmission service under this Tariff shall also constitute provision of transmission service pursuant to an Order by the Commission under Section 211 of the FPA with respect to the transmission of electricity on Consolidated Edison's transmission system.

2.5.3 Alternative Procedures for Requesting Transmission Service:

(i) If a Transmission Owner other than LIPA determines that the provision of transmission service requested by an Eligible Customer would jeopardize the tax-exempt status of any Local Furnishing Bond(s), the Transmission Owner shall advise the ISO within thirty (30) days of receipt of the Completed Application from an Eligible Customer requesting such service, or on the date on which this Tariff becomes effective, whichever is applicable. If LIPA determines that the provision of Transmission Service requested by an Eligible Customer would jeopardize the tax-exempt status of any Local Furnishing Bond(s) or LIPA Tax-Exempt Bonds, LIPA shall promptly advise the ISO.

(ii) If the Eligible Customer thereafter renews its request for the same transmission service referred to in (i) by tendering an application under Section 211 of the FPA, the Transmission Owner, within ten (10) days of receiving a copy of the Section 211 application, will waive its rights to a request for service under Section 213(a) of the FPA and to the issuance of a proposed order under Section 211 of the FPA. The Commission, upon receipt of the Transmission Owner's waiver of its rights to a request for service under Section 213(a) of the FPA and to the issuance of a proposed order under Section 211 of the FPA, shall issue an order under Section 211 of the FPA. Upon issuance of the order under Section 211 of the FPA, the ISO and the Transmission Owner shall be required to provide the requested Transmission Service in accordance with the terms and conditions of this Tariff.

2.5.4 Tax Exempt Financing Pursuant to Section 103 and Related Provision of the Internal Revenue Code:

This provision is applicable only to NYPA which has financed transmission facilities with the proceeds of bonds issued pursuant to Section 103 and related provisions of the Internal Revenue Code ("Government Bonds"). Notwithstanding any other provision of this Tariff, neither the ISO nor NYPA shall be required to provide Transmission Service to any Eligible Customer pursuant to this Tariff if provision of such transmission service would result in loss of the tax-exempt status of any government bonds or impair NYPA's ability to issue future tax-exempt obligations.

2.5.5 Transmission Service Effects on Use of Tax-Exempt Financing by LIPA:

This provision is applicable only to LIPA Tax-Exempt Bonds. Notwithstanding any other provisions of this Tariff, neither the ISO nor LIPA shall be required to provide Transmission Service to any Eligible Customer pursuant to this Tariff if the provision of such

Transmission Service would result in the loss of tax-exempt status of any of LIPA Tax-Exempt Bonds or impair the Long Island Power Authority's ability to issue future tax-exempt obligations.

2.5.6 Responsibility for Costs Associated With Loss of Tax-Exempt Status:

If by virtue of an order issued by the Commission pursuant to Section 211 of the FPA, the ISO or a Transmission Owner is required to provide Transmission Service that would adversely affect the tax-exempt status of a Transmission Owner's Local Furnishing Bonds, Government Bonds, LIPA Tax-Exempt Bonds, or any other tax-exempt debt obligations then the Eligible Customer receiving such Transmission Service will compensate the Transmission Owner for all costs, if any, associated with the loss of tax-exempt status plus the costs of Transmission Service.

2.5.7 Use of LIPA's Facilities:

All categories of Transmission Service into and out of the Long Island Transmission District shall require pre-approval by LIPA to ensure compliance with Sections 2.5.1 and 2.5.5, above. LIPA shall promptly inform the ISO of those categories of Transmission Service that are preapproved. Customers seeking Transmission Service into and out of the Long Island Transmission District shall submit requests for service to the ISO pursuant to the terms of its Tariffs. If a Customer requests a category of Transmission Service that is not pre-approved, the ISO shall reject the schedule and advise the Customer that such Transmission Service must first be reviewed by LIPA and determined to be capable of being provided in a manner that is consistent with Sections 2.5.1 and 2.5.5, above. The ISO shall schedule Transmission Service into and out of the Long Island Transmission District, including External Transactions, in accordance with its Tariffs. The ISO also shall adopt procedures for coordination of scheduling Transmission Service into and out of the Long Island Transmission District, including External

Transactions, consistent with the requirements of this Section and Section 11.02 of the ISO

Agreement which shall be implemented on a nondiscriminatory basis.