
POWER AUTHORITY
OF THE
STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE
OF SAINT LAWRENCE-FDR PROJECT POWER AND ENERGY
TO NEIGHBORING STATES

Service Tariff No. SL-1 - Firm Hydroelectric Power and Energy

Service Tariff No. SL-2 - Non-Firm Hydroelectric Energy Service

September 24, 2003

POWER AUTHORITY OF THE STATE OF NEW YORK

30 South Pearl Street

Albany, New York 12207

AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY

_____, which is the bargaining agent for the [Commonwealth] State of _____, hereby enters into this Agreement with the Power Authority of the State of New York (hereinafter called the "Parties"), for electric service as follows:

I. Definitions

- a. **Agreement** means this Agreement.
- b. **Authority** is the Power Authority of the State of New York.
- c. **Contract Demand** will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- d. **Customer** is the bargaining agent identified above.
- e. **Designated Customer** means those Neighboring State Customers that are Out-Of-State Entities pursuant to the Relicensing Settlement Agreement.
- f. **Designated States** means the states represented by the Designated Customers.
- g. **Electric Service** is any type of power and energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- h. **Firm Hydroelectric Power and Energy** are power and associated energy from the Authority's St. Lawrence-FDR Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, a Service Tariff or in other contract documents.
- i. **FERC License** means the Federal Energy Regulatory Commission (or any successor organization) License issued to the Authority for the St. Lawrence-FDR Power Project.
- j. **Non-firm Hydroelectric Energy** is energy from the Authority's St. Lawrence-FDR Power Project that is in addition to the energy associated with Firm Hydroelectric Power, that is available from time to time, and that is subject to interruption for extended periods because of decreased water flow or other system conditions.

- k. **Neighboring State Customers** means Customer and all other neighboring state bargaining agents that receive service from the St. Lawrence-FDR Power Project.
- l. **NYISO** means the New York Independent System Operator or any successor organization.
- m. **Project** means the St. Lawrence-FDR Power Project, FERC Project 2000.
- n. **Relicensing Settlement Agreement** means the St. Lawrence – FDR Power Project, FERC Project No. 2000 Relicensing Settlement Agreement dated September 30, 2003.
- o. **Rules** are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- p. **Service Tariff** is a schedule establishing rates and other conditions for sale of Electric Service to Customer.

II. Electric Service to be Provided

- a. The Authority shall provide Electric Service pursuant to Service Tariffs for power and/or energy to enable the Customer to receive its allocations from the Project in accordance with the provisions of the FERC License, in the amounts set forth below:

Firm Hydroelectric Power and Energy Service pursuant to
Service Tariff No. SL-1. - _____ KiloWatts (Contract Demand)

Non-Firm Hydroelectric Energy Service pursuant to
Service Tariff No. SL-2. - As available

- b. The Contract Demand may be modified by the Authority if the amount of Firm Hydroelectric Power and Energy available for sale from the Project is modified as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction, provided that in the event of such a modification, the aggregate percentage of the Firm Hydroelectric Power and Energy allocated to Designated Customers shall be four and one-quarter percent (4.25%) of all Project Firm Hydroelectric Power and Energy, as modified. In the event the Authority increases the capability of the Project, the Authority shall conduct a study to determine whether additional quantities of Firm Hydroelectric Power and Energy and/or Non-firm Hydroelectric Energy will be produced. If the Authority conducts a discrete program of changes or upgrades to the Project, such as a program of upgrades to the Project's generating units, the study referred to in the foregoing sentence shall be conducted at the completion of such program. If the Authority determines that additional quantities of Firm Hydroelectric Power and Energy

and/or Non-firm Hydroelectric Energy are produced from the Project as a result of such changes or upgrades, the aggregate percentage of such classes of power and/or energy to be offered to Designated Customers shall be four and one-quarter percent (4.25%). Customer's share of any additional quantities of Firm Hydroelectric Power and Energy and/or Non-firm Hydroelectric Energy, which it has no obligation to purchase, shall be based on its proportional share of the neighboring state allocation among Designated Customers of Project power and energy, as applicable.

