PENDING PETITION MEMO

Date: 10/5/2006

TO : OGC
OE&E
OHADR

FROM: CENTRAL OPERATIONS

UTILITY: STEEL WINDS PROJECT, LLC

SUBJECT: 06-E-1203

Petition of Steel Winds Project LLC and Steel Winds LLC for a Declaratory Ruling Regarding the application of Section 2 (2-b), (2-d) and (13) of the Public Service Law.

Steel Winds Project LLC
PO Box 7
Lackawanna, NY 14218
(814) 217-9263 phone
(814) 217-0362 fax

tim.ryan@bqenergy.com

Steel Winds
Lackawanna, New York

October 4, 2006

Via Hand Delivery

Honorable Jaclyn A. Brilling, Secretary
New York State Public Service Commission
Office of the Secretary – 19th Floor
3 Empire State Plaza
Albany, NY 12223-6081

Re: In the Matter of the Petition of Steel Winds Project LLC and Steel Winds LLC Requesting a Declaratory Ruling Regarding Exemption from Review Under the Public Service Law

Dear Secretary Brilling:

Enclosed for filing with your office, please find the original and five copies of the Petition of Steel Winds Project LLC and Steel Winds LLC Requesting a Declaratory Ruling Regarding Exemption from Review Under the Public Service Law.

Please contact the undersigned if you have any questions. Thank you for your attention to this matter.

Sincerely,

Timothy M. Ryan
Manager

cc: Service List (attached hereto)

SERVICE LIST

PETITION OF STEEL WINDS PROJECT LLC
AND STEEL WINDS LLC
FOR A DECLARATORY RULING

Carlos A. Gavilondo, General Counsel
National Grid
300 Erie Boulevard West
Syracuse NY 13202

Tecumseh Redevelopment, Inc.
4020 Kinross Lakes Parkway
Richfield, OH 44286-9000
Attn: General Manager

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of the Petition of Steel Winds Project LLC and Steel Winds LLC Requesting a Declaratory Ruling Regarding Exemption from Review Under the Public Service Law	:	Case No._____

PETITION OF STEEL WINDS PROJECT LLC
AND STEEL WINDS LLC
FOR A DECLARATORY RULING

STEEL WINDS PROJECT LLC
PO Box 7
Lackawanna, NY 14218
(814) 217-9263 phone
(814) 217-0362 fax

Dated: October 4, 2006
Timothy M. Ryan (tim.ryan@bqenergy.com)

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of the Petition of Steel Winds Project LLC and Steel Winds LLC Requesting a Declaratory Ruling Regarding Exemption from Review Under the Public Service Law	:	Case No._____

PETITION OF STEEL WINDS PROJECT LLC AND STEEL WINDS LLC FOR A DECLARATORY RULING

INTRODUCTION

Steel Winds Project LLC (Steel Winds Project or SWP) and Steel Winds LLC (Steel Winds or SW) request this declaratory ruling pursuant to 16 NYCRR § 8.1 and State Administrative Procedure Act § 204. SWP will generate electricity using wind turbines (the Project), with a generating capacity of 20 megawatts (MW) and deliver such electricity into nearby 115 kV electric grid lines numbers 149 and 150, owned and operated by Niagara Mohawk Power Corporation d/b/a National Grid (National Grid), through Substation 11A, which will be owned by SW. Substation 11A is currently owned by Tecumseh Redevelopment, Inc. (Tecumseh) and will be purchased by SW before operation of the Project. One or more affiliates and/or tenants of Tecumseh (collectively, Users) now draw, or in the future will draw, electricity from the electric grid through Substation 11A as a single customer of National Grid. SWP and SW will not own any generation or distribution assets other than the Project and Substation 11A. Tecumseh is not an electric corporation and is not regulated under PSL Article 4 because it does not generate electricity and its substations and distribution lines are solely used to distribute electricity purchased for its own use or the use of its tenants and not for sale to others.

- SWP and SW each request that the Commission determine that, because SWP and SW will generate electricity solely from an "alternate energy production facility" as defined in Public Service Law (PSL) § 2(2-b) they are not "electric corporations" as defined in PSL § 2(13).

SWP and SW also request that the Commission determine that SWP's and SW's construction, maintenance and operation of all Project infrastructure (including, but not limited to, power lines, collection lines and equipment, interconnection lines, transformers and Substation 11A, necessary or convenient to the operation of the Project, constitute "related facilities" as defined in PSL §2 (2-d).

SWP and SW further request that the Commission determine that distribution lines connecting Substation 11A that maybe used in the future to supply the Users constitute "related facilities" as defined in PSL §2 (2-d). Finally, SWP and SW request that the Commission determine that SW's Purchase of Substation 11A from Tecumseh will not require Commission approval pursuant to PSL § 70 because the substation is not the works or system of an electric corporation.

APPLICANTS

SWP is a New York limited liability company established to build, own and operate the Project on the former Bethlehem Steel Site in Lackawanna, Erie County, NY. The Project was developed by SW, a Delaware limited liability company. Both SWP and SW are affiliates of BQ Energy, LLC, a New York limited liability company; SWP is also an affiliate of UPC Wind Management, LLC, a Delaware limited liability company. SW will own Substation 11A, which is to be purchased from Tecumseh, a subsidiary of Mittal Steel SWP and SW will not own any generation or distribution assets other than the Project and Substation 11A. The Project team has experience developing, building and operating wind energy projects in the United States and Europe.

FACTS AND CIRCUMSTANCES

SWP has started construction of the Project, which will use eight 2.5 MW wind turbines that will be located on land leased from Tecumseh. SW has entered into a Small Generator Interconnection Agreement with National Grid for this project.

Tecumseh is the successor in ownership of over 1,300 acres of property that was, until 1983, the Bethlehem Steel Lackawanna Plant, at one time the largest integrated steel making facility in the world. As part of its infrastructure, Bethlehem Steel had several substations and a vast network of electric lines connecting its various component operations. One of these substations was Substation 11A, which interconnected with two 115 kV lines (No. 149 and No. 150) owned by National Grid, to serve Bethlehem Steel's electrical load.

Currently, electricity is delivered by National Grid to Substation 11A, a customer-owned facility with billing meters at the high side of the transformers. Substation 11A is now owned by Tecumseh. From the substation, electricity flows through electric distribution lines, owned by Tecumseh or its affiliates, to several of Tecumseh's affiliates and/or tenants. None of the electricity is distributed by Tecumseh for sale to others. In connection with leasing land to SWP to build the wind turbines, Tecumseh will also sell Substation 11A to SW, which will take over maintenance of the substation according to prudent utility practices. SW will allow Tecumseh to continue to take delivery of electricity through Substation 11A. A station one-line diagram, showing the type and location of all existing and planned

future equipment (including switches, breakers, feeders from the windfarm, meters, and protection) is provided as Appendix A to this petition. The existing and future ownership of all the equipment, as well as the names and peak loads of the existing Users on each 13.8 kV feeder, the existing minimum and maximum total load served now or proposed for the next two years at that substation, and the proposed changes to the feed/feeders to those Users are also described in Appendix A. Appendix B to the petition sets forth the specific terms of the Small Generator Interconnection Agreement with National Grid.

Substation 11A is clearly a "related facility" as defined in PSL § 2(2-d) in that a substation interconnecting to the transmission grid is necessary to the operation of the alternate energy production facility. Re-using the existing substation is economically beneficial both to the Project and to National Grid and its customers. The electric distribution lines originating at Substation 11A and connecting to Tecumseh's affiliates and/or tenants should also be considered "related facilities" under PSL §2 (2-d) in that they conduct electricity to users at or near the Project site.

STATUTORY/REGULATORY ANALYSIS

The issue presented to the Commission is whether SWP, SW, and Tecumseh are electric corporations subject to the Commission's jurisdiction. First, PSL § 2(13) defines the term "electric corporation" to include:

> ... every ... company ... owning, operating or managing any electric plant...

The term "electric plant", as defined in PSL § 2(12), includes:

> ... all real estate, fixtures and personal property operated, owned, used or to be used for or in connection with or to facilitate the generation, transmission, distribution, sale or furnishing of electricity for light, heat or power; and any conduits, ducts or other devices, materials, apparatus or property for containing, holding or carrying conductors used or to be used for the transmission of electricity for light, heat or power.

The question then is whether Tecumseh, SW or SWP own, operate or manage (or will own, operate or manage) "electric plant".

- Tecumseh owns certain assets that petitioners consider to be "electric plant". While Tecumseh is not now generating electricity, it does own Substation 11A and a number of 13.8 kV distribution lines connecting that substation with various electrical loads on its property, both those of itself and its affiliates and those of its tenants. The substation, the land underneath the substation and the distribution lines are all

"electric plant". By virtue of its continuing ownership of the land underneath Substation 11A and the distribution lines to its affiliates and tenants, Tecumseh will continue to own "electric plant" even after it sells Substation 11A to SW.

- SW will own, operate and manage "electric plant" when it purchases Substation 11A from Tecumseh.

- SWP will also own, operate and manage "electric plant" since it will own eight 2.5 MW wind turbine generators and a 13.8 kV collection system that will bring electricity from the wind turbines to Substation 11A.

The fact these companies own, operate and manage (or will own, operate and manage) "electric plant" is, however, not dispositive. PSL § 2(13) provides two important exceptions to the definition "electric corporations". One deals with customer-sited electrical equipment:

> ... except where electricity is generated or distributed by the producer solely on or through private property ... for its own use or the use of its tenants and not for sale to others

It is generally acknowledged that a customer of an electric utility is not subject to the jurisdiction of the Commission by virtue of owning electrical distribution systems within a building. The first exception in PSL § 2(13) seems to enlarge this exemption to electric customers, like Tecumseh, who own their own substations and have distribution lines "inside the meter" connecting multiple buildings or facilities. Tecumseh is a customer of National Grid, with a single point of metering at the 115 kV side of the Substation 11A transformers. When SW purchases Substation 11A, nothing about Tecumseh's distribution network will change. They will still be a customer of National Grid. Therefore, Substation 11A and the distribution lines connecting it to affiliates and/or tenants of Tecumseh will remain outside of the Commission's jurisdiction. By this reasoning, SW is also not an "electric corporation" as defined in PSL § 2(13). Indeed, no provision in the PSL makes a company that owns, operates or manages an alternate energy production facility an electric corporation simply because an electric customer of a utility shares the use of the related facilities (the substation in this instance).

The second exception in the definition of "electric corporation" deals with electricity generated or distributed solely from co-generation small hydro or alternate energy production facilities. SWP is such an excepted facility. Note the language in PSL § 2(13):

> ... except where electricity is generated by the producer solely from one or more co-generation, small hydro or alternate energy production

facilities or distributed solely from one or more of such facilities to users located at or near a project site.

An "alternate energy production facility" is defined in PSL § 2(2-b):

> The term "alternate energy production facility" when used in this chapter includes any ... wind turbine. ... together with any related facilities located at the same project site, with an electric generating capacity up to eighty megawatts, which produces electricity ...

The Project, a 20 MW facility generating electricity with wind turbines, is clearly an "alternate energy production facility". The term "related facilities" expands the exemption for an "alternate energy production facility" to include all associated infrastructure needed to operate the facility and/or interconnect the generator to the electric grid or to users at or near the project site. PSL § 2(2-d) defines "related facilities" to mean:

> ... any land, work, system, building, improvement, instrumentality or thing necessary or convenient to the construction, completion or operation of any ... alternate energy production ... facility and include also such transmission or distribution facilities as may be necessary to conduct electricity ... to users located at or near a project site.

