Niagara Mohawk Power Corporation

$750,000,000

4.881% Senior Notes due 2019

PURCHASE AGREEMENT

dated August 3, 2009

Banc of America Securities LLC
Barclays Capital Inc.
Morgan Stanley & Co. Incorporated

PURCHASE AGREEMENT

August 3, 2009

BANC OF AMERICA SECURITIES LLC
One Bryant Park
New York, NY 10036

BARCLAYS CAPITAL INC.
745 Seventh Avenue
New York, NY 10019

MORGAN STANLEY & CO. INCORPORATED
1585 Broadway
New York, NY 10036

As Joint Book-Running Managers and Representatives of the several Initial Purchasers listed in Schedule A hereto

Ladies and Gentlemen:

Introductory. Niagara Mohawk Power Corporation, a New York corporation (the "**Company**"), proposes to issue and sell to the several Initial Purchasers named in Schedule A hereto (the "**Initial Purchasers**"), acting severally and not jointly, the respective amounts set forth in such Schedule A of an $750,000,000 aggregate principal amount of the Company's 4.881% Senior Notes due 2019 (the "**Securities**"). Banc of America Securities LLC, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated have agreed to act as the representatives of the several Initial Purchasers (the "**Representatives**") in connection with the offering and sale of the Securities.

The Securities will be issued pursuant to an indenture, to be dated as of August 10, 2009, between the Company and The Bank of New York Mellon, as trustee (the "**Trustee**"), as supplemented by a first supplemental indenture, to be dated as of August 10, 2009, between the Company and the Trustee (together, the "**Indenture**").

The Company understands that the Initial Purchasers propose to make an offering of the Securities on the terms and in the manner set forth herein and in the Pricing Disclosure Package (as defined below) and agrees that the Initial Purchasers may resell, subject to the conditions set forth herein, all or a portion of the Securities to purchasers (the "**Subsequent Purchasers**") on the terms set forth in the Pricing Disclosure Package. As used in this Agreement, the "**Time of Sale**" means 4:15pm (Eastern Time) on August 3, 2009 or such other time as agreed by the Company and the Initial Purchasers. The Securities are to be offered and sold to or through the

Initial Purchasers without being registered with the Securities and Exchange Commission (the "**Commission**") under the Securities Act of 1933 (as amended, the "**Securities Act,**" which term, as used herein, includes the rules and regulations of the Commission promulgated thereunder), in reliance upon exemptions therefrom. Pursuant to the terms of the Securities and the Indenture, investors who acquire Securities shall be deemed to have agreed that Securities may only be resold or otherwise transferred, after the date hereof, if such Securities are registered for sale under the Securities Act or if an exemption from the registration requirements of the Securities Act is available (including the exemptions afforded by Rule 144A under the Securities Act ("**Rule 144A**") or Regulation S under the Securities Act ("**Regulation S**")).

The Company has prepared and delivered to each Initial Purchaser copies of a Preliminary Offering Memorandum, dated August 3, 2009 (the "**Preliminary Offering Memorandum**"), and has prepared and delivered to each Initial Purchaser copies of a Pricing Supplement, dated August 3, 2009 (the "**Pricing Supplement**") in the form set out in Schedule B hereto, describing the terms of the Securities, each for use by such Initial Purchaser in connection with its solicitation of offers to purchase the Securities. The Preliminary Offering Memorandum and the Pricing Supplement are herein referred to as the "**Pricing Disclosure Package.**" Promptly after this Agreement is executed and delivered, the Company will prepare and deliver to each Initial Purchaser a final offering memorandum dated the date hereof (the "**Final Offering Memorandum**").

The Company hereby confirms its agreements with the Initial Purchasers as follows:

Section 1. ***Representations and Warranties.*** The Company hereby represents, warrants and covenants to each Initial Purchaser that, as of the date hereof and as of the Closing Date (as defined below) (references in this Section 1 to the "Offering Memorandum" are to (x) the Pricing Disclosure Package in the case of representations and warranties made as of the date hereof and (y) the Final Offering Memorandum in the case of representations and warranties made as of the Closing Date):

(a) **No Registration Required.** Subject to compliance by the Initial Purchasers with the representations and warranties set forth in Section 2 hereof and with the procedures set forth in Section 4 hereof, it is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchasers and to each Subsequent Purchaser in the manner contemplated by this Agreement and the Offering Memorandum to register the Securities under the Securities Act or to qualify the Indenture under the Trust Indenture Act of 1939 (the "**Trust Indenture Act,**" which term, as used herein, includes the rules and regulations of the Commission promulgated thereunder).

(b) **No Integration of Offerings or General Solicitation.** None of the Company, its affiliates (as such term is defined in Rule 501 under the Securities Act) (each, an "**Affiliate**"), or any person acting on its or any of their behalf (other than the Initial Purchasers, as to whom the Company makes no representation or warranty) has, directly or indirectly, solicited any offer to buy or offered to sell, or will, directly or indirectly, solicit any offer to buy or offer to sell, in the United States or to any U.S. Person (as such term is defined in Rule 902 under the Securities Act), any security which is or would be integrated with the sale of the Securities in a manner that would require the Securities to be registered under the Securities Act. None of the Company, its

Affiliates, or any person acting on its or any of their behalf (other than the Initial Purchasers, as to whom the Company makes no representation or warranty) has engaged or will engage, in connection with the offering of the Securities, in any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act. With respect to those Securities sold in reliance upon Regulation S, none of the Company, its Affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company makes no representation or warranty) has engaged or will engage in any directed selling efforts within the meaning of Regulation S.

(c) **Eligibility for Resale under Rule 144A.** The Securities are eligible for resale pursuant to Rule 144A and will not be, at the Closing Date, of the same class as securities listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934 (as amended, the "**Exchange Act,**" which term, as used herein, includes the rules and regulations of the Commission promulgated thereunder) or quoted in a U.S. automated interdealer quotation system.

(d) **The Pricing Disclosure Package and Offering Memorandum.** Neither the Pricing Disclosure Package, as of the Time of Sale, nor the Final Offering Memorandum, as of its date or (as amended or supplemented in accordance with Section 3(a), as applicable) as of the Closing Date, contains or represents an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that this representation, warranty and agreement shall not apply to statements in or omissions from the Pricing Disclosure Package, the Final Offering Memorandum or any amendment or supplement thereto made in reliance upon and in conformity with information furnished to the Company in writing by any Initial Purchaser through the Representatives expressly for use in the Pricing Disclosure Package, the Final Offering Memorandum or amendment or supplement thereto, as the case may be. The Pricing Disclosure Package contains, and the Final Offering Memorandum will contain, all the information specified in, and meeting the requirements of, Rule 144A(d)(4). No statement of material fact included in the Offering Memorandum that is required to be included in the Pricing Disclosure Package has been omitted from the Pricing Disclosure Package and no statement of material fact included in the Pricing Disclosure Package that is required to be included in the Offering Memorandum has been omitted from the Offering Memorandum.

(e) **Company Additional Written Communications.** The Company (including its agents and representatives, other than the Initial Purchasers in their capacity as such) has not made, used, prepared, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any "written communication" that constitutes an offer to sell or solicitation of an offer to buy the Securities (each such communication by the Company or its agents and representatives (other than a communication referred to in clauses (i) and (ii) below) a "**Company Additional Written Communication**") other than (i) the Pricing Disclosure Package, (ii) the Final Offering Memorandum, and (iii) any electronic road show or other written communications listed on Schedule F hereto, in each case used in accordance with Section 3(a). Each such Company Additional Written Communication, when taken together with the Pricing Disclosure Package, did not, and at the Closing Date will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that this

representation, warranty and agreement shall not apply to statements in or omissions from each such Company Additional Written Communication made in reliance upon and in conformity with information furnished to the Company in writing by any Initial Purchaser through the Representatives expressly for use in any Company Additional Written Communication.