III. Availability of Non-Firm Hydroelectric Energy

Except as otherwise provided pursuant to this Agreement, four and one-quarter percent (4.25%) of all Project Non-Firm Hydroelectric Energy shall be made available pursuant to Service Tariff No. SL-2 to Designated Customers on a cumulative basis effective on the commencement of service under this Agreement. Non-Firm Hydroelectric Energy from the Project shall be offered to all Designated Customers in proportion to their respective firm power allocations (i.e., based on the Project capacity existing as of the effective date of this Agreement as it may be subsequently modified pursuant to Section II b. More specifically, the Customer's Non-Firm Hydroelectric Energy allocation from the Project will be equal to the Customer's Contract Demand (in kW) divided by the sum of the Designated Customers' Contract Demands times the total Project Non-Firm Hydroelectric Energy available to all Designated Customers). To the extent that there is a balance owing to Customer on the effective date of service under this Agreement arising out of service under a prior agreement for the sale of Project Non-Firm Hydroelectric Energy, that balance shall be carried over and maintained as the balance as of the effective date of service under this Agreement.

The Authority shall make available periodically, but at least annually, a tabulation showing cumulative comparisons between total actual Non-Firm Hydroelectric Energy sales to each Neighboring State Customer and the amount of energy the Authority has contracted to make available.

IV. Rules, Regulations and Service Tariffs

The Rules, Service Tariff No. SL-1, and Service Tariff No. SL-2, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this Agreement with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariffs, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to Customer, but in no event less notice

than that provided to similarly affected customers within New York State of any proposed change in the above Rules and Service Tariffs.

V. Resale of Power and Energy

In reselling and distributing power and energy purchased from Authority, Customer shall: 1) do so pursuant to the appropriate laws of the State or Commonwealth in which Customer operates, 2) do so without profit other than reasonable compensation for administrative and service costs, 3) resell such power and energy only to the distributing entities designated in Appendix A ("Distributing Entities") of the Application for Electric Service filed by Customer with Authority and maintained on a current basis, 4) not permit such Distributing Entities to sell such power and energy for resale except as designated in Appendix A of the Application for Electric Service, 5) require such Distributing Entities to resell the Power and energy without profit except for administrative and services costs of the Customer and reasonable compensation (as allowed by the regulatory agencies authorized by law to regulate the rates and practices of the Distributing Entities) for use of facilities and for services furnished in the transmission and distribution of such power, and 6) comply with the provisions of the FERC License and the New York Power Authority Act (N.Y. Pub. Auth. Law Section §1000 et seq.), to the extent such Power Authority Act is not inconsistent with the FERC License.

Customer shall keep its books, accounts and records pertaining to the purchase, delivery and sale of Authority power according to procedures reasonably deemed necessary by Authority to ensure compliance with applicable statutes, licenses, the Rules and shall require its designated receiving entities to do likewise. It shall provide such information and permit such inspection of its books and records as Authority may reasonably request and shall require its designated receiving entities as identified in Appendix A to the Agreement to do likewise.

VI. Modification to Power and Energy Allocations

Energy allocations shall be determined based on the load factors set forth in the Appendix A attached to the contract that expired on October 31, 2003. Except in the case of a substantial reallocation within a state, the load factor, and resulting energy allocation, shall not be adjusted for the term of this Agreement. Appendix A, attached hereto contains, *inter alia*, the load factor that determines the energy allocation and a list of all Distributing Entities on whose behalf Customer has contracted for power and energy.

Customer may at any time, on written notice to the Authority, modify its Appendix A to redistribute its then existing allocation among authorized recipients in its state. The quantities of power and energy referred to herein are established by the Authority as part of an allocation of power to New York's neighboring states in order to fulfill statutory and/or license obligations.

