

Reliability Support Services Agreement 2
between
New York State Electric & Gas Corporation
and
Cayuga Operating Company, LLC
October 28, 2013

Pursuant to the rates, terms and conditions of this Reliability Support Services Agreement 2 (“Agreement”), Cayuga Operating Company, LLC (“Cayuga”) will provide Reliability Support Services (“RSS”) to New York State Electric & Gas Corporation (“NYSEG” and together with Cayuga the “Parties”) from Cayuga Unit Nos. 1 and 2 located at the Cayuga Generating Facility and connected to NYSEG.

RECITALS

Whereas, Cayuga owns and operates the Cayuga Generating Facility, a coal-fired generating station in Lansing, New York, which consists of appurtenant facilities and two generating units, Unit 1, which has a 154 MW net capacity (winter), and Unit 2, which has a 158.7 MW net capacity (winter) (together, the “RSS Units”). Since being placed into service, the RSS Units have supplied energy, capacity and ancillary services in New York; *and*

Whereas, NYSEG is the transmission owner to which the Cayuga Generating Facility is interconnected; *and*

Whereas, on July 20, 2012, Cayuga submitted a notification to the New York State Public Service Commission (“NYPSC”), in accordance with the NYPSC’s notice requirements, of its intent to mothball the RSS Units by January 16, 2013; *and*

Whereas, in a July 25, 2012 letter, Thomas Dvorsky, DPS Director of the Office of Electric, Gas and Water, requested that NYSEG and the New York State Independent System Operator (“NYISO”) work together as necessary to perform an analysis to determine the effects of the retirement of the RSS Units and the Cayuga Generating Facility on electric system reliability and local reliability issues, and to propose solutions in the event the retirement adversely affects reliability; *and*

Whereas, NYSEG and the NYISO conducted such a study which determined that, at present, both RSS Units need to be available and capable of being committed to maintain system reliability; *and*

Whereas, the Parties executed an original RSS Agreement on December 27, 2012, which expires on the hour ending 2400 EPT on January 15, 2014; *and*

Whereas, both Parties remain interested in ensuring the RSS Units remain available to support system reliability in New York until certain transmission upgrades are completed or other reliability remedies are identified and implemented; *and*

Whereas, the Parties continue to discuss the possibility of repowering the RSS Units;

NOW THEREFORE, in consideration of the mutual agreements and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound by this Agreement as of the Effective Date, the Parties covenant and agree as follows:

ARTICLE I DEFINITIONS

1. **Definitions.** Unless otherwise stated in this Agreement, the following terms shall have the following meanings:
- (a) **“Additional Expenditure”** shall mean cumulative incremental costs during the Initial Term for Forced Outage repairs in excess of \$450,000. The costs for any Forced Outage repair budgeted for less than \$50,000 shall not be deemed Additional Expenditures.
 - (b) **“Applicable Laws”** shall mean all applicable provisions of all constitutions, treaties, statutes, laws (including the common law), rules, regulations, ordinances, and codes and any order, writ, injunction, decree, judgment, award, decision or determination of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency, authority or instrumentality.
 - (c) **“Applicable Revenues”** shall mean Net Energy Revenue and pursuant to Section 3.3 capacity revenue and, to the extent applicable, any NYISO true-ups.
 - (d) **“Cayuga UCAP”** shall mean the product of Cayuga’s dependable maximum net capability multiplied by the quantity (1 minus the derating factor) which is adjusted for each capability as defined in the NYISO Market Administration and Control Area Service Tariff.
 - (e) **“Change in Law”** shall mean a change in federal or state environmental or other law, policy, regulation, or rule, or a change in the interpretation of the same, that has a material adverse effect on Cayuga or NYSEG, as determined solely by each Party in a commercially reasonable manner.
 - (f) **“Commission”** shall mean the Federal Energy Regulatory Commission.
 - (g) **“DARU”** shall mean a Day-Ahead committed Resource which would not have been committed but for the commitment request by a Transmission Owner in order to meet the reliability needs of the Transmission Owner’s local system which request was made known to the ISO prior to the close of the Day-Ahead Market.
 - (h) **“DPS”** shall mean the New York State Department of Public Service.
 - (i) **“EBITDA”** shall mean Earnings Before Interest, Taxes, Depreciation and Amortization.
 - (j) **“Environmental Laws”** shall mean any and all federal, state, or local, statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees,

plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of hazardous materials or wastes into surface water, ground water or land, or (iv) the manufacturing, processing, distribution, use, treatment, storage, disposal, transport or handling of hazardous materials or wastes or the cleanup or other remediation thereof.

- (k) **“Forced Outage”** shall mean an unplanned failure that requires a unit to be removed from service, or the load on the unit to be reduced before the end of the nearest following weekend.
- (l) **“FPA”** shall mean the Federal Power Act.
- (m) **“Good Utility Practice”** shall mean any of the practices, methods or acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice or method, or act to the exclusion of all others, but rather to delineate acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act Section 215(a)(4).
- (n) **“Governmental Authority”** shall mean the government of any nation, state or other political subdivision thereof, including any entity lawfully exercising executive, military, legislative, judicial, regulatory, or administrative functions of or pertaining to a government.
- (o) **“Initial Term”** shall mean the period of time from the start of the hour ending 0100 Eastern Prevailing Time (“EPT”) on January 16, 2014, through the hour ending at 2400 EPT on June 30, 2017.
- (p) **“Monthly Fixed Price”** shall be the amount set forth in Exhibit 1 for each of the RSS Units.
- (q) **“Necessary Extension”** shall mean the period of time from the start of the hour ending at 0100 EPT on July 1, 2017 through the hour ending at 2400 EPT on December 31, 2017.
- (r) **“Notice of Necessary Extension”** shall have the meanings set forth in Section 2.2.

- (s) **“Notice of a Second Necessary Extension”** shall have the meaning set forth in Section 2.2.
- (t) **“NERC”** shall mean the North American Electric Reliability Corporation.
- (u) **“NPCC”** shall mean the Northeast Power Coordinating Council, Inc.
- (v) **“NYISO”** shall mean the New York Independent System Operator, Inc., or successor organization charged with operating the transmission system and markets in the State of New York.
- (w) **“NYISO Day-Ahead Energy Market”** shall mean the NYISO-administered day-ahead energy market.
- (x) **“NYISO OATT”** shall mean the NYISO Open Access Transmission Tariff, as it may be amended by the NYISO.
- (y) **“NYISO Tariff”** shall refer to any published tariff of the NYISO, as such tariff may be amended by the NYISO.
- (z) **“NYPSC”** shall mean the New York State Public Service Commission.
- (aa) **“NYSRC”** shall mean the New York State Reliability Council, L.L.C.
- (bb) **“Party”** shall mean either Cayuga or NYSEG. **“Parties”** means both Cayuga and NYSEG.
- (cc) **“Planned Outage”** shall mean a planned interruption, in whole or in part, in the electrical output of a generating unit to permit Cayuga to perform maintenance and repair of the unit, pursuant to the process for Installed Capacity providers set forth in the NYISO Tariff and Outage Scheduling Manual.
- (dd) **“Point of Delivery”** shall mean the high side of the generation step-up transformer(s) located at the point of interconnection between the Cayuga Generation Facility and NYSEG’s transmission system.
- (ee) **“Reliability Support Services”** shall mean the services required to be provided by Cayuga to NYSEG pursuant to this Agreement and shall include but not be limited to Cayuga keeping the Cayuga Generating Facility and the RSS Units available, capable of being committed, and operating for reliability purposes as requested by NYSEG or the NYISO.
- (ff) **“Refund Period”** shall have the meaning set forth in Section 4.3.
- (gg) **“RSS”** shall mean Reliability Support Services.

