May 26, 2010
Exhibit "B"

DRAFT

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
Albany, New York

AGREEMENT FOR THE SALE

OF ST. LAWRENCE-FDR PROJECT POWER AND ENERGY

TO THE TOWN OF MASSENA, MASSENA ELECTRIC DEPARTMENT

Service Tariff No. HC-2 - Firm Hydroelectric Power and Energy

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May 2010

The Town of Massena, Massena Electric Department("Customer" or "MED"), with offices at 71 E. Hatfield Street, Massena, New York 13662, hereby enters into this Agreement for the Sale of St. Lawrence -FDR Project Power and Energy ("Agreement") with the POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title 1 of Article 5 of the New York Public Authorities Law ("PAL"), having offices and its principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425. The Authority and the Customer are from time to time referred to in this Agreement individually as a "Party" or collectively as the "Parties" and agree follows:

I. Definitions

a. **Agreement** means this Agreement including the Appendices.

b. **Allocation** shall mean the amount of Project Power and Energy allocated to the Customer by the Authority hereunder. Neither Ancillary Services nor Green Attributes are included in the Allocation.

c. **Ancillary Services** shall be as defined by the NYISO in its rules, tariffs, manuals and procedures.

d. **Authority** is the Power Authority of the State of New York, as described in the preamble to this Agreement.

e. **Commencement Date** is the date of the Agreement's execution.

f. **Contract Demand** shall be the sum of the amounts of power allocated and sold by the Customer to Ultimate Users, which amounts shall not exceed the Allocation.

g. **Customer** is the authorized recipient of the Allocation identified above and is a municipality or other political subdivision of the State of New York authorized to engage in the distribution of electric power pursuant to Public Authorities Law §1005(5) and General Municipal Law §360, et. seq.

h. **Customer's Agent** is defined in Article VIII.

i. **Customer's Costs** include direct administrative and services costs incurred by the Customer; compensation for use of third-party facilities and services furnished to the Customer in the transmission and distribution of the Allocation; all costs associated with negotiating the Agreement and the establishment of mechanisms to accept and distribute the Allocation. Such costs shall be approved by the Authority as required by New York Public Authorities Law §1005.

j. **Electric Service** is power and energy available to the Customer in accordance with applicable Service Tariffs, Rules and other contract documents.

k. **FERC** means the Federal Energy Regulatory Commission (or any successor agency).

l. **FERC License** means the first new license issued by FERC on October 23, 2003, to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act.

m. **Firm Hydroelectric Power and Energy** are firm power and associated energy from the Authority's St. Lawrence Power Project, intended to be available at all times except for limitations provided in this Agreement, the Rules, applicable Service Tariff or in other contract documents.

n. **Green Attributes** (sometimes referred to as Renewable Attributes or Renewable Energy Credits) are attributes associated with renewable energy power production facilities as may be defined by law or administrative action now or in the future, including but not limited to the Renewable Portfolio Standard proceeding of the New York Public Service Commission.

o. **Load Serving Entity** is an entity authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers under the rules, tariffs, manuals and procedures of the NYISO.

p. **NYISO** means the New York Independent System Operator (or any successor organization).

q. **Project** means the St. Lawrence-FDR Power Project, FERC Project 2000.

r. **Project Power and Energy** means Firm Hydroelectric Power and Energy produced by the Project.

s. **Project Switchyard** is the St. Lawrence Project switchyard.

t. **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), as may be modified from time to time by the Authority.

u. **Service Tariff** means the Authority's Service Tariff No. HC-2, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to the Customer under this Agreement.

v. **Ultimate Users** are entities within St. Lawrence County who will receive the benefit of or to whom the Customer will resell Project Power and Energy

purchased from the Authority for economic development purposes as provided in Article IX of this Agreement.

w. **Unforced Capacity** is the capacity required to be provided by Load Serving Entities to serve load as defined by the NYISO in its rules, tariffs, manuals and procedures.

All other terms not defined in this Agreement, the Service Tariff, or the Rules shall have the meanings ascribed to them in the electric industry.