If the Authority determines that Customer, or any Distributing Entity is engaged in resale of such power and energy in a manner inconsistent with this Agreement, Authority may require Customer to cease the resale of Project Power and Energy to such Distributing Entity

VII. Transmission and Delivery of Power and Energy

Customer understands that delivery of power and energy to the New York State border ("Border") will be made over the transmission facilities under the control of the NYISO. At the request of and on the approval of Customer, the Authority shall arrange for the transmission of the power and energy supplied hereunder to the Border consistent with Customer's request and the terms of the Open Access Transmission Tariff of the NYISO. It is the Customer's responsibility to compensate the Authority for all net costs, including any NYISO related charges (net of credits), associated with transmission to the Border. In lieu of the Authority arranging transmission service to the Border, Customer may elect, in its sole discretion, to arrange necessary transmission on its own behalf. In that instance, Customer must provide the Authority with the requisite notice in order to cancel all preexisting wheeling arrangements subject to the terms of such arrangements and waive any rights it might have obligating the Authority to provide wheeling to the Border. Delivery of power and energy from the Border to the Distributing Entities' consumers in Customer's state is the responsibility of Customer or the Distributing Entity, and Customer or Distributing Entity shall make the necessary arrangements to accomplish said delivery.

Customer and the Authority recognize that the structure of the marketplace has and continues to undergo change. Certain provisions contained herein may need to be amended, or additional provisions added to conform service hereunder to the rules and regulations of the NYISO, particularly with respect to scheduling, delivery and reliability. The Parties shall negotiate in good faith any such revisions or additions to this Agreement. Customer and Authority also recognize that industry restructuring is underway in the neighboring states and that certain provisions to this Agreement may need to be amended, or additional provisions added, to provide for such changes and to maintain the relative benefits and burdens of this Agreement, and the Parties shall negotiate in good faith to do so.

The Authority shall endeavor to accommodate Customer's request(s) to meet the requirements of other transmission and/or reliability organizations affecting the delivery of power and energy under this Agreement.

VIII. Scheduling Procedures

The Scheduling Procedures as provided in Service Tariff Nos. SL-1 and SL-2 reflect the scheduling requirements of the Authority. The Authority may implement modified procedures for scheduling power and energy sold hereunder from time to

time upon thirty (30) days prior written notice to Customer, to the extent necessary to conform to the requirements of the NYISO.

IX. Dispatching Agent

Customer may elect to designate one or more dispatching agents ("Dispatching Agent") for the purpose of administering the scheduling provisions of Service Tariff Nos. SL-1 and SL-2 for the term thereof. The Authority may require Customer or its Dispatching Agent to schedule energy in general accordance with Customer's system load shape. Customer may substitute the load shape of the Dispatching Agent or another load shape as agreed upon by the Customer and the Authority

X. Rates

Firm Power (and associated energy) and Non-Firm Hydroelectric Energy shall be sold to Customer hereunder at cost-based rates equivalent to rates charged to in-state preference customers. The Authority shall charge and Customer shall pay the preference power rates adopted by the Authority on April 29, 2003, during the period through April 30, 2007, and thereafter for as long as those rates remain in effect during the term of this Agreement. Customer waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 29, 2003 except as otherwise provided for below.

Customer waives any challenges to any of the following methodologies and principles¹ to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted on April 29, 2003:

- (i) The principles set forth in the March 5, 1986 Settlement Agreement (Appendix B to this Agreement) settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "Auer Settlement").
- (ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.
- (iii) Treatment of sales to third parties, including the New York Independent System Operator.
- (iv) Allocation of Indirect Overheads.

¹ These methodologies and principles were employed in and explained by the Authority's January 2003 Report on Hydroelectric Production Rates and the Staff Analysis of Public Comments and Recommendations adopted by the Authority's Trustees on April 29, 2003, and in the RSR explanatory statement attached hereto as Appendix B.

- (v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.
- (vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).
- (vii) Rate Stabilization Reserve methodology as supplemented by the explanatory statement attached hereto as Appendix B.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Customer shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority.

XI. Other Classes of Power and Energy

In the event that the Authority at any time determines that any class of power and energy other than those sold pursuant to Service Tariff Nos. SL-1 and SL-2 is available for sale to Customer or that additional power and energy under those Service Tariffs is available for sale to Customer, the Authority shall notify Customer, and Customer may purchase such power and energy hereunder at the rate schedule or schedules then in effect for such power and energy, in such amounts and subject to such terms and conditions as shall then be agreed upon between the Authority and Customer.

XII. Reallocation of Firm Hydroelectric Power and Energy

Customer may at any time on written notice to the Authority modify its Appendix A to redistribute its then existing allocation among authorized recipients in its state. The quantities of power and energy referred to herein are established by the Authority as part of an allocation of power to Designated Customers in order to fulfill statutory and/or license obligations.

If Customer is, or becomes unable or chooses not to receive any or all of the Firm Hydroelectric Power and Energy allocated to it, such power and energy will be reallocated by the Authority pro-rata among all other Designated Customers. Customer must provide written notice to the Authority and all other Designated Customers of such reallocation and of the subsequent resolution. Upon acceptance of such notice by the Authority, any required changes in the allocations of power and energy among the Designated Customers shall become effective the first day of the succeeding January or July, whichever comes first, but no earlier than ninety (90) days after the Authority's receipt of such notice.

XIII. Appointment of Customer Agent

Upon reasonable prior written notice to the Authority, Customer shall have the right to delegate to an agent any or all duties under this Agreement ("Customer's Agent") and the Authority acknowledges that such duties may be performed by Customer's Agent. Such duties delegated to Customer's Agent may include the keeping of all records required by Authority, the payment of any or all amounts due to the Authority under this Agreement and any or all such other duties contained in this Agreement as may be specified by Customer; provided that the Customer may choose to assume and perform any or all of the duties previously delegated to Customer's Agent and provided further that nothing herein, including Customer's designation of such an agent, shall be deemed to be approval by the Authority of an assignment of any of Customer's duties and obligations under its Agreement with the Authority. Customer further reserves the right, on reasonable prior written notice to the Authority, to designate a different party as Customer's Agent at any time during the term of this Agreement.

XIV. Term and Termination of Service

Once initiated, service shall continue until the earliest of (a) termination by Customer with respect to all or part of its allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) April 30, 2017. The Authority may cancel service hereunder or modify the quantities of Firm Hydroelectric Power and Energy and/or Non-Firm Hydroelectric Energy allocated to Customer (a) if such cancellation or modification is required to comply with any ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the Federal Energy Regulatory Commission or its successor agency), or (b) as otherwise provided herein or in the Rules.

XV. Notification

Correspondence involving the administration of this Agreement shall be addressed as follows:

To: The Authority
Manager – Power Contracts
New York Power Authority
123 Main Street
White Plains, NY 10601

To: Customer

XVI. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License.

XVII. Successors and Assigns

This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained, which consent shall not be unreasonably withheld.

XVIII. Previous Agreements and Communications

This Agreement, together with the Relicensing Settlement Agreement, shall constitute the sole and complete agreement of the Parties hereto with respect to the matters herein set forth. Such agreement supersedes all previous agreements and communications between the Parties hereto, either oral or written, with reference to the subject matter of this Agreement.

No modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XIX. Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act, and upon execution by the Parties, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariffs and Rules both as they may be amended, shall constitute the contract between the Parties for Electric Service hereunder.

XX. Severability and Voidability

If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the Federal Energy Regulatory Commission or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

Notwithstanding the preceding paragraph, if any provision of this Agreement or the Relicensing Settlement Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall,

at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be void and unenforceable.

XXI. Effectiveness of Agreement

This Agreement shall take effect on the later of November 1, 2003 or the date of its execution under Paragraph XIX above.

CUSTOMER

BY _____

Authorized Officer's Title

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Authorized Officer's Title

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK
30 South Pearl Street, Albany, NY 12207

Service Tariff No. SL-1

Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

November 1, 2003

APPLICABLE:

To sale of St. Lawrence-FDR Power Project ("Project") hydroelectric firm power and energy to designated Customers located in neighboring states.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES:

Capacity Rate: per kilowatt per month of Billing Demand at the Project switchyard.

12-Month Period Commencing	Demand Rate \$/kW-month
5/1/2003	1.45
5/1/2004	1.71
5/1/2005	2.09
5/1/2006	2.38

Base Energy Rate: 4.92 mills per kilowatt-hour

The energy charge set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described below under "Adjustments."

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

DEFINITIONS:

Billing Demand: The Billing Demand shall be the Customer's Contract Demand.

Billing Period: Any period of approximately thirty (30) days, generally ending with the last day of each calendar month.

ADJUSTMENTS:**1. For Transmission Losses**

The demand and energy charges specified in this Service Tariff apply to amounts of power and energy supplied at Authority's Project switchyard. Losses from the Project switchyard to the New York State border ("Border") shall be determined in accordance with the tariffs and procedures of the NYISO.

2. For Flow Adjustment Computation ("FAC")

The energy charges hereunder plus those under Service Tariff (SL-2) and the applicable Service Tariffs associated with the Niagara Hydroelectric Project, in the aggregate, are subject to a credit or surcharge pursuant to an FAC in any rate year following a calendar year for which the Hydroelectric Project Rate Stabilization Reserve ("RSR") is greater than \$+25 million, or less than \$-25 million, respectively. The RSR will be used to ensure rate stability and cost recovery and its level will be determined and any credit or surcharge for the succeeding rate year will be calculated after the prior calendar year's costs and generation levels are known. Any credit or surcharge will be applied on a uniform basis to the monthly billing statements rendered pursuant to this service tariff during the succeeding rate year.

The FAC would be inapplicable in any rate year succeeding a calendar year at the end of which the RSR is within the \$+25 million to \$-25 million range. If at the end of any calendar year the RSR is determined to exceed \$+25 million, such excess amount will be credited pro-rata to Customers during the succeeding rate year pursuant to the FAC. If the RSR at the end of any calendar year is determined to be less than \$-25 million, the difference below \$-25 million will be surcharged pro-rata to Customers during the succeeding rate year pursuant to the FAC.

SCHEDULING PROCEDURES

1. Authority will advise Customer or its Dispatching Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of energy expected to be made available from the Project.
2. Authority may require that such energy from the Project be scheduled in general accordance with the individual system load shapes of Customer or its Dispatching Agent or as otherwise agreed upon by the Customer and Authority.

3. Customer or its Dispatching Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's requested amounts from the Project on a clock hour basis.
4. Subsequent to Authority approval of firm schedules for any day, Authority and Customer or its Dispatching Agent may agree on changes in such schedules subject to NYISO scheduling requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

SPECIAL PROVISIONS:

Special Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. SL-1 with regard to deliveries to Customer are as follows:

A Adjustment of Rates

To the extent not inconsistent with the attached Agreement for the Sale of Hydropower and Energy, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to Customer.

B Availability of Energy

Unless otherwise agreed upon by the parties, Authority shall normally provide in any Billing Period firm energy to Customer in an amount equal to the product of (A) the number of hours in such billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the overall applicable monthly load factor, as shown on Appendix A. In the event that hydraulic conditions at the Project require the Authority to reduce the amount of energy provided to Customer under this Service Tariff to an amount below such normal level, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Authority hydropower customers. The offer of energy for delivery pursuant to Special Provision C shall fulfill Authority's obligations for purposes of Special Provision B whether or not the energy is taken by Customer.

C Delivery and Metering

- 1 Delivery. Firm power and energy supplied hereunder shall be delivered by Authority at the Project switchyard to the NYISO for delivery to Customer's Transmission Agent at the Border.

For the purpose of this Service Tariff, power and energy shall be deemed to be offered when Authority is able to supply power and energy and NYISO transmits it to its designated points of interconnection with Customer's Transmission Agent(s). If, despite such offer, there is a failure of delivery by Customer or Customer's Transmission Agents, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

- 2 Metering. The firm power and energy delivered to Customer's Transmission Agent at the Border shall be measured at or computed as though measured at the Border. For deliveries made under the NYISO tariffs, the amounts of energy delivered at the Border shall equal the amounts provided at the Project switchyard. Under this approach, any energy lost in delivery to the Border shall be purchased from the NYISO at the Border at the prevailing NYISO hourly prices at the relevant Border interconnection point(s) between NYISO and Customer' Transmission Agent(s). Alternatively, the Customer, in its sole discretion, after coordinating with Authority, may elect to provide "losses in kind" or such other arrangements as permitted by the NYISO tariffs for the provision of losses. In such case, the procedures for measuring and financially settling for energy losses to the Border shall be determined by the relevant provisions of the NYISO tariffs.

D Payment by Customer for Firm Power and Energy

- 1 Customer shall pay for firm power and energy during any Billing Period the sum of a) and b) below:
 - a The capacity rate per kilowatt for firm power specified in this Service Tariff No. SL-1 or any modification thereof applied to Customer's Billing Demand for the Billing Period: and
 - b The energy rate specified in this Service Tariff No.SL-1 or any modification thereof applied to the amount of firm energy delivered by Authority to Customer during such Billing Period as determined pursuant to Special Provision C-2.
- 2 Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

E Transmission and Related Charges

If Authority acts as Customer's agent with respect to arranging transmission service under the NYISO OATT for the Customer's power and energy allocation, Customer will compensate Authority for all charges assessed against the Authority by the NYISO resulting from Authority arranging such transmission service to Customer hereunder provided however, if Customer elects, in its sole discretion, to arrange transmission service directly with the NYISO, no such reimbursement for NYISO charges shall be applicable.

If the Authority acts as Customer's transmission agent with the NYISO for delivery of Customer's power and energy allocation, the Authority shall maintain, for a period of

at least three (3) calendar years, records of billings and supporting data received from the NYISO for such delivery services to the Border. Upon request, such billing data shall be provided to Customer in a mutually agreed upon electronic format.

F Supplementary Provision

Sections 454.2 (c) and 454.5 of the Rules are inapplicable to this Service Tariff.

POWER AUTHORITY OF THE STATE OF NEW YORK
30 South Pearl Street, Albany, NY 12207

Service Tariff No. SL-2

Schedule of Rates for Non-Firm Hydroelectric
Energy Service

EFFECTIVE:

November 1, 2003

APPLICABLE:

To sale of St. Lawrence-FDR Power Project ("Project") hydroelectric non-firm energy to designated Customers located in neighboring states.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES:

Base Energy Rate: 4.92 mills per kilowatt-hour.

The energy charges set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described below under "Adjustments."

MINIMUM MONTHLY CHARGE:

None.

DEFINITIONS:

Billing Period: Any period of approximately thirty (30) days, generally ending with the last day of each calendar month.

ADJUSTMENTS:

1. For Transmission Losses

The energy charges specified in this Service Tariff apply to amounts of energy supplied at Authority's Project switchyard. Losses from the Project switchyard to the New York State border ("Border") shall be determined in accordance with the tariffs and procedures of the NYISO.

2. For Flow Adjustment Computation ("FAC")

The energy charges hereunder plus those under Service Tariff (SL-1) and the applicable Service Tariffs associated with the Niagara Hydroelectric Project, in the aggregate, are subject to a credit or surcharge pursuant to an FAC in any rate year following a calendar year for which the Hydroelectric Project Rate Stabilization Reserve ("RSR") is greater than \$+25 million, or less than \$-25 million, respectively. The RSR will be used to ensure rate stability and cost recover and its level will be determined and any credit or surcharge for the succeeding rate year will be calculated after the prior calendar year's costs and generation levels are known. Any credit or surcharge will be applied on a uniform basis to the monthly billing statements rendered pursuant to this service tariff during the succeeding rate year.

The FAC would be inappropriate in any rate year succeeding a calendar year at the end of which the RSR is within the \$+25 million to \$-25 million range. If at the end of any calendar year the RSR is determined to exceed \$+25 million, such excess amount will be credited pro-rata to Customers during the succeeding rate year pursuant to the FAC. If the RSR at the end of any calendar year is determined to be less than \$-25 million, the difference below \$-25 million will be surcharged pro-rata to Customers during the succeeding rate year pursuant to the FAC

SCHEDULING PROCEDURES:

1. Authority will advise Customer or its Dispatching Agent by the tenth (10th) Business Day of the preceding month of the estimated quantity of energy expected to be made available from the Project.
2. Authority may require that such energy from the Project be scheduled in general accordance with the individual system load shapes of Customer or its Dispatching Agent or as otherwise agreed upon by the Customer and Authority.
3. Customer or its Dispatching Agent shall file with Authority pursuant to procedures established by Authority, a daily schedule setting forth the Customer's requested amounts on a clock hour basis.
4. Subsequent to Authority approval of non-firm schedules for any day, Authority and Customer or its Dispatching Agent may agree on changes in such schedules subject to NYISO scheduling requirements and procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

SPECIAL PROVISIONS:

Special Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. SL-2 with regard to deliveries to Customer are as follows:

A Adjustment of Rates

To the extent not inconsistent with the attached Agreement for the Sale of Hydropower and Energy, the rates contained in this Service Tariff may be revised by Authority from time to time on not less than thirty (30) days written notice to Customer.

B Availability of Energy

Non-firm energy will be subject to its availability as determined by Authority. Transmission of non-firm energy will be subject to availability of transmission capacity on the systems of Authority and its wheeling agents as determined pursuant to Special Provision C-1. The offer of energy for delivery pursuant to Special Provision C shall fulfill Authority's obligations for purposes of Special Provision B whether or not the energy is taken by Customer.

C Delivery and Metering

- 1 Delivery. Non-firm energy supplied hereunder shall be delivered by Authority at the Project switchyard to the NYISO for delivery to Customer's Transmission Agent at the Border. For the purpose of this Service Tariff, energy shall be deemed to be offered when Authority is able to supply such energy and NYISO transmits it to its designated points of interconnection with the Customer's Transmission Agent(s).
- 2 Metering. The non-firm energy delivered to Customer's Transmission Agent at the Border shall be measured at or computed as though measured at the Border. For deliveries made under the NYISO tariffs, the amounts of energy delivered at the Border shall equal the amounts provided at the Project switchyard. Under this approach, any energy lost in delivery shall be purchased from the NYISO at the Border at the prevailing NYISO hourly prices at the relevant Border interconnection point(s) between NYISO and Customer's Transmission Agent(s). Alternatively, the Customer, in its sole discretion, after coordinating with Authority, may elect to provide "losses in kind" or such other arrangements as permitted by the NYISO tariffs for the provision of losses. In such case, the procedures for measuring and financially settling for energy losses to the Border shall be determined by the relevant provisions of the NYISO tariffs.

D Payment by Customer for Non-Firm Energy

- 1 Customer shall pay for non-firm energy during any Billing Period the energy rate specified in this Service Tariff No. SL-2 or any modification thereof applied

to the amount of non-firm energy delivered by Authority to Customer during such Billing Period as determined pursuant to Special Provision C-2.

- 2 Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

E Transmission and Substation Charges

If Authority acts as Customer's agent with respect to arranging transmission service under the NYISO OATT for the Customer's power and energy allocation, Customer will compensate Authority for all charges assessed against the Authority by the NYISO resulting from Authority arranging such transmission service to Customer hereunder provided however, if Customer elects, in its sole discretion, to arrange transmission service directly with the NYISO, no such reimbursement for NYISO charges shall be applicable.

If the Authority acts as Customer's transmission agent with the NYISO for delivery of Customer's power and energy allocation, the Authority shall maintain, for a period of at least three (3) calendar years, records of billings and supporting data received from the NYISO for such delivery services to the Border. Upon request, such billing data shall be provided to Customer in a mutually agreed upon electronic format.

F Supplementary Provision

Sections 454.2 (c) and 454.5 of the Rules are inapplicable to this Service Tariff.