- (hh) **“RSS Units”** shall mean Cayuga Unit Nos. 1 and 2.
- (ii) **“Secondary Necessary Extension”** shall have the meaning set forth in Section 2.2.
- (jj) **“Secondary Necessary Extension Agreement”** shall have the meaning set forth in Section 2.2.
- (kk) **“SRE”** shall mean a determination of the least cost selection of additional Generators, which are to be committed, to meet: (i) changed or local system conditions for the Dispatch Day that may cause the Day-Ahead schedules for the Dispatch Day to be inadequate to meet the reliability requirements of the Transmission Owner’s local system or to meet Load or reliability requirements of the ISO; or (ii) forecast Load and reserve requirements over the six-day period that follows the Dispatch Day.
- (ll) **“Staff”** shall mean New York State Department of Public Service Staff.

ARTICLE II TERM

2.1. Effective Date and Term

- (a) This Agreement shall become effective at the start of the hour ending 0100 EPT on January 16, 2014 (the “Effective Date”) and remain in effect through the hour ending 2400 EPT on June 30, 2017 (the “Initial Term”).
- (b) No provision of this Agreement shall terminate earlier than midnight on June 30, 2017, except as otherwise provided in this Section 2.1 or pursuant to the provisions relating to Additional Expenditures (Section 5.3), Force Majeure Events (Section 7.1), and Termination for Default (Section 9.1).
- (c) Upon sixty (60) calendar days written notice, either Party may terminate this Agreement prior to June 30, 2017 if any of the following events or circumstances materially and adversely affect either Party during the Initial Term: (i) a Change in Law; (ii) a change to the NYISO Tariff or other NYISO policy or rule; or (iii) an order of any Governmental Authority, other than as a result of an action or proceeding commenced by such Party. The Parties agree to negotiate in good faith for the first 30 days of the 60 day written notice period in an attempt to remedy any such event or circumstance.
- (d) The Parties may mutually agree to terminate or otherwise modify this Agreement prior to completion of the Initial Term, during a Necessary Extension or Second Necessary Extension upon reaching a mutual agreement regarding repowering the

RSS Units or other alternative contractual arrangement with respect to the RSS Units.

2.2. Necessary Extension

- (a) NYSEG agrees to provide written notice to Cayuga (“Notice of Necessary Extension”) indicating the need for either or both of the RSS Units for six months after the expiration of the Initial Term (“Necessary Extension”). Such Notice of a Necessary Extension will be provided no later than January 15, 2017 of the Initial Term. Cayuga shall acknowledge receipt of the Notice of Necessary Extension in writing to NYSEG within five business days of receipt.
- (b) Upon NYSEG sending the Notice of Necessary Extension set forth in Section 2.2 (a) above, the Initial Term shall be extended six months through the hour ending at 2400 EPT on December 31, 2017.
- (c) NYSEG agrees to provide written notice to Cayuga (“Notice of a Second Necessary Extension”) indicating the need for either or both of the RSS Units after the expiration of the Necessary Extension (“Second Necessary Extension”). Such Notice of a Second Necessary Extension will be provided no later than August 15, 2017.
- (d) Upon receiving notice from NYSEG regarding the need for a Second Necessary Extension, the Parties will engage in good faith negotiations to establish in a new written agreement the terms and conditions of such Second Necessary Extension (“Second Necessary Extension Agreement”), including, without limitation, all aspects of RSS.
- (e) If the Parties are unable to agree on the terms and conditions of a Second Necessary Extension Agreement, they agree to seek the assistance of Staff to help facilitate the resolution of differences between the Parties. The Parties shall at all times negotiate in good faith provided, however, that each Party at any time shall be free to pursue any legal remedies available to it by law.

2.3. Survival of Obligations

Notwithstanding the termination of this Agreement, the Parties shall continue to be bound by the provisions of this Agreement that by their nature are intended to, and shall, survive such termination.

**ARTICLE III
OBLIGATIONS AND OPERATIONS**

3.1. Scheduling and Bidding

- (a) Cayuga shall operate and maintain the RSS Units and the Cayuga Generating Facility within standards of Good Utility Practice, and in accordance with the NYISO Tariffs.
- (b) Cayuga will interface and comply with NYISO scheduling deadlines and requirements for maintaining the Cayuga Generating Facility and the RSS Units as eligible energy and capacity providers, as well as comply with NYSEG’s or NYISO’s dispatch instructions.
- (c) The Parties acknowledge that as a consequence of the provision of services under this Agreement, Cayuga will need to run the RSS Units for testing and diagnostic purposes for reasons including, but not limited to, the performance of Dependable Maximum Net Capability (“DMNC”) and Relative Accuracy Test Audit (“RATA”) testing, reactive capability testing, environmental compliance testing, or as otherwise required by plant management for health, safety, environmental or operational reasons. As permitted under the NYISO tariff and as warranted by system conditions, the Parties will coordinate the scheduling of the RSS Units for these purposes so that NYSEG will either designate the related RSS Unit as the Day-Ahead Reliability Unit (“DARU”) or commit that unit pursuant to the NYISO’s Supplemental Resource Evaluation (“SRE”). Such designation will be coordinated between the Parties so that the most appropriate designation is selected. Cayuga shall strive to use its best efforts to perform these tests during periods already scheduled by NYSEG or the NYISO. Cayuga will coordinate with NYSEG to schedule any testing required to meet operational requirements. In the event that such testing cannot be accomplished during a period of time the unit is in operation, Cayuga will provide NYSEG with at least 14 days advance written notice requesting written authorization from NYSEG for Cayuga to self-commit the unit. Upon authorizing the test, NYSEG agrees to cover any start-up and variable costs incurred in excess of market revenues to accomplish such testing. Authorization by NYSEG will not be unreasonably withheld.

3.2. Operating Parameters

- (a) Cayuga agrees to the following operating parameters during the Initial Term for the RSS Units:

Unit 1	
Minimum Run Time	24 hours
Minimum Down Time	24 hours
Maximum Stops per Day	1
Start-up Notification Time	16 hours

Unit 2	
Minimum Run Time	24 hours
Minimum Down Time	24 hours
Maximum Stops per Day	1
Start-up Notification Time	19 hours

- (b) Failure by Cayuga to meet these operating parameters resulting in the RSS Units being unavailable shall subject Cayuga to performance penalties, as set forth in Section 5.4 below.
- (c) If NYSEG needs both RSS Units and both RSS Units are offline, Cayuga shall bring the second RSS Unit online as soon as practicable, but no longer than 48 hours after the first RSS Unit is online. NYSEG shall strive to provide advance notification to Cayuga Operating Company of its intent to DARU the RSS Unit(s).

3.3. Energy and Ancillary Services

- (a) Cayuga shall at all times bid the RSS Units in compliance with NYISO market rules.
- (b) Cayuga shall offer the RSS Units, when available, into the NYISO administered Day-Ahead Energy market. Cayuga shall comply with any dispatch instruction issued by NYSEG or NYISO under established NYISO protocols, consistent with the operating parameters of the RSS Units and in accordance with the NYISO Tariffs.
- (c) Cayuga shall retain all net energy and ancillary service revenues (“Net Energy Revenues”), calculated substantially in the form of Exhibit 2, up to \$5,000,000 every contract year. Net Energy Revenues in excess of \$5,000,000 annually shall be shared 50/50 between Cayuga and NYSEG. Should NYSEG exercise its right to reduce the RSS Units’ operation from 2 Units to 1 Unit pursuant to Section 3.6 (b), the \$5,000,000 sharing threshold shall be reduced to \$3,000,000 annually (pro-rated on a monthly basis). For the avoidance of doubt, in the event the Net Energy Revenues threshold is reduced, the application of this Section 3.3 (c) is set forth in an example on Exhibit 7. The Parties agree to reimburse each other for any under or overpayments of Net Energy Revenues if energy and ancillary service revenues for any month are modified in the NYISO’s close-out invoice. This provision shall survive termination of the Agreement until the NYISO has issued a final close-out invoice for every month of the Initial Term, the Necessary Extension or Second Necessary Extension or subsequent term.
- (d) Cayuga shall offer Cayuga UCAP into the NYISO spot market UCAP auction at a de-minimus price, in compliance with NYISO market rules. Any capacity revenues shall be credited to NYSEG by Cayuga, whereby, beginning with the

month of February 2014, and for each successive month through the end of the Initial Term, any Necessary Extension and any Second Necessary Extension as applicable, the capacity revenues earned by Cayuga in the prior month will be credited against NYSEG's monthly payment to Cayuga. As applicable, Cayuga will remit to NYSEG payment for June 2017 capacity revenue in July 2017 or in the event of a Necessary Extension, for December 2017 Capacity revenue in January 2018 or as set forth in the Second Necessary Extension Agreement. The Parties agree to reimburse each other for any under or overpayments of capacity revenue if capacity value for any month is modified by the NYISO. This provision shall survive termination of the Agreement until the NYISO has issued a close-out every month of the Initial Term, any Necessary Extension and any Second Necessary Extension.

- (e) NYSEG shall not be responsible for any penalties or fines that relate to the bidding, scheduling and operation of the RSS Units or the operations of the Cayuga Generating Facility.
- (f) Each Party shall bear its own bad debt losses under the NYISO OATT.

3.4. Operating Characteristics and Environmental Compliance

Cayuga shall have no obligation to cause the RSS Units to be operated in a manner inconsistent with the Cayuga unit characteristics set forth in Section 3.2 (a) of this Agreement or in a manner that would be inconsistent with or in violation of the NYISO Tariff, NERC, NPCC, or NYSRC rules or would cause Cayuga to violate the terms of any environmental regulations, restrictions, orders or decrees or any operating permit, which determination shall be made by Cayuga in its reasonable discretion. Cayuga shall have the obligation to ensure that the RSS Units are operated in accordance with the NYISO Tariff, NERC, NPCC, or NYSRC rules and consistently with the terms of any environmental regulations, restrictions, orders or decrees or any required operating permits.

3.5. Reactive Power

Except when the RSS Units are unavailable, the RSS Units will provide reactive power consistent with the capability of the RSS Units and the procedures specified under the NYISO's Voltage Support Service.

3.6. Unit Selection

- (a) On any day where NYSEG requires only a single RSS Unit to operate, unless only one of the RSS Units is available, Cayuga shall have the right to select between Unit 1 and Unit 2. Additionally, unless only one of the RSS Units is available, either as a result of an outage or operation of Section 3.6 (b) below, Cayuga has the right in its sole discretion, after consulting with NYSEG, to provide RSS under this Agreement from either Unit 1 or Unit 2. NYSEG shall not object to such election by Cayuga.

- (b) NYSEG shall have the right on 180 days advance written notice to Cayuga to limit this Agreement to operation of a single RSS Unit, with all RSS thereafter being provided by a single RSS Unit. For the avoidance of doubt, the Parties acknowledge that NYSEG has the option to reduce the applicability of this Agreement to only one RSS Unit upon successful completion of various NYSEG transmission projects. NYSEG's window for a reduction from two RSS Unit operation to one RSS Unit operation shall be effective between June 1, 2016 and October 1, 2016 with the above referenced written notice due 180 days in advance of the date selected. If this provision is utilized, Cayuga will invoice NYSEG at the single unit RSS monthly charge outlined in Exhibit 1 starting the particular month and year that NYSEG designates per this section 3.6 (b).

ARTICLE IV PRICING

4.1. Monthly Fixed Price

- (a) Cayuga will invoice NYSEG on the first day of each month and each such invoice shall include the Monthly Fixed Price. NYSEG will pay Cayuga the first Monthly Fixed Price on January 16, 2014 (or the next applicable business day) and thereafter on the 16th calendar day (or the next applicable business day) as the "Monthly Fixed Price" net of Applicable Revenues for the Initial Term, the Necessary Extension and any Second Necessary Extension as shown on Exhibit 1. Provided, however, that for the final month of the Initial Term, the Necessary Extension and Any Second Necessary Extension as applicable, the final monthly payment of the Monthly Fixed Price shall be pro-rated.
- (b) Cayuga shall also provide NYSEG with quarterly data in support of each line item expenditure included in the Monthly Fixed Price as shown on Exhibit 5. Upon NYSEG's provision of written notice pursuant to Section 3.6 (b) above, the Monthly Fixed Price payments from NYSEG to Cayuga shall be reduced as set forth in the attached Exhibit 1.
- (c) The Parties agree that billing and payment shall be as set forth in Exhibit 3.

4.2. Capital Expenditures

- (a) Cayuga shall invoice NYSEG on the first day of each month that month's estimated expenditures associated with the capital projects listed in Exhibit 4 ("Capital Expenditures"). NYSEG will pay the estimated amount for Capital Expenditures concurrently with the Monthly Fixed Price payment. Each subsequent invoice for Capital Expenditures shall include a true-up of the estimated expenditures to actual costs incurred. Cayuga shall provide with each Capital Expenditure invoice an estimate of the Capital Expenditures for each of

five months beyond the invoiced month. Notwithstanding the foregoing, NYSEG's total obligation for Capital Expenditures shall not exceed the maximum amount per year provided for in Exhibit 1; provided, however, notwithstanding anything to the contrary contained herein, Cayuga shall have the right, in its sole discretion and upon notice to NYSEG, to implement the Capital Expenditures in a manner it deems most advantageous so long as such changes, if any, do not cause an increase in the agreed upon maximum annual amount as set forth in Exhibit 1. The Parties may mutually agree in writing to alter either the timing or amount of Capital Expenditures.

- (b) Notwithstanding the foregoing, upon NYSEG's provision of written notice pursuant to Section 3.6 (b) above to limit the agreement to a single RSS Unit, Annual Capital Expenditures shall be reduced on the unit eliminated and all steps will be taken to eliminate all capital spend on that unit once written notice is made by NYSEG to Cayuga.

4.3. Refund of Capital Expenditures

- (a) At the expiration of the Initial Term, the Necessary Extension or the Second Necessary Extension, should Cayuga continue to operate the Cayuga Generation Facility or the RSS Units as merchant units, Cayuga shall reimburse NYSEG for 50% of the unit specific Capital Expenditures and 50% of any common Cayuga Generation Facility capital expenditures (37.5% if only operating a single unit), at the rate of 20% per year (the "Two-Unit Annual Refund Amount") for each of five years of operation beyond the Initial Term ("Refund Period"). In the event that Cayuga operates only one RSS Unit as a merchant unit after the expiration of the Initial Term, any Necessary Extension and any Second Necessary Extension, it shall be required to reimburse NYSEG for 50% of the Capital Expenditures specific to that RSS Unit and 37.5% of the Capital Expenditures incurred in connection with improvements to the Cayuga Generation Facility at the rate of 20% per year (the "the Single Unit Annual Refund Amount") during the Refund Period. If Cayuga's EBITDA in any year is less than the Two-Unit Annual Refund Amount or the Single Unit Annual Refund Amount, as the case may be, Cayuga shall have no obligation to pay NYSEG more than its EBITDA for that year. For the avoidance of doubt, this provision shall survive termination of the Initial Term, any Necessary Extension and any Second Necessary Extension of this Agreement until the conclusion of the Refund Period. Furthermore, for the avoidance of doubt, in the event that Cayuga is required to make a payment to NYSEG pursuant to this Section 4.3, the application of this Section 4.3 is set forth in an example on Exhibit 8.
- (b) The Parties agree that Section 4.3 of the Reliability Support Services Agreement between NYSEG and Cayuga dated December 27, 2012 ("RSSA1") shall be modified to be identical to the Refund Period as defined in Section 4.3 (a) above. All other terms of the RSSA1 are intended to remain unchanged. For the avoidance of doubt, the refund of capital expenditures provided for under RSSA1

shall be in addition to the refund of capital provided for in Section 4.3 (a) herein, but such refund shall not start until the Refund Period defined above.

4.4. Other Pricing Terms

Each Party shall bear its own incurred attorney's and consultants' fees.

4.5. Books and Records

NYSEG shall have the right to access, review, and audit all of Cayuga's books and records, including but not limited to financial records, associated with the operation of the RSS Units and the Cayuga Generating Facility.

ARTICLE V OUTAGES AND MAINTENANCE

5.1. Planned Outages

- (a) Cayuga shall be permitted to take one or both RSS Units out of operation, or reduce the capability of one or both RSS Units, during Planned Outages as permitted by the NYISO Tariff or policies. NYSEG agrees, as the related Transmission Owner, that it will not unreasonably withhold Cayuga's Planned Outage requests.
- (b) Cayuga shall provide NYSEG a Monthly Report on the fifth business day of each successive month of the Initial Term, the Necessary Extension or the Second Necessary Extension and any subsequent term on the current operating status of the RSS Units and any upcoming items of note, substantially in the form set forth in Exhibit 6.
- (c) Cayuga shall provide to NYSEG a detailed major outage plan and schedule, including copies of any RFPs or contracts with a value over \$100,000 involving maintenance or restoration of the RSS Units from a planned outage or any other outage.
- (d) Notwithstanding anything to the contrary in this Agreement, upon 270 days advance written notice to Cayuga, NYSEG shall have the right to disclaim any cost responsibility relating to or associated with the major turbine generator overhaul of RSS Unit 2 (currently scheduled for Spring 2015). Should NYSEG provide such written notice, Cayuga shall assume sole and full responsibility for all costs relating to or associated with the major turbine generator overhaul of RSS Unit 2. For the avoidance of doubt, after notice is provided by NYSEG, the major turbine generator overhaul of RSS Unit 2 is not an Additional Expenditure.

- (e) NYSEG shall have the right to have its representatives or agents present at all times during maintenance outages or forced outages to inspect the RSS Units and any property or equipment involved in the maintenance outage. Cayuga shall at all times provide NYSEG's representatives or agents access to the RSS Units, property and equipment. Cayuga shall also give NYSEG timely access to all outage reports, vendor reports, or test results of mechanical, electrical or other plant equipment. Upon restoration, Cayuga shall provide NYSEG with copies of any operating licenses, permits, insurance inspection reports, or other documentation associated with the conclusion of the outage.

5.2. Forced Outages

In the event Cayuga needs to take either or both RSS Units out of operation or reduce the capability of either or both RSS Units upon the occurrence of a Forced Outage, Cayuga shall notify NYSEG, pursuant to established practice under the NYISO Outage Scheduling Manual, of the nature and expected duration of a Forced Outage as soon as practicable.

5.3. Additional Expenditures

- (a) Cayuga shall not be required or otherwise obligated to incur any Additional Expenditures, except as permitted by this Section 5.3. If there is a need for Additional Expenditures, Cayuga will provide written notice to NYSEG as soon as possible, but in no event greater than ten (10) calendar days from the start of the relevant Forced Outage, whether expenses not recovered in the Monthly Fixed Price are required to return the RSS Unit or Units to service. This notice will indicate the amount of Additional Expenditures expected to be required and the length of time required to return the RSS Unit or Units to service (the "Repair Time").
- (b) If within sixty (60) calendar days of receipt of such notice, NYSEG provides Cayuga with written notification that it will pay the full amount, or a lesser amount mutually agreed to by the Parties, of the Additional Expenditures, Cayuga will incur such Additional Expenditures and restore the RSS Unit or Units to service as soon as practicable but in no event longer than the Repair Time identified per subsection (a) above.
- (c) NYSEG shall pay Cayuga for Additional Expenditures, to the extent NYSEG has provided Cayuga with written notification that it will pay the Additional Expenditures, within ten (10) calendar days of NYSEG's receipt of Cayuga's notice it has incurred such Additional Expenditures.
- (d) NYSEG shall have the right to dispute the amount of Additional Expenditures identified as necessary by Cayuga, in which case the Parties will engage in good faith negotiations to attempt to reach a resolution of the appropriate level of Additional Expenditures required. If the Parties are unable to agree on the level of Additional Expenditures, they agree to seek the assistance of Staff to help

facilitate the resolution of their differences and the Parties shall at all times negotiate in good faith.

- (e) Cayuga is obligated to use reasonable efforts to minimize Additional Expenditures (including but not limited to pursuing any insurance claims it has available) and agrees that any Additional Expenditures shall be offset by any proceeds or payments from any third-party sources, including insurance proceeds, paid to Cayuga to return the RSS Unit or Units to service from the Forced Outage. Any insurance proceeds associated with a related claim shall be deposited into an escrow account at a mutually acceptable United States Bank pursuant to a mutually acceptable escrow agreement consistent with this Section. The escrow account shall be administered by an independent escrow agent. Insurance proceeds deposited into the escrow account are first to be allocated by the escrow agent for the purposes of repairing, renovating or restoring the RSS Unit or Units or otherwise returning the RSS Unit or Units to service from a Forced Outage or to reimburse NYSEG for any payments made for Additional Expenditures. Cayuga shall refund to NYSEG any payments for Additional Expenditures paid to Cayuga that exceed the amount actually expended by Cayuga, after offsets.
- (f) In the event that NYSEG does not provide written notification of its commitment to fund the Additional Expenditures and Cayuga does not make the voluntary election described in Section 5.3 (g) below, Cayuga shall no longer have any obligation to provide RSS from such RSS Unit or Units. If Additional Expenditures are necessary to restore both of the RSS Units from Forced Outage, then this Agreement will be considered terminated as of the expiration of NYSEG's notice period. However, if Additional Expenditures are only necessary to restore one of the RSS Units from a Forced Outage, this Agreement shall remain in full force and effect with respect to the remaining RSS Unit. Payments for one RSS Unit operation shall be made as provided in Exhibit 1.
- (g) Nothing in this Section 5.3 shall prevent Cayuga from voluntarily electing to make any repair necessary to allow the affected RSS Unit or Units to return to service, without additional compensation or the payment of Additional Expenditures, after being informed by NYSEG that it does not intend to fund the Additional Expenditures.
- (h) For the avoidance of doubt, the Repair Time and any period of time in which NYSEG is considering whether to authorize Additional Expenditures shall not count towards the Performance Penalty for purposes of determining the Monthly Fixed Price reduction.

5.4. Performance Penalty

- (a) Cayuga's failure to return the RSS Unit or Units to service within the Repair Time will result in the application of the Performance Penalty as set forth in Section 5.4 (b) below. For purposes of the application of the Performance Penalty, the Repair

Time shall commence on the day that Cayuga receives NYSEG's written notification to Cayuga that NYSEG will pay the full amount, or a lesser amount mutually agreed to by the Parties, of the Additional Expenditures. Cayuga's failure to return an RSS Unit to service after receipt of the Additional Expenditures from NYSEG shall be a material breach of this Agreement solely if Cayuga fails to exercise Good Utility Practices and act in accordance with the NYISO Tariff in returning an RSS Unit to service.

- (b) Except as provided for in Section 5.3 (h), for each hour in a month that an RSS Unit is not on a Planned Outage and is asked to run in compliance with the Operating Parameters in Section 3.2 above and does not, \$787.67 will be credited against the Monthly Fixed Price.

ARTICLE VI REPRESENTATIONS AND WARRANTIES

6.1. Representations of Cayuga

Cayuga hereby represents and warrants to NYSEG that the following is true, correct and complete as of the Effective Date:

- (a) Cayuga is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Cayuga has full corporate power and authority to own and lease all of the properties and assets it now owns and leases and to carry on its business as now being conducted. To the knowledge of Cayuga, Cayuga is in substantial compliance with Applicable Laws.
- (b) Cayuga has full power and authority (corporate and otherwise) to execute, deliver and perform this Agreement (including execution, delivery and performance of the operative documents to which Cayuga is a party) and to consummate the transactions contemplated herein, subject to the conditions set forth in this Agreement. The execution and delivery by Cayuga of this Agreement and the operative documents, and the consummation of the transactions will not violate Cayuga's organizational documents or other obligations, and no other proceedings on the part of Cayuga are necessary with respect thereto and no additional consents or approvals other than those provided for herein are required. This Agreement has been duly and validly executed and delivered by Cayuga and constitutes the legal, valid and binding obligation of Cayuga enforceable against Cayuga in accordance with its terms except as the same may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws relating to or affecting the rights of creditors generally, or by general equitable principles (regardless of whether enforcement is considered in a proceeding at law or in equity). Cayuga will take, and cause to be taken, all action that is necessary for Cayuga to complete the actions to be completed by Cayuga pursuant to this Agreement.

- (c) There are no known issues, defects, problems or other issues involving or related to the ownership and/or operation of the RSS Units and the Cayuga Generating Facility as a whole that would preclude or prevent Cayuga from performing its duties and obligations in accordance with this Agreement.
- (d) No citations, fines, or penalties have been asserted against Cayuga under any Environmental Law or by the regulatory authority or jurisdiction in which Cayuga operates. Cayuga has not received notice (verbal or written) of, nor is it aware of, any person making allegations that all or any part of the RSS Units or the Cayuga Generating Facility as a whole, or the use, operation or ownership thereof, are in violation of any applicable Environmental Law.
- (e) Cayuga will keep in force all existing policies of insurance, or comparable replacement policies of insurance at existing levels of coverage related to the RSS Units and the Cayuga Generating Facility, including the ownership and operation thereof, throughout the duration of the Initial Term and any Necessary Extension.
- (f) Cayuga is in compliance with or has performed all agreements, representations and warranties, and conditions in this Agreement that are required to be performed and complied with by Cayuga before or coincident with the Effective Date.
- (g) Each of the representations and warranties of Cayuga in this Agreement and all other information delivered under this Agreement shall be true in all material respects at and as of the Effective Date as though each representation, warranty, and disclosure were made and delivered at and as of the Effective Date.

6.2. Representations of NYSEG

NYSEG hereby represents and warrants to Cayuga that the following is true, correct and complete as of the Effective Date:

- (a) NYSEG is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, with full corporate power and authority to own property and carry on its business as now being conducted.
- (b) NYSEG has full power and authority (corporate and otherwise) to execute, deliver and perform this Agreement (including execution, delivery and performance of the operative documents to which NYSEG is a party) and to consummate the transactions contemplated herein, subject to the conditions set forth in this Agreement. The execution and delivery by NYSEG of this Agreement and the operative documents, and the consummation of the transactions will not violate NYSEG's organizational documents or other obligations, and no other corporate proceedings on the part of NYSEG are necessary with respect thereto and no additional consents or approvals other than those provided for herein are required.

This Agreement has been duly and validly executed and delivered by NYSEG and constitutes the legal, valid and binding obligation of NYSEG enforceable against NYSEG in accordance with its terms except as the same may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws relating to or affecting the rights of creditors generally, or by general equitable principles (regardless of whether enforcement is considered in a proceeding at law or in equity). NYSEG will take, and cause to be taken, all corporate action that is necessary for NYSEG to complete the actions to be completed by NYSEG pursuant to this Agreement.

- (c) NYSEG is in compliance with or has performed all agreements, representations and warranties, and conditions in this Agreement that are required to be performed and complied with by NYSEG before or coincident with the Effective Date.
- (d) Each of the representations and warranties of NYSEG in this Agreement and all other information delivered under this Agreement shall be true in all material respects at and as of the Effective Date as though each representation, warranty, and disclosure were made and delivered at and as of the Effective Date.

ARTICLE VII FORCE MAJEURE EVENTS

7.1. Force Majeure Event

- (a) Any delay or failure in the performance by a Party, other than payment of undisputed amounts, shall be excused if and to the extent caused by the occurrence of a Force Majeure Event. A Force Majeure Event means acts of God, fires, floods, explosion, riots, wars, unusually inclement weather, sabotage, vandalism, terrorism, terroristic acts, restraint of government, governmental acts, changes in laws, regulations or orders or injunctions, labor strikes, breakage or accident of machinery or equipment not directly caused by a lack of proper care or maintenance, and other like events or circumstances that are beyond the reasonable control of the Party affected thereby, despite such Party's reasonable efforts to prevent, avoid, delay, or mitigate the effect of such acts, events or occurrences, and which events or the effects thereof are not attributable to a Party's negligence or failure to perform its obligations under this Agreement.

- (b) If the availability of any of the RSS Units is reduced by reason of a Force Majeure Event, such Force Majeure Event shall be deemed to create a Forced Outage, and shall be resolved pursuant to the provisions herein relating to Forced Outage and Additional Expenditures. The Party unable to perform by reason of a Force Majeure Event shall use reasonable efforts to remedy its inability to perform and to mitigate the consequences of the Force Majeure Event as soon as reasonably practicable; provided that (i) no Party shall be required to settle any strike, walkout, lockout, or other labor dispute on terms which, in the Party's sole discretion, are contrary to its interests and (ii) subject to the Additional Expenditure provision, the Party unable to perform shall, as soon as practicable, advise the other Party of the reason for its inability to perform, the nature of any corrective action needed to resolve performance, and its efforts to remedy its inability to perform and to mitigate the consequences of its inability to perform and shall advise the other Party of when it estimates it will be able to resume performance of its obligations under this Agreement.

ARTICLE VIII LIMITATIONS OF LIABILITY

8.1. Indemnification, Limitation of Liability

- (a) Cayuga agrees to release, indemnify and hold harmless NYSEG, its directors, officers, agents, and representatives against and from any and all loss, claims, actions or suits, including costs and attorneys' fees, both at trial and on appeal, resulting from, or arising out of or in any way connected with, the energy delivered by Cayuga hereunder to and at the Point of Delivery, and facilities on Cayuga's side of the Point of Delivery, or Cayuga's operation and/or maintenance of the RSS Units and the Cayuga Generation Facility, or arising from this Agreement, including without limitation any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction or economic loss of property belonging to NYSEG, Cayuga or others, excepting only such loss, claim, action or suit as may be caused solely by the fault or gross negligence of NYSEG, its directors, officers, employees, agents and representatives.
- (b) NYSEG agrees to release, indemnify and hold harmless Cayuga, its directors, officers, agents, and representatives against and from any and all loss, claims, actions or suits, including costs and attorney's fees, both at trial and on appeal, resulting from, or arising out of or in any way connected with the energy delivered by Cayuga hereunder after the Point of Delivery, including without limitation any loss, claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction or economic loss of property, excepting only such loss, claim, action or suit as may be caused solely by the fault or gross negligence of Cayuga, its directors, officers, employees, agents or representatives, including without limitation within such

exception losses, claims, actions and suits related to, arising under or resulting from this Agreement.

- (c) Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a party to this Agreement. No undertaking by one Party to the other under any provision of this Agreement shall constitute the dedication of that Party's system or any portion thereof to the other Party or to the public.
- (d) Neither Party shall be liable to the other for incidental, consequential, special, indirect, multiple or punitive damages, loss of revenue, profits, fees or costs arising out of, or connected in any way to the performance or non-performance of a Party under this Agreement, whether arising from contract, tort (including negligence), strict liability or otherwise, unless such damages are the result of a Party's gross negligence or willful misconduct.

ARTICLE IX REMEDIES

9.1. Termination for Default

If any Party shall fail to perform any material obligation related to the operation of any of the RSS Units imposed on it by this Agreement, and that obligation has not been suspended pursuant to this Agreement, the other Party, at its option, may terminate this Agreement by giving the Party in default written notice setting out specifically the circumstances constituting the default and declaring its intention to terminate this Agreement. If the Party receiving the notice does not within ten (10) days after receiving the notice, remedy the default, the Party not in default shall be entitled by a further written notice to terminate this Agreement; provided that, if the default is reasonably expected to take more than ten (10) days to remedy, the defaulting Party shall notify the non-defaulting Party of its plan for remedying the default and must take actions to begin remedying the default within ten (10) days. The Party not in default shall have a duty to mitigate damages. Termination of this Agreement pursuant to this Section 9.1 shall be without prejudice to the right of any Party to collect any amounts due to it prior to the time of termination.

9.2. Waiver

The failure to exercise any remedy or to enforce any right provided in this Agreement or Applicable Law shall not constitute a waiver of such remedy or right or of any other remedy or right. A Party shall be considered to have waived any remedies or rights only if the waiver is in writing and signed by the Party against whom such waiver is to be enforced.

9.3. Beneficiaries

Except as is specifically set forth in this Agreement, nothing in this Agreement, whether express or implied, confers any rights or remedies under, or by reason of, this Agreement on any persons other than the Parties and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligations or liability of any third-party, nor give any third-person any rights of subrogation or action against any Party.

ARTICLE X MISCELLANEOUS PROVISIONS

10.1. Assignment

Neither Party shall assign its rights or delegate its duties under this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned, or delayed. Any such assignment or delegation made without such written consent shall be null and void. Upon any assignment made in compliance with this section, this Agreement shall inure to and be binding upon the successors and assigns for the assigning Parties.

10.2. Notices and Correspondence

Except as otherwise expressly provided in this Agreement, permitted by NYISO rules or required by law, all invoices, notices, consents, requests, demands, approvals, authorizations and other communications provided for in this Agreement shall be in writing and shall be sent by email, followed by personal delivery, certified mail, return receipt requested, facsimile transmission, or by recognized overnight courier service, to the intended Party at such Party's address set forth below. All such notices shall be deemed to have been duly given and to have become effective: (i) upon receipt if delivered in person, facsimile, or email; (ii) two days after having been delivered to a courier for overnight delivery; or (iii) seven days after having been deposited in the United States mail as certified or registered mail, return receipt requested, all fees pre-paid, addressed to the applicable addresses set forth below. Each Party's address for notices shall be as follows (subject to change by notice in accordance with the provisions of this Section):

TO CAYUGA:

Cayuga Operating Company, LLC.
228 Cayuga Drive
Lansing, NY 14882
Attention: Jim Mulligan – President
Telephone No.: 607-533-7913, ext 2262 (Plant)
607-343-0556 (Mobile)
Facsimile No.: 607-533-8744

with copies to:

Harris Beach PLLC
99 Garnsey Road
Pittsford, NY 14534
Attention: Christopher A. Andreucci
Telephone No.: 585 419-8606
Facsimile No.: 585 419-8815

TO NYSEG:

New York State Electric & Gas Corporation
18 Link Drive, James A Carrigg Center
Binghamton, NY 13904
Attention: Vice President – Energy Services
Telephone No.: 607-762-8701
Facsimile No.: 607-762-8885

with copies to:

Rochester Gas and Electric Corporation
89 East Avenue
Rochester, NY 14649
Attention: Jeffrey Rosenbloom, Legal Department
Telephone No.: 585-724-8132
Facsimile No.: 585-724-8668

10.3. Parties' Representatives

Each Party to this Agreement shall ensure that throughout the Initial Term duly appointed representatives are available for communications between the Parties. The representatives shall have full authority to deal with all day-to-day matters arising under this Agreement. Cayuga and NYSEG shall be entitled to assume that the duly appointed representatives of the other Party are at all times acting within the limits of the authority given by the representatives' Party.

10.4. Taxes

- (a) Cooperation. Each Party shall use reasonable efforts to implement the provisions of and to administer this Agreement insofar as it applies to the RSS in accordance with the intent of the Parties to minimize all taxes, so long as neither Party is materially adversely affected by such efforts.
- (b) Taxes. Cayuga shall pay or cause to be paid all taxes imposed by any government authority on or with respect to the RSS arising prior to the Point of Delivery. NYSEG shall pay or cause to be paid all taxes on or with respect to the RSS arising from the Point of Delivery (other than ad valorem, franchise or income taxes which are related to the sale of the RSS and are, therefore, the responsibility of Cayuga). In the event Cayuga is required by law or regulation to remit or pay taxes which are NYSEG's responsibility hereunder, NYSEG shall promptly reimburse Cayuga for such taxes. If NYSEG is required by law or regulation to remit or pay taxes which are Cayuga's responsibility hereunder, NYSEG may deduct the amount of any such taxes from the sums due to Cayuga under this Agreement. Nothing shall obligate or cause a Party to pay or be liable to pay any taxes for which it is exempt under the law.

10.5. Independent Parties

Nothing contained herein shall constitute the Parties as joint venturers, partners, employees or agents of one another, and neither Party shall have the right or power to bind or obligate the other. Nothing herein will be construed as making either Party responsible or liable for the obligations and undertakings of the other Party. Except for provisions herein expressly authorizing a Party to act for another, nothing in this Agreement shall constitute a Party as a legal representative or agent of the other Party, nor shall a Party have the right or authority to assume, create or incur any liability or any obligation of any kind, express or implied, against or in the name or on behalf of the other Party unless otherwise expressly permitted by such other Party. Except as otherwise expressly provided in this Agreement, no Party undertakes to perform any obligation of the other Party.

10.6. Choice of Law

This Agreement shall be interpreted and enforced in accordance with the laws of the State of New York, excluding any choice of law provisions or rules which may direct the application of the laws of another jurisdiction.

10.7. Effect of Invalidation, Modification, or Condition

Each covenant, condition, restriction, and other term of this Agreement is intended to be, and shall be construed as, independent and severable from each other covenant, condition, restriction, and other term. If any covenant, condition, restriction, or other term of this Agreement is held to be invalid or otherwise modified or conditioned by any Governmental Authority, the invalidity, modification, or condition of such covenant, condition, restriction, or

other term shall not affect the validity of the remaining covenants, conditions, restrictions, or other terms hereof. If an invalidity, modification, or condition has a material impact on the rights and obligations of the Parties, the Parties shall make a good faith effort to renegotiate and restore the benefits and burdens of this Agreement as they existed prior to the determination of the invalidity, modification, or condition. If the Parties fail to reach agreement, then the Party whose rights and obligations have been adversely affected may, in its sole discretion, terminate this Agreement.

10.8. Amendments

Any amendments or modifications of this Agreement shall be made only in writing and duly executed by all Parties to this Agreement. Such amendments or modifications shall become effective only after the Parties have received any authorizations required from the NYPSA for the amendment or modification. The Parties agree to negotiate in good faith any amendments to this Agreement that are needed to reflect the intent of the Parties as expressed herein and to reflect any changes to the design of the New York markets that are approved by the Commission or the NYPSA from time to time.

10.9. Dispute Resolution

Except where otherwise provided for in this Agreement, disputes under this Agreement shall be submitted to representatives of each Party for resolution. If the dispute remains unresolved after 45 days, either Party may pursue any legal remedies available to it by law.

10.10. Entire Agreement

This Agreement consists of the terms and conditions set forth herein, as well as the Exhibits hereto, which are incorporated by reference herein and made a part hereof. This Agreement contains the entire agreement between the Parties with respect to the matters set forth herein and supersedes all prior negotiations, undertakings, agreements and business term sheets.

10.11. Confidentiality

Information provided by any Party to the other pursuant to this Agreement may, at the Party's discretion, be provided subject to the terms of the Confidentiality Agreement between the Parties dated September 12, 2012 ("Confidentiality Agreement"). All information provided to either Party in connection with the negotiations regarding this Agreement shall remain subject to the provisions of such Confidentiality Agreement.

10.12. Binding Nature

This Agreement shall be executed by both Parties immediately upon their receipt of a NYPSA Order approving this Agreement without modification and providing for complete and immediate cost recovery for NYSEG. If this Agreement is rejected by the NYPSA or materially modified by the NYPSA in its Order, or if the Order fails to provide for complete and immediate

cost recovery for NYSEG, this Agreement shall not be executed by the Parties and shall be deemed null and void as of the date of such NYPSC action or inaction.

10.13. Final Order

Cayuga acknowledges that it has withdrawn its RMR Agreement filing and further agrees to use its commercially reasonable efforts to hold FERC Docket No. ER13-405-000 in abeyance pending its formal dismissal. Cayuga agrees to not seek an RMR Agreement from FERC during the Initial Term and any following Terms.

10.14. Standard of Review

The standard of review for changes in the rates, terms or conditions of this Agreement whether proposed by a Party or a non-party must meet the “public interest” application of the statutory “just and reasonable” standard of review as set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956); as clarified by NRG Power Marketing, LLC v. Maine Public Utilities Commission, 130 S. Ct. 693, Case No. 08-674 (2010); Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish, 554 U.S. 527 (2008).

10.15. Counterparts

This Agreement may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument. Facsimile or PDF signature shall be an acceptable form of execution.

SIGNATURE PAGES TO FOLLOW

IN WITNESS WHEREOF, the parties have executed this Agreement on the respective dates specified below with effect from the date specified on the first page of this Agreement.

NEW YORK STATE ELECTRIC & GAS CORPORATION

By: _____

Name: Joseph J. Syta

Title: Vice President, Controller and Treasurer

Date: _____

By: _____

Name: Mark S. Lynch

Title: President

Date: _____

CAYUGA OPERATING COMPANY, LLC

By: _____

Name: Jerry S. Goodenough

Title: Vice President, Cayuga Operating Company, LLC

Date: _____

Exhibit 1
to
Reliability Support Services Agreement
Between New York State Electric & Gas Corporation And Cayuga Operating Company,
LLC

Monthly Fixed Price	2014	2015	2016	2017
Monthly Charge - 2 Unit Operation	\$2,788,330	\$2,777,263	\$2,567,146	\$2,647,279
Monthly Charge - 1 Unit Operation	\$2,243,018	\$2,036,080	\$2,030,383	\$2,086,687
 Capital Expenditures				
Capital Expenditures - 2 Unit Operation	\$7,612,800	\$7,667,400	\$12,684,000	\$1,917,000
Capital Expenditures - 1 Unit Operation	\$6,592,800	\$3,318,000	\$11,700,000	\$1,350,000
Title V Mercury Control	\$12,500,000			

Exhibit 2
to
Reliability Support Services Agreement
Between New York State Electric & Gas Corporation And Cayuga Operating Company,
LLC

Net Energy Revenues sharing would be defined as follows:

Net Energy Revenue would be based on the following calculation:

Spot Electricity Sales
Ancillary Service Sales
Total Revenues

Coal Cost
Coal Transportation Cost
Limestone Cost
Limestone Transportation Cost
Formic Acid Cost
Lime Cost
Ammonia Cost
Flyash Cost (revenue or cost)
Bottom Ash Cost (revenue or cost)
Gypsum Cost (revenue or cost)
FGD/CPR Sludge Cost
NOx Allowance Cost
SOx Allowance Cost
CO2 Allowance Cost
Air Fee Cost
Mercury Control Additive
Schedule 1 Charge
Start up Cost
Total Variable Production Costs

Net Energy Revenues = Total Revenues - Total Variable Production Costs

Exhibit 3
to
Reliability Support Services Agreement
Between New York State Electric & Gas Corporation And Cayuga Operating Company,
LLC

Billing and Payment

Billing Period. As designated in Section 4.1.

Timeliness of Payment. Unless otherwise agreed by the Parties in a Transaction, all invoices under this Agreement shall be due and payable in accordance with each Party's invoice instructions on or before the later of the sixteenth (16th) day of each month, or tenth (10th) day after receipt of the invoice or, if such day is not a Business Day, then on the next Business Day. Each Party will make payments by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the other Party. Any amounts not paid by the due date will be deemed delinquent and will accrue interest at the Interest Rate, such interest to be calculated from and including the due date to but excluding the date the delinquent amount is paid in full.

Interest Rate. Shall mean, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under "Money Rates" on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%) and (b) the maximum rate permitted by applicable law.

Disputes and Adjustments of Invoices. A Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice, rendered under this Agreement or adjust any invoice for any arithmetic or computational error within twelve (12) months of the date the invoice, or adjustment to an invoice, was rendered. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with notice of the objection given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. Payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment shall be made within two (2) Business Days of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned upon request or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Interest Rate from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment. Any dispute with respect to an invoice is waived unless the other Party is notified in accordance with this section within twelve (12) months after the invoice is rendered or any specific adjustment to the invoice is made. If an invoice is not rendered within twelve (12) months after the close of the month during which performance of a Transaction occurred, the right to payment for such performance is waived.

Netting of Payments. The Parties hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date pursuant to all Transactions applicable to this contract through netting, in which case all amounts owed by each Party to the other Party for the purchase and sale of Products during the monthly billing period under this Agreement, interest, and payments or credits, shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it.

Payment Obligation Absent Netting. If no mutual debts or payment obligations exist and only one Party owes a debt or obligation to the other during the monthly billing period, including, but not limited to, any related damage amounts calculated as stated in Seller Failure or Buyer Failure to Deliver/Receive, interest, and payments or credits, that Party shall pay such sum in full when due.

US Federal Tax Forms. Each Party to this agreement will upon signing provide the other Party a completed W-9.

Dollars. Unless otherwise stated all dollars in this agreement refer to U.S. Currency.

Exhibit 4
to
Reliability Support Services Agreement Between New York State Electric & Gas Corporation
And Cayuga Operating Company, LLC

Applicable Capital Expenditures

Maintenance Improvements

Description	Unit	Expense Year
C BFP Overhaul	Common	2017
#1 Belt Motor	Common	2014
New CEM's	Common	2016
LP rotor replacement - #1 unit	Unit 1	2014
Unit No. 1 Turbine-Generator-Transformer Relay Protection Upgrade	Unit 1	2014
Turbine outage - #1 unit	Unit 1	2014
Unit No. 1 Generator Stator Wedge Support System (turbine outage dependent)	Unit 1	2014
Unit No. 1 Generator Partial Discharge Monitor System (turbine outage dependent)	Unit 1	2014
Unit No. 1 Turbine-Generator protective/control device wiring upgrade (turbine outage dependent)	Unit 1	2014
Unit No. 1 Electrostatic Precipitator Rapper Controls and wiring - finalize initial work	Unit 1	2014
Unit No. 1 Main and Vital Load Battery Bank(s) Replacement	Unit 1	2014
Unit #1 SSH Replacement	Unit 1	2014
#1 A & B BFP's Overhaul	Unit 1	2014
#1 Waterwall Inspection	Unit 1	2015
#1 Boiler Chemical Cleaning	Unit 1	2015
#1A & B SBAC	Unit 1	2014 and 2015
#1 Air Heater Replacement	Unit 1	2016
#1 BFP Motors	Unit 1	2016
#1 Reversing Valves	Unit 1	2016
Cir Pump #1 Overhaul	Unit 1	2016
Generator/Turbine Testing #1	Unit 1	2015
Unit No. 2 Turbine-Generator-Transformer Relay Protection Upgrade	Unit 2	2015
Unit No. 2 Generator AVR	Unit 2	2014
Turbine outage - #2 unit	Unit 2	2014 and 2015
Unit No. 2 Turbine-Generator Protective/Control Device Wiring Upgrade (turbine outage dependent)	Unit 2	2015
Unit No. 2 Electrostatic Precipitator Rapper Controls and Wiring - Finalize initial work	Unit 2	2015
Unit No. 2 UPS System Replacement	Unit 2	2014 and 2015
Unit #2 Switchgear Room Ventilation	Unit 2	2014 and 2015
Unit No. 2 - 480 Volt Switchgear Replacement - ARC Flash - Safety issue	Unit 2	2014 and 2015
2A & B BFP Hydraulic Couplings	Unit 2	2015
#2 Waterwall Inspection	Unit 2	2015
#2 Boiler Chemical Cleaning	Unit 2	2016
#2A & B BFP Overhaul	Unit 2	2015
#2 BFP Motors	Unit 2	2017

#2 Reversing Valves	Unit 2	2017
Cir Pump #2 Overhaul	Unit 2	2017
Generator/Turbine Testing #2	Unit 2	2016
TSI Upgrade	Unit 2	2015
Station Batteries	Unit 2	2015

Environmental Improvements

Description	Unit	Expense Year
Outfall Relocation	Common	2015 and 2016
Intake Modification - 316B	Common	2015 and 2016
Landfill covering	Common	2015 and 2017
Acid/Caustic Storage Tank Replacement	Common	2014
Sewage Treatment System Replacement	Common	2016
Mercury Analyzers	Unit 1	2014
Inlet Zone Tile Replacement - #1 unit (turbine outage dependent)	Unit 1	2014
Absorber Expansion Joints - #1 Unit, FGD Inlet and Transition Piece Outlet (Turbine Outage Dependent)	Unit 1	2014
Catalyst Bed SCR - #1 Unit	Unit 1	2015
Particulate Analyzers	Unit 1	2014
Mercury Analyzers	Unit 2	2014
Alloy Beams #2 ABS (turbine outage dependent)	Unit 2	2015
Mist Eliminators #2 ABS (turbine outage dependent)	Unit 2	2015
Absorber Expansion Joints - #2 Unit, FGD Inlet and Transition Piece Outlet (Turbine Outage Dependent)	Unit 2	2014 and 2015
Inlet Zone Tile Replacement - #2 unit (turbine outage dependent)	Unit 2	2015
Particulate Analyzers	Unit 2	2014

Exhibit 5
to
Reliability Support Services Agreement Between New York State Electric & Gas Corporation
And Cayuga Operating Company, LLC

Monthly Fixed Price Components

Salaries Wages and Benefits
Contract Services Consulting Costs
Taxes (Non-Income)
Insurance
Other Fixed Operating Costs
Maintenance Costs

Overhead
Depreciation
Working Capital Costs*

*Working Capital Cost Components

Cash
Landfill Financial Assurance
Inventory
Storeroom

Exhibit 6
to
Reliability Support Services Agreement Between New York State Electric & Gas Corporation And Cayuga Operating Company, LLC

Monthly Report <i>Cayuga Operating Company</i> <i>LLC, N.Y. USA</i>	Day	Month	YTD
Generation			
Gross Generation			
Net Generation			
Station Service			
Station Service as % of Generation			
Fuel Consumption			
<i>Heat Rate</i>			
Availability			
Equivalent Availability Factor			
Capacity Factor			
Emissions			
Opacity			
Nox lb/mmbtu			
SOx % Removal			
Unit #1			
Equivalent Availability Factor			
Capacity Factor			
Gross Generation			
Net Generation			
Station Service			
Station Service as % of Generation			
Fuel Consumption			
Heat Rate - Btu/Kwhr			
Opacity			
NOx lb/mmbtu			
SOx % Removal			
Unit #2			
Equivalent Availability Factor			
Capacity Factor			
Gross Generation			
Net Generation			

Station Service			
Station Service as % of Generation			
Fuel Consumption			
Heat Rate			
Opacity			
NOx lb/mmbtu			
SOx % Removal			

Exhibit 7
to
Reliability Support Services Agreement Between New York State Electric & Gas Corporation And Cayuga Operating Company, LLC

Calculation Examples

Example calculation assuming NYSEG exercises its right to reduce from two RSS Unit operation to one RSS Unit operation under 3.3 (c).

NYSEG provides appropriate notice and effective date of one RSS Unit operation is June 1, 2016.

Annual Energy Revenue Sharing Threshold = $(5 * \$5,000,000 + 7 * \$3,000,000) / 12 = \$3,833,333$

Exhibit 8
to
Reliability Support Services Agreement Between New York State Electric & Gas Corporation And Cayuga Operating Company, LLC

NYSEG Capital Recovery Example

	2014	2015	2016	2017	totals	total including contingency
Unit 1	\$5,364,000	\$1,415,000	\$1,245,000		\$8,024,000	\$9,628,800
Unit 2	\$850,000	\$3,624,500	\$445,000	\$247,500	\$17,667,000	\$18,700,400
Common	\$130,000	\$1,350,000	\$8,880,000	\$1,350,000	\$11,710,000	\$14,052,000
Unit 2 Mercury	\$12,500,000					
Sub total	\$6,344,000	\$6,389,500	\$10,570,000	\$1,597,500		
Contingency	\$1,268,800	\$1,277,900	\$2,114,000	\$319,500		
Total	\$20,112,800	\$7,667,400	\$12,684,000	\$1,917,000		

Merchant run Scenarios - 1 Unit operation

	6 months 2017	2018	2019	2020	2021	6 months 2022
Unit 1 50%	\$481,440	\$962,880	\$962,880	\$962,880	\$962,880	\$481,440
Common 37.5%	\$526,950	\$1,053,900	\$1,053,900	\$1,053,900	\$1,053,900	\$526,950
TOTAL	\$1,008,390	\$2,016,780	\$2,016,780	\$2,016,780	\$2,016,780	\$1,008,390

Merchant run Scenarios - 2 Unit operation

	6 months 2017	2018	2019	2020	2021	6 months 2022
Unit 1 50%	\$481,440	\$962,880	\$962,880	\$962,880	\$962,880	\$481,440
Unit 2 50%	\$935,020	\$1,870,040	\$1,870,040	\$1,870,040	\$1,870,040	\$935,020
Common 50%	\$702,600	\$1,405,200	\$1,405,200	\$1,405,200	\$1,405,200	\$702,600
TOTAL	\$2,119,060	\$4,238,120	\$4,238,120	\$4,238,120	\$4,238,120	\$2,119,060

* This is for use as an example, the payback amount would be on capital dollars actually spent.

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