II. Electric Service to be Provided

a. The Authority shall provide Electric Service pursuant to Service Tariff HC-2 for Power and/or Energy to enable the Customer to receive the Allocation from the Project in accordance with the provisions of the FERC License in the amount set forth below:

> Firm Hydroelectric Power and Energy Service pursuant to Service Tariff No. HC-2: [20,000] kilowatts ("Allocation")

The Authority shall provide Unforced Capacity in amounts necessary to meet the Customer's NYISO Unforced Capacity obligations associated with the foregoing Allocation in accordance with the rules and tariffs of the NYISO.

b. The Allocation may be modified by the Authority if the amounts of such Project Power and Energy available for sale from the Project are modified as required to comply with any law, ruling, order or decision of any regulatory or judicial body having jurisdiction. The Authority shall provide reasonable notice to the Customer of any such action that would result in modification of Allocation and nothing herein shall be construed as limiting the Customer's rights to challenge any proposed reduction of the Allocation.

III. Rules, Service Tariff and Conflicts

The Rules and the Service Tariff are hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts, or differences between the provisions of Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the Service Tariff and any other provisions of this Agreement, the provisions of this Agreement shall govern. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Rules or the Service Tariff, but in no event shall the Authority provide less notice than that required to be provided to similarly affected Authority customers within New York State.

IV. Transmission and Delivery of Power and Energy

The Customer shall have the responsibility to act as the Load Serving Entity ("LSE"), arrange for one or more other entities to do so on its behalf or make other arrangements for conveying the Allocation to Ultimate Users. The Customer, or the entity acting as LSE or the Customer's Agent shall arrange for the transmission of the Project Power and Energy supplied hereunder from the Project Switchyard to the Customer's points of delivery. Such delivery shall be consistent with Article VI of this Agreement and the terms of the NYISO's Open Access Transmission Tariff (OATT) or other applicable tariff of the NYISO. The Customer shall be responsible for all costs associated with the transmission and delivery of the allocation.

V. Rates

Project Power and Energy shall be sold to the Customer hereunder at cost-based rates equivalent to rates charged to the Authority's in-state preference customers receiving preference power under the NRA.

The Customer waives any challenges to any of the following methodologies and principles[1] to the extent that one or more of such methodologies and principles are used by the Authority to set rates different than those adopted by the Authority's Trustees in their meeting on April 29, 2003 based on the "January 2003 Report on Hydroelectric Production Rates" and as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

(i) The principles set forth in the March 5, 1986 Settlement 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.

(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).

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[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.

(vii) Rate Stabilization Reserve (RSR) methodology as supplemented by the explanatory statement attached hereto as Appendix A

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. Nothing contained herein shall preclude the Customer from participating in the rate setting process and raising issues as to whether such methodologies and principles have been correctly employed.

VI. Use and Resale of Project Power and Energy

In reselling and/or distributing the Allocation the Customer shall: (1) distribute such Allocation only to the Ultimate Users designated pursuant to Article IX of this Agreement; (2) not permit such Ultimate Users to sell any of such Allocation for resale without prior approval by the Authority; (3) not recover from an Ultimate User more than the Allocation cost and the Customer's Costs; (4) otherwise transfer the benefits of the transactions contemplated hereunder with the concurrence of the Authority, which shall not be unreasonably withheld; and (5) comply with the FERC License, the Rules, the Power Authority Act (to the extent such Power Authority Act is not inconsistent with the FERC License) and all other applicable laws of the State of New York.

The Customer or the Customer's Agent shall keep its books, accounts and records pertaining to the purchase, delivery and sale of the Allocation according to procedures reasonably deemed necessary by the Authority to ensure compliance with this Agreement, applicable statutes, licenses, the Rules. The Customer shall provide such information and permit such inspection of its books and records as the Authority may reasonably request and shall require the Customer's Agent and/or Ultimate Users to agree to do likewise.

The distribution of the Allocation to Ultimate Users shall, where feasible, be accompanied by a statement indicating the total savings in dollars realized by the individual Ultimate User for the particular billing period as a result of the purchase of hydroelectric power and energy by the Customer from the Authority. The form and content of such statement shall be coordinated between the Customer and the Authority.

VII. Availability of Energy

Subject to any other limitations set forth in the Rules or the Service Tariff (including low-flow conditions), the Authority will supply each Ultimate User's demand and energy usage, at the Ultimate User's actual load factor in a mutually agreed upon manner.