Clearly the electrical collection system connecting the wind turbines owned by SWP to Substation 11A, and Substation 11A itself, are necessary to the operation of the Project. Those portions of the Project are therefore "related facilities" to an "alternate energy production facility". In the event that the current electricity users (Tecumseh and its affiliates and/or tenants) at some point in the future purchase electricity from SWP, the distribution lines connecting Substation 11A to these users should be considered as "related facilities" that "conduct electricity ... to users located at or near a project site". SWP, SW and Tecumseh therefore, are therefore not "electric corporations" as defined in the PSL.

CONCLUSION

Consistent with the above analysis, Petitioners seek a ruling from the Commission as follows:

1) The wind turbines owned by SWP constitute an alternate energy production facility, as defined in PSL § 2(2-b).

2) The electrical collection system owned by SWP interconnecting its wind turbines to the transmission grid, and Substation 11A, owned by SW, are "related facilities" as defined in PSL § 2(2-d).

3) The electrical distribution lines connecting Substation 11A to one or more electrical users that are affiliates and/or tenants of Tecumseh ownership, operation, or management of the do not make Tecumseh or SW an the "electric corporation"

4) The electrical distribution lines connecting Substation 11A to one or more electrical users that are affiliates and/or tenants of Tecumseh would become "related facilities" as defined in PSL § 2(2-d) if SWP sells electricity to those users.

5) The transfer of Substation 11A from Tecumseh to SW is not subject to Commission approval under PSL § 70.

Dated: October 4, 2006

Respectfully Submitted,

STEEL WINDS PROJECT LLC

By: _____

Timothy M. Ryan, Manager
P.O. Box 7
Lackawanna, NY 14218
(814) 217-9263

STEEL WINDS LLC

By: _____

Timothy M. Ryan, Manager
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Lackawanna, NY 14218
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Appendix B to Steel Winds NYPSC Petition 10-4-06

Appendix F to the Small Generator Interconnection Final Rule

SMALL GENERATOR INTERCONNECTION AGREEMENT (SGIA)

(For Generating Facilities No Larger Than 20 MW)

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This Interconnection Agreement ("Agreement") is made and entered into this _____ day of _____, 2006, by Niagara Mohawk Power Corporation, d/b/a National Grid ("Transmission Provider"), and Steel Winds, LLC. ("Interconnection Customer") each hereinafter sometimes referred to individually as "Party" or both referred to collectively as the "Parties."

Transmission Provider Information

Transmission Provider: Niagara Mohawk Power Corporation, d/b/a National Grid
Attention: V.P., Transmission Commercial Services
Address: 300 Erie Boulevard West
City: Syracuse State: New York Zip: 13202
Phone: (315) 428-3159 Fax: (315) 428-5114

Interconnection Customer Information

Interconnection Customer: Steel Winds, LLC
Attention: Paul F. Curran, Managing Director
Address: PO Box 338
City: Pawling State: New York Zip: 12564
Phone: 585-948-8580 Fax: 585-948-8584

Interconnection Customer Application No: ____

In consideration of the mutual covenants set forth herein, the Parties agree as follows:

Article 1. Scope and Limitations of Agreement

1.1 This Agreement shall be used for all Interconnection Requests submitted under the Small Generator Interconnection Procedures (SGIP) except for those submitted under the 10 kW Inverter Process contained in SGIP Attachment 5.

1.2 This Agreement governs the terms and conditions under which the Interconnection Customer's Small Generating Facility will interconnect with, and operate in parallel with, the Transmission Provider's Transmission System.

1.3 This Agreement does not constitute an agreement to purchase or deliver the Interconnection Customer's power. The purchase or delivery of power and other services that the Interconnection Customer may require will be covered under separate agreements. The Interconnection Customer will be responsible for separately making all necessary arrangements (including scheduling) for delivery of electricity with the applicable Transmission Provider.

1.4 Nothing in this Agreement is intended to affect any other agreement between the Transmission Provider and the Interconnection Customer.

1.5 Responsibilities of the Parties

1.5.1 The Parties shall perform all obligations of this Agreement in accordance with all Applicable Laws and Regulations, Operating Requirements, and Good Utility Practice.

1.5.2 The Interconnection Customer shall construct, interconnect, operate and maintain its Small Generating Facility and construct, operate, and maintain its Interconnection Facilities in accordance with the applicable manufacturer's recommended maintenance schedule, in accordance with this Agreement, and with Good Utility Practice.

1.5.3 The Transmission Provider shall construct, operate, and maintain its Transmission System and Interconnection Facilities in accordance with this Agreement, and with Good Utility Practice.

1.5.4 The Interconnection Customer agrees to construct its facilities or systems in accordance with applicable specifications that meet or exceed those provided by the National Electrical Safety Code, the American National Standards Institute, IEEE, Underwriter's Laboratory, and Operating Requirements in effect at the time of construction and other applicable national and state codes and standards. The Interconnection Customer agrees to design, install, maintain, and operate its Small Generating Facility so as to reasonably minimize the likelihood of a disturbance adversely affecting or impairing the system or equipment of the Transmission Provider or Affected Systems.

1.5.5 Each Party shall operate, maintain, repair, and inspect, and shall be fully responsible for the facilities that it now or subsequently may own unless otherwise specified in the Attachments to this Agreement. Each Party shall be responsible for the safe installation, maintenance, repair and condition of their respective lines and appurtenances on their respective sides of the point of change of ownership. The Transmission Provider and the Interconnection Customer, as appropriate, shall provide Interconnection Facilities that adequately protect the Transmission Provider's Transmission System, personnel, and other persons from damage and injury. The allocation of responsibility for the design, installation, operation, maintenance and ownership of Interconnection Facilities shall be delineated in the Attachments to this Agreement.

1.5.6 The Transmission Provider shall coordinate with all Affected Systems to support the interconnection.

1.6 Parallel Operation Obligations

Once the Small Generating Facility has been authorized to commence parallel operation, the Interconnection Customer shall abide by all rules and procedures pertaining to the

parallel operation of the Small Generating Facility in the applicable control area, including, but not limited to; 1) the rules and procedures concerning the operation of generation set forth in the Tariff or by the system operator for the Transmission Provider's Transmission System and; 2) the Operating Requirements set forth in Attachment 5 of this Agreement.

1.7 Metering

The Interconnection Customer shall be responsible for the Transmission Provider's reasonable and necessary cost for the purchase, installation, operation, maintenance, testing, repair, and replacement of metering and data acquisition equipment specified in Attachments 2 and 3 of this Agreement. The Interconnection Customer's metering (and data acquisition, as required) equipment shall conform to applicable industry rules and Operating Requirements.

1.8 Reactive Power

1.8.1 The Interconnection Customer shall design its Small Generating Facility to maintain a composite power delivery at continuous rated power output at the Point of Interconnection at a power factor within the range of 0.95 leading to 0.95 lagging, unless the Transmission Provider has established different requirements that apply to all similarly situated generators in the control area on a comparable basis. The requirements of this paragraph shall not apply to wind generators.

1.8.2 The Transmission Provider is required to pay the Interconnection Customer for reactive power that the Interconnection Customer provides or absorbs from the Small Generating Facility when the Transmission Provider requests the Interconnection Customer to operate its Small Generating Facility outside the range specified in article 1.8.1. In addition, if the Transmission Provider pays its own or affiliated generators for reactive power service within the specified range, it must also pay the Interconnection Customer.

1.8.3 Payments shall be in accordance with the Interconnection Customer's applicable rate schedule then in effect unless the provision of such service(s) is subject to a regional transmission organization or independent system operator FERC-approved rate schedule. To the extent that no rate schedule is in effect at the time the Interconnection Customer is required to provide or absorb reactive power under this Agreement, the Parties agree to expeditiously file such rate schedule and agree to support any request for waiver of the Commission's prior notice requirement in order to compensate the Interconnection Customer from the time service commenced.

1.9 Capitalized terms used herein shall have the meanings specified in the Glossary of Terms in Attachment 1 or the body of this Agreement.

Article 2. Inspection, Testing, Authorization, and Right of Access

2.1 Equipment Testing and Inspection

2.1.1 The Interconnection Customer shall test and inspect its Small Generating Facility and Interconnection Facilities prior to interconnection. The Interconnection Customer shall notify the Transmission Provider of such activities no fewer than five Business Days (or as may be agreed to by the Parties) prior to such testing and inspection. Testing and inspection shall occur on a Business Day. The Transmission Provider may, at its own expense, send qualified personnel to the Small Generating Facility site to inspect the interconnection and observe the testing. The Interconnection Customer shall provide the Transmission Provider a written test report when such testing and inspection is completed.

2.1.2 The Transmission Provider shall provide the Interconnection Customer written acknowledgment that it has received the Interconnection Customer's written test report. Such written acknowledgment shall not be deemed to be or construed as any representation, assurance, guarantee, or warranty by the Transmission Provider of the safety, durability, suitability, or reliability of the Small Generating Facility or any associated control, protective, and safety devices owned or controlled by the Interconnection Customer or the quality of power produced by the Small Generating Facility.

2.2 Authorization Required Prior to Parallel Operation

2.2.1 The Transmission Provider shall use Reasonable Efforts to list applicable parallel operation requirements in Attachment 5 of this Agreement. Additionally, the Transmission Provider shall notify the Interconnection Customer of any changes to these requirements as soon as they are known. The Transmission Provider shall make Reasonable Efforts to cooperate with the Interconnection Customer in meeting requirements necessary for the Interconnection Customer to commence parallel operations by the in-service date.

2.2.2 The Interconnection Customer shall not operate its Small Generating Facility in parallel with the Transmission Provider's Transmission System without prior written authorization of the Transmission Provider. The Transmission Provider will provide such authorization once the Transmission Provider receives notification that the Interconnection Customer has complied with all applicable parallel operation requirements. Such authorization shall not be unreasonably withheld, conditioned, or delayed.

2.3 Right of Access

2.3.1 Upon reasonable notice, the Transmission Provider may send a qualified person to the premises of the Interconnection Customer at or immediately before the time

the Small Generating Facility first produces energy to inspect the interconnection, and observe the commissioning of the Small Generating Facility (including any required testing), startup, and operation for a period of up to three Business Days after initial start-up of the unit. In addition, the Interconnection Customer shall notify the Transmission Provider at least five Business Days prior to conducting any on-site verification testing of the Small Generating Facility.

2.3.2 Following the initial inspection process described above, at reasonable hours, and upon reasonable notice, or at any time without notice in the event of an emergency or hazardous condition, the Transmission Provider shall have access to the Interconnection Customer's premises for any reasonable purpose in connection with the performance of the obligations imposed on it by this Agreement or if necessary to meet its legal obligation to provide service to its customers.

2.3.3 Each Party shall be responsible for its own costs associated with following this article.

Article 3. Effective Date, Term, Termination, and Disconnection

3.1 Effective Date

This Agreement shall become effective upon execution by the Parties subject to acceptance by FERC (if applicable), or if filed unexecuted, upon the date specified by the FERC. The Transmission Provider shall promptly file this Agreement with the FERC upon execution, if required.

3.2 Term of Agreement

This Agreement shall become effective on the Effective Date and shall remain in effect for a period of ten years from the Effective Date or such other longer period as the Interconnection Customer may request and shall be automatically renewed for each successive one-year period thereafter, unless terminated earlier in accordance with article 3.3 of this Agreement.

3.3 Termination

No termination shall become effective until the Parties have complied with all Applicable Laws and Regulations applicable to such termination, including the filing with FERC of a notice of termination of this Agreement (if required), which notice has been accepted for filing by FERC.

3.3.1 The Interconnection Customer may terminate this Agreement at any time by giving the Transmission Provider 20 Business Days written notice.

3.3.2 Either Party may terminate this Agreement after Default pursuant to article 7.6.

3.3.3 Upon termination of this Agreement, the Small Generating Facility will be

disconnected from the Transmission Provider's Transmission System. The termination of this Agreement shall not relieve either Party of its liabilities and obligations, owed or continuing at the time of the termination.

