



May 22, 2012

**VIA E-MAIL**

secretary@dps.ny.gov

Hon. Jaclyn A. Brillling  
Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223

Re: Case 12-E-0174 – Verified Petition of AES Eastern Energy, L.P., AES Somerset, LLC, AES Cayuga, LLC, and Somerset Cayuga Holding Company, Inc. For Expedited Approval Pursuant to Sections 69 and 70 of the New York Public Service Law and Related Approvals

Dear Secretary Brillling:

New York State Electric & Gas Corporation (“NYSEG”) is a participant in the above-captioned proceeding and, through its undersigned counsel, hereby respectfully withdraws its previously filed objection to AES’s request for expedited consideration of the Petition.

New York State Electric & Gas Corporation (“NYSEG”) also writes to express its support for the Verified Petition (the “Petition”) of AES Eastern Energy, L.P., AES Somerset, LLC, AES Cayuga, LLC (the “AES Petitioners”) and Somerset Cayuga Holding Company Inc. (collectively, “NewCo” and together with the AES Petitioners, the “Petitioners”), for Expedited Approval Pursuant to Sections 69 and 70 of the New York Public Service Law and Related Approvals. Petitioners seek approval to transfer the 668 MW Somerset (formerly Kintigh) Facility located in Barker, New York and the 311 MW Cayuga Facility located in Lansing, New York and related assets (the “Transferred Assets”) under the terms approved by the United States

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Bankruptcy Court for the District of Delaware (“Bankruptcy Court”) as part of the on-going Chapter 11 bankruptcy proceedings involving several AES entities.<sup>1</sup>

NYSEG supports approval of the proposed transfer, and the transfer of land and equipment as contemplated by the settlement attached hereto (the “Settlement”), conditioned only on Bankruptcy Court approval of the Settlement. The Settlement, which is by and among NYSEG, the Petitioners and other interested parties, will ensure the continued safe and reliable operation of NYSEG’s transmission system after the consummation of the proposed transfer and protects the interests of NYSEG and its customers with respect to the Transferred Assets and four other non-operating coal-fired generation facilities: the Greenidge generating facility located in Dresden, New York; the Westover (formerly Goudey) generating facility located in Johnson City, New York; the Hickling generating facility located in Corning, New York; and the Jennison generating facility located in Bainbridge, New York (the Greenidge, Goudey, Hickling and Jennison facilities are collectively referred to herein as the “Non-Operating Plants”). NYSEG had previously in 1999 sold the Somerset and Cayuga facilities as well as the Non-Operating Plants to AES.

In the four months since learning of AES’s bankruptcy filing, NYSEG personnel have worked diligently to evaluate the proposed transaction and to identify the reliability impacts to its transmission system, from both the sale of the Transferred Assets and AES’s contemplated cessation of performance of its obligations under the existing Interconnection Agreement applicable to the Non-Operating Plants. This analysis has shown that, in order to ensure continued reliability, certain NYSEG transmission equipment currently located within the footprint of the Non-Operating Plants must be separated and relocated to NYSEG’s existing substation facilities adjacent to those plants. In order to be completed in a safe and reliable manner without unnecessary risk to the transmission system, this separation project will require the transfer of certain transmission equipment and land from AES to NYSEG, as well as a transfer of a small parcel of land from NYSEG to AES (or its successor) and a transition period during which AES continues to perform its obligations under the existing Interconnection Agreement, including maintaining the plants and providing necessary electric service.

The Settlement addresses NYSEG’s reliability concerns and provides important protections to NYSEG and its customers related to both the Transferred Assets and the Non-Operating Plants. Specifically, the Settlement provides for, among other things, the transfer of

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1. The debtors in these Chapter 11 cases are: AES New York Surety, L.L.C., AES New York Holdings, L.L.C., AES NY, L.L.C., AES NY2, L.L.C., AES NY3, L.L.C., AES Creative Resources, L.P., AES Jennison, L.L.C., AES Hickling, L.L.C., AES Eastern Energy, L.P., AES Somerset, L.L.C., AES, Cayuga, L.L.C., AEE2, L.L.C., AES Greenidge, L.L.C. and AES Westover, L.L.C. NYSEG refers to these debtors herein collectively as “AES.”

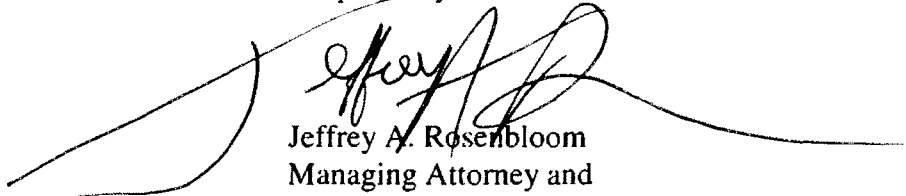
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equipment and land<sup>2</sup> necessary for, and otherwise facilitates the successful completion of, the separation project, and confirms NYSEG's authority to pursue an allowed unsecured claim in the AES Bankruptcy Court proceedings for its costs in completing the separation project.<sup>3</sup> NYSEG, AES and the other interested parties will promptly be seeking Bankruptcy Court approval of the Settlement and will provide the Commission with a copy of the Bankruptcy Court's order approving the Settlement if and when it is entered.

In light of the Settlement, NYSEG supports the transfer of the Transferred Assets to NewCo, conditioned only on Bankruptcy Court approval of the Settlement. NYSEG reserves its right to supplement these comments if the Settlement is not approved as contemplated.

If you have any questions regarding this filing, please contact me at 585-724-8132.

Respectfully Submitted,



Jeffrey A. Rosenbloom  
Managing Attorney and  
Assistant Secretary

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2. By separate filing, the AES Petitioners intend to amend the Petition to seek Commission approval of the transfer from AES to NYSEG of this equipment and land and transfer of a small parcel from NYSEG to AES (at the Greenidge plant) located at the Non-Operating Plants pursuant to Section 70. NYSEG fully supports this amendment as the contemplated transfers are clearly in the public interest as they will ensure NYSEG's ability to continue to operate its transmission system reliably even as AES ceases all operations at the Non-Operating Plants.

3. NYSEG currently estimates that the costs for completing the separation project will be approximately \$26.5 million in capital costs and approximately \$4 million in maintenance expenses.. NYSEG will make a claim for recovery of these costs through the allowed unsecured claim in the bankruptcy proceedings. To the extent NYSEG is unable to recover its costs and expenses through the bankruptcy proceedings, NYSEG anticipates that it will seek recovery in a future proceeding at the Commission.

**TERM SHEET FOR SETTLEMENT  
OF TRANSMISSION AND INTERCONNECTION ISSUES**

This Term Sheet resolves disputes relating to rejection of the Interconnection Agreement between New York State Electric & Gas Corporation and AES NY, LLC, dated as of August 3, 1998, as amended (the "Interconnection Agreement") covering six power plants<sup>1</sup> and pending petitions before the State of New York Public Service Commission (the "PSC"); the State of New York Board on Electric Generation Siting and the Environment (the "Siting Board"), and the Federal Energy Regulatory Commission ("FERC"). The undersigned parties support the terms and conditions outlined in this Term Sheet and the parties agree to negotiate definitive documents consistent with this Term Sheet. This Term Sheet is not an offer or solicitation for any chapter 11 plan. This Term Sheet is subject to Federal Rule of Evidence 408 and FERC Rule 602 and any state law equivalents.

A. Parties. The parties to this Term Sheet are:

1. Interconnection Agreement Debtors. AES Eastern Energy, LP ("AEE"); AES NY, LLC; AES Somerset, LLC; AES Cayuga, LLC; AEE2, LLC; AES Westover, LLC; AES Greenidge, LLC; AES Creative Resources, LP; AES Jennison, LLC; and AES Hickling, LLC (collectively, the "IA Debtors" and together with the remaining affiliated debtors in the jointly administered chapter 11 cases, the "Debtors").
2. Committee. The statutory Committee of Unsecured Creditors of the Debtors (the "Committee").
3. NewCo. Somerset Cayuga Holding Company, Inc. ("NewCo").
4. NYSEG. New York State Electric & Gas Corporation ("NYSEG").

B. Disputes. This Term Sheet sets forth the terms and conditions (the "Settlement") on which the parties have agreed to resolve the following disputes:

1. NYSEG's filed protest before FERC to the Joint Application for Authorization under Section 203 of the Federal Power Act relating to the transfer of the Somerset and Cayuga facilities to NewCo (the "Section 203 Protest").
2. NYSEG's potential objections before the PSC to the pending petition under sections 69 and 70 of the New York Public Service Law relating to the transfer of the Somerset and Cayuga facilities to NewCo (the "PSC Petition").

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<sup>1</sup> The power plants consist of the Somerset (Kintigh), Cayuga (Milliken), Westover (Goudey), Greenidge, Hickling and Jennison facilities. Capitalized terms used but not defined in this Settlement have the meaning given to them in the Interconnection Agreement.

3. The Debtors' Motion Pursuant to Sections 105(a), 362 and 365 of the Bankruptcy Code for (i) Authorization to Reject Interconnection Agreement; (ii) Compelling NYSEG to Submit a Post-Rejection Plan for the Removal of Property; and (iii) Seeking Sanctions for NYSEG's Willful Violations of the Automatic Stay (the "Rejection Motion").

C. Settlement Terms

1. NYSEG and designated subsidiaries of NewCo to enter into new interconnection agreements for the Somerset (Kintigh) and Cayuga (Milliken) facilities (each an "IA"). Each IA to be filed with FERC and based on the NYISO pro forma interconnection agreement, revised to (a) be a two-party interconnection agreement, and (b) address Joint Use Facilities, Excluded Assets, and other plant-specific interconnection issues, including, without limitation, the Joint Use Facilities at Somerset and Cayuga that are identified in Schedule A hereto.
2. NewCo will (a) release NYSEG from any and all claims it has or may in the future claim to have against NYSEG that arise from or in any way relate to any of the liabilities NewCo is assuming under the terms of the Asset Purchase Agreement between it and certain of the Debtors approved by the Bankruptcy Court on April 11, 2012 (as the same may be amended from time to time, the "APA"), (b) covenant to not take, or aid any party (directly or indirectly) in taking, any action against NYSEG or any of its affiliates with respect to such released claims, and (c) covenant that if it enters into any agreement to sell, transfer, lease or otherwise dispose of all or any portion of the Somerset or Cayuga facilities, then it will use commercially reasonable efforts to obtain (i) the same release and covenant as set forth above from its transferee/lessee and the agreement of its transferee/lessee that NYSEG is an intended third-party beneficiary entitled to enforce the release and covenant, and (ii) a covenant from such transferee/lessee that it will do the same should it thereafter sell, transfer, lease or otherwise dispose of all or any portion of the Somerset or Cayuga facilities.
3. NewCo shall grant NYSEG a right of first refusal to acquire certain pollution control equipment and other facilities installed at the Somerset and Cayuga facilities (the "Pollution Control Equipment") by NYSEG with proceeds from the sale of five series of tax-exempt bonds (1994 Series B, 1994 Series C, 1994 Series D (which 1994 Series D was subsequently bifurcated and reoffered in 2008 as Series D-1 and Series D-2), 2004 Series B and 2004 Series C) loaned by the New York State Energy Research and Development Authority to NYSEG pursuant to certain Participation Agreements, as amended or supplemented (including any tax exempt obligations as may hereafter be issued to refund such bonds, the "Pollution Control Bonds"). The right of first refusal shall apply to any transaction, disposition or other event by NewCo, or any of its successors or assigns, of the Pollution Control Equipment that would impact NYSEG's

obligations under the Pollution Control Bonds. Should NewCo seek to sell the Somerset or Cayuga facilities, then NewCo shall obtain the same right of first refusal from its transferee and a covenant from such transferee that it will do the same should it thereafter seek to sell the Somerset or Cayuga facilities. The foregoing covenant shall apply to each subsequent transferee of the Somerset and Cayuga facilities. All rights of first refusal and covenants regarding future transfer set forth in this Paragraph 3 shall terminate upon termination of the Pollution Control Bonds, whether by payoff, tender, exchange, or any other means. .

4. If the APA is terminated at any time on or after the date hereof, then (a) all obligations of NewCo and NYSEG under Paragraphs C. 1, 2, 3, and 19 of this Settlement shall cease, effectively immediately, with all rights, duties and obligations of NYSEG to NewCo and NewCo to NYSEG restored as if this settlement had never been executed; (b) the Interconnection Agreement shall be deemed severed as between the Non-Operating Facilities and the Somerset and Cayuga facilities and shall remain in effect as to the Somerset and Cayuga facilities without prejudice to the parties' rights under the Bankruptcy Code or other applicable law; (c) NYSEG and the IA Debtors shall negotiate in good faith to reach agreement on the issues addressed in this settlement with respect to the Somerset and Cayuga facilities; and (d) the remaining provisions of this settlement shall remain in effect, except that effective 30 days from the date of termination of the APA the IA Debtors may elect to cease providing services at the Non-Operating Facilities unless NYSEG advances costs in accordance with Paragraph 9, and NYSEG shall be entitled, as its sole remedy, to an administrative expense claim, not to exceed \$250,000 per month with costs calculated on an accrual basis, for such costs actually paid covering the period to the Deemed Rejection Date.
5. Until the date on which the sale of the Somerset and Cayuga facilities closes (the "Closing"), the IA Debtors will comply with the terms of the Interconnection Agreement and Amended and Restated Reciprocal Easement Agreements insofar as they relate to the Somerset and Cayuga facilities, including delivery of all local services described in Sections 3.7, 3.8 and 3.9 of the Interconnection Agreement. All obligations of the IA Debtors with respect to the Somerset and Cayuga facilities under the Interconnection Agreement and Amended and Restated Reciprocal Easement Agreements shall cease upon Closing.
6. Upon execution of the definitive settlement agreement contemplated herein, the IA Debtors shall cause NYSEG to be named as an additional insured on all "All Risk Property Insurance" required to be maintained by the IA Debtors pursuant to the terms of Article 10 and Schedule E of the Interconnection Agreement.

7. The Interconnection Agreement shall be deemed to be rejected with respect to the Westover (Goudey), Greenidge, Hickling and Jennison facilities (the real estate and personal property associated with each of these facilities collectively being the "Non-Operating Facilities") effective as of six months after the date on which the order approving the Settlement becomes a final, non-appealable order (the "Deemed Rejection Date").
8. Prior to the Deemed Rejection Date, the IA Debtors shall, at their own expense, comply with the terms of the Interconnection Agreement and Amended and Restated Reciprocal Easement Agreements with respect to the Non-Operating Facilities, including delivery of all local services described in Sections 3.7, 3.8 and 3.9 of the Interconnection Agreement, all to the extent applicable in light of the then-current and anticipated uses of the Non-Operating Facilities; *provided, however,* that notwithstanding the express terms of the Interconnection Agreement, the IA Debtors shall have no obligation to (a) repair or replace Transformer 7 at the Westover facility, or (b) make any capital expenditures to repair or replace any equipment or structures at the Non-Operating Facilities if the uninsured cost to repair or replace such equipment or structures is more than \$50,000 individually or \$150,000 in the aggregate for all Non-Operating Facilities. Nothing herein shall preclude NYSEG from repairing or replacing equipment or structures at the Non-Operating Facilities if failure to do so would, in the reasonable judgment of NYSEG, pose a threat to the reliability of NYSEG's transmission system.
9. Following the Deemed Rejection Date and continuing thereafter until the earlier of (a) such time as NYSEG has completed separation of its transmission system from the IA Debtors' generation systems at the Non-Operating Facilities (the "Separation Project") and (b) 22 months from the Deemed Rejection Date (the "Project Completion Date"), the IA Debtors (or a chapter 11 trustee, liquidating trustee, or other successor) shall, at NYSEG's expense and in accordance with a budget acceptable to NYSEG and the IA Debtors, maintain the Non-Operating Facilities in a manner consistent with the manner in which they were maintained immediately prior to the Deemed Rejection Date, provided, however, that nothing herein shall preclude the Debtors, any successor, or any purchaser of the Non-Operating Facilities from conducting demolition or redevelopment activities in a manner reasonably protective of NYSEG's transmission system prior to the Project Completion Date. Payment of such expenses shall be made monthly, in advance, by NYSEG, subject to a monthly true up to account for any difference between actual and budgeted costs. The IA Debtors shall seek NYSEG's consent, which shall not be unreasonably withheld, in advance of incurring any expenses that are not in the budget or exceed the budgeted amount by more than 5%. The IA Debtors shall have no obligation to maintain the Non-Operating Facilities as provided herein if NYSEG does not advance payment as provided herein. Expenses payable by NYSEG shall be calculated on an accrual basis and

apportioned so that NYSEG bears responsibility only for expenses covering the period of the Separation Project. NYSEG may advance full tax and insurance payments when payable, subject to refund from the Debtors for any portion allocated to periods after the Project Completion Date for the applicable facility; provided, however, that the Debtors shall have no obligation under the Settlement to make tax or insurance payments in excess of the amount it actually receives from NYSEG for such payments.

10. The IA Debtors will condition any sale of the Non-Operating Facilities on the buyer's agreement to (a) assume the obligations under Paragraphs 8 and 9 or to provide NYSEG with other mutually acceptable assurances of performance with respect to (i) providing NYSEG with access to the NYSEG Excluded Assets located within the Non-Operating Facilities, (ii) providing the NYSEG Excluded Assets located within the Non-Operating Facilities with heating, ventilation, air conditioning, lighting, and other Local Services, (iii) providing NYSEG with access to Secondary System substation service power at each of the Non-Operating Facilities, (iv) maintaining the physical and structural integrity of the Non-Operating Plants, (v) maintaining the Non-Operating Facilities' physical, mechanical and electrical facilities in good repair, and (vi) providing appropriate security to prevent intrusion and vandalism to NYSEG Excluded Assets, all of subparagraphs (i)-(v) to the extent applicable in relation to NYSEG's transmission system and in light of the then-current and anticipated use of the Non-Operating Facilities through the Project Completion Date; (b) pay all real estate taxes and municipal assessments with respect to the purchased properties through the Project Completion Date, and (c) maintain, at its own cost and expense, through the Project Completion Date, insurance as is customary for demolition companies and demolition projects of similar type and size, naming NYSEG as an additional insured. Evidence of the foregoing insurance shall be provided to NYSEG on or before any closing for the purchase of the Non-Operating Facilities.
11. From the date on which the order approving the settlement outlined herein becomes a final, non-appealable order through and including the Project Completion Date, the Debtors shall provide NYSEG with such cooperation as NYSEG may reasonably request to ensure the safe, efficient, cost effective and orderly separation of its transmission facilities located at the Non-Operating Facilities from Debtors' generation assets at those facilities, including, without limitation, providing NYSEG with access to such technical and engineering personnel of the Debtors as NYSEG may reasonably request. NYSEG will seek information in a focused manner, and will work with the Debtors to streamline requests as appropriate. Debtors shall bear all costs for such cooperation through the Deemed Rejection Date. Following the Deemed Rejection Date, such costs shall be included in the budget contemplated by Paragraph 9. Nothing contained herein shall require the Debtors to continue employment of any personnel or consultants or incur any extraordinary expenses to satisfy their



cooperation obligations herein. To the extent the Debtors require access to NewCo personnel to fulfill the requirements of this Paragraph 11, NYSEG shall reimburse the Debtors for the actual, documented costs the Debtors incur under any transition services agreement between the Debtors and NewCo to fulfill the requirements of this Paragraph 11.

12. Debtors and the Committee shall covenant to not take, or aid any party (directly or indirectly) in taking, any action in the Debtors' bankruptcy cases or otherwise that might impair, diminish or otherwise prejudice any rights NYSEG has or may claim to have against The AES Corporation under the Buyer's Parent Guaranty made and given by The AES Corporation to NYSEG as of August 3, 1998, as ratified by the Reaffirmation of Guaranty given by The AES Corporation to NYSEG dated as of May 14, 1999. This provision shall be binding on and enforceable against any trustee subsequently appointed in these Chapter 11 cases and on any Chapter 7 trustee.
13. NYSEG shall be entitled to an allowed, general unsecured claim, not subject to any priority, against the IA Debtors on account of the IA Debtors' rejection of the Interconnection Agreement with respect to the Non-Operating Facilities, including costs incurred by NYSEG under Paragraphs 9 and 10. Debtors and the Committee will acknowledge that NYSEG is entitled to recover, as part of its rejection claim, amounts expended by it to:
  - relocate NYSEG's protection and control equipment and related facilities located in the Non-Operating Facilities to new control buildings to be located on land owned by NYSEG or, with respect to the facilities identified in Schedule A, deeded to NYSEG by the IA Debtors free and clear of all interests;
  - install all necessary equipment for services to such new buildings, including, but not limited to, the equipment identified in Schedule A hereto;
  - modify NYSEG's system to establish Secondary System service and control cabling between such new buildings and NYSEG's substation equipment;
  - repair, replace and relocate the Joint Use Facilities at the IA Debtors' Non-Operating Facilities, including, without limitation, repair or replace the following Joint Use Facilities at the IA Debtors' Westover facility: (i) Transformer Bank No. 7; (ii) 115kV breaker B7-02; (iii) 34.5kV breaker 7B-02; and (iv) other associated AES-owned equipment;
  - install a new drainage and/or waste water system or modify, as needed, the existing system at the Non-Operating Facilities to enable NYSEG's transmission systems to operate independent from the IA Debtors' own systems; and

- stabilize substation terminal structures supporting the 115kV transmission line connections to AES GSU 3 & 4 at the Greenidge facility.

The foregoing acknowledgment, however, shall not prejudice the rights of the Debtors or the Committee to dispute (a) NYSEG's entitlement to a claim for the costs for acquisition of new equipment rather than relocation of existing equipment; (b) the amount of any particular cost items in the foregoing list, or (c) the amount of, or liability of the Debtors with respect to, any claims other than those listed above that are asserted by NYSEG as recoverable under the terms and conditions of the Interconnection Agreement. The Bankruptcy Court shall be the exclusive venue for adjudication of any dispute over NYSEG's allowed claim.

14. The IA Debtors will deed the land described in Schedule A to NYSEG and transfer to NYSEG the equipment described in Schedule A as provided therein. NYSEG shall, at its cost, upon retirement of such equipment from service, remove such equipment from any portion of the Non-Operating Facilities not owned by NYSEG, in accordance with applicable environmental or other laws. NYSEG agrees to negotiate in good faith with any purchaser or prospective purchaser of the Non-Operating Facilities over modification to the boundaries shown in Schedule A if such boundaries would interfere with any prospective use of the Non-Operating Facilities, provided, however, that NYSEG shall not be required to agree to any modification of the boundaries identified in Schedule A if such modification would adversely affect the timing or feasibility of the Separation Project, as determined by NYSEG in its reasonable discretion. All land and equipment transferred to NYSEG pursuant to this paragraph and Schedule A (collectively, the "Transferred Assets") shall be transferred free and clear of all interests pursuant to 11 U.S.C. § 363(f), and transferred to NYSEG on an as-is, where is basis without warranty of title. Transfer of land is subject to resolution of appropriate rights of access to the Non-Operating Facilities by the IA Debtors (or any successor). NYSEG will release all claims against the Debtors relating to the Transferred Assets and shall bear all costs of transfer, including without limitation survey costs, any transfer or recordation taxes, and sales or use taxes. Upon request, NYSEG will, upon removal of its facilities, convey the parcel of 0.274 acres identified on the Greenidge drawing attached as Schedule A (the "Greenidge Parcel") to the IA Debtors or a designee or to any purchaser of the Greenidge facility. Transfer of the Greenidge Parcel shall be on an as-is, where is basis without warranty of title. The transferee of the Greenidge Parcel will release all claims against NYSEG relating to the Greenidge Parcel and shall bear all costs of transfer, including without limitation survey costs, any transfer or recordation taxes, and sales or use taxes.
15. The Debtors and NYSEG will mutually agree that: (a) Debtors will coordinate with NYSEG before any demolition is performed at the Non-Operating Facilities

in order to protect NYSEG's transmission facilities at those locations and will require that any purchaser of all or any portion of the Non-Operating Facilities assume this coordination obligation; and (b) subject to the foregoing coordination obligation, NYSEG will not interfere with any demolition by the Debtors or any purchaser of all or any portion of the Non-Operating Facilities that takes reasonable measures to protect NYSEG's transmission facilities.

16. Nothing in the Settlement shall affect NYSEG's rights under easements relating to the Non-Operating Facilities.
17. Subject to the conditions and limitations set forth herein, the Debtors reserve all rights to abandon or otherwise dispose of the Non-Operating Facilities in whole or in part (other than through a sale transaction subject to Paragraph 10) (hereafter, an "Abandonment"), subject to approval of the Bankruptcy Court and without prejudice to any objection NYSEG may assert. The Debtors agree that any Abandonment shall provide for the continued right of access by NYSEG to the Non-Operating Facilities through the Project Completion Date. If any Abandonment of the Non-Operating Facilities shall become effective prior to the Project Completion Date, then NYSEG shall be entitled to an administrative expense claim against the IA Debtors for the reasonable and necessary costs NYSEG actually incurs to provide the services that otherwise would have been provided by the IA Debtors (at the IA Debtors' expense) under this Settlement through the Project Completion Date, unless the Abandonment otherwise preserves NYSEG's rights, privileges and benefits under this Settlement.
18. Except as expressly provided herein, the parties reserve all rights under the Bankruptcy Code and other applicable law.
19. NYSEG shall support, and shall not oppose, all necessary regulatory approvals for the Selling Debtors' sale of Somerset and Cayuga facilities to NewCo pursuant to the terms of the APA. Promptly upon execution of this Term Sheet, NYSEG shall withdraw its objection to expedited approval of the PSC Petition and shall file with the PSC a statement in support of approval of the PSC Petition, subject to PSC approval of the land and equipment transfers set forth herein in conjunction with the pending PSC Petition. Promptly upon execution of this Term Sheet, NYSEG shall withdraw the Section 203 Protest and state its support for FERC approval of the Section 203 application.
20. Promptly upon execution of this Term Sheet, the Debtors shall file a notice with the Bankruptcy Court stating that the Rejection Motion has been resolved by the Settlement and attaching the Term Sheet. The Debtors' request for sanctions shall be withdrawn.
21. The parties shall cooperate in seeking expedited approval of this Term Sheet, the Settlement and the land and equipment transfers set forth herein, and in taking

all steps necessary to facilitate obtaining regulatory approval for, and closing of, the Somerset and Cayuga sale as promptly as possible. The Debtors will promptly prepare and file a supplement to the PSC Petition covering the land and equipment transfers at the Non-Operating Facilities set forth in the Settlement.

22. Each of the parties to this Settlement agrees it will not take any position inconsistent with the Settlement in connection with any chapter 11 plan proposed in the chapter 11 cases.

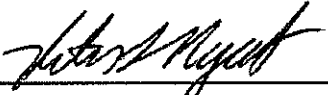
D. Condition Precedent

1. Settlement subject to Bankruptcy Court approval (including express approval of the Transferred Assets to NYSEG free and clear of all interests pursuant to 11 U.S.C. § 363(f)) and all necessary regulatory approvals.


Signatures on Following Pages

IN WITNESS WHEREOF, each of the Parties has caused this Term Sheet to be executed by its respective officers, duly authorized, as of May 21, 2012.

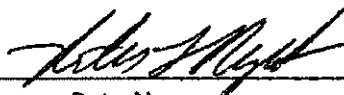
AES EASTERN ENERGY, L.P.  
By: AES NY, LLC, its General Partner

By:   
Name: Pete Norgeot  
Title: *President*

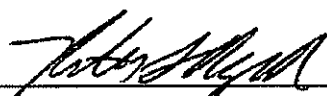
AES CREATIVE RESOURCES, L.P.  
By: AES NY, LLC, its General Partner

By:   
Name: Pete Norgeot  
Title: *President*


AES SOMERSET, LLC

By:   
Name: Pete Norgeot  
Title: *President*


AES CAYUGA, LLC

By:   
Name: Pete Norgeot  
Title: *Assistant Secretary*

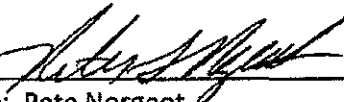
AEE2, LLC

By:   
Name: Pete Norgeot  
Title: President

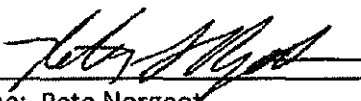
AES WESTOVER, LLC

By:   
Name: Pete Norgeot  
Title: President

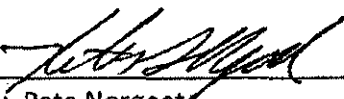
AES GREENIDGE, LLC

By:   
Name: Pete Norgeot  
Title: President


AES HICKLING, LLC

By:   
Name: Pete Norgeot  
Title: President

AES JENNISON, LLC

By:   
Name: Pete Norgeot  
Title: President

AES NY, LLC

By:   
Name: Pete Norgeot  
Title: *President*

STATUTORY COMMITTEE OF UNSECURED  
CREDITORS OF AES EASTERN ENERGY, L.P.  
AND AFFILIATED JOINTLY ADMINISTERED  
DEBTORS

By: 

Name:

*Gregory A. Horowitz*

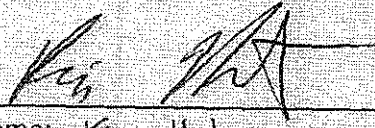
Title:

*Partner, Kramer Levin Mattulis & Frankel*

*Counsel to the Committee*



SOMERSET CAYUGA HOLDING COMPANY, INC.

By:  \_\_\_\_\_

Name: Kip Horton

Title: President

NEW YORK STATE ELECTRIC & GAS  
CORPORATION

By: Mark S Lynch.  
Name: MARK S LYNCH  
Title: PRESIDENT

**SCHEDULE A<sup>2</sup>**

**A. Equipment:**

Location	Joint Use Equipment	Location	Disposition
AES Westover	Transformer #7 (four single-phase units)	Yard	Transfer ownership to NYSEG
	Breaker B7-02	Yard	Transfer ownership to NYSEG
	Disconnect B7-05	Yard	Transfer ownership to NYSEG
	Disconnect G7-05	Yard	Transfer ownership to NYSEG
	Disconnect 7B-05	Yard	Transfer ownership to NYSEG
	Breaker 7B-02	Yard	Transfer ownership to NYSEG
	34.5kV VT	Yard	Transfer ownership to NYSEG
	Secondary AC and DC systems that provide station service power to NYSEG's substation.	Plant / Yard	Debtors and NYSEG to cooperate on commercially reasonable solution for secondary AC/DC power systems that will provide for continued joint use until such time as one party or the other no longer needs them
	(1) 200:5 transformer HO neutral instrument CT	Yard	Transfer ownership to NYSEG
AES Greenidge	Secondary AC and DC systems that provide station service power to NYSEG's substation.	Plant / Yard	Debtors and NYSEG to cooperate on commercially reasonable solution for secondary AC/DC power systems that will provide for continued joint use until such time as one party or the other no longer needs them
AES Hickling	Breaker B1-22	Yard	Transfer ownership to NYSEG
	Switch B1-25	Yard	Transfer ownership to NYSEG

<sup>2</sup> The description of Joint Use Facilities set forth in this Schedule A is not intended to, and does not, supersede the description of Joint Use Facilities set forth in the Interconnection Agreement.

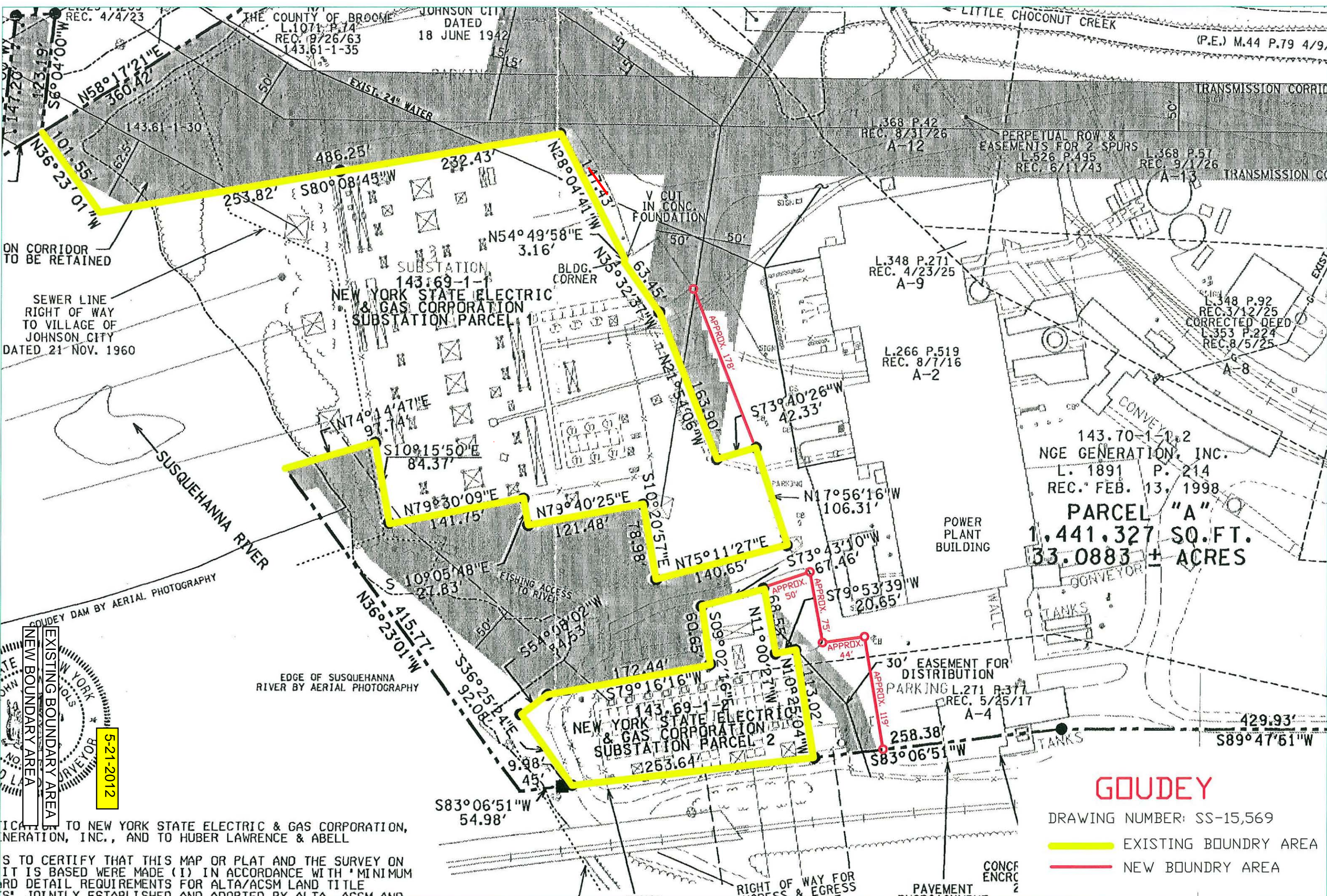
## Schedule A

Location	Joint Equipment	Use	Location	Disposition
	Transformer #1 (three single-phase units)		Yard	Transfer ownership to NYSEG
AES Hickling (cont.)	Switch 1B-25		Yard	Transfer ownership to NYSEG
	Breaker 1B-22		Yard	Transfer ownership to NYSEG
	Breaker B2-22		Yard	Transfer ownership to NYSEG
	Switch B2-25		Yard	Transfer ownership to NYSEG
	Disconnect G2-29		Yard	Transfer ownership to NYSEG
	Transformer #2 (three single-phase units)		Yard	Transfer ownership to NYSEG
	Switch 2B-25		Yard	Transfer ownership to NYSEG
	Breaker 2B-22		Yard	Transfer ownership to NYSEG
	Secondary AC and DC systems that provide station service power to NYSEG's substation.		Plant / Yard	Debtors and NYSEG to cooperate on commercially reasonable solution for secondary AC/DC power systems that will provide for continued joint use until such time as one party or the other no longer needs them
AES Jennison	Breaker B1-92		Yard	Transfer ownership to NYSEG
	Switch B1-95		Yard	Transfer ownership to NYSEG
	Transformer #1 (four single-phase units)		Yard	Transfer ownership to NYSEG
	Switch 1B-95		Yard	Transfer ownership to NYSEG
	Breaker 1B-92		Yard	Transfer ownership to NYSEG
	Secondary AC and DC systems that provide station service power to NYSEG's substation.		Plant / Yard	Debtors and NYSEG to cooperate on commercially reasonable solution for secondary AC/DC power systems that will provide for continued joint use until such time as one party or the

Location	Joint Equipment	Use	Location	Disposition
				other no longer needs them
AES Cayuga	Secondary AC and DC systems that provide station service power to NYSEG's substation.		Plant / Yard	Maintain as Joint Use Facilities
AES Somerset	Secondary AC and DC systems that provide station service power to NYSEG's substation.		Yard	Maintain as Joint Use Facilities. Transformer Bank 3 as well as associated equipment, structures and bus connections to the disconnect Switches B3-15 and 3B-14, including but not limited to, the three Coupling Capacitor Voltage Transformers identified as CC#3, related foundations, grounding, conduit & control cables up to existing NYSEG Switch B4-15, to be addressed in manner satisfactory to NYSEG.

**B. Land:**

The attached drawings depict the land to be conveyed to NYSEG. All dimensions of the depicted land are approximate; a survey will be required to establish metes and bounds.



REC. 4/4/23  
 L.1071 P.74  
 REC. 9/26/63  
 143.61-1-35

THE COUNTY OF BROOME  
 JOHNSON CITY  
 DATED  
 18 JUNE 1942

ON CORRIDOR  
 TO BE RETAINED

SEWER LINE  
 RIGHT OF WAY  
 TO VILLAGE OF  
 JOHNSON CITY  
 DATED 21 NOV. 1960

BOUDEY DAM BY AERIAL PHOTOGRAPHY

EXISTING BOUNDARY AREA  
 NEW BOUNDARY AREA  
 5-21-2012

ICAT... TO NEW YORK STATE ELECTRIC & GAS CORPORATION,  
 NERATION, INC., AND TO HUBER LAWRENCE & ABELL

S TO CERTIFY THAT THIS MAP OR PLAT AND THE SURVEY ON  
 IT IS BASED WERE MADE (1) IN ACCORDANCE WITH \*MINIMUM  
 RD DETAIL REQUIREMENTS FOR ALTA/ACSM LAND TITLE  
 S\* JOINTLY ESTABLISHED AND ADOPTED BY ALTA, ACSM AND

143.70-1-1-2  
 NGE GENERATION, INC.  
 L. 1891 P. 214  
 REC. FEB. 13, 1998

PARCEL "A"  
 1,441,327 SQ. FT.  
 33.0883 ± ACRES

**GOUDEY**

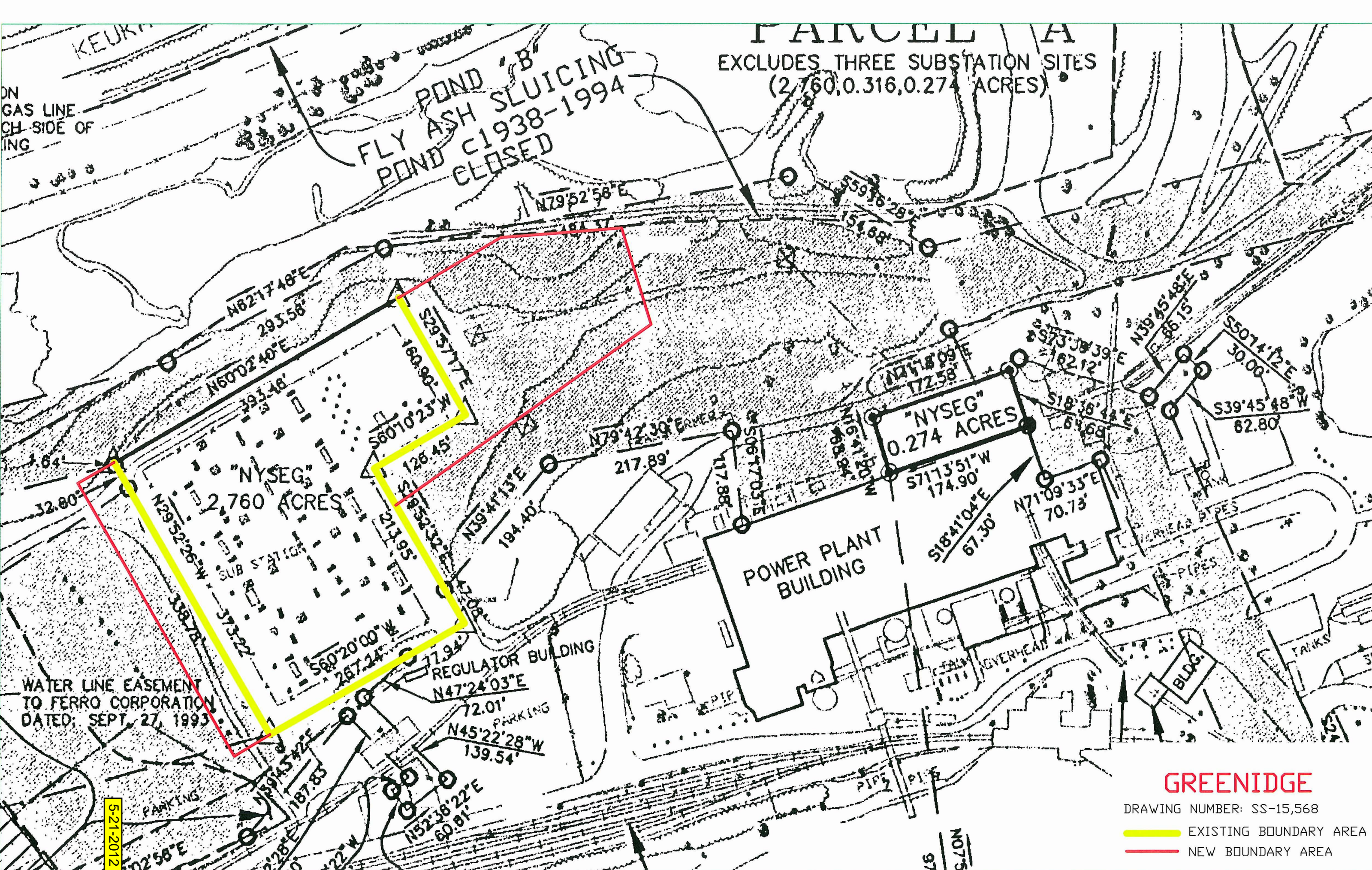
DRAWING NUMBER: SS-15,569  
 EXISTING BOUNDRY AREA  
 NEW BOUNDARY AREA

CONCR  
 ENCR  
 2

PARCELS A  
EXCLUDES THREE SUBSTATION SITES  
(2.760, 0.316, 0.274 ACRES)

POND 'B'  
FLY ASH SLUICING  
POND CLOSED  
1938-1994

ON GAS LINE  
CH SIDE OF  
ING



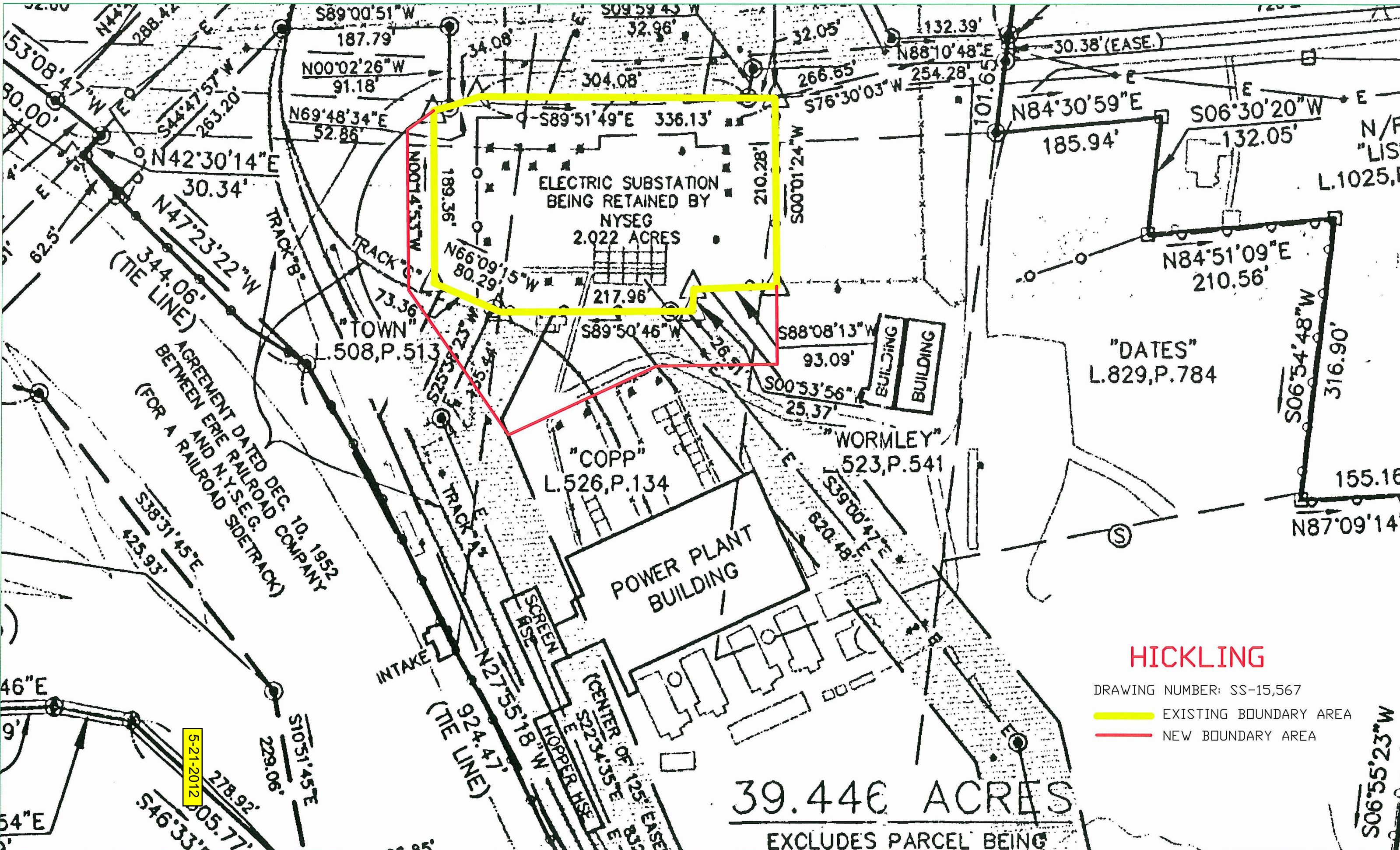
WATER LINE EASEMENT  
TO FERRO CORPORATION  
DATED: SEPT. 27, 1993

**GREENIDGE**

DRAWING NUMBER: SS-15,568

- █ EXISTING BOUNDARY AREA
- █ NEW BOUNDARY AREA

5-21-2012



ELECTRIC SUBSTATION  
BEING RETAINED BY  
NYSEG  
2.022 ACRES

POWER PLANT  
BUILDING

"COPP"  
L. 526, P. 134

"WORMLEY"  
L. 523, P. 541

"DATES"  
L. 829, P. 784

"TOWN"  
L. 508, P. 513

AGREEMENT DATED DEC. 10, 1952  
BETWEEN ERIE RAILROAD COMPANY  
(FOR A RAILROAD SIDETRACK)

**HICKLING**

DRAWING NUMBER: SS-15,567

EXISTING BOUNDARY AREA

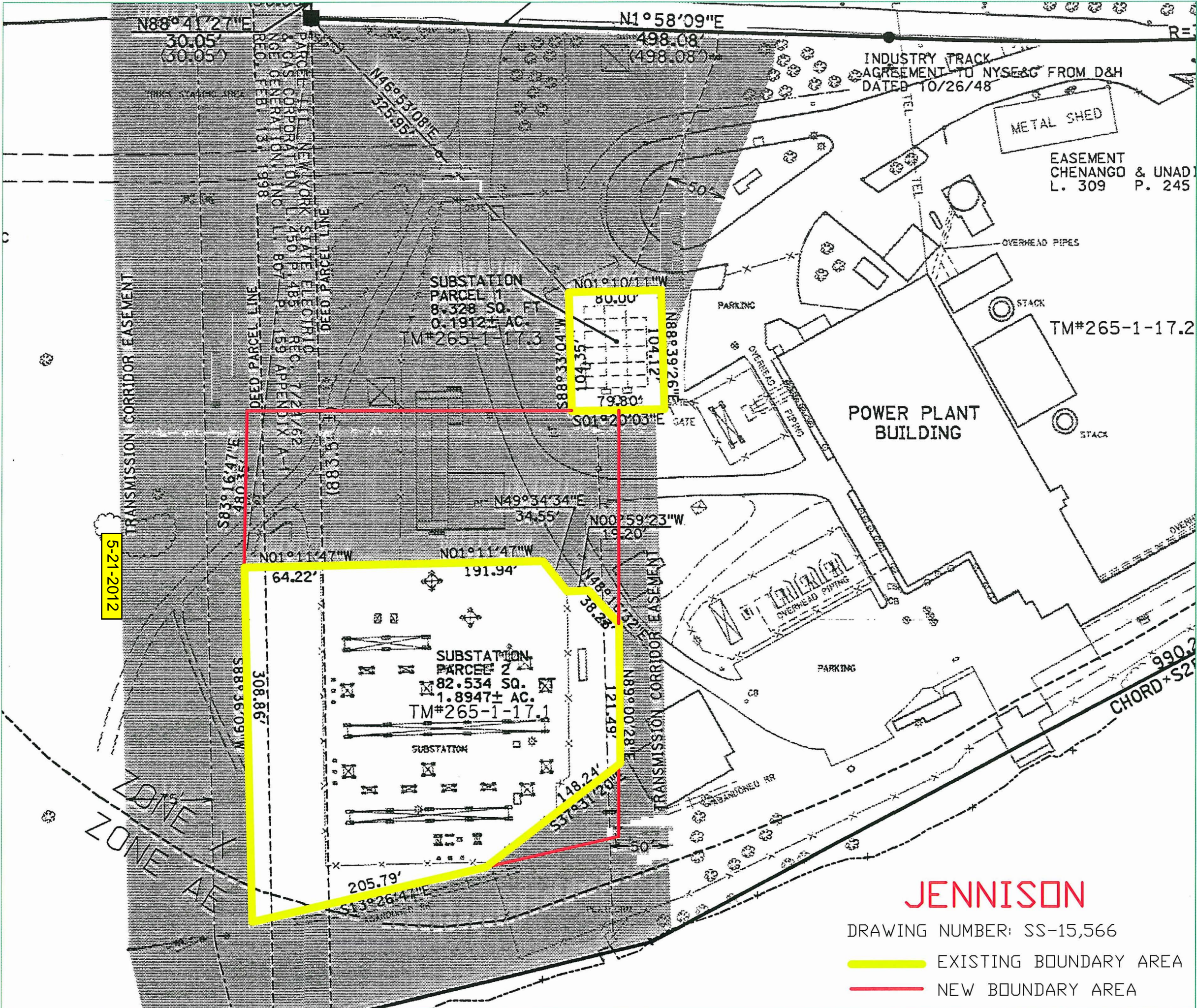
NEW BOUNDARY AREA

**39.446 ACRES**

EXCLUDES PARCEL BEING

5-21-2012





5-21-2012

# JENNISON

DRAWING NUMBER: SS-15,566

EXISTING BOUNDARY AREA

NEW BOUNDARY AREA