(f) **Preparation of the Financial Statements.** The financial statements and the related notes thereto included in the Offering Memorandum present fairly in all material respects the financial position of the Company and its subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; such financial statements have been prepared in conformity with United States generally accepted accounting principles applied throughout the periods covered thereby; and the other financial information included in the Offering Memorandum has been derived from the accounting records of the Company and its subsidiaries and presents fairly, in all material respects, the information shown thereby.

(g) **No Material Adverse Change.** There has not occurred any material adverse change in the financial position or prospects of the Company and its subsidiaries, taken as a whole, from that set forth in the Pricing Disclosure Package and the Offering Memorandum.

(h) **Incorporation and Good Standing of the Company.** The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of New York.

(i) **Due Authorization.** The Company has full right, power and authority to execute and deliver this Agreement, the Securities and the Indenture (collectively, the "**Transaction Documents**") and to perform its obligations hereunder and thereunder; and all action required to be taken for the due and proper authorization, execution and delivery of each of the Transaction Documents and the consummation of the transactions contemplated thereby has been duly and validly taken.

(j) **Authorization of the Indenture.** The Indenture has been duly authorized by the Company and, at the Closing Date, will have been duly executed and delivered by the Company and will constitute a valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability (collectively, the "**Enforceability Exceptions**").

(k) **Authorization of the Securities.** The Securities have been duly authorized by the Company and, when duly executed, authenticated, issued and delivered as provided in the Indenture and paid for as provided herein, will be duly and validly issued and outstanding and will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms, subject to the Enforceability Exceptions, and will be entitled to the benefits of the Indenture.

(l) **The Purchase Agreement.** The Purchase Agreement has been duly authorized, executed and delivered by the Company.

(m) **No Violation or Default.** The Company is not in violation of its charter and bylaws. The Company is not (i) in default and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject; or (ii) in violation of any law or statute or any judgment, order, rule or regulation of any United States court or arbitrator or governmental or regulatory authority in the United States, except, in the case of clauses (i) and (ii) above, for any such default or violation that would not, individually or in the aggregate, have a material adverse effect on the financial position or prospects of the Company and its subsidiaries taken as a whole or on the performance by the Company of its obligations under the Securities (a "**Material Adverse Effect**").

(n) **No Conflicts.** The execution, delivery and performance by the Company of each of the Transaction Documents, the issuance and sale of the Securities and compliance by the Company with the terms thereof and the consummation of the transactions contemplated by the Transaction Documents will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, (ii) result in any violation of the provisions of the charter or bylaws of the Company or (iii) result in the violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority in the United States, except, in the case of clauses (i) and (iii) above, for any such conflict, breach or violation that would not, individually or in the aggregate, have a Material Adverse Effect.

(o) **No Further Consents, Authorizations or Approvals Required.** The Company has obtained written order or orders from the Public Service Commission of the State of New York ("**PSC**") authorizing the issuance by the Company of these Securities (the "**PSC Orders**"), and the PSC Orders shall remain in full force and effect on the Closing Date. No consent, approval, authorization, order, registration or qualification of or with any court or arbitrator or governmental or regulatory authority in the United States is required for the execution, delivery and performance by the Company of each of the Transaction Documents, the issuance and sale of the Securities and compliance by the Company with the terms thereof and the consummation of the transactions contemplated by the Transaction Documents, except for such consents, approvals, authorizations, orders and registrations or qualifications as may be required under applicable United States state securities laws in connection with the purchase and distribution of the Securities by the Initial Purchasers.

(p) **No Material Actions or Proceedings.** Except as described or provided for in the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Final Offering Memorandum, there are no legal, governmental or regulatory investigations, actions, suits or proceedings pending to which the Company or any of its subsidiaries is a party or to which any property of the Company or any of its subsidiaries is the subject that, individually or in the aggregate, if determined adversely to the Company or any of its subsidiaries, would reasonably be expected to have a Material Adverse Effect; no such investigations, actions, suits or proceedings are threatened in writing.

(q) **Company Not an "Investment Company".** The Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Final Offering Memorandum, will not be an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (collectively, "**Investment Company Act**").

(r) **All Necessary Permits, etc.** The Company and its subsidiaries possess all licenses, certificates, permits and other authorizations issued by the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the conduct of their respective businesses as described in the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Final Offering Memorandum, except where the failure to possess or make the same would not, individually or in the aggregate, have a Material Adverse Effect; and except as described in the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Final Offering Memorandum, neither the Company nor any of its subsidiaries has received written notice of any revocation or modification of any such license, certificate, permit or authorization or has any reason to believe that any such license, certificate, permit or authorization will not be renewed in the ordinary course, except where such revocation or modification or non-renewal would not have a Material Adverse Effect.

(s) **Regulation S.** The Company and its affiliates and all persons acting on their behalf (other than the Initial Purchasers, as to whom the Company makes no representation) have complied with and will comply with the offering restrictions of Regulation S in connection with the offering of the Securities outside the United States and, in connection therewith, the Offering Memorandum will contain the disclosure required by Rule 902(g). The Securities sold in reliance on Regulation S will be represented upon issuance by a temporary global security that may not be exchanged for definitive securities until the expiration of the 40-day restricted period referred to in Rule 903(b)(3) of the Securities Act and only upon certification of beneficial ownership of such Securities by non-U.S. persons or U.S. persons who purchased such Securities in transactions that were exempt from the registration requirements of the Securities Act.

Section 2. ***Purchase, Sale and Delivery of the Securities.***

(a) **The Securities.** The Company agrees to issue and sell to the Initial Purchasers, severally and not jointly, all of the Securities, and the Initial Purchasers agree, severally and not jointly, to purchase from the Company the aggregate principal amount of Securities set forth opposite their names on Schedule A hereto, at a purchase price of 99.55% of the principal amount thereof payable on the Closing Date, in each case, on the basis of the representations, warranties and agreements herein contained, and upon the terms, subject to the conditions thereto, herein set forth.

(b) **Payment and Delivery of the Securities.** Payment of the purchase price for, and delivery of certificates for, the Securities shall be made as of a time to be agreed between the Company and the Representatives on the fifth business day after the date hereof (unless postponed in accordance with the provisions of Section 9), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives and the Company (such time and date of payment and delivery being herein called "**Closing Date**"). Payment shall

be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the Representatives for the respective accounts of the Initial Purchasers of certificates for the Securities to be purchased by them. It is understood that each Initial Purchaser has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Securities which it has agreed to purchase. Banc of America Securities LLC, individually and not as representative of the Initial Purchasers, may (but shall not be obligated to) make payment of the purchase price for the Securities to be purchased by any Initial Purchaser whose funds have not been received by Closing Date, but such payment shall not relieve such Initial Purchaser from its obligations hereunder.

(c) **Initial Purchasers as Qualified Institutional Buyers.** Each Initial Purchaser severally and not jointly represents and warrants to, and agrees with, the Company that it is a "qualified institutional buyer" within the meaning of Rule 144A (a "**Qualified Institutional Buyer**").