3.3.4 This provisions of this article shall survive termination or expiration of this Agreement.

3.4 Temporary Disconnection

Temporary disconnection shall continue only for so long as reasonably necessary under Good Utility Practice.

3.4.1 Emergency Conditions -- "Emergency Condition" shall mean a condition or situation: (1) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (2) that, in the case of the Transmission Provider, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to the Transmission System, the Transmission Provider's Interconnection Facilities or the Transmission Systems of others to which the Transmission System is directly connected; or (3) that, in the case of the Interconnection Customer, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Small Generating Facility or the Interconnection Customer's Interconnection Facilities. Under Emergency Conditions, the Transmission Provider may immediately suspend interconnection service and temporarily disconnect the Small Generating Facility. The Transmission Provider shall notify the Interconnection Customer promptly when it becomes aware of an Emergency Condition that may reasonably be expected to affect the Interconnection Customer's operation of the Small Generating Facility. The Interconnection Customer shall notify the Transmission Provider promptly when it becomes aware of an Emergency Condition that may reasonably be expected to affect the Transmission Provider's Transmission System or other Affected Systems. To the extent information is known, the notification shall describe the Emergency Condition, the extent of the damage or deficiency, the expected effect on the operation of both Parties' facilities and operations, its anticipated duration, and the necessary corrective action.

3.4.2 Routine Maintenance, Construction, and Repair

The Transmission Provider may interrupt interconnection service or curtail the output of the Small Generating Facility and temporarily disconnect the Small Generating Facility from the Transmission Provider's Transmission System when necessary for routine maintenance, construction, and repairs on the Transmission Provider's Transmission System. The Transmission Provider shall provide the Interconnection Customer with five Business Days notice prior to such interruption. The Transmission Provider shall use Reasonable Efforts to coordinate such reduction or temporary disconnection with the Interconnection Customer.

3.4.3 Forced Outages

During any forced outage, the Transmission Provider may suspend interconnection service to effect immediate repairs on the Transmission Provider's Transmission System. The Transmission Provider shall use Reasonable Efforts to provide the Interconnection Customer with prior notice. If prior notice is not given, the Transmission Provider shall, upon request, provide the Interconnection Customer written documentation after the fact explaining the circumstances of the disconnection.

3.4.4 Adverse Operating Effects

The Transmission Provider shall notify the Interconnection Customer as soon as practicable if, based on Good Utility Practice, operation of the Small Generating Facility may cause disruption or deterioration of service to other customers served from the same electric system, or if operating the Small Generating Facility could cause damage to the Transmission Provider's Transmission System or Affected Systems. Supporting documentation used to reach the decision to disconnect shall be provided to the Interconnection Customer upon request. If, after notice, the Interconnection Customer fails to remedy the adverse operating effect within a reasonable time, the Transmission Provider may disconnect the Small Generating Facility. The Transmission Provider shall provide the Interconnection Customer with five Business Day notice of such disconnection, unless the provisions of article 3.4.1 apply.

3.4.5 Modification of the Small Generating Facility

The Interconnection Customer must receive written authorization from the Transmission Provider before making any change to the Small Generating Facility that may have a material impact on the safety or reliability of the Transmission System. Such authorization shall not be unreasonably withheld. Modifications shall be done in accordance with Good Utility Practice. If the Interconnection Customer makes such modification without the Transmission Provider's prior written authorization, the latter shall have the right to temporarily disconnect the Small Generating Facility.

3.4.6 Reconnection

The Parties shall cooperate with each other to restore the Small Generating Facility, Interconnection Facilities, and the Transmission Provider's Transmission System to their normal operating state as soon as reasonably practicable following a temporary disconnection.

Article 4. Cost Responsibility for Interconnection Facilities and Distribution Upgrades

4.1 Interconnection Facilities

4.1.1 The Interconnection Customer shall pay for the cost of the Interconnection Facilities itemized in Attachment 2 of this Agreement. The Transmission Provider shall provide a best estimate cost, including overheads, for the purchase and construction of its Interconnection Facilities and provide a detailed itemization of such costs. Costs associated with Interconnection Facilities may be shared with other entities that may benefit from such facilities by agreement of the Interconnection Customer, such other entities, and the Transmission Provider.

4.1.2 The Interconnection Customer shall be responsible for its share of all reasonable expenses, including overheads, associated with (1) owning, operating, maintaining, repairing, and replacing its own Interconnection Facilities, and (2) operating, maintaining, repairing, and replacing the Transmission Provider's Interconnection Facilities.

4.2 Distribution Upgrades

The Transmission Provider shall design, procure, construct, install, and own the Distribution Upgrades described in Attachment 6 of this Agreement. If the Transmission Provider and the Interconnection Customer agree, the Interconnection Customer may construct Distribution Upgrades that are located on land owned by the Interconnection Customer. The actual cost of the Distribution Upgrades, including overheads, shall be directly assigned to the Interconnection Customer.

Article 5. Cost Responsibility for Network Upgrades

5.1 Applicability

No portion of this article 5 shall apply unless the interconnection of the Small Generating Facility requires Network Upgrades.

5.2 Network Upgrades

The Transmission Provider or the Transmission Owner shall design, procure, construct, install, and own the Network Upgrades described in Attachment 6 of this Agreement. If the Transmission Provider and the Interconnection Customer agree, the Interconnection Customer may construct Network Upgrades that are located on land owned by the Interconnection Customer. Unless the Transmission Provider elects to pay for Network Upgrades, the actual cost of the Network Upgrades, including overheads, shall be borne initially by the Interconnection Customer.

5.2.1 Repayment of Amounts Advanced for Network Upgrades

The Interconnection Customer shall be entitled to a cash repayment, equal to the total amount paid to the Transmission Provider and Affected System operator, if any, for Network Upgrades, including any tax gross-up or other tax-related payments associated with the Network Upgrades, and not otherwise refunded to the Interconnection Customer, to be paid to the Interconnection Customer on a dollar-for-dollar basis for the non-usage sensitive portion of transmission charges,

as payments are made under the Transmission Provider's Tariff and Affected System's Tariff for transmission services with respect to the Small Generating Facility. Any repayment shall include interest calculated in accordance with the methodology set forth in FERC=s regulations at 18 C.F.R. '35.19a(a)(2)(iii) from the date of any payment for Network Upgrades through the date on which the Interconnection Customer receives a repayment of such payment pursuant to this subparagraph. The Interconnection Customer may assign such repayment rights to any person.

5.2.1.1 Notwithstanding the foregoing, the Interconnection Customer, the Transmission Provider, and Affected System operator may adopt any alternative payment schedule that is mutually agreeable so long as the Transmission Provider and Affected System operator take one of the following actions no later than five years from the Commercial Operation Date: (1) return to the Interconnection Customer any amounts advanced for Network Upgrades not previously repaid, or (2) declare in writing that the Transmission Provider or Affected System operator will continue to provide payments to the Interconnection Customer on a dollar-for-dollar basis for the non-usage sensitive portion of transmission charges, or develop an alternative schedule that is mutually agreeable and provides for the return of all amounts advanced for Network Upgrades not previously repaid; however, full reimbursement shall not extend beyond twenty (20) years from the commercial operation date.

5.2.1.2 If the Small Generating Facility fails to achieve commercial operation, but it or another generating facility is later constructed and requires use of the Network Upgrades, the Transmission Provider and Affected System operator shall at that time reimburse the Interconnection Customer for the amounts advanced for the Network Upgrades. Before any such reimbursement can occur, the Interconnection Customer, or the entity that ultimately constructs the generating facility, if different, is responsible for identifying the entity to which reimbursement must be made.

5.3 Special Provisions for Affected Systems

Unless the Transmission Provider provides, under this Agreement, for the repayment of amounts advanced to Affected System operator for Network Upgrades, the Interconnection Customer and Affected System operator shall enter into an agreement that provides for such repayment. The agreement shall specify the terms governing payments to be made by the Interconnection Customer to Affected System operator as well as the repayment by Affected System operator.

5.4 Rights Under Other Agreements

Notwithstanding any other provision of this Agreement, nothing herein shall be construed as relinquishing or foreclosing any rights, including but not limited to firm transmission rights, capacity rights, transmission congestion rights, or transmission credits, that the Interconnection Customer shall be entitled to, now or in the future, under any other agreement or tariff as a result of, or otherwise associated with, the transmission capacity, if any, created by the Network Upgrades, including the right to obtain cash reimbursements or transmission credits for transmission service that is not associated with the Small Generating Facility.

Article 6. Billing, Payment, Milestones, and Financial Security

6.1 Billing and Payment Procedures and Final Accounting

6.1.1 The Transmission Provider shall bill the Interconnection Customer for the design, engineering, construction, and procurement costs of Interconnection Facilities and Upgrades contemplated by this Agreement on a monthly basis, or as otherwise agreed by the Parties. The Interconnection Customer shall pay each bill within 30 calendar days of receipt, or as otherwise agreed to by the Parties.

6.1.2 Within three months of completing the construction and installation of the Transmission Provider's Interconnection Facilities and/or Upgrades described in the Attachments to this Agreement, the Transmission Provider shall provide the Interconnection Customer with a final accounting report of any difference between (1) the Interconnection Customer's cost responsibility for the actual cost of such facilities or Upgrades, and (2) the Interconnection Customer's previous aggregate payments to the Transmission Provider for such facilities or Upgrades. If the Interconnection Customer's cost responsibility exceeds its previous aggregate payments, the Transmission Provider shall invoice the Interconnection Customer for the amount due and the Interconnection Customer shall make payment to the Transmission Provider within 30 calendar days. If the Interconnection Customer's previous aggregate payments exceed its cost responsibility under this Agreement, the Transmission Provider shall refund to the Interconnection Customer an amount equal to the difference within 30 calendar days of the final accounting report.

6.2 Milestones

The Parties shall agree on milestones for which each Party is responsible and list them in Attachment 4 of this Agreement. A Party's obligations under this provision may be extended by agreement. If a Party anticipates that it will be unable to meet a milestone for any reason other than a Force Majeure Event, it shall immediately notify the other Party of the reason(s) for not meeting the milestone and (1) propose the earliest reasonable alternate date by which it can attain this and future milestones, and (2) requesting appropriate amendments to Attachment 4. The Party affected by the failure to meet a milestone shall not unreasonably withhold agreement to such an amendment

unless it will suffer significant uncompensated economic or operational harm from the delay, (2) attainment of the same milestone has previously been delayed, or (3) it has reason to believe that the delay in meeting the milestone is intentional or unwarranted notwithstanding the circumstances explained by the Party proposing the amendment.

6.3 Financial Security Arrangements

At least 20 Business Days prior to the commencement of the design, procurement, installation, or construction of a discrete portion of the Transmission Provider's Interconnection Facilities and Upgrades, the Interconnection Customer shall provide the Transmission Provider, at the Interconnection Customer's option, a guarantee, a surety bond, letter of credit or other form of security that is reasonably acceptable to the Transmission Provider and is consistent with the Uniform Commercial Code of the jurisdiction where the Point of Interconnection is located. Such security for payment shall be in an amount sufficient to cover the costs for constructing, designing, procuring, and installing the applicable portion of the Transmission Provider's Interconnection Facilities and Upgrades and shall be reduced on a dollar-for-dollar basis for payments made to the Transmission Provider under this Agreement during its term. In addition:

6.3.1 The guarantee must be made by an entity that meets the creditworthiness requirements of the Transmission Provider, and contain terms and conditions that guarantee payment of any amount that may be due from the Interconnection Customer, up to an agreed-to maximum amount.

6.3.2 The letter of credit or surety bond must be issued by a financial institution or insured reasonably acceptable to the Transmission Provider and must specify a reasonable expiration date.

Article 7. Assignment, Liability, Indemnity, Force Majeure, Consequential Damages, and Default

7.1 Assignment

This Agreement may be assigned by either Party upon 15 Business Days prior written notice and opportunity to object by the other Party; provided that:

7.1.1 Either Party may assign this Agreement without the consent of the other Party to any affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under this Agreement;

7.1.2 The Interconnection Customer shall have the right to assign this Agreement, without the consent of the Transmission Provider, for collateral security purposes to aid in providing financing for the Small Generating Facility, provided that the Interconnection Customer will promptly notify the Transmission Provider of any such assignment.

7.1.3 Any attempted assignment that violates this article is void and ineffective. Assignment shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. An assignee is responsible for meeting the same financial, credit, and insurance obligations as the Interconnection Customer. Where required, consent to assignment will not be unreasonably withheld, conditioned or delayed.

7.2 Limitation of Liability

Each Party's liability to the other Party for any loss, cost, claim, injury, liability, or expense, including reasonable attorney's fees, relating to or arising from any act or omission in its performance of this Agreement, shall be limited to the amount of direct damage actually incurred. In no event shall either Party be liable to the other Party for any indirect, special, consequential, or punitive damages, except as authorized by this Agreement.

7.3 Indemnity

7.3.1 This provision protects each Party from liability incurred to third parties as a result of carrying out the provisions of this Agreement. Liability under this provision is exempt from the general limitations on liability found in article 7.2.

7.3.2 The Parties shall at all times indemnify, defend, and hold the other Party harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the other Party's action or failure to meet its obligations under this Agreement on behalf of the indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnified Party.

7.3.3 If an indemnified person is entitled to indemnification under this article as a result of a claim by a third party, and the indemnifying Party fails, after notice and reasonable opportunity to proceed under this article, to assume the defense of such claim, such indemnified person may at the expense of the indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.

7.3.4 If an indemnifying party is obligated to indemnify and hold any indemnified person harmless under this article, the amount owing to the indemnified person shall be the amount of such indemnified person's actual loss, net of any insurance or other recovery.

7.3.5 Promptly after receipt by an indemnified person of any claim or notice of the commencement of any action or administrative or legal proceeding or

investigation as to which the indemnity provided for in this article may apply, the indemnified person shall notify the indemnifying party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the indemnifying party.

7.4 Consequential Damages

Other than as expressly provided for in this Agreement, neither Party shall be liable under any provision of this Agreement for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract, in tort, including negligence, strict liability, or any other theory of liability; provided, however, that damages for which a Party may be liable to the other Party under another agreement will not be considered to be special, indirect, incidental, or consequential damages hereunder.

7.5 Force Majeure

7.5.1 As used in this article, a Force Majeure Event shall mean "any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure Event does not include an act of negligence or intentional wrongdoing."

7.5.2 If a Force Majeure Event prevents a Party from fulfilling any obligations under this Agreement, the Party affected by the Force Majeure Event (Affected Party) shall promptly notify the other Party, either in writing or via the telephone, of the existence of the Force Majeure Event. The notification must specify in reasonable detail the circumstances of the Force Majeure Event, its expected duration, and the steps that the Affected Party is taking to mitigate the effects of the event on its performance. The Affected Party shall keep the other Party informed on a continuing basis of developments relating to the Force Majeure Event until the event ends. The Affected Party will be entitled to suspend or modify its performance of obligations under this Agreement (other than the obligation to make payments) only to the extent that the effect of the Force Majeure Event cannot be mitigated by the use of Reasonable Efforts. The Affected Party will use Reasonable Efforts to resume its performance as soon as possible.

7.6 Default

7.6.1 No Default shall exist where such failure to discharge an obligation (other than the payment of money) is the result of a Force Majeure Event as defined in this

Agreement or the result of an act or omission of the other Party. Upon a Default, the non-defaulting Party shall give written notice of such Default to the defaulting Party. Except as provided in article 7.6.2, the defaulting Party shall have 60 calendar days from receipt of the Default notice within which to cure such Default; provided however, if such Default is not capable of cure within 60 calendar days, the defaulting Party shall commence such cure within 20 calendar days after notice and continuously and diligently complete such cure within six months from receipt of the Default notice; and, if cured within such time, the Default specified in such notice shall cease to exist.

7.6.2 If a Default is not cured as provided in this article, or if a Default is not capable of being cured within the period provided for herein, the non-defaulting Party shall have the right to terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder and, whether or not that Party terminates this Agreement, to recover from the defaulting Party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or in equity. The provisions of this article will survive termination of this Agreement.

Article 8. Insurance

8.1 The Interconnection Customer shall, at its own expense, maintain in force general liability insurance without any exclusion for liabilities related to the interconnection undertaken pursuant to this Agreement. The amount of such insurance shall be sufficient to insure against all reasonably foreseeable direct liabilities given the size and nature of the generating equipment being interconnected, the interconnection itself, and the characteristics of the system to which the interconnection is made. The Interconnection Customer shall obtain additional insurance only if necessary as a function of owning and operating a generating facility. Such insurance shall be obtained from an insurance provider authorized to do business in the State where the interconnection is located. Certification that such insurance is in effect shall be provided upon request of the Transmission Provider, except that the Interconnection Customer shall show proof of insurance to the Transmission Provider no later than ten Business Days prior to the anticipated commercial operation date. An Interconnection Customer of sufficient credit-worthiness may propose to self-insure for such liabilities, and such a proposal shall not be unreasonably rejected.

8.2 The Transmission Provider agrees to maintain general liability insurance or self-insurance consistent with the Transmission Provider's commercial practice. Such insurance or self-insurance shall not exclude coverage for the Transmission Provider's liabilities undertaken pursuant to this Agreement.

8.3 The Parties further agree to notify each other whenever an accident or incident occurs resulting in any injuries or damages that are included within the scope of coverage of

such insurance, whether or not such coverage is sought.

Article 9. Confidentiality

9.1 Confidential Information shall mean any confidential and/or proprietary information provided by one Party to the other Party that is clearly marked or otherwise designated "Confidential." For purposes of this Agreement all design, operating specifications, and metering data provided by the Interconnection Customer shall be deemed Confidential Information regardless of whether it is clearly marked or otherwise designated as such.

9.2 Confidential Information does not include information previously in the public domain, required to be publicly submitted or divulged by Governmental Authorities (after notice to the other Party and after exhausting any opportunity to oppose such publication or release), or necessary to be divulged in an action to enforce this Agreement. Each Party receiving Confidential Information shall hold such information in confidence and shall not disclose it to any third party nor to the public without the prior written authorization from the Party providing that information, except to fulfill obligations under this Agreement, or to fulfill legal or regulatory requirements.

9.2.1 Each Party shall employ at least the same standard of care to protect Confidential Information obtained from the other Party as it employs to protect its own Confidential Information.

9.2.2 Each Party is entitled to equitable relief, by injunction or otherwise, to enforce its rights under this provision to prevent the release of Confidential Information without bond or proof of damages, and may seek other remedies available at law or in equity for breach of this provision.

9.3 Notwithstanding anything in this article to the contrary, and pursuant to 18 CFR § 1b.20, if FERC, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this Agreement, the Party shall provide the requested information to FERC, within the time provided for in the request for information. In providing the information to FERC, the Party may, consistent with 18 CFR § 388.112, request that the information be treated as confidential and non-public by FERC and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Party to this Agreement prior to the release of the Confidential Information to FERC. The Party shall notify the other Party to this Agreement when it is notified by FERC that a request to release Confidential Information has been received by FERC, at which time either of the Parties may respond before such information would be made public, pursuant to 18 CFR § 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations.

Article 10. Disputes

10.1 The Parties agree to attempt to resolve all disputes arising out of the interconnection process according to the provisions of this article.

10.2 In the event of a dispute, either Party shall provide the other Party with a written Notice of Dispute. Such Notice shall describe in detail the nature of the dispute.

10.3 If the dispute has not been resolved within two Business Days after receipt of the Notice, either Party may contact FERC's Dispute Resolution Service (DRS) for assistance in resolving the dispute.

10.4 The DRS will assist the Parties in either resolving their dispute or in selecting an appropriate dispute resolution venue (e.g., mediation, settlement judge, early neutral evaluation, or technical expert) to assist the Parties in resolving their dispute. DRS can be reached at 1-877-337-2237 or via the internet at http://www.ferc.gov/legal/adr.asp.

10.5 Each Party agrees to conduct all negotiations in good faith and will be responsible for one-half of any costs paid to neutral third-parties.

10.6 If neither Party elects to seek assistance from the DRS, or if the attempted dispute resolution fails, then either Party may exercise whatever rights and remedies it may have in equity or law consistent with the terms of this Agreement.

Article 11. Taxes

11.1 The Parties agree to follow all applicable tax laws and regulations, consistent with FERC policy and Internal Revenue Service requirements.

11.2 Each Party shall cooperate with the other to maintain the other Party's tax status. Nothing in this Agreement is intended to adversely affect the Transmission Provider's tax exempt status with respect to the issuance of bonds including, but not limited to, local furnishing bonds.

Article 12. Miscellaneous

12.1 Governing Law, Regulatory Authority, and Rules
The validity, interpretation and enforcement of this Agreement and each of its provisions shall be governed by the laws of the state of New York (where the Point of Interconnection is located), without regard to its conflicts of law principles. This Agreement is subject to all Applicable Laws and Regulations. Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, or regulations of a Governmental Authority.

12.2 Amendment

The Parties may amend this Agreement by a written instrument duly executed by both Parties.

12.3 No Third-Party Beneficiaries

This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and where permitted, their assigns.

12.4 Waiver

12.4.1 The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

12.4.2 Any waiver at any time by either Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, duty of this Agreement. Termination or default of this Agreement for any reason by Interconnection Customer shall not constitute a waiver of the Interconnection Customer's legal rights to obtain an interconnection from the Transmission Provider. Any waiver of this Agreement shall, if requested, be provided in writing.

12.5 Entire Agreement

This Agreement, including all Attachments, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this Agreement. There are no other agreements, representations, warranties, or covenants which constitute any part of the consideration for, or any condition to, either Party's compliance with its obligations under this Agreement.

12.6 Multiple Counterparts

This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

12.7 No Partnership

This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

12.8 Severability

If any provision or portion of this Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction or other Governmental Authority, (1) such portion or provision shall be deemed separate and independent, (2) the Parties shall negotiate in good faith to restore insofar as practicable the benefits to each Party that were affected by such ruling, and (3) the remainder of this Agreement shall remain in full force and effect.

12.9 Security Arrangements

Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. FERC expects all Transmission Providers, market participants, and Interconnection Customers interconnected to electric systems to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and, eventually, best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for system infrastructure and operational security, including physical, operational, and cyber-security practices.

12.10 Environmental Releases

Each Party shall notify the other Party, first orally and then in writing, of the release of any hazardous substances, any asbestos or lead abatement activities, or any type of remediation activities related to the Small Generating Facility or the Interconnection Facilities, each of which may reasonably be expected to affect the other Party. The notifying Party shall (1) provide the notice as soon as practicable, provided such Party makes a good faith effort to provide the notice no later than 24 hours after such Party becomes aware of the occurrence, and (2) promptly furnish to the other Party copies of any publicly available reports filed with any governmental authorities addressing such events.

12.11 Subcontractors

Nothing in this Agreement shall prevent a Party from utilizing the services of any subcontractor as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

12.11.1 The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made; provided, however, that in no event shall the Transmission Provider be liable for the actions or inactions of the Interconnection Customer or its subcontractors

with respect to obligations of the Interconnection Customer under this Agreement. Any applicable obligation imposed by this Agreement upon the hiring Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

12.11.2 The obligations under this article will not be limited in any way by any limitation of subcontractor's insurance.

12.12 Reservation of Rights

The Transmission Provider shall have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and the Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Agreement under any applicable provision of the Federal Power Act and FERC's rules and regulations; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations, except to the extent that the Parties otherwise agree as provided herein.

Article 13. Notices

13.1 General

Unless otherwise provided in this Agreement, any written notice, demand, or request required or authorized in connection with this Agreement ("Notice") shall be deemed properly given if delivered in person, delivered by recognized national currier service, or sent by first class mail, postage prepaid, to the person specified below:

If to the Interconnection Customer:

Interconnection Customer: Steel Winds, LLC
Attention: Paul F. Curran
Address: PO Box 338
City: Pawling State: New York Zip:12564
Phone: 914-844-0894 Fax: 845-226-3094

If to the Transmission Provider:

Transmission Provider: Niagara Mohawk Power Corporation, d/b/a National Grid
Attention: V.P., Transmission Commercial Services
Address: 300 Erie Boulevard West
City: Syracuse State: New York Zip: 13202
Phone: (315) 428-3159 Fax: (315) 428-5114

13.2 Billing and Payment

Billings and payments shall be sent to the addresses set out below:

Interconnection Customer: Steel Winds, LLC
Attention: Paul F. Curran
Address: PO Box 338
City: Pawling State: New York Zip:12564

Transmission Provider: Niagara Mohawk Power Corporation, d/b/a National Grid
Attention: Misc. Billing Department
Address: 300 Erie Boulevard West
City: Syracuse State: New York Zip:13202

13.3 Alternative Forms of Notice

Any notice or request required or permitted to be given by either Party to the other and not required by this Agreement to be given in writing may be so given by telephone, facsimile or e-mail to the telephone numbers and e-mail addresses set out below:

If to the Interconnection Customer:

Interconnection Customer: Steel Winds, LLC
Attention: Paul F. Curran
Address: PO Box 338
City: Pawling State: New York Zip:12564
Phone: 914-844-0894 Fax: 845-226-3094

If to the Transmission Provider:

Transmission Provider: Niagara Mohawk Power Corporation, d/b/a National Grid
Attention: V.P., Transmission Commercial Services
Address: 300 Erie Boulevard West
City: Syracuse State: New York Zip: 13202
Phone: (315) 428-3159 Fax: (315) 428-5114

13.4 Designated Operating Representative

The Parties may also designate operating representatives to conduct the communications which may be necessary or convenient for the administration of this Agreement. This person will also serve as the point of contact with respect to operations and maintenance of the Party's facilities.

Interconnection Customer's Operating Representative:

Interconnection Customer: Steel Winds, LLC
Attention: Paul F. Curran
Address: PO Box 338
City: Pawling State: New York Zip:12564
Phone: 914-844-0894 Fax: 845-226-3094

Transmission Provider's Operating Representative:

Transmission Provider: Niagara Mohawk Power Corporation, d/b/a National Grid
Attention: Transmission Account Manager
Address: 144 Kensington Avenue
City: Buffalo State: New York Zip:14214
Phone: 716-831-7767 Fax: 716-831-5237

13.5 Changes to the Notice Information
Either Party may change this information by giving five Business Days written notice prior to the effective date of the change.

This Agreement and it's terms is subject to change by any ruling of the FERC.

Article 14. Signatures

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives.

For the Transmission Provider

Name: _____

Title: _____

Date: _____

For the Interconnection Customer

Name: _____

Title: _____

Date: _____

Attachment 1

Glossary of Terms

Affected System – An electric system other than the Transmission Provider's Transmission System that may be affected by the proposed interconnection.

Applicable Laws and Regulations – All duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

Business Day – Monday through Friday, excluding Federal Holidays.

Default – The failure of a breaching Party to cure its Breach under the Small Generator Interconnection Agreement.

Distribution System – The Transmission Provider's facilities and equipment used to transmit electricity to ultimate usage points such as homes and industries directly from nearby generators or from interchanges with higher voltage transmission networks which transport bulk power over longer distances. The voltage levels at which Distribution Systems operate differ among areas.

Distribution Upgrades – The additions, modifications, and upgrades to the Transmission Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Small Generating Facility and render the transmission service necessary to effect the Interconnection Customer's wholesale sale of electricity in interstate commerce. Distribution Upgrades do not include Interconnection Facilities.

Good Utility Practice – Any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Governmental Authority – Any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include the Interconnection Customer, the Interconnection Provider, or any Affiliate thereof.

Interconnection Customer – Any entity, including the Transmission Provider, the Transmission Owner or any of the affiliates or subsidiaries of either, that proposes to interconnect its Small

Generating Facility with the Transmission Provider's Transmission System.

Interconnection Facilities – The Transmission Provider's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Small Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Small Generating Facility to the Transmission Provider's Transmission System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades or Network Upgrades.

Interconnection Request – The Interconnection Customer's request, in accordance with the Tariff, to interconnect a new Small Generating Facility, or to increase the capacity of, or make a Material Modification to the operating characteristics of, an existing Small Generating Facility that is interconnected with the Transmission Provider's Transmission System.

Material Modification – A modification that has a material impact on the cost or timing of any Interconnection Request with a later queue priority date.

Network Upgrades – Additions, modifications, and upgrades to the Transmission Provider's Transmission System required at or beyond the point at which the Small Generating Facility interconnects with the Transmission Provider's Transmission System to accommodate the interconnection of the Small Generating Facility with the Transmission Provider's Transmission System. Network Upgrades do not include Distribution Upgrades.

Operating Requirements – Any operating and technical requirements that may be applicable due to Regional Transmission Organization, Independent System Operator, control area, or the Transmission Provider's requirements, including those set forth in the Small Generator Interconnection Agreement.

Party or Parties – The Transmission Provider, Transmission Owner, Interconnection Customer or any combination of the above.

Point of Interconnection – The point where the Interconnection Facilities connect with the Transmission Provider's Transmission System.

Reasonable Efforts – With respect to an action required to be attempted or taken by a Party under the Small Generator Interconnection Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

Small Generating Facility – The Interconnection Customer's device for the production of electricity identified in the Interconnection Request, but shall not include the Interconnection Customer's Interconnection Facilities.

Tariff – The Transmission Provider or Affected System's Tariff through which open access transmission service and Interconnection Service are offered, as filed with the FERC, and as

amended or supplemented from time to time, or any successor tariff.

Transmission Owner – The entity that owns, leases or otherwise possesses an interest in the portion of the Transmission System at the Point of Interconnection and may be a Party to the Small Generator Interconnection Agreement to the extent necessary.

Transmission Provider – The public utility (or its designated agent) that owns, controls, or operates transmission or distribution facilities used for the transmission of electricity in interstate commerce and provides transmission service under the Tariff. The term Transmission Provider should be read to include the Transmission Owner when the Transmission Owner is separate from the Transmission Provider.

Transmission System – The facilities owned, controlled or operated by the Transmission Provider or the Transmission Owner that are used to provide transmission service under the Tariff.

Upgrades – The required additions and modifications to the Transmission Provider's Transmission System at or beyond the Point of Interconnection. Upgrades may be Network Upgrades or Distribution Upgrades. Upgrades do not include Interconnection Facilities.

Attachment 2

Description and Costs of the Small Generating Facility, Interconnection Facilities, and Metering Equipment

Equipment, including the Small Generating Facility, Interconnection Facilities, and metering equipment shall be itemized and identified as being owned by the Interconnection Customer, the Transmission Provider, or the Transmission Owner. The Transmission Provider will provide a best estimate itemized cost, including overheads, of its Interconnection Facilities and metering equipment, and a best estimate itemized cost of the annual operation and maintenance expenses associated with its Interconnection Facilities and metering equipment.

Interconnection Customer — Small Generation and Interconnection Facility

19.9MW wind farm generation project and associated equipment required to interconnect to the 115 kV Transmission Provider's electric system. $35,000,000

Transmission Provider — 115kV Service Lateral Connection and Associated Equipment

Interconnection Customer to take ownership of existing 115 kV Station 11A that is already interconnected to the Transmission Providers 115 kV lines No. 149 and No. 150

Total estimated Interconnection Facilities Cost – Inclusive of Overheads $0,000

Estimated Annual Operation and Maintenance Expense of Interconnection Facilities and metering equipment

115 kV overhead line maintenance	$ 8,000
Meter calibration and maintenance	$ 3,000
Total Estimated annual O&M	$11,000

Attachment 3

One-line Diagram Depicting the Small Generating Facility, Interconnection Facilities, Metering Equipment, and Upgrades

Attachment 4

Milestones

In-Service Date: July 01, 2006

Critical milestones and responsibility as agreed to by the Parties:

	Milestone/Date	Responsible Party
(1)	Provide updated Station 11A design drawings 04/06	Steel Winds, LLC
(2)	Acquire ownership of 115 kV Station 11A 05/06	Steel Winds, LLC.
(3)	Begin construction of Windfarm 05/06	Steel Winds, LLC
(4)	Final review and acceptance of Substation 05/06	Niagara Mohawk
(5)	_____	_____
(6)	_____	_____
(7)	_____	_____
(8)	_____	_____
(9)	_____	_____
(10)	_____	_____

Agreed to by:

For the Transmission Provider_____ Date_____

For the Transmission Owner (If Applicable) _____ Date_____

For the Interconnection Customer_____ Date_____

Attachment 5

Additional Operating Requirements for the Transmission Provider's Transmission System and Affected Systems Needed to Support the Interconnection Customer's Needs

The Transmission Provider shall also provide requirements that must be met by the Interconnection Customer prior to initiating parallel operation with the Transmission Provider's Transmission System.

SUPPLEMENT TO

SPECIFICATIONS FOR

ELECTRICAL INSTALLATIONS

PARALLEL GENERATION REQUIREMENTS OVER 300kVA OR WHERE INTERCONNECTED OVER 15kV

ELECTRIC SYSTEM BULLETIN #756B

APRIL 2004

(Supersedes all previous issues of ESB 756B)

Niagara Mohawk
A **National Grid** Company

I. INTRODUCTION

A. Purpose

This supplement to Electric System Bulletin No. 750 provides general requirements and recommendations for a Generator-owner who intends to generate power in parallel with the Company's electrical system greater than 300kVA net generation or where the Company's service is greater than 15kV. As a consequence of this parallel operation the generator becomes a part of the Company's electrical system and must be considered in the electrical reliability and security of the Company's facilities.

This Electric System Bulletin #756B provides additional requirements for interconnecting generation facilities, connected in parallel with the utility system, not covered by the New York Standard Interconnection Requirements (NYSIR) for 300kVA and less aggregated parallel generation.

Additional site specific requirements can be expected and will be furnished upon determination of the supply voltage, service arrangement, location, and generation intent. Generation intent, in this context, refers to its end use being either: (1) total generator output energy for internal use, i.e. peak shaving, (2) sale, or (3) a combination.

Generators serving isolated load never connected in parallel with the Company's electrical system are not subject to these requirements. Isolation is where separation of electrical points of contact where interconnection may occur is at least 100 feet apart.

It is important that the Customer refer to the Specifications for Electrical Installations booklet (ESB No. 750, latest revision) in conjunction with this supplement.

B. Scope

These requirements are offered as a guide to the Generator-owner intending to operate generation in parallel with the Company's electrical system. They concern only those points in which the Generator-owner and the Company have a mutual interest to ensure safety to Company employees and the public and satisfactory operation and compatibility with the electrical supply to others served by the Company system.

The specific requirements to the type of generator installation are contained in the following and will be provided as needed for each case.

ESB 756A: Parallel Generation Requirements Covered by the NYS Standard Interconnection Requirements

ESB 756B: Parallel Generation Requirements Over 300kVA or Where Interconnected Over 15kV

Any subsequent sale of generation which separates it from the remainder of a Customer's facility requires the new Generator-owner to establish a separate interconnection for the generation.

C. Codes, Standards and References

The Generator-owner's facility shall conform to the latest revision of all local, state and federal codes and national standards that apply. In addition, generation connected to the NYS secured transmission system shall adhere to all current applicable regulations, standards, policies and criteria of the New York Independent System Operator (NYISO), Northeast Power Coordinating Council (NPCC), and North American Electric Reliability Council (NERC), or successor organizations associated with the operation of such systems.

The Generator-owner's facility shall also conform to any applicable requirements of the NYS Public Service Commission and any local, state, federal and/or other agencies from which a review, approval, or a permit is required.

The Generator-owner shall comply with the appropriate Company Electric System Bulletin (ESB) which covers details for the Generator-owner's service installation. These Bulletins include:

ESB 750 - Specifications for Electrical Installations

ESB 752 - Services Above 15,000 Volts

ESB 753 - Primary Meter Pole

ESB 754 - Outdoor Pad Mounted or Vault Enclosed Three Phase Transformer

ESB 755 - Operation & Maintenance Requirements for Services Above 600V

ESB 754A - Single Phase Pad Mounted Transformer

ESB 758 - Primary Service to Metal Enclosed Gear

ESB 759 - Transformer Vault

Some of the following national standards that may be applicable are:

IEEE 519 "Recommended Practices and Requirements for Harmonic Control in Electrical Power Systems"

IEEE 929 "IEEE Recommended Practice for Utility Interface of Photovoltaic (PV) Systems"

IEEE 1094 "IEEE Recommended Practice for the Electrical Design and Operation of Windfarm Generating Stations"

IEEE 1547 "Standard for Interconnecting Distributed Resources with Electric Power Systems"

NFPA 850 "Recommended Practice for Fire Protection for Electrical Generating Plants and High Voltage Direct Current Converter Stations"

D. Definitions

"**Production Facility**" refers to the generator owners' (producers') parallel generator facilities. It shall include all facilities and equipment up to and including the Production Facility's high voltage side generator transformer disconnect or switches.

"**Wholesale Delivery Point**" shall mean the point at which the Interconnection Facility is connected to the Transmission System as indicated in the interconnection agreement.

"**NYS secured transmission system**" refers to delivery voltage systems as defined by the NPCC and controlled by the NYISO.

"**Generator interface point**" is the point of electrical connection of the parallel generator to the premise wiring.

"**Generator-owner**" refers to any Non-Utility Generator even though they may also actually take electric service from the Company.

"**Interconnection Facility**" refers to those facilities necessary to effect the transfer of electricity from the parallel generator at the service point into the Company's electric system.

"**Interconnection Point**" is where the interconnection facility connects to the Company's electric system.

"Interconnection System" is the collection of all interconnection equipment and functions, taken as a group, used to interconnect a DR unit(s) to the Company's system.

"**Islanding**", is generation serving utility load (or lines) without a synchronizing utility source connected.

"**Parallel generator**" is defined as generation connected to a bus common with the Company's system.

II. GENERAL

A. Permitted Connections

Certain interconnections are eliminated by the Company on the basis of the available systems without resort to the study of a specific instance. The Company shall determine the suitability of a given generator connection and its interconnection voltage.

The Company does not allow connection of parallel generation to general secondary networks under any circumstances.

The Company will allow connection of parallel generation to spot networks under the following conditions :

1. When the aggregate parallel generation installed on a spot network does not exceed 5% of the spot network's maximum load.

or,

2. If all of the following conditions are met:

Network protectors shall not be used to separate, switch, serve as breaker failure backup or in any manner isolate a network or network primary feeder to which the parallel generator is connected from the remainder of the Company's system, unless the protectors are rated and tested per applicable standards for such an application.

Any parallel generator installation connected to a spot network shall not cause operation or prevent reclosing of any network protectors installed on the spot network. This coordination shall be accomplished without requiring any changes to prevailing network protector clearing time practices of the Company.

Connection of the parallel generator to the Company's system is only permitted if the spot network bus is already energized by more than 50% of the installed network protectors.

The parallel generator output shall not cause any cycling of network protectors.

The network equipment loading and fault interrupting capacity shall not be exceeded with the addition of the parallel generator.

1.0 Phase Balance

The Generator-owner's facility shall maintain equal current in each phase conductor at the service point. Voltage unbalance resulting from unbalanced currents shall not exceed 2% or shall not cause objectionable effects upon or interference with the operation of the Company's facilities and service to others. This criteria shall be met with and without generation.

B. Contributions

All costs incurred by the Company as a result of a Generator-owner's facility, over the life of that facility, shall be reimbursed to the Company by the Generator-owner. The Company will advise the Generator-owner concerning any charges and payment schedules required.

For net generation above 300kVA, all costs incurred by the Company for supply system changes, metering upgrades, and telemetering circuit changes associated with the Generator-owner's installation shall be reimbursed to the Company by the Generator-owner. The Company will notify the Generator-owner when these situations arise along with their associated charges and execute terms and conditions for payment.

C. Access and Contacts

Authorized Company employees, equipment, and vehicles shall have access to the Generator-owner facilities and Company's metering equipment at any time without delay.

The Generator-owner shall provide information identifying their contact person(s), addresses and their associated telephone number(s) to the Company.

Changes to phone numbers, points of contact, etc., shall be communicated in advance of the actual change, the effective date of change shall be provided as well.

The Company will provide the Generator-owner with phone numbers for the appropriate Company contact(s). (Customer Service Center for less than 15kV and the division Regional Control Center for greater than 15kV interconnections.)

D. Design Requirements

1.0 General Electrical Issues

The interconnection of all parallel generators requires safeguards for synchronization and backfeed situations. And, from the electric system perspective, the challenges posed by any given parallel generator connection do not diminish significantly with reduction in generator size. For this reason, each specific connection must be studied with respect to its size, its type, and the nature of the electric system at the interconnection point.

All parallel generation shall be designed to ensure:

Capability to synchronize with the Company's electrical system,

Capability to separate from the Company's electrical system upon loss of Company source, and

All energy supplied to the Company's electrical system shall meet the Company's power quality and transmission system operator requirements.

The Generator-owner shall be responsible for on-going compliance to regulatory, code, and system design and operating changes pertaining to their installation. This work will be performed at the cost of the Generator-owner. The Company requires all electrical and physical design documents and submittals in this and related Company bulletins to be prepared and sealed by a single licensed New York State Professional Engineer, who is retained by the Generator-owner for that purpose.

2.0 Specific Electrical Issues

The Company will determine the interconnect voltage and method of interconnection with the system. In general:

The preferred interconnection at 230 kV and 345 kV is a radial line(s) to NYS secured transmission system station(s). Refer to Figures 1 through 4 for typical arrangements.

The preferred interconnection at 23kV up to 115 kV is a radial line(s) to a station. Other interconnection alternatives may require installation of a Company three breaker station. Refer to Figures 1 through 4 for typical arrangements.

Company transmission system required to accommodate the generation interconnection shall be designed and installed to Company standards and practices, under the review and approval of the Company.

Regardless of interconnection voltage, protection schemes and connection arrangements shall be designed to prevent islanding of the generation with a portion of the Company's supply to other customers.

The Company reserves the right to review and approve the ratings and parameters of major electrical equipment supplied by the Generator-owner, such as, but not limited to: generator step-up (GSU) transformers, interrupting devices, relays, and the generator with its associated systems.

The Generator-owner is solely responsible for the protection of their plant equipment. The Generator-owner is required to provide electrical equipment and relays with ranges and ratings that will allow proper Generator-owner relay system coordination with Company relay systems. Coordination margins and parameters will be determined by the Company.

The Generator-owner is responsible for the coordination of any Generator-owner applied over and under frequency or over and under voltage generator tripping with Company specified requirements. The generator is expected to remain on line and fully operational following a system excursion within specified parameters. The correct performance of the generator frequency protection relays is critical to system security. Consequently each Generator-owner will be required to both recalibrate their frequency protection and provide the Company this relay performance documentation.

Figure No. 1

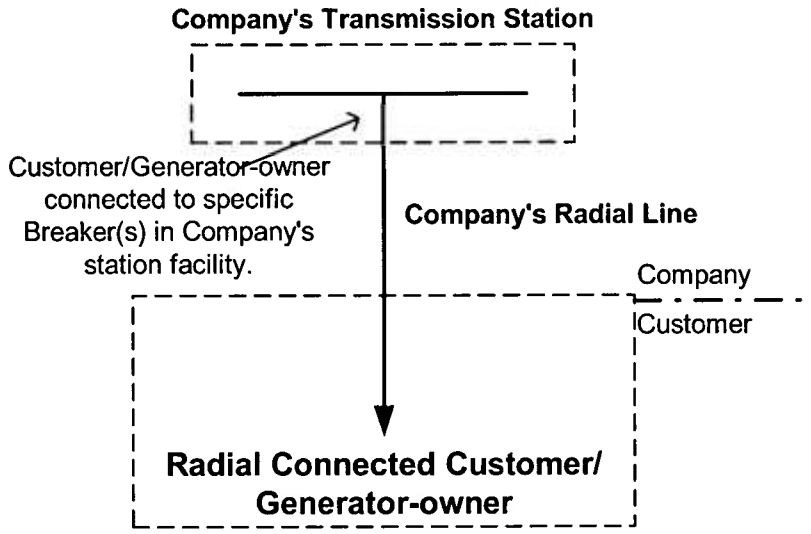


Figure No. 2

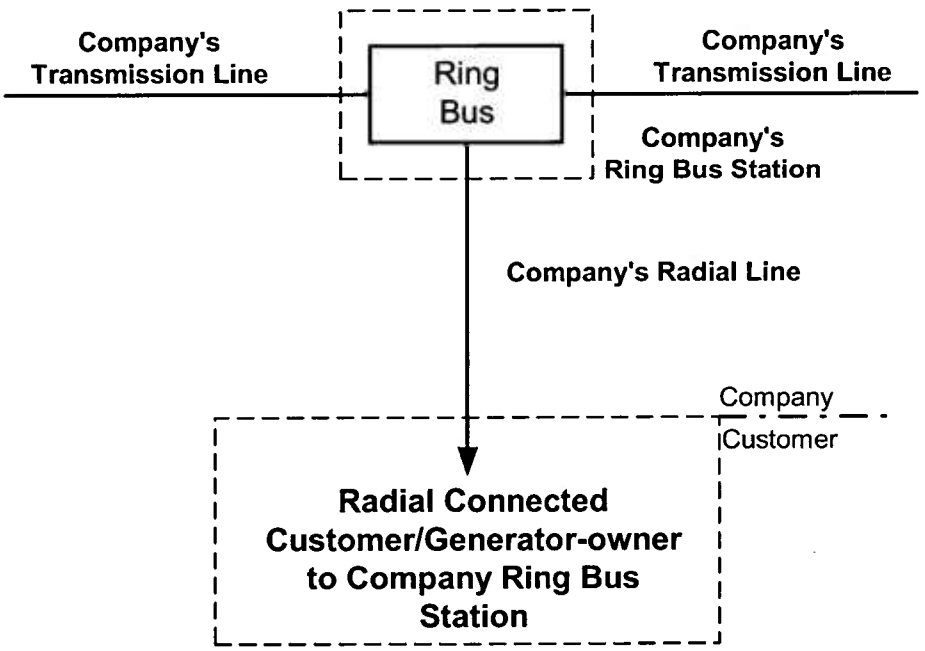


Figure No. 3

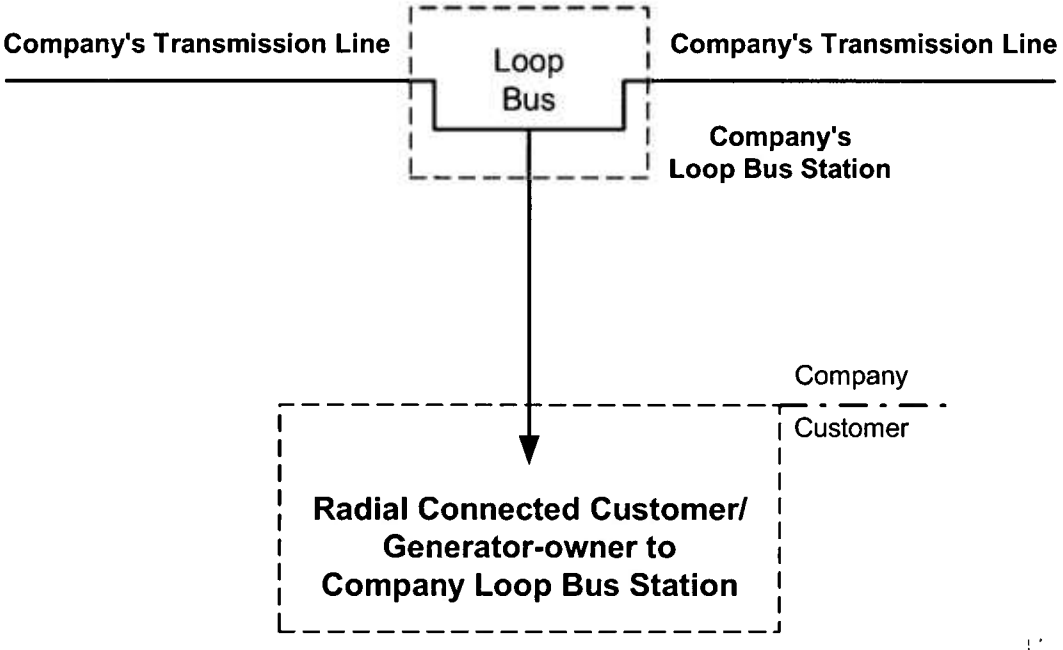
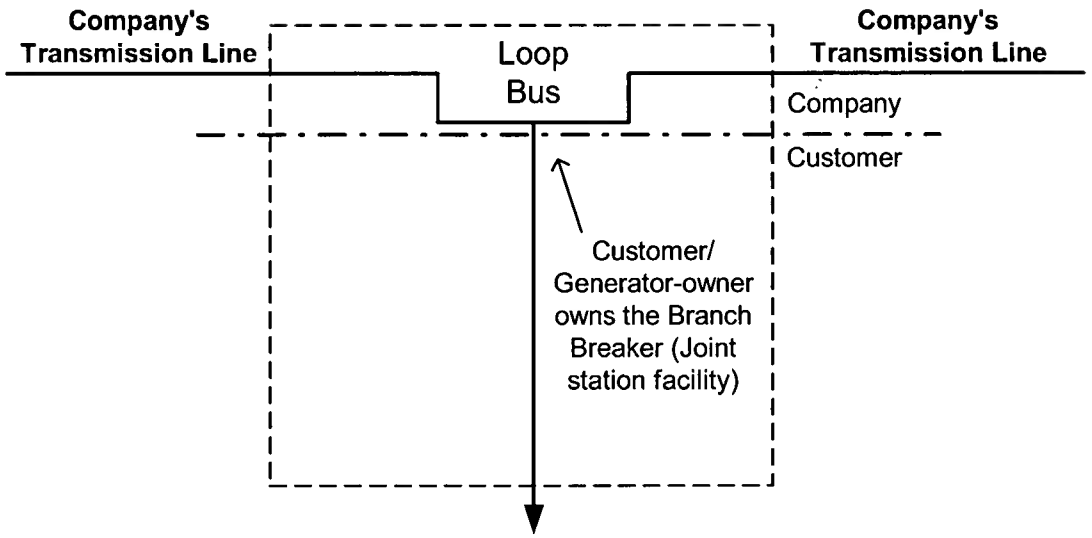

Company's Transmission Line
Loop
Bus
Company's Transmission Line
Company's
Loop Bus Station
Company
Customer
Radial Connected Customer/
Generator-owner to
Company Loop Bus Station

Figure No. 4



**Customer/Generator-owner
Connected to
Joint-owned Loop Bus Station**

E. Types of Generators

1.0 Induction

Reactive power supply for induction generators poses difficult design problems, depending on the generator size.

Induction generation over 50kVA require capacitors to be installed by the Generator-owner. The installation of capacitors at or near an induction generator can cause it to become self-excited, if disconnected from the Company's system. The additional expense for special protective equipment may favor the use synchronous machines.

Starting or rapid load fluctuations on induction generators can adversely impact the Company's system voltage. Corrective step-switched capacitors or other techniques may be necessary. These measures can, in turn, cause ferroresonance. Induction starting will be permitted only where inrush current and voltage will not exceed allowable limits.

Otherwise, protection for induction generation is similar to synchronous generation. Synchronizing relays may not be required, but a contact-making tachometer set at synchronous speed may be required.

2.0 Synchronous

For synchronous generators, sufficient generator reactive power capability shall be provided to withstand normal voltage changes on the Company system. The generator voltage-var schedule, voltage regulator, and

transformer ratio settings will be jointly determined by the Company and the Generator-owner to ensure proper coordination of voltages and regulator action.

3.0 Inverter Systems

Direct current generators can only be paralleled with the Company's system using a synchronous inverter. The design shall be such as to remove this synchronous inverter upon a utility system interruption. Proper harmonic filtering is necessary for inverter systems to minimize harmonic distortion from being introduced into the electric system.

F. Limitations

1.0 All Generation

The Company permits the operation of generating equipment in parallel with the Company's electric system, whenever this can be done without adverse effects on the general public, Company equipment, or personnel, in accordance with all applicable laws and regulations. Certain protective devices (relays, circuit breakers, etc.), specified by the Company, shall be installed at any location where the Generator-owner desires to operate generation in parallel with the Company's system. These devices promptly disconnect the Generator-owner's generating equipment from the Company's system whenever faults or abnormal conditions occur.

The following are some of the issues considered before accepting generation:

Proximity to the Company's circuits.

Generation capacity and the load on the Company's circuits during light load conditions.

Review of voltage profiles and system thermal limitations provided by the Company's system electric studies.

System protection coordination with the proposed generation and prevention of the generator from "islanding."

Impact of prime mover.

Generator-owner's facility ratio of generation to light load.

From the above, the Company will determine the voltage, interrupting ratings, type of equipment and controls needed for proper protection coordination. The Company reserves the right to determine the Generator-owner's interconnection voltage.

The Company reserves the right to have the Generator-owner remove their generation from the system at any time upon the Company's request. Normally, such requests result from the need to facilitate maintenance, test, repair, emergency restoration or safety concerns related to Company facilities.

2.0 Special Situations

Under this bulletin, the Company restricts Generator-owner connection for the following situations.

1. **Net Generation Output**
   The Company reserves the right to limit generation to its facilities operating to that level which will not compromise safety, reliability, or protection margins. Due to the many variable parameters involved, special requirements for any proposed net generation levels will be determined by the Company on a site specific basis.

2. **Peak Shaving Generation**

   Arrangements for standby or supplemental energy needs are addressed by the Company's filed tariffs and shall be made prior to actual need to ensure its availability.

   Peak shaving parallel generator installations shall not be allowed to supply any net generation into the Company system. The application of reverse power relays is an accepted method to accomplish the requirement. Where the Company is requested to supply demand pulse information (either analog or digital), its use is not intended for generator control.

III. PROJECT MANAGEMENT

A. Responsibilities

1.0 Generator-Owner

No generation, no matter its intent, shall be installed or operated in parallel with the Company's system without prior notification to and approval by the Company.

This responsibility applies to an initial facility, as well as to subsequent additions and/or modifications of Generator-owner equipment or change of ownership through sale. The Generator-owner is responsible for modifying their system to comply with any future mandate of NYISO/NPCC/NERC or successor organization including cost incurred.

If the Generator-owner makes significant changes in the design or scheduling of the project, then any previous information furnished by the Company to the Generator-owner shall be subject to review and possible change. Failure to communicate such changes to the Company may result in delay of service or termination of service by the Company.

The Generator-owner is responsible for performing all operating functions associated with their equipment and for maintaining all equipment under their ownership. The Generator-owner shall arrange to have trained personnel available for the proper and safe operation of their equipment.

The Generator-owner shall provide proper and continuous maintenance of all plant facilities; refer to NFPA 70B (and NFPA 73 where applicable) and

other nationally recognized industry guides for guidance on electric equipment maintenance.

The Company will specify telecommunication services as required for the installation. See Exhibit 1 for data submittal in letterform to the Company.

For the RTU installation, the Generator-owner shall arrange through the Company to provide the necessary telecommunication service. As this process typically takes four months, the Generator Owner is responsible for submitting the information in Exhibit 1 in a timely fashion. The Company will not be liable for the results of any delays.

The Generator-owner's telephone number(s) shall allow for 24-hour per day contact of either a staffed control room or delegated operating agent.

The Generator-owner's backup service requirements from the Company's system shall be requested using the prescribed forms in the Company's tariff.

2.0 Form G

Notice to the Company to install parallel generation shall be in the form of a completed Form G from the Company's tariff, PSC No. 207, signed by the Company and the Generator-owner. This form shall include:

Complete generator data sheets,

The generation's intended purpose, i.e. peak shaving or sale,

Geographic location,

Service point location i.e. circuit name and number, pole number, etc.,

Contact information, name and telephone number of individual to be contacted regarding generator operation, and

A provision stating that it is the responsibility of the Generator-owner to notify the Company, in writing, to obtain a new Form G whenever information changes.

A Letter of Commitment shall accompany the completed Form G and including:

Result(s) of the Company's electric study,

Written authorization from the Generator-owner for the Company to proceed with engineering and construction of the interconnection including initial payment.

3.0 Required Interconnection Study for Projects 115kV or Greater

For 115kV or greater connections, the Generator-owner shall contact and obtain from the NYISO the requirements for an approved interconnection study. In this study phase an assessment will be made to ensure generation connected to the NYS secured transmission system complies with

NYISO/NPCC/NERC or successor organization's planning standards in force at the time of energization of the Generator-owner's facilities.

4.0 Required Interconnection Study for Projects less than 115kV

This study identifies the items of major cost to the interconnection. The scope of work is dependent upon the size and electrical location of the project. The study's primary function is to assess the impact the proposed project has upon the operation of the existing transmission system and addresses the following principle areas:

1. **Thermal margins**
   An assessment is made to ensure that the proposed project will not overload lines or impose operational constraints on the existing system.

2. **Voltage performance**
   An assessment is made to ensure the proposed project can operate within voltage guidelines. For voltages 115 kV and below, the guidelines are +5/-10% of nominal.

3. **Stability**
   An assessment is made to ensure that local clearing times are such that unit stability is maintained and regional stability is not negatively impacted. Power system stabilizers shall be installed when such controls are required to dampen system oscillations.

4. **Short Circuit Studies**
   A study is performed to ensure that circuit breaker duties remain within nameplate ratings with the addition of the project.

5. **Protection**
   In this study phase an initial assessment is made to define required changes to local protection.

6. **NYISO/NPCC/NERC**
   Compliance with the planning standards of NYISO/NPCC/NERC will be required for NYISO controlled interconnections.

5.0 No Agreement for Power Sales

Generator-owners who generate in parallel for the purpose of reducing their energy and demand utilization from the Company's supply (i.e. peak shaving generation) are not required to have a power purchase agreement with the Company. However, they still shall comply with the requirements of this bulletin and the Company's tariff, PSC No. 207, as determined by the Company. The Company on a case-by-case basis shall determine additional protective devices. The Generator-owner is required to complete a Form G. The Company will advise the Generator-owner of any change of service class.

6.0 Purchase of Generator-owner's Power

Company's Tariff Service Option: The Company will advise the Generator-owner concerning a Service Class contract for any power purchased from

the Generator-owner by the Company in accordance with the Company's filed tariffs.

Direct Sale to the NYISO: The Generator-owner shall enter into an agreement with NYISO for the sale of energy. This arrangement requires a separate agreement with the Company for the interconnection of their facility.

In either case, the Generator-owner shall complete a Form G.

7.0 Interconnection Agreement

A signed Interconnection Agreement along with a completed Form G is required between a Generator-owner and the Company.

In general, the Interconnection Agreement will address the mutual acceptance of an interconnection study, which outlines any required electric system modifications and overall project capabilities, specifically:

The amount of the generation, by unit and/or in total,

The interconnection point voltage,

The generation's intended purpose, i.e. peak shaving or sale,

Its geographic and electrical location,

Electrical arrangement and protection requirements,

Electric study results of project generation impact,

Estimated cost, funding schedule, and timeline required to implement any needed Company electrical system modifications to accept generation from the Generator-owner,

Reimbursement to the Company for the operation and maintenance (O&M) to be performed by the Company on the interconnection facility,

Additional agreements deemed necessary for project acceptance,

Contact information, name and telephone number of individual to be contacted regarding Generator(s) operation, and

Responsibility of the Generator-owner to notify the Company in writing whenever any change in the above information is contemplated, changes are subject to the approval of the Company.

A signed Interconnection Agreement is required between the Generator-owner and the Company before the Company will order major equipment or proceed with the project.

B. Cooperation

1.0 Overall Project

Any generating facility intending to operate with an interconnection to the Company's electric system shall have the approval of the Company. For

115kV and greater connections, approval of the New York Independent System Operator (NYISO) is also required. This approval shall be in the form of a signed Interconnection Agreement and a Company Form G "General Information for Connection of On-Site Generators - Application for Electric Standby Service". An Interconnection Agreement will not only identify changes to the existing transmission system, but will specify Generator-owner plant performance requirements that may impact the specification major electrical components within the plant itself.

The Company will own, operate and maintain all electric lines and stations to the service point. There will be many occasions where the close cooperation between the Company and the Generator-owner during the design, license, right-of-way acquisition, and/or construction of Company facilities will be necessary.

2.0 Notification and Initial Documentation

The Generator-owner shall contact the Company regarding their desire to operate generation in parallel with the Company's electric power system and negotiate necessary agreement(s). In some cases, the Company will meet with the Generator-owner to mutually establish the arrangement and location of the proposed facilities.

Upon notification by a Generator-owner of their intention to operate generation in parallel with the Company's electric power system, in writing, the Generator-owner shall define their vision of the proposed project; providing the proposed site location, overall plant capabilities, the number, and size of equipment proposed, and proposed timing of project milestones. The Generator-owner shall develop and provide a functional single line diagram, complete with voltage and current interrupting ratings, type of equipment proposed, and all controls, complete with trip schemes, required by system protection parameters for proper protection and coordination with the electrical system for Company acceptance. Form G from the Company's tariff, PSC No. 207, shall be part of this submission for any parallel generator. In addition, the specific project documentation indicated in this bulletin is also required. Three copies of each document are required unless noted otherwise.

Subsequent to this notification, the Company will review the project proposal and provide to the Generator-owner the estimated cost and time table for delivering the results of an electric study. The Company will respond with review comments on the concepts of the service arrangement, protective relaying, metering, and any special requirements that may be needed for an electric study (see Section III.A.3.0 or 4.0). Data requirements for an interconnection study of projects are:

a. Study Phase:
Three copies of the following are necessary to begin the Company's study:

Exact physical location of the plant identified on USGS maps

Overall operational output (in MW) of the plant

Proposed single line diagram of the station showing the interconnection of major electrical components within the plant itself. This single line indicating proposed equipment ratings clearly needs to indicate:

Number, individual ratings & type of units comprising the above rating

Number and Size of Generator step up transformers

General high voltage bus configuration and relay functions

General operational constraints such as the ability to run various combinations of units.

The following is a list of Electrical Data Requirements:

Proposed generator step-up (GSU) transformer MVA ratings, impedances, tap settings and winding voltage ratings.

Proposed machine electrical parameters noted on Form G data sheets which include:

Machine nameplate data and reactive capability curves.

Impedances:

Direct axis and quadrature axis synchronous reactance;

Transient and subtransient components of positive sequence reactance data;

Negative sequence and zero sequence values.

Time constants for both field open circuit and short circuit and armature short circuit quantities.

Turbine inertia constant.

Generator inertia constant: Appropriate IEEE system model including block diagram and parameter values for excitation and governor systems.

The proposed location and arrangement of Company metering equipment will be furnished by the Company and shall be included on the Generator-owner's drawings when submitted for acceptance.

b. Equipment Procurement Phase:

Either before an order is placed for electrical equipment or while in equipment manufacture scheduling prior to delivery, six (6) copies of equipment specifications, Protective Relay Device List, and a Bill of Material List shall be furnished to the Company for review and acceptance. Review and acceptance by the Company shall not be construed to be an approval of the Generator-owner's installation in regard to its overall safety or adequacy, but shall simply signify that the proposed arrangement and equipment meets the Company's interconnection requirements for connection to the Company's electric

system.

c. **Final Design Start Phase:**
The documents needed to be submitted to the Company prior to beginning the final design shall include a proposed time schedule to be mutually agreed upon, a plot plan and functional single line diagram showing protection, a protective relaying scheme and revenue metering. The relay types selected to provide these functions must be acceptable to the Company. The Company will respond with the review comments on the concepts of protective relaying, metering and telemetry. This single-line diagram must be approved before final design is undertaken.

C. Development of an Interconnection Arrangement

1.0 Initial

Parallel generation will be accepted on the Company's system at various voltage levels depending upon the generation installed and the capability of the circuit(s) to accept the electric power generated. The system will be studied in each case.

1. **Funding:**
Generator-owners are required to establish an account with the Company. This account shall hold sufficient funds to cover the Company's estimated cost of the development of an interconnection arrangement and, upon its acceptance, scheduled payments for project installation. Once sufficient funds and required data have been received, the Company will start work on the interconnection arrangement.

2. **Presentation:**
A meeting will be scheduled with the Generator-owner to formally convey, explain, and answer questions regarding its content. This meeting also provides an opportunity to update information, if necessary, for the installation phase of the project.

3. **Acceptance:**
The Generator-owner shall signify acceptance of the interconnection arrangement by providing a signed Interconnection Agreement and/or completed Form G and payment of any scheduled funding. The Company will not proceed with any work until these items are received.

2.0 Project Scheduling

Upon acceptance of the interconnection arrangement, the Generator-owner shall submit their project schedule. This schedule and subsequent changes will be mutually agreed upon.

3.0 Generation Scheduling

Generators selling into the NYISO markets will submit bids as required by the NYISO. Testing and outages will also be scheduled per NYISO requirements.

In addition, for generation 10,000 kVA and larger:

To report the expected duration of a forced outage within 48 hours.

To report non-scheduled maintenance or forced outages upon occurrence.

To report 3-year planned maintenance outage requirements (expected duration, desired date and time) quarterly or as changed. The Generator-owner shall agree to an overall coordinated schedule to be provided by the Company.

The Company, at its discretion, may extend the above requirements to installations of smaller size than indicated.

The Generator-owner shall be required to supply reactive power support when directed by the Company's transmission system operator or NYISO up to the agreed specified limit.

4.0 Design Review

Design review and acceptance by the Company shall not be construed to be an approval of the Generator-owner's installation in regard to its overall safety or adequacy, but shall simply signify that the proposed arrangement and equipment meets the Company's minimum requirements.

After receipt of the Generator-owner's written commitment and initial payment, the Generator-owner shall submit final design drawings as follows and proposed in-service date to the Company for acceptance. The drawings that are prepared by the Generator-owner's design professional shall be in conformance with ANSI Y32.2, IEEE 141, and IEEE 446 symbol and drafting nomenclature (see **Exhibit 3** for standard device numbers). The design submittals shall be uniformly prepared with references between components on separate drawings to create a complete design. Six (6) copies of the following are required during the approval process:

Functional single-line diagram

Three-line AC elementary diagram

DC elementary diagram (ladder diagrams are <u>not</u> acceptable)

Wiring Diagram

Equipment specifications including:

Generator

Generator Disconnect

Transformer

Generator circuit breaker or contactor or fuses

Main Service Equipment disconnect and circuit breaker or fuses

Switchgear

Relays and instrument transformers

Special equipment, i.e., inverters, isolation transformers, etc.

Drawings or documents as required for review of the service installation in addition to those in ESB 750 and supplements are:

Generator nameplate

Test reports for transformer, inverter (if applicable), and generator

Communication Information for telephone circuits

The Company will respond with review comments and final requirements for energization.

D. Compliance

1.0 Confirmation

The Company reserves the right to verify the Generator-owner's compliance to the Company's requirements as the installation progresses. Non-compliance may delay energization and/or synchronization.

2.0 Verification

The Company shall be provided two (2) weeks advance written notice by the Generator-owner to witness or perform calibration of the designated devices for either energization, synchronization, or periodic verification. The Company at its sole discretion may review the test results from a qualified testing company for this verification.

The Company reserves the right to inspect the Generator-owner facilities and maintenance records to verify the correct operation of all equipment, which affects Company operation and safety.

3.0 Energization Prerequisites

Prior to the Company energizing service to the Generator-owner's facility, the energization requirements of the applicable Company Electric System Bulletins shall be satisfied.

For service connections greater than 15kV, refer to the Company's Electric System Bulletin (ESB) No. 750 and the following supplements as appropriate.

ESB 752 - Services above 15,000 Volts

ESB 758 - Primary Service to Metal-enclosed Gear

The following set of corrected documents issued for construction (six (6) copies) shall be submitted at least four (4) weeks before service is to be energized:

Single line diagram showing all relay functions

Elementary diagrams

Wiring diagrams

Service ground grid and grounding drawings

Transformer test report (where applicable)

Inverter test report (where applicable)

Generator(s) test report

Ground grid test report

Generator-owner's relaying coordination study & settings

Operating contacts & phone numbers

Executed Interconnection Agreement – No facility shall be energized without an executed interconnection agreement

4.0 Synchronization Prerequisites

Before generation can be synchronized with the Company's power system, the following shall be satisfactory to the Company:

Special equipment as required, for necessary operating control, monitoring, and security on the Company's system, shall be operable.

The Company's verification testing of the Customer's generation control equipment shall be completed.

The Company shall verify the relay testing of the designated devices before the generation is permitted to parallel with the Company's system.

5.0 Periodic

The Company reserves the right to examine the Generator-owner's facility and perform or witness testing of any equipment or devices where both parties have a mutual interest at any time.

The Company will periodically check the Generator-owner's designated protective devices. A check will consist of a visual/mechanical examination of the designated required devices, seals (where applicable) and associated wiring. Where seals exist and if broken, the protective devices shall be recalibrated, tested and re-sealed by the Company.

The Generator-owner shall maintain an operating log at each generating facility indicating changes in operating status (available or unavailable, maintenance outages, trip indications or other unusual conditions found upon inspection). For generators which are "block-loaded" to a specific kW level, changes in this setting shall also be logged. This log shall be made available to the Company upon request.

6.0 As-built Documents

Within 90 days of synchronization, to ensure the Company's operating documents are complete for proper supply system operation, the Generator-owner shall submit, at a minimum, the following as-built documents (three (3) copies):

Functional single-line diagram

AC and DC control elementary diagrams

Protective Device Calibