

Exhibit “B”



POWER AUTHORITY OF THE STATE OF NEW YORK
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ALBANY, NY 12207

**Schedule of Rates for Sale of St. Lawrence County Economic
Development Power to the Town of Massena Electric
Department**

Service Tariff No. SC-1

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Schedule of Rates for Sale of St. Lawrence County Economic Development Power to the Town of Massena Electric Department

I. Applicability

To sale of St. Lawrence-FDR Hydroelectric Project firm power and energy, denominated herein as “St. Lawrence County Economic Development Power,” to the Customer for resale by the Customer to Qualified End Users to support economic development in St. Lawrence County, up to an amount not to exceed the Maximum Total Allocation Amount.

II. Abbreviations and Terms

- kW kilowatt(s)
- kWh kilowatt-hour(s)
- MW megawatt(s)
- NYPA New York Power Authority
- NYISO New York Independent System Operator, Inc. or any successor organization
- OATT NYISO Open Access Transmission Tariff, as such tariff is amended and in effect from time to time.
- SCEDP St. Lawrence County Economic Development Power

Agreement: An executed agreement between the Authority and the Customer setting forth the terms and conditions applicable to the Allocation and sale of SCEDP to the Customer, including specifically an agreement entitled “Agreement Governing the Sale of St. Lawrence-FDR Project Power and Energy to the Town of Massena Electric Department for Economic Development Purposes.”

Allocation: This term has the meaning provided for in the Agreement.

Authority: The Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the “New York Power Authority” and “NYPA.”

Billing Demand: This term has the meaning provided for in Section III.B of this Service Tariff.

Billing Energy: This term has the meaning provided for in Section III.B of this Service Tariff.

Billing Period: For Qualified End Users located within the Customer’s service territory, a period equal to a calendar month; for Qualified End Users located outside the Customer’s service territory and within St. Lawrence County, any period of approximately thirty (30) days, generally ending with the last day of each calendar month, but subject to the billing cycle requirements set by local electric utilities for its customers who receive delivery of SCEDP from any such utility.

Contract Demand: The sum of individual contract demands, inclusive of losses, for SCEDP as provided for in individual Sub-Allocation Contracts between the Customer and Qualified End Users, not to exceed the Maximum Total Allocation Amount.

Customer: Town of Massena Electric Department as described in the Agreement.

Customer's Agent: This term has the meaning provided for in the Agreement.

Electric Service: The Firm Power and Firm Energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Firm Hydroelectric Power: Capacity (kW) from the Hydro Project, intended to be available at all times except for limitations provided in the Agreement, this Service Tariff and the Rules. Firm Power does not include peaking power.

Firm Hydroelectric Energy: Energy (kWh) associated with Firm Hydroelectric Power.

Hydro Project: The Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.

Hydro Project Switchyard: The St. Lawrence Project switchyard.

Load Serving Entity or **LSE**: This term has the meaning provided for in the Agreement.

Maximum Total Allocation Amount: This term has the meaning provided for in the Agreement.

NYISO Charges: Fees and charges levied by the NYISO, typically on an LSE, for services provided by the NYISO under the OATT or any other NYISO Tariffs, including but not limited to the following: (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; (5) any and all other charges, assessments or other amounts associated with deliveries to Customer that are assessed on the Authority by the NYISO 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 Customer), applicable tariffs or required to be paid by the Authority in accordance with law, whether charged by the NYISO or some other third party.

NYISO OATT: The NYISO Open Access Transmission Tariff, as such tariff is amended and in effect from time to time.

NYISO Tariffs: The tariffs of the NYISO, including the NYISO OATT, as such tariffs are amended and in effect from time to time.

Qualified End User: This term has the meaning provided for in the Agreement.

Rate Year: The May Billing Period through April Billing Period of the following year.

Rules: The Authority's rules and regulations set forth in 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.

Service Tariff: This Service Tariff, denominated as “Schedule of Rates for Sale of St. Lawrence County Economic Development Power to the Town of Massena Electric Department, Service Tariff No. SC-1,” as amended from time to time by the Authority.

St. Lawrence County Economic Development Power or **SCEDP:** The name given to the Firm Hydroelectric Power and Firm Hydroelectric Energy being made available to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

Sub-Allocation: This term has the meaning provided for in the Agreement.

Sub-Allocation Contract: This term has the meaning provided for in the Agreement.

Substitute Energy: Energy the Authority procures and sells to the Customer to replace St. Lawrence County Economic Development Power that would otherwise have been sold to the Customer but for a curtailment made in accordance with the Agreement and this Service Tariff.

Additional terms are defined in the text of this Service Tariff.

Unless otherwise indicated, all other capitalized terms and abbreviations used but not defined in this Service Tariff have the meaning as set forth in the Agreement.

III. Monthly Rates and Related Matters

A. Monthly Base Rates

Subject to the other provisions of this Service Tariff, the monthly demand and energy rates to be charged to the Customer by the Authority based on the Authority's preference power rates for each Rate Year beginning May 1, 2012 shall be as follows:

<u>Rate Year</u>	<u>Demand Rate</u> \$/kW-month of contract demand	<u>Energy Rate</u> Mills/kWh
5/1/2012 through 4/30/2013	3.57	4.92
5/1/2013 through 4/30/2014	3.91	4.92
5/1/2014 through 4/30/2015	4.07	4.92

The demand rates and energy rates set forth above shall apply at the Hydro Project Switchyard. For the rate periods through April 30, 2014, the energy rate shall not be subject to a monthly adjustment in accordance with a Flow Adjustment Computation ("FAC") described in Section V of this Service Tariff. For the May 1, 2014-April 30, 2015 rate period, a monthly adjustment in accordance with the FAC will apply except that if Rate Stabilization Reserve ("RSR") balance is less than -\$25 million, the monthly adjustment shall be based on a surcharge no greater than \$0.40/Megawatt-hour.

B. Billing Demand and Billing Energy

Billing Demand. The Billing Demand (kW) will be equal to the Contract Demand for a Billing Period.

Billing Energy. Unless otherwise specified in the Agreement, for Qualified End Users that receive only SCEDP, the Billing Energy will be the total number of kilowatt hours recorded on the meters of the Qualified End Users, adjusted for distribution losses as appropriate during the Billing Period. For Qualified End Users that receive power from another source in addition to SCEDP, the Billing Energy will be split to account for SCEDP only, by the proportion of the Contract Demand to the total monthly demand, adjusted for distribution losses as appropriate during the Billing Period.

C. NYISO Charges

The Customer, as LSE, shall be solely responsible for paying and recovering from Qualified End Users any NYISO Charges for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) which are associated with SCEDP Allocations and Sub-Allocations made and sold in accordance with this Agreement and this Service Tariff. Should the Authority for any reason incur any NYISO Charges, the Customer shall reimburse the Authority for all such NYISO Charges.

D. Taxes and Other Charges

The Authority will charge and collect from the Customer all local, state and federal taxes, assessments or other charges, if any, mandated by local, state or federal agencies or authorities that are levied on the Authority or that the Authority is required to collect from the Customer ("Taxes") if and to the extent such Taxes are not recovered by the Authority pursuant to another provision of this Service Tariff to the extent associated with SCEDP Allocations and Sub-Allocations made and sold in accordance with this Service Tariff.

E. Delivery Charges

As between the Authority and the Customer, the Customer shall be solely responsible for paying any charges associated with the delivery of SCEDP to Qualified End Users. Should the Authority for any reason incur any charges associated with such delivery service, the Customer shall reimburse the Authority for all such charges.

F. Adjustments to Charges

In addition to any other adjustments provided for in this Service Tariff, in any Billing Period the Authority may make appropriate adjustments to billings and charges to address such matters as billing and payment errors, and the receipt of actual, additional, or corrected data concerning Customer energy or demand usage. When making adjustments to billings and charges made to the Customer under this Section III.F, the Authority may, in its discretion, take account of the Customer's ability to effectuate adjustments to billings and charges to Qualified End Users based on limitations imposed by the Public Service Law or the Public Service Commission rule, order or guideline.

G. 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.

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

Unless otherwise agreed upon by the Authority and the Customer, the Authority shall normally make available in any Billing Period Firm Hydroelectric Energy estimated by the Customer in the manner provided for in the Agreement 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 of all Qualified End Users. Any difference between the estimated energy and actual used energy will be settled financially or with an adjustment to the next billing period's estimate, as agreed upon by the Authority and the Customer.

The Authority will have the right to reduce on a pro rata basis the amount of Firm Hydroelectric Energy provided to the 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 provide reasonable notice, to the extent possible, to the 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.

Upon written request by the Customer in a form deemed satisfactory by the Authority, and consent of the Authority in writing, the Authority will provide Substitute Energy to the Customer to replace SCEDP that would otherwise have been supplied under the Agreement but for a curtailment made in accordance with this Service Tariff. The provision of Substitute Energy may be terminated by the Authority or the Customer on at least fifteen (15) days' prior written notice.

The Authority may require the Customer to enter into a separate agreement relating to the provision and sale of Substitute Energy. The provisions of this Agreement shall remain in effect notwithstanding the existence of any such separate agreement.

Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's current Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

The Authority shall be under no obligation to deliver and will not deliver any such curtailed Firm Hydroelectric Energy to Customer in later Billing Periods.

C. Delivery

It shall be the Customer's sole responsibility to deliver St. Lawrence County Economic Development Power to Qualified End Users, or to arrange for another party to make such delivery. The Authority shall have no obligation to deliver St. Lawrence County Economic Development Power to any Qualified End User.

For the purpose of this Service Tariff, Firm Hydroelectric Energy and Firm Hydroelectric Capacity shall be delivered by the Authority to the Customer at the Hydro 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 Energy shall be deemed to be offered when the Authority is able to supply Firm Hydroelectric Energy and Firm Hydroelectric Capacity and NYISO transmits it to the Hydro Project Switchyard. The offer of Firm Hydroelectric Energy and Firm Hydroelectric Capacity for delivery in this manner shall fulfill Authority's

obligations for purposes of this provision whether or not the Firm Hydroelectric Energy and Firm Hydroelectric Capacity is taken by Customer. If, despite such offer, there is a failure of delivery by Customer, the Customer's Agent, or a local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Scheduling Procedures

1. The Authority will advise the Customer by the tenth (10th) business day of the preceding month of the estimated quantity of Firm Hydroelectric Energy expected to be made available from the Hydro Project.
2. The Authority may require that such Firm Hydroelectric Energy from the Hydro Project be scheduled in general accordance with the individual system load shapes of Customer unless the Authority and the Customer agree to another method.
3. The Customer shall file with Authority pursuant to procedures established by the Authority, a daily schedule setting forth the Customer's requested amounts from the Hydro Project on a clock hour basis.
4. Subsequent to the Authority's approval of schedules for any day, the Authority and Customer may agree on changes in such schedules subject to NYISO scheduling requirements and any procedures the Authority shall establish to provide for an efficient dispatch of Authority facilities.

E. Payment by Customer for Firm Hydroelectric Power and Firm Hydroelectric Energy

1. The Customer shall pay the Authority for Firm Hydroelectric Power and Firm Hydroelectric Energy during any Billing Period the sum of (a) and (b) below:
 - a. The demand rate per kW specified in this Service Tariff or any modification thereof applied to the Billing Demand for the Billing Period; and
 - b. The energy rate specified in this Service Tariff or any modification thereof applied to the amount of Billing Energy delivered by the Authority to the Customer during such Billing Period.
2. Bills computed under this Service Tariff are due and payable by check or by electronic wire transfer in accordance with the Rules. Any such wire transfers 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 the Authority, the Customer shall pay such bill in full and, if necessary, appropriate adjustments will be made thereafter.

F. Supplementary Provision

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

G. Alternate Arrangements

Notwithstanding Sections IV.C, IV.D and IV.E of this Service Tariff, the Authority and the Customer may make alternate arrangements regarding delivery, scheduling, and payment for Firm Hydroelectric Power and Firm Hydroelectric Energy consistent with the terms of the Agreement.

H. Conflicts

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

V. Flow Adjustment Computation (“FAC”)

The energy charges under this Service Tariff, and the applicable service tariffs associated with both the Hydro Project and the Authority’s 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 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.

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