VIII. Appointment of Customer's Agent

Upon reasonable prior written notice to the Authority, the 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 the Customer's Agent. Such duties delegated to the Customer's Agent may include the keeping of all records required by the 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 the Customer; provided that the Customer may choose to assume and perform any or all of the duties previously delegated to the Customer's Agent and provided further that nothing herein, including the Customer's designation of such an agent, shall be deemed to be approval by the Authority of an assignment of any of the Customer's duties and obligations under its Agreement with the Authority. The Customer may, on reasonable prior written notice to the Authority (consistent with the Authority's and the NYISO's scheduling and business process requirements), designate a different party as the Customer's Agent at any time during the term of this Agreement.

The Customer's Agent may include, without limitation, a public utility, LSE, Municipal Distribution Agency, or load aggregator.

IX. Ultimate Users

The Customer will distribute power and energy associated with the Allocation to Ultimate Users in accordance with the Agreement and the Customer's economic development program. The economic development program description, allocation criteria and methodology shall be submitted to and approved by the Authority which approval shall not be unreasonably withheld and the Parties acknowledge and agree that such program shall be consistent with the principals for approving economic development proposals established under the multi-party agreement between the St. Lawrence River Valley Redevelopment Agency ("RVRDA") members, NYPA and the St. Lawrence County Industrial Development Agency.

The Customer shall notify the Authority of each Ultimate User it has selected to receive a portion of the Allocation. Each notification must contain: (1) the identity of the Ultimate User(s); and (2) the amount of the allocation.

The Agreement does not mandate or otherwise require the Customer to provide any portion of the Allocation to any specific Ultimate User and the Customer shall not be precluded from denying a portion of the Allocation to any such Ultimate User.

X. Term and Termination of Service

Service under the Agreement shall begin on the Commencement Date and shall continue until the earliest of: (a) termination by the Customer with respect to all of its Allocation upon ninety (90) days prior written notice; (b) termination by the Authority pursuant to the Rules upon required notice; or (c) September 1, 2025, at which time a new or modified agreement will be entered between the Authority and the Customer to provide the Customer with Project Power and Energy for the remaining effective duration of the FERC License. If such a new or modified agreement is not in place to take effect after September 1, 2025, service will be continued under the terms and conditions of this Agreement on a year-to-year basis or until a new or modified agreement takes effect between the Parties.

The Authority may cancel service hereunder or modify the quantities of Project Power and Energy allocated to the Customer only: (a) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency): or (b) as otherwise provided herein or in the Rules.

XI. Notification

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

To Authority:

Director-Marketing Analysis & Administration New York Power Authority
123 Main Street
White Plains, NY 10601

To Customer:
General Manager
Massena Electric Department
71 E. Hatfield Street
P.O. Box 209
Massena, NY 13662

With a copy to:

XII. Applicable Law and Venue

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. Any action or proceeding arising out of or relating to this Agreement shall be brought in state courts located in Albany County, New York.

XIII. 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.

XIV. Previous Agreements and Communications

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

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.

XV. Acceptance and Approvals

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

XVI. 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 FERC or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

XVII. Effectiveness of Agreement

This Agreement shall take effect the date of the Agreement's execution.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

CUSTOMER

BY _____

Title _____

Date _____

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Title _____

Date _____

Appendix A

NEW YORK POWER AUTHORITY RATE STABILIZATION RESERVE METHODOLOGY

The Rate Stabilization Reserve (RSR) is calculated consistent with Service Tariff provisions regarding the Flow Adjustment Computation (FAC), which was not altered in the January 2003 Report on Hydroelectric Production Rates or the Staff Analysis of Public Comments and Recommendations adopted by the Trustees of the Power Authority on April 29, 2003. The calculation is described below:

1. Calculate the total cost of service (CoS) for the Niagara/St. Lawrence projects. Costs include: Operations and Maintenance, amortized roadwork, Indirect Overheads (Shared Services, Research and Development, debt service) and Capital Costs (using TOC for equity funded and OC for debt funded).

2. Credit the CoS by any excess capacity (ICAP) sales to the NYISO.

3. Allocate costs to the demand function by multiplying the sum of the Customers' billed demands by the preference demand charge, which has been inflated to include Ancillary Services production costs. This larger demand charge is used only for the purposes of the RSR.

4. Calculate the cost-based energy rate by dividing the remaining energy assigned costs by the annual metered generation.

5. Calculate the difference between the cost-based energy rate and the billed preference energy rate.

6. Multiply the difference in the rates by the actual annual billed preference energy sales to determine the annual change in the RSR.

7. Add the annual change to the RSR balance from the prior year-end to get the current year-end RSR balance.

8. If the current year-end balance is in excess of +/- $25 million, the excess would be subject to a credit or a surcharge in the subsequent rate year.

POWER AUTHORITY OF THE STATE OF NEW YORK
30 SOUTH PEARL STREET
ALBANY, NY 12207

Electric Service Tariff for Host Communities
Firm Hydroelectric Power Service

Service Tariff No. HC-2

Date of Issue: June 30, 2010

Date Effective: July 1, 2010

Issued by James F. Pasquale, Senior Vice President
Power Authority of the State of New York
30 South Pearl Street, Albany, NY 12207

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Schedule of Rates for Firm Hydroelectric Power and Energy Service

I. Applicability

To sale of St. Lawrence-FDR Hydroelectric Project firm power and energy to the Host Communities customers in the vicinity of the St. Lawrence-FDR Power Project in St. Lawrence County.

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kWh	kilowatt-hour(s)
NYPA	New York Power Authority
NYISO	New York Independent System Operator

B. The term "Agreement" means contract for the Sale of St. Lawrence-FDR Project Power and Energy between Authority and Customer.

C. The term "Authority" means New York Power Authority, an alternative name for the Power Authority of the State of New York.

D. The term "Customer" means "Customer" as defined in the Agreement. Where the context indicates, "Customer" shall also mean "Customer's Agent" as defined herein.

E. The term "Customer's Agent" may include, without limitation, a public utility, Load Service Entity, Municipal Distribution Agency, load aggregator or other entity authorized to purchase, sell and/or deliver or cause to be delivered electric power and/or energy on behalf of the Customer.

F. The term "Power" or "Firm Hydroelectric Power" means capacity (kW) from Project, intended to be available at all times except for limitations provided in the Agreement, the Rules, this Service Tariff or in other contract documents. Firm Power shall not include peaking power.

G. The term "Energy" or "Firm Hydroelectric Energy" means energy (kWh) associated with Firm Hydroelectric Power.

H. The term "Project" means the Authority's St. Lawrence-FDR Hydroelectric Project.

I. The term "Rules" means 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, 21 NYCRR § 454) as now in effect and as may be later amended from time to time by Authority.

J. The term "Service Tariff" means this Service Tariff No. HC-2.

III. Monthly Rates and Charges

A. Monthly Base Rates

The monthly demand and energy charges paid by Customer to Authority shall be based on the preference power rates charged by Authority, as shown below.

Effective Date	Demand Rate $/kW-month	Energy Rate Mills/kWh
5/1/2008	2.96	4.92

The demand and energy rates set forth above shall apply at the Project switchyard and the energy rate shall be subject to a monthly adjustment in accordance with a Flow Adjustment Computation (FAC) as described in Section V.

B. Minimum Monthly Charge

The product of the demand rate set forth above and the contract demand.

C. Billing Energy

Energy provided by Authority under this Service Tariff.

D. Billing Period

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

E. Contract Demand

The amounts set forth in the applicable Agreement between Authority and Customer.

F. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority, if any, for services provided by the NYISO or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) which are associated with

Customer's purchase of hydro power and energy under its contract for the sale of hydro power and energy with Authority:

1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

2. Marginal losses;

3. The New York Power Authority Transmission Adjustment Charge ("NTAC");

4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;

5. Any and all other charges, assessments or other amounts associated with deliveries to Customer that are assessed on the Authority by the NYISO or any successor organization under the provisions of its OATT or under other applicable tariffs; and

6. Any charges assessed on the Authority with respect to service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by NYPA with respect to service to Customers), applicable tariffs or required to be paid by the Authority in accordance with law, whether charged by the NYISO or some other third party.

The NYISO Charges in this section are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

G. Taxes and Other Charges

The charges under this Service Tariff shall be subject to adjustment as Authority deems necessary to recover from Customer any rates, taxes, assessments charged to Authority or any other charges mandated by federal, state and local agencies that are levied on the Authority or that the Authority is required to collect from its Customer if and to the extent such rates, charges, taxes or assessments are not recovered by Authority pursuant to another provision of this Service Tariff.

IV. General Provisions

General Provisions for service supplementing or modifying the Rules and Regulations for Power Service and this Service Tariff with regard to deliveries to Customer are as follows:

A. Character of Service

Alternating current, 60 hertz, three-phase.

B. Availability of Energy

Unless otherwise agreed upon by the parties, Authority shall normally provide in any billing period Firm Hydroelectric 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 load factor specified in the Agreement. The Authority will have the right to reduce on a pro rata basis the amount of Firm Hydroelectric Energy provided to Customer if such reductions are necessary due to low flow (i.e., hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Customer in later billing periods. The offer of Firm Hydroelectric Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Firm Hydroelectric Energy is taken by Customer.. The Authority shall provide reasonable notice, to the extent possible, to Customer of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.

Unless otherwise specified in the Agreement, where Customer is taking service solely from Authority, the billing energy shall be the total number of kilowatt-hours recorded on Customer's meter or the meters of entities served by Customer during the billing period, adjusted for losses.

Unless otherwise specified in the Agreement, where Customer takes service from other sources in addition to service supplied hereunder, the billing energy shall be determined by multiplying (a) the number of hours in such billing period, (b) the contract demand applicable in such billing period and (c) the load factor specified in the Agreement.

C. Adjustment of Rates

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

D. Adjustment of Charges

Power Factor

Not less than 95% lagging or leading, except as otherwise specified in the Agreement.

E. Delivery

For the purpose of this Service Tariff, Firm Hydroelectric Power and Energy shall be delivered by Authority at the Project switchyard to the transmission facilities under the control of the NYISO for delivery to Customer.

For the purpose of this Service Tariff, Firm Hydroelectric Power and Energy shall be deemed to be offered when Authority is able to supply Firm Hydroelectric Power and Energy and NYISO transmits it to the Project switchyard. The offer of Firm Hydroelectric Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Firm Hydroelectric Energy is taken by Customer. If, despite such offer, there is a failure of delivery by Customer or Customer's Agent, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

F. Scheduling Procedures

1. Authority will advise Customer or Customer's Agent by the tenth (10^{th}) Business Day of the preceding month of the estimated quantity of Firm Hydroelectric Energy expected to be made available from the Project.

2. Authority may require that such Firm Hydroelectric Energy from the Project be scheduled in general accordance with the individual system load shapes of the Customer or as otherwise agreed upon by the Customer and Authority.

3. Customer or Customer's 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 schedules for any day, Authority and Customer or Customer's 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.

G. Payment by Customer or Customer's Agent for Firm Hydroelectric Power and Energy

1. Customer or Customer's Agent shall pay for Firm Hydroelectric Power and Energy during any billing period the sum of a) and b) below:

   a. The demand rate per kW for Firm Hydroelectric Power specified in this Service Tariff or any modification thereof applied to Customer's contract demand for the billing period; and

   b. The energy rate specified in this Service Tariff or any modification thereof applied to the amount of Firm Hydroelectric billing energy delivered by Authority to Customer or Customer's Agent during such billing period.

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 in full. If necessary, any adjustments will be made thereafter.

H. Supplementary Provision

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

I. Alternate Arrangements

Notwithstanding general provisions E, F and G above, Authority, Customer or Customer's Agent may make alternate arrangements regarding Delivery, Scheduling Procedures and Payment by Customer for Firm Hydroelectric Power and Energy consistent with the terms of the Agreement or other contract documents.

J. Conflicts

In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

V. Flow Adjustment Computation ("FAC")

The energy charges under this Service Tariff, and the applicable service tariffs associated with both the Project and the Niagara Hydroelectric Project, in the aggregate, are subject to a credit or surcharge pursuant to a 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 is 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 Customer 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 Customer during the succeeding rate year pursuant to the FAC.

To the extent that there is a balance in the RSR (positive or negative) on the effective date of service under the applicable Agreement, arising out of service under a prior agreement for the sale of Project power and energy, that RSR balance shall be carried forward and maintained as the balance as of the effective date of service under such applicable Agreement.