Section 3. ***Additional Covenants.*** The Company further covenants and agrees with each Initial Purchaser as follows:

(a) Preparation of Final Offering Memorandum; Initial Purchasers' Review of Proposed Amendments and Supplements and Company Additional Written Communications. As promptly as practicable following the Time of Sale and in any event not later than the second business day following the date hereof, the Company will prepare and deliver to the Initial Purchasers the Final Offering Memorandum, which shall consist of the Preliminary Offering Memorandum as modified only by the information contained in the Pricing Supplement. Before preparing, using, authorizing, approving or referring to any Company Additional Written Communication, and before making any amendment or supplement to the Preliminary Offering Memorandum and the Final Offering Memorandum, the Company will furnish to the Representatives and counsel for the Initial Purchasers a copy of the proposed Company Additional Written Communication, amendment or supplement for review and will not prepare, use, authorize, approve or refer to any such Company Additional Written Communication or make any such proposed amendment or supplement to which the Representatives reasonably object.

(b) **Copies of the Offering Memorandum.** The Company will deliver, without charge, to each Initial Purchaser during the Offering Memorandum Delivery Period (as defined below), as many copies of the Offering Memorandum (including all amendments and supplements thereto) and each Company Additional Written Communication (if applicable) as the Representatives may reasonably request.

(c) **Amendments and Supplements to the Final Offering Memorandum and Other Securities Act Matters.** The Company will advise the Representatives promptly, and confirm such advice in writing, of the occurrence of any event within the Offering Memorandum Delivery Period as a result of which the Offering Memorandum, the Pricing Disclosure Package or any Company Additional Written Communication as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the

circumstances existing when the Offering Memorandum is delivered to a purchaser, not misleading. As used herein, the term "**Offering Memorandum Delivery Period**" means such period of time after the first date of the offering of the Securities as in the opinion of counsel for the Initial Purchasers an Offering Memorandum relating to the Securities is required by law to be delivered in connection with sales of the Securities by any Initial Purchaser.

If during the Offering Memorandum Delivery Period (i) any event shall occur or condition shall exist as a result of which the Offering Memorandum as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances existing when the Offering Memorandum is delivered to a purchaser, not misleading or (ii)it is necessary to amend or supplement the Offering Memorandum to comply with law, the Company will immediately notify the Initial Purchasers thereof and forthwith prepare and, subject to paragraph (a) above, furnish to the Initial Purchasers such amendments or supplements to the Offering Memorandum as may be necessary so that the statements in the Offering Memorandum as so amended or supplemented will not, in the light of the circumstances existing when the Offering Memorandum is delivered to a purchaser, be misleading or so that the Offering Memorandum will comply with law. If at any time prior to the Closing Date (i) any event shall occur or condition shall exist as a result of which the Pricing Disclosure Package as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances, not misleading or (ii) it is necessary to amend or supplement the Pricing Disclosure Package to comply with law, the Company will immediately notify the Initial Purchasers thereof and forthwith prepare and, subject to paragraph (a) above, furnish to the Initial Purchasers such amendments or supplements to the Pricing Disclosure Package as may be necessary so that the statements in the Pricing Disclosure Package as so amended or supplemented will not, in the light of the circumstances, be misleading or so that the Pricing Disclosure Package will comply with law.

(d) **Blue Sky Compliance.** The Company will qualify the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives shall reasonably request and will continue such qualifications in effect so long as required for distribution of the Securities; *provided* that the Company shall not be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (ii) file any general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

(e) **Restriction on Issuances.** During the period from the date hereof through and including the Closing Date, the Company will not, without the prior written consent of the Representatives, offer, sell, contract to sell or otherwise dispose of, in the United States, any U.S. dollar-denominated debt securities issued or guaranteed by the Company and having a tenor of more than one year.

(f) **Compliance with PSC Orders.** The Company agrees to comply with the conditions, obligations and restrictions set forth in the PSC Orders, including but not limited to,

the timely submission of compliance filings to the Director of the Office of Accounting and Finance as required by the PSC Orders.

(g) **Use of Proceeds.** The Company will apply the net proceeds from the sale of the Securities as described in the Preliminary Offering Memorandum, the Pricing Disclosure Package and the Final Offering Memorandum under the heading "Use of Proceeds".

(h) **No Price Stabilization or Manipulation.** The Company will not take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization in violation of applicable laws or manipulation of the price of the Securities; *provided*, that no representation or warranty is made with respect to the Initial Purchasers.

(i) **Clearing and Settlement.** The Company shall use its reasonable best efforts to permit the Securities to be eligible for deposit with, and clearance and settlement through DTC, Euroclear or Clearstream, as the case may be, to the extent permitted by applicable law and the procedures of DTC, Euroclear or Clearstream, as applicable.

(j) **Additional Issuer Information.** At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, for the benefit of holders and beneficial owners from time to time of the Securities, the Company shall furnish, at its expense, upon request, to holders and beneficial owners of Securities and prospective purchasers of Securities information ("**Additional Issuer Information**") satisfying the requirements of Rule 144A(d)(4) (it being acknowledged and agreed that, prior to the first date on which information is required to be provided under the Indenture, the information contained in the Final Offering Memorandum is sufficient for this purpose).

(k) **No Integration.** The Company agrees that it will not and will cause its Affiliates not to make any offer or sale of securities of the Company of any class if, as a result of the doctrine of "integration" referred to in Rule 502 under the Securities Act, such offer or sale would render invalid (for the purpose of (i) the sale of the Securities by the Company to the Initial Purchasers, (ii) the resale of the Securities by the Initial Purchasers to Subsequent Purchasers or (iii) the resale of the Securities by such Subsequent Purchasers to others) the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof or by Rule 144A or by Regulation S thereunder or otherwise.

(l) **No Restricted Resales.** For as long as the Securities are "restricted securities" (as defined in Rule 144 under the Securities Act), the Company will not, and will not permit any of its affiliates (as defined in Rule 144 under the Securities Act) to resell any of the Securities which constitute "restricted securities" under Rule 144 that have been reacquired by any of them except in a transaction registered under the Securities Act or in a transaction exempt from registration under Regulation S.

(m) **Legended Securities.** Each certificate for a Security will bear the legend contained in "Notice to Investors; Transfer Restrictions" in the Final Offering Memorandum for the time period and upon the other terms stated in the Indenture.

The Representatives on behalf of the several Initial Purchasers, may, in their sole discretion, waive in writing the performance by the Company of any one or more of the foregoing covenants or extend the time for their performance.

Section 4. ***Certain Agreements of the Initial Purchasers and the Company.*** Each of the Initial Purchasers, on the one hand, and the Company, on the other hand, hereby agree to observe the following procedures in connection with the offer and sale of the Securities:

(a) No action has been or will be taken by the Company or the Initial Purchaser in any jurisdiction that would permit a public offering of the Securities or possession or distribution of any Company Additional Written Communication, the Pricing Disclosure Package or the Offering Memorandum or any amendment or supplement thereto or any other offering material relating to the Securities in any country or jurisdiction where action for that purpose is required.

(b) Offers and sales of the Securities will be made only by the Initial Purchasers or Affiliates thereof qualified to do so in the jurisdictions in which such offers or sales are made. Each such offer or sale shall only be made by the Initial Purchaser or Affiliates thereof to (i) persons whom the offeror or seller reasonably believes to be Qualified Institutional Buyers or (ii) non-U.S. persons outside the United States in reliance upon Regulation S upon the terms and conditions set forth in Annex I hereto, which Annex I is hereby expressly made a part hereof.

(c) The Securities will be offered by approaching prospective Subsequent Purchasers on an individual basis. No general solicitation or general advertising (within the meaning of Rule 502 under the Securities Act) will be used in the United States in connection with the offering of the Securities.

(d) Upon original issuance by the Company, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the Securities (and all securities issued in exchange therefor or in substitution thereof) shall bear the following legend:

> "THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS NOTE RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO NIAGARA MOHAWK POWER CORPORATION OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT, AN "ACCREDITED INVESTOR") THAT, PRIOR TO SUCH TRANSFER, FURNISHES

(OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS NOTE), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF NIAGARA MOHAWK POWER CORPORATION SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE NOTE EVIDENCED HEREBY. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS NOTE, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND NIAGARA MOHAWK POWER CORPORATION SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS ANY OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT."

Following the sale of the Securities by the Initial Purchasers to Subsequent Purchasers pursuant to the terms hereof, the Initial Purchasers shall not be liable or responsible to the Company for any losses, damages or liabilities suffered or incurred by the Company, including any losses, damages or liabilities under the Securities Act, arising from or relating to any subsequent resale or transfer of any Security by any Subsequent Purchaser.

Section 5. ***Conditions to the Obligations of the Initial Purchasers.*** The obligation of each Initial Purchaser to purchase Securities on the Closing Date as provided herein is subject to the performance by the Company of its covenants and other obligations hereunder and to the following additional conditions:

(a) *Representations and Warranties.* The representations and warranties of the Company contained herein shall be true and correct on the date hereof and on and as of the Closing Date; and the statements of the Company and its officers made in any certificates delivered pursuant to this Agreement shall be true and correct on and as of the Closing Date.

(b) *No Downgrade.* Subsequent to the execution and delivery of this Agreement, (i) no downgrading shall have occurred in the long-term credit rating accorded the Securities or any other senior debt securities of or guaranteed by the Company by Moody's Investor Services or Standard & Poor's and (ii) no such organization shall have publicly announced that it has under surveillance or review such rating of the Securities or any other senior debt securities of or guaranteed by the Company (other than an announcement with positive implications of a possible upgrading).

(c) *No Material Adverse Change.* No event or condition of a type described in Section 1(g) hereof shall have occurred or shall exist, which event or condition is not described in the Pricing Disclosure Package (excluding any amendment or supplement thereto) and the Offering Memorandum (excluding any amendment or supplement thereto) and the effect of which in the reasonable judgment of the Representatives (after consultations with the Company) makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Offering Memorandum.

(d) *Officer's Certificate.* The Representatives shall have received on and as of the Closing Date a certificate of the chief financial officer, treasurer or controller of the Company who has specific knowledge of the Company's financial matters and is satisfactory to the Representatives (i) confirming that such officer has carefully reviewed the Pricing Disclosure Package and the Offering Memorandum and, to the best knowledge of such officer, the representations set forth in Section 1(d) hereof are true and correct, (ii) confirming that the other representations and warranties of the Company in this Agreement are true and correct and that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date and (iii) to the effect set forth in paragraphs (b) and (c) above.

(e) *Comfort Letters.* On the date of this Agreement and on the Closing Date, PricewaterhouseCoopers LLP shall have furnished to the Representatives, at the request of the Company, letters, dated the respective dates of delivery thereof and addressed to the Initial Purchasers, in form and substance reasonably satisfactory to the Representatives, containing statements and information of the type customarily included in accountants' "comfort letters" to Initial Purchasers with respect to the financial statements and certain financial information contained in the Pricing Disclosure Package and the Offering Memorandum; *provided* that the letter delivered on the Closing Date shall use a "cut-off" date no more than five business days prior to the Closing Date, unless otherwise agreed

(f) *Opinion of Counsel for the Company.* Internal counsel of the Company shall have furnished to the Representatives, at the request of the Company, its written opinion, dated the Closing Date and addressed to the Initial Purchasers, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Schedule C hereto. Simpson Thacher & Bartlett LLP, special New York counsel for the Company, shall have furnished to the Representatives, at the request of the Company, their written opinion and negative assurance statement, both dated the Closing Date and addressed to the Initial Purchasers, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Schedule D and Schedule E, respectively, hereto.

(g) *Opinion of Counsel for the Initial Purchasers.* The Representatives shall have received on and as of the Closing Date an opinion of Davis Polk & Wardwell LLP, counsel for the Initial Purchasers, with respect to such matters as the Representatives may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(h) *No Legal Impediment to Issuance.* No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority that would, as of the Closing Date, prevent the issuance or sale of the Securities; and no injunction or order of any U.S. federal or state court shall have been issued that would, as of the Closing Date, prevent the issuance or sale of the Securities.

All opinions, letters, certificates and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Initial Purchasers.

Section 6. *Expenses.*

(a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay or cause to be paid all costs and expenses incident to the performance of its obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Securities and any taxes payable in that connection; (ii) the costs incident to the preparation and printing of the Preliminary Offering Memorandum, any Company Additional Written Communication, the Pricing Disclosure Package and the Final Offering Memorandum (including all exhibits, amendments and supplements thereto) and the distribution thereof; (iii) the costs of reproducing and distributing each of the Transaction Documents; (iv) the fees and expenses of the Company's counsel and independent accountants; (v) the fees and expenses incurred in connection with the registration or qualification and determination of eligibility for investment of the Securities under the laws of such jurisdictions as the Representatives may designate; (vi) any fees charged by rating agencies for rating the Securities; (vii) the fees and expenses of the Trustee and any paying agent (including related fees and expenses of any counsel to such parties); and (viii) all expenses incurred by the Company in connection with any physical "road show" presentation to potential investors.

If (i) this Agreement is terminated pursuant to Section 8 (other than clause (iv) of Section 8 if the Company and the Initial Purchasers subsequently enter into another agreement for the Initial Purchasers to purchase the same or substantially similar securities of the Company), (ii) the Company for any reason fails to tender the Securities for delivery to the Initial Purchasers or (iii) the Initial Purchasers decline to purchase the Securities for any reason permitted under this Agreement, the Company agrees to reimburse the Initial Purchasers for all out-of-pocket costs and expenses (including the fees and expenses of their counsel) reasonably incurred by the Initial Purchasers in connection with this Agreement and the offering contemplated hereby.

Section 7. ***Indemnification.***

(a) **Indemnification of the Initial Purchasers.** The Company agrees to indemnify and hold harmless each Initial Purchaser, its affiliates, directors and officers and each person, if any, who controls such Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Offering Memorandum, the Pricing Disclosure Package, any Company Additional Written Communication or the Final Offering Memorandum (or any amendment or supplement thereto), or caused by any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Initial Purchaser furnished to the Company in writing by such Initial Purchaser through the Representatives expressly for use therein.

(b) **Indemnification of the Company.** Each Initial Purchaser agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Initial Purchaser furnished to the Company in writing by such Initial Purchaser through the Representatives expressly for use in the Preliminary Offering Memorandum, the Pricing Disclosure Package, any Company Additional Written Communication or the Final Offering Memorandum, it being understood and agreed that the only such information consists of (i) the legal and marketing names and addresses of the Initial Purchasers and (ii) the information set forth in the eighth paragraph of the Preliminary Offering Memorandum and the Final Offering Memorandum under the heading "Plan of Distribution".

(c) **Notifications and Other Indemnification Procedures.** If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to either paragraph(a) or (b)above, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Person") in writing; *provided* that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under this Section 7 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and *provided further*, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under this Section 7. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person and any others

entitled to indemnification pursuant to this Section 7 that the Indemnifying Person may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be reimbursed as they are incurred. Any such separate firm for any Initial Purchaser, its affiliates, directors and officers and any control persons of such Initial Purchaser shall be designated in writing by the Representatives and any such separate firm for the Company, its directors, its officers and any control persons of the Company shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Indemnifying Person of such request and (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) **Contribution.** If the indemnification provided for in paragraphs (a) and (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Initial Purchasers, on the other, from the offering of the Securities or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative

fault of the Company, on the one hand, and the Initial Purchasers, on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Initial Purchasers, on the other, shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Company from the sale of the Securities and the total discounts and commissions received by the Initial Purchasers in connection therewith, bear to the aggregate offering price of the Securities. The relative fault of the Company, on the one hand, and the Initial Purchasers, on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) **Limitation on Liability.** The Company and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of this Section 7, in no event shall an Initial Purchaser be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Initial Purchaser with respect to the offering of the Securities exceeds the amount of any damages that such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute pursuant to this Section 7 are several in proportion to their respective purchase obligations hereunder and not joint.

(f) **Non-Exclusive Remedies.** The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

Section 8. ***Termination of this Agreement.*** This Agreement may be terminated in the discretion of the Representatives, with respect to clauses (i), (ii) and (iii), by notice to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on the New York Stock Exchange or the London Stock Exchange; (ii) trading of any securities issued or guaranteed by the Company shall have been suspended on any exchange; (iii) a general moratorium on commercial banking activities shall have been declared by U.S. federal or New York State authorities or authorities in the United Kingdom; (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis involving the United States or the United Kingdom, that, in the reasonable judgment of the Representatives (after consultations with the Company), is so material and adverse as to make it impracticable or

inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package, and the Final Offering Memorandum.

Section 9. ***Defaulting Initial Purchaser.***

(a) If, on the Closing Date, any Initial Purchaser defaults on its obligation to purchase the Securities that it has agreed to purchase hereunder, the non-defaulting Initial Purchasers may in their discretion arrange for the purchase of such Securities by other persons satisfactory to the Company on the terms contained in this Agreement. If, within 36 hours after any such default by any Initial Purchaser, the non-defaulting Initial Purchasers do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Initial Purchasers to purchase such Securities on such terms. If other persons become obligated or agree to purchase the Securities of a defaulting Initial Purchaser, either the non-defaulting Initial Purchasers or the Company may postpone the Closing Date for up to five full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Initial Purchasers may be necessary in the Final Offering Memorandum or in any other document or arrangement, and the Company agrees to promptly prepare any amendment or supplement to the Final Offering Memorandum that effects any such changes. As used in this Agreement, the term "Initial Purchaser" includes, for all purposes of this Agreement unless the context otherwise requires, any person not listed in the Purchase Agreement that, pursuant to this Section 9, purchases Securities that a defaulting Initial Purchaser agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Initial Purchaser or Initial Purchasers by the non-defaulting Initial Purchasers and the Company as provided in paragraph (a) above, the aggregate principal amount of such Securities that remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Securities, then the Company shall have the right to require each non-defaulting Initial Purchaser to purchase the principal amount of Securities that such Initial Purchaser agreed to purchase hereunder plus such Initial Purchaser's pro rata share (based on the principal amount of Securities that such Initial Purchaser agreed to purchase hereunder) of the Securities of such defaulting Initial Purchaser or Initial Purchasers for which such arrangements have not been made.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Initial Purchaser or Initial Purchasers by the non-defaulting Initial Purchasers and the Company as provided in paragraph (a) above, the aggregate principal amount of such Securities that remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Securities, or if the Company shall not exercise the right described in paragraph (b) above, then this Agreement shall terminate without liability on the part of the non-defaulting Initial Purchasers. Any termination of this Agreement pursuant to this Section 9 shall be without liability on the part of the Company, except that the Company will continue to be liable for the payment of expenses as set forth in Section 6 hereof and except that the provisions of Section 7 hereof shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Initial Purchaser of any liability it may have to the Company or any non-defaulting Initial Purchaser for damages caused by the default of the defaulting Initial Purchaser.

Section 10. ***Representations and Indemnities to Survive Delivery.*** The respective indemnities, rights of contribution, representations, warranties and agreements of the Company and the Initial Purchasers contained in this Agreement or made by or on behalf of the Company or the Initial Purchasers pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Securities and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the Company or the Initial Purchasers.

Section 11. ***Notices.*** All communications hereunder shall be in writing and shall be mailed, hand delivered, couriered or facsimiled and confirmed to the parties hereto as follows:

If to the Initial Purchasers:

Banc of America Securities LLC
One Bryant Park
New York, New York 10036
United States of America
Facsimile: +1 212 901 7881
Attention: Transaction Management/Legal

Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019
United States of America
Facsimile: +1 646-834-8133
Attention: Syndicate Registration

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036
United States of America
Facsimile: +1 212 507 8999
Attention: Investment Banking Division

with a copy to:

Davis Polk & Wardwell LLP
99 Gresham Street
London EC2V 7NG
United Kingdom
Facsimile: +44 20 7710 4860
Attention: Paul E. Kumleben

If to the Company:

Niagara Mohawk Power Corporation
c/o National Grid plc
1-3 Strand
London WC2N 5EH
United Kingdom
Facsimile: +44 20 7004 3342
Attention: Treasury Department

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
United States of America
Facsimile: +1 212 455 2502
Attention: Vincent Pagano, Jr.

Any party hereto may change the address or facsimile number for receipt of communications by giving written notice to the others.

Section 12. ***Successors.*** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers, senior representatives and directors and any controlling persons referred to herein, and the affiliates of each Initial Purchaser referred to in Section 7 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Securities from any Initial Purchaser shall be deemed to be a successor merely by reason of such purchase.

Section 13. ***Certain Defined Terms.*** For purposes of this Agreement, (a) except where otherwise expressly provided, the term "affiliate" has the meaning set forth in Rule 405 under the Securities Act; (b) the term "business day" means any day other than a day on which banks are permitted or required to be closed in New York City; and (c) the term "subsidiaries" has the meaning set forth in Rule 405 under the Securities Act.

Section 14. ***Governing Law Provisions.*** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 15. As used in this Agreement, the term "**Initial Purchaser**" shall be deemed to include any person substituted for a defaulting Initial Purchaser under this Section 15. No action taken under this Agreement shall relieve any defaulting Initial Purchaser from liability in respect of any default of such Initial Purchaser under this Agreement.

Section 16. ***No Advisory or Fiduciary Responsibility.*** The Company acknowledges and agrees that: (i) the purchase and sale of the Securities pursuant to this Agreement, including the determination of the offering price of the Securities and any related discounts and commissions,

is an arm's-length commercial transaction between the Company, on the one hand, and the several Initial Purchasers, on the other hand, and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement; (ii) in connection with each transaction contemplated hereby and the process leading to such transaction each Initial Purchaser is and has been acting solely as a principal and is not the agent or fiduciary of the Company or its affiliates, stockholders, creditors or employees or any other party; (iii) no Initial Purchaser has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to any of the transactions contemplated hereby or the process leading thereto (irrespective of whether such Initial Purchaser has advised or is currently advising the Company on other matters) or any other obligation to the Company except the obligations expressly set forth in this Agreement; (iv) the several Initial Purchasers and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and that the several Initial Purchasers have no obligation to disclose any of such interests by virtue of any fiduciary or advisory relationship; and (v) the Initial Purchasers have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

The Company agrees that it will not claim that the Initial Purchasers, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with the transaction contemplated by this Agreement or the process leading thereto.

Section 17. ***General Provisions.*** This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

NIAGARA MOHAWK POWER CORPORATION

By: M. C. Cooper
Name: Malcolm C. Cooper
Title: Chief Financial Officer and Treasurer

The foregoing Purchase Agreement is hereby confirmed and accepted by the Initial Purchasers as of the date first above written.

BANC OF AMERICA SECURITIES LLC
BARCLAYS CAPITAL Inc.
MORGAN STANLEY & Co. Incorporated
Acting on behalf of itself
and as the Representatives of
the several Initial Purchasers

By: Banc of America Securities LLC

By: _____
Name:
Title: Managing Director

By: Barclays Capital Inc.

By: _____
Name:
Title:

By: Morgan Stanley & Co. Incorporated

By: _____
Name:
Title:

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

NIAGARA MOHAWK POWER CORPORATION

By: M. C. Cooper
Name: Malcolm C. Cooper
Title: Chief Financial Officer and Treasurer

The foregoing Purchase Agreement is hereby confirmed and accepted by the Initial Purchasers as of the date first above written.

BANC OF AMERICA SECURITIES LLC
BARCLAYS CAPITAL Inc.
MORGAN STANLEY & Co. Incorporated
Acting on behalf of itself
and as the Representatives of
the several Initial Purchasers

By: Banc of America Securities LLC

By: _____
Name:
Title: Managing Director

By: Barclays Capital Inc.

By: _____
Name:
Title:

By: Morgan Stanley & Co. Incorporated

By: _____
Name:
Title:

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

NIAGARA MOHAWK POWER CORPORATION

By:_____
Name:
Title:

The foregoing Purchase Agreement is hereby confirmed and accepted by the Initial Purchasers as of the date first above written.

BANC OF AMERICA SECURITIES LLC
BARCLAYS CAPITAL Inc.
MORGAN STANLEY & Co. Incorporated
Acting on behalf of itself
and as the Representatives of
the several Initial Purchasers

By: Banc of America Securities LLC

By:_____
Name: Wylie A. Gillis
Title: Managing Director

By: Barclays Capital Inc.

By:_____
Name:
Title:

By: Morgan Stanley & Co. Incorporated

By:_____
Name:
Title:

[Signature Page to the Purchase Agreement]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

NIAGARA MOHAWK POWER CORPORATION

By:_____
Name:
Title:

The foregoing Purchase Agreement is hereby confirmed and accepted by the Initial Purchasers as of the date first above written.

BANC OF AMERICA SECURITIES LLC
BARCLAYS CAPITAL Inc.
MORGAN STANLEY & Co. Incorporated
Acting on behalf of itself
and as the Representatives of
the several Initial Purchasers

By: Banc of America Securities LLC

By:_____
Name:
Title: Managing Director

By: Barclays Capital Inc.

By:_____
Name:
Title: Pamela Kendall
Director

By: Morgan Stanley & Co. Incorporated

By:_____
Name:
Title:

[*Signature Page to the Purchase Agreement*]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

NIAGARA MOHAWK POWER CORPORATION

By:_____
Name:
Title:

The foregoing Purchase Agreement is hereby confirmed and accepted by the Initial Purchasers as of the date first above written.

BANC OF AMERICA SECURITIES LLC
BARCLAYS CAPITAL Inc.
MORGAN STANLEY & Co. Incorporated
Acting on behalf of itself
and as the Representatives of
the several Initial Purchasers

By: Banc of America Securities LLC

By:_____
Name:
Title: Managing Director

By: Barclays Capital Inc.

By:_____
Name:
Title:

By: Morgan Stanley & Co. Incorporated

By:_____
Name: Yurij Slyz
Title: Vice President

[*Signature Page to the Purchase Agreement*]

SCHEDULE A

Initial Purchasers	Aggregate Principal Amount of Securities to be Purchased
Banc of America Securities LLC	$ 225,000,000
Barclays Capital Inc.	$ 225,000,000
Morgan Stanley & Co. Incorporated	$ 225,000,000
ING Financial Markets LLC	$ 18,750,000
Mitsubishi UFJ Securities (USA), Inc.	$ 18,750,000
Mizuho Securities USA Inc.	$ 18,750,000
TD Securities (USA) LLC	$ 18,750,000
Total	**$ 750,000,000**

SCHEDULE B

Pricing Term Sheet

Issuer:	Niagara Mohawk Power Corporation
Ranking:	Senior Unsecured
Type:	Regulation S/Rule 144A
Size:	$750 million
Maturity:	August 15, 2019
Coupon:	4.881%
All-in Price:	99.55%
Price to Public:	100%
Yield to maturity:	4.881% semi-annual
Benchmark Treasury:	UST 3.125% due May 2019
Spread to Benchmark Treasury:	125 bps
Benchmark Treasury Yield:	3.631% semi-annual
Interest Payment Dates:	February 15 and August 15 commencing February 15, 2010, subject to Business Day Convention
Day Count:	30/360
Make Whole Spread:	UST rate + 20 bps
Trade Date:	August 3, 2009
Settlement:	T+5; August 10, 2009
Denominations/Multiple:	$1,000 x $1,000
Ratings:	A3/A- (stable/stable)

CUSIP (144A):	65364U AA4
CUSIP (RegS):	U6536U AA8
ISIN(144A):	US65364UAA43
ISIN(RegS):	USU6536UAA89
Use of Proceeds:	General corporate purposes
Listing:	The notes will not be listed on any exchange
Joint Book-Running Managers:	Banc of America Securities LLC, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated
Co-Managers:	ING Financial Markets LLC, Mitsubishi UFJ Securities (USA), Inc., Mizuho Securities USA Inc. and TD Securities (USA) LLC

Capitalization

	As of March 31, 2009	
	Historical	As Adjusted
	(in thousands of dollars)	
Long-term debt:		
Other long-term debt (excluding current portion)	$ 1,499,541	$ 1,499,541
Notes offered hereby	—	750,000
Total long-term debt (excluding current portion)	1,499,541	2,249,541
Total common stockholders' equity	4,440,948	4,440,948
Total preferred equity	28,985	28,985
Total capitalization	$ 5,969,474	$ 6,719,474

This communication is intended for the sole use of the person to whom it is provided by the sender.

The securities have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act"), or any state or other securities laws, and are being offered and sold within the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States to persons other than US persons in reliance on Regulation S under the Securities Act. Prospective purchasers are hereby notified that a seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The information in this term sheet supplements the Company's preliminary offering memorandum, dated August 3, 2009 (the "Preliminary Offering Memorandum") and supersedes

the information in the Preliminary Offering Memorandum to the extent inconsistent with the information in the Preliminary Offering Memorandum. This term sheet is qualified in its entirety by reference to the Preliminary Offering Memorandum. Terms used herein but not defined herein shall have the respective meanings as set forth in the Preliminary Offering Memorandum.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

ANY DISCLAIMERS OR OTHER NOTICES THAT MAY APPEAR BELOW ARE NOT APPLICABLE TO THIS COMMUNICATION AND SHOULD BE DISREGARDED. SUCH DISCLAIMERS OR OTHER NOTICES WERE AUTOMATICALLY GENERATED AS A RESULT OF THIS COMMUNICATION BEING SENT VIA BLOOMBERG OR ANOTHER EMAIL SYSTEM.

SCHEDULE C

Form of Opinion of Internal Counsel to the Company

[LETTERHEAD OF INTERNAL COUNSEL FOR NIAGARA MOHAWK]

[•], 2009

BANC OF AMERICA SECURITIES LLC
BARCLAYS CAPITAL INC.
MORGAN STANLEY & CO. INCORPORATED
[and the other several
Initial Purchasers named in Schedule A
to the Purchase Agreement
referred to below]
c/o Banc of America Securities LLC
One Bryant Park
New York, NY 10036

Ladies and Gentlemen:

As Senior Vice President and General Counsel of National Grid USA, I have acted as counsel to Niagara Mohawk Power Corporation, a New York corporation (the "Company"), in connection with the purchase by you of $[•] aggregate principal amount of [•]% Senior Notes due 201[•] (the "Notes") issued by the Company, pursuant to the Purchase Agreement dated [•], 2009 (the "Purchase Agreement") between the Company and you, as initial purchasers (the "Initial Purchasers").

In arriving at the opinions expressed below, either I or those under my supervision have examined the Preliminary Offering Memorandum dated [•], 2009, relating to the sale of the Notes, as supplemented by the pricing supplement attached to the Purchase Agreement as Schedule B (the "Pricing Disclosure Package"), and the Offering Memorandum dated [•], 2009, relating to the sale of the Notes (the "Offering Memorandum"); the Indenture dated as of [•], 2009 (the "Base Indenture") between the Company and The Bank of New York Mellon, as trustee (the "Trustee"), relating to the Notes; the First Supplemental Indenture dated as of [•], 2009 (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture") between the Company and the Trustee, relating to the Notes; duplicates of the global notes representing the Notes; and the Purchase Agreement. In addition, either I or those under my supervision have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing and upon originals, or duplicates or certified or conformed copies, of such corporate and other records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company and have made such other investigations, as either I or those under my supervision have deemed relevant and necessary in connection with the opinions hereinafter set forth. In addition, my opinions are rendered assuming that the representations each of the Initial Purchasers has made in the Purchase Agreement are true, correct and accurate.

In such examination, I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as duplicates or certified or conformed copies, the authenticity of the originals of such latter documents, the authority of such persons signing all documents

on behalf of the parties thereto and the due authorization, execution and delivery of all documents by the parties thereto.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, I am of the opinion that:

1. No consent, approval, authorization, order, registration or qualification of or with any New York or federal governmental agency or body, including any authorizations from the New York Public Service Commission, or, to my knowledge, any New York or federal court, in each case acting pursuant to any federal or New York law relating to the storage, sale, transmission or distribution of electricity or natural gas or the ownership or operation of transmission or distribution facilities (collectively, an "Energy Law") is required for the issue and sale of the Notes by the Company and the compliance by the Company with all of the provisions of the Purchase Agreement and the Indenture (except (a) consents, waivers, approvals, filings and registrations which have been obtained, filed or made, including, without limitation, the State of New York Public Service Commission's Order Authorizing Issuance of Securities, issued and effective May 15, 2009 and Order Granting Clarification, issued and effective July 29, 2009 and, to my knowledge after due inquiry, remain in full force and effect, (b) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities of Blue Sky laws in connection with the purchase of the Notes by the Initial Purchasers and (c) any post-issuance compliance certificates required by the State of New York Public Service Commission); and assuming proceeds of the Notes will be used as set forth in the Final Offering Memorandum under the caption "Use of Proceeds," neither the execution, delivery and performance by the Company of the Purchase Agreement, nor the issuance and sale of the Notes by the Company, and the compliance by the Company with the terms thereof and consummation of the transactions by the Company contemplated thereby, will breach or violate any Energy Law or any order known to me relating to any Energy Law of any New York or federal governmental agency having jurisdiction over the Company.

2. To my knowledge, except as described in the Pricing Disclosure Package or the Final Offering Memorandum, there are no legal, governmental or regulatory actions, suits or proceedings pending to which the Company is a party or to which any property of the Company is subject which if determined adversely to the Company, would reasonably be expected to have a material adverse effect on the Company; and to my knowledge no such actions, suits or proceedings are threatened in writing.

I do not express any opinion herein concerning any law other than the Energy Law of the State of New York and the federal law of the United States.

This opinion letter is delivered as of the date hereof and is based on the facts and circumstances existing as of the date hereof and upon the current state of the law. It is possible that future changes or developments in facts, circumstances or applicable law could alter or affect such opinions, however, I undertake no obligation to update or supplement this opinion.

This opinion letter is rendered to you in connection with the above-described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without my prior written consent.

Very truly yours,

SCHEDULE D

Form of Opinion of Simpson Thacher & Bartlett LLP

[•], 2009

Banc of America Securities LLC
Barclays Capital Inc.
Morgan Stanley & Co. Incorporated
[and the other several
Initial Purchasers named in Schedule A
to the Purchase Agreement
referred to below]
c/o Banc of America Securities LLC
One Bryant Park
New York, NY 10036

Ladies and Gentlemen:

We have acted as counsel to Niagara Mohawk Power Corporation, a New York corporation (the "Company"), in connection with the purchase by you of $[•] aggregate principal amount of [•]% Senior Notes due 201[•] (the "Notes") issued by the Company, pursuant to the Purchase Agreement dated [•], 2009 (the "Purchase Agreement") between the Company and you, as initial purchasers (the "Initial Purchasers").

We have examined the Preliminary Offering Memorandum dated [•], 2009, relating to the sale of the Notes, as supplemented by the pricing supplement attached to the Purchase Agreement as Schedule B (the "Pricing Disclosure Package"), and the Offering Memorandum dated [•], 2009, relating to the sale of the Notes (the "Offering Memorandum"); the Indenture dated as of [•], 2009 (the "Base Indenture") between the Company and The Bank of New York Mellon, as trustee (the "Trustee"), relating to the Notes; the First Supplemental Indenture dated as of [•], 2009 (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture") between the Company and the Trustee, relating to the Notes; duplicates of the global notes representing the Notes; and the Purchase Agreement. In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing and upon originals, or duplicates or certified or conformed copies, of such corporate and other records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company and have made such other investigations, as we have deemed relevant and necessary in connection with the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that:

1. The Company is validly existing and in good standing as a corporation under the law of the State of New York and has full corporate power and authority to conduct its business as described in the Offering Memorandum.

2. The Indenture has been duly authorized, executed and delivered by the Company and, assuming that the Indenture is the valid and legally binding obligation of the Trustee, the Indenture constitutes a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms.

3. The Notes have been duly authorized, executed and issued by the Company and, assuming due authentication thereof by the Trustee and upon payment and delivery in accordance with the Purchase Agreement, will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture.

4. The statements made in each of the Pricing Disclosure Package and the Offering Memorandum under the caption "Description of Notes", insofar as they purport to constitute summaries of certain terms of documents referred to therein, constitute accurate summaries of the terms of such documents in all material respects.

5. The statements made in each of the Pricing Disclosure Package and the Offering Memorandum under the caption "Certain United States Federal Income and Estate Tax Consequences to Non-U.S. Holders", insofar as they purport to constitute summaries of matters of United States federal tax law and regulations or legal conclusions with respect thereto, constitute accurate summaries of the matters described therein in all material respects.

6. The Purchase Agreement has been duly authorized, executed and delivered by the Company.

7. The issue and sale of the Notes by the Company, the execution, delivery and performance by the Company and of the Purchase Agreement and the execution and delivery of the Indenture by the Company will not breach or result in a default under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument identified on the annexed Schedule I, nor will such action violate the Certificate of Incorporation or By-laws of the Company or any federal or New York State statute or any rule or regulation that has been issued pursuant to any federal or New York State statute or any order known to us issued pursuant to any federal or New York State statute by any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except that it is understood that no opinion is given in this paragraph 7 with respect to (A) any federal or state securities law or any rule or regulation issued pursuant to any federal or state securities law and (B) any matters subject to federal or state laws and regulations relating to the storage, sale, transmission or distribution of electricity or natural gas or the ownership or operation of transmission or distribution facilities (any such law or regulation, an "Energy Law") or any orders relating to any Energy Law of any federal or New York State governmental agency having jurisdiction over the Company or any of its subsidiaries or any of their properties.

8. No consent, approval, authorization, order, registration or qualification of or with any federal or New York State governmental agency or body or, to our knowledge, any federal or New York State court is required for the issue and sale of the Notes by the Company and the compliance by the Company with all of the provisions of the Purchase Agreement and the Indenture, except that it is understood that no opinion is given in this paragraph 8 with respect to (A) any federal or state

securities law or any rule or regulation issued pursuant to any federal or state securities law and (B) any matters subject to any Energy Law.

9. No registration under the Securities Act of 1933, as amended, of the Notes and no qualification of the Indenture under the Trust Indenture Act of 1939, as amended, is required for the offer and sale of the Notes by the Company to the Initial Purchasers or the reoffer and resale of the Notes by the Initial Purchasers to the initial purchasers therefrom solely in the manner contemplated by the Offering Memorandum, the Purchase Agreement and the Indenture.

10. The Company is not an "investment company" within the meaning of and subject to regulation under the Investment Company Act of 1940, as amended.

Our opinions set forth in paragraphs 2 and 3 above are subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

We express no opinion as to the validity, legally binding effect or enforceability of any provision of the Indenture or the Notes that requires or relates to payment of any interest at a rate or in an amount that a court would determine in the circumstances under applicable law to be commercially unreasonable or a penalty or a forfeiture. In addition, we express no opinion as to the validity, legally binding effect or enforceability of Section 13.7 of the Base Indenture or Section 1.5 of the Supplemental Indenture relating to the separability of the provisions of the Base Indenture and the Supplemental Indenture, respectively.

We do not express any opinion herein concerning any law other than the law of the State of New York and the federal law of the United States. With respect to certain regulatory matters, we understand that you are relying on the opinion of [Senior Vice President and General Counsel of National Grid USA] dated the date hereof.

This opinion letter is rendered to you in connection with the above-described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent, provided that the Trustee may rely upon paragraphs 1, 2, 3, 7, 8, 9 and 10 above, subject to the qualifications, assumptions and limitations set forth herein relation to such opinions.

Very truly yours,

SIMPSON THACHER & BARTLETT LLP

SCHEDULE I

1. Niagara Mohawk Revolving Credit Agreement dated November 29, 2004.

2. Mortgage Trust Indenture between Central New York Power Corporation and The Marine Midland Trust Company dated October 1, 1937.

SCHEDULE E

Form of Negative Assurance Statement of Simpson Thacher & Bartlett LLP

[•], 2009

Banc of America Securities LLC
Barclays Capital Inc.
Morgan Stanley & Co. Incorporated
[and the other several
Initial Purchasers named in Schedule A
to the Purchase Agreement
referred to below]
c/o Banc of America Securities LLC
One Bryant Park
New York, NY 10036

Ladies and Gentlemen:

We have acted as counsel to Niagara Mohawk Power Corporation, a New York corporation (the "Company"), in connection with the purchase by you of $[•] aggregate principal amount of [•]% Senior Notes due 201[•] (the "Notes") issued by the Company, pursuant to the Purchase Agreement dated [•], 2009 between the Company and you (the "Purchase Agreement").

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Preliminary Offering Memorandum, dated [•], 2009, relating to the sale of the Notes, as supplemented by the pricing supplement attached to the Purchase Agreement as Schedule B (the "Pricing Disclosure Package"), or the Offering Memorandum, dated [•], 2009, relating to the sale of the Notes (the "Offering Memorandum"), and we take no responsibility therefor, except as and to the extent set forth in numbered paragraphs 4 and 5 of our opinion letter to you dated the date hereof.

In connection with, and under the circumstances applicable to, the offering of the Notes, we participated in conferences with certain officers and employees of the Company, representatives of PricewaterhouseCoopers LLP, Cullen and Dykman LLP, regulatory counsel to the Company, your representatives and your counsel in the course of the preparation by the Company of the Pricing Disclosure Package and the Offering Memorandum and also reviewed certain corporate and other records and documents furnished to us by the Company, as well as the documents delivered to you at the closing. Based upon our review of the Pricing Disclosure Package and the Offering Memorandum, our participation in the conferences referred to above, our review of the corporate and other records and documents as described above, as well as our understanding of the U.S. federal securities laws and the experience we have gained in our practice thereunder, nothing has come to our attention that causes us to believe that (a) the Pricing Disclosure Package, as of the time of the pricing of the offering of the Notes on [•], 2009, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (b) the Offering Memorandum, as of its date or as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that we express no belief in either of clauses (a) or (b) above with respect to the

financial statements or other financial data contained in or omitted from the Pricing Disclosure Package or the Offering Memorandum.

We understand that you are receiving the opinion of [Senior Vice President and General Counsel of National Grid USA] dated the date hereof as to certain regulatory matters.
This letter is delivered to you in connection with the above-described transaction. This letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation.

Very truly yours,

SIMPSON THACHER & BARTLETT LLP

SCHEDULE F

List of Company Additional Written Communication

[None]

ANNEX I

Resale Pursuant to Regulation S or Rule 144A. Each Initial Purchaser understands that:

(i) it has not offered or sold and will not offer or sell the Securities in the United States or to, or for the benefit or account of, a U.S. Person (other than a distributor), in each case, as defined in Rule 902 of Regulation S (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Securities pursuant to this Agreement and the Closing Date, other than in accordance with Regulation S or another exemption from the registration requirements of the Securities Act. Such Initial Purchaser agrees that, during such 40-day restricted period, it will not cause any advertisement with respect to the Securities (including any "tombstone" advertisement) to be published in any newspaper or periodical or posted in any public place and will not issue any circular relating to the Securities, except such advertisements as permitted by and include the statements required by Regulation S.

Such Initial Purchaser agrees that, at or prior to confirmation of a sale of Securities by it to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the 40-day restricted period referred to in Rule 903 of Regulation S, it will send to such distributor, dealer or person receiving a selling concession, fee or other remuneration a confirmation or notice to substantially the following effect:

> "The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of your distribution at any time or (ii) otherwise until 40 days after the later of the date the Securities were first offered to persons other than distributors in reliance on Regulation S and the Closing Date, except in either case in accordance with Regulation S under the Securities Act (or in accordance with Rule 144A under the Securities Act or to accredited investors in transactions that are exempt from the registration requirements of the Securities Act), and in connection with any subsequent sale by you of the Securities covered hereby in reliance on Regulation S under the Securities Act during the period referred to above to any distributor, dealer or person receiving a selling concession, fee or other remuneration, you must deliver a notice to substantially the foregoing effect. Terms used above have the meanings assigned to them in Regulation S under the Securities Act."

Such Initial Purchaser agrees that the Securities offered and sold in reliance on Regulation S will be represented upon issuance by a global security that may not be exchanged for definitive securities until the expiration of the 40-day restricted period referred to in Rule 903 of Regulation S and only upon certification of beneficial ownership of such Securities by non-U.S. persons or U.S. persons who purchased such Securities in transactions that were exempt from the registration requirements of the Securities Act.

(ii) in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**"), it will not make an offer of New Offered Securities to the public in that Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of New Offered Securities to the public in that Member State: (A) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (B) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year (2) a total balance sheet of more than €43 million and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts; (C) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Initial Purchasers; or (D) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Offered Securities shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "**offer of New Offered Securities to the public**" in relation to any offered New Offered Securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Offered Securities to be offered so as to enable an investor to decide to purchase or subscribe for the New Offered Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Member State.

(iii) in relation to the United Kingdom, (A) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and will not offer or sell the New Offered Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the New Offered Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act ("FSMA") by the Issuer; (B) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the New Offered Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (C) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Offered Securities in, from or otherwise involving the United Kingdom.

Attachment II

(Proposed Deferrals and Amortizations of Costs Associated with Issuance)

Attachment #2

Proposed Deferrals and Amortizations of Costs Associated with Issuance

Underwriters fees	$3,375,000
Legal fees	313,653
Auditors' fees	80,000
Trustee's legal fees	20,524
Trustee's fees	12,000
Printing costs	38,950
Total costs	$3,840,127
Annual amortization (10 year life)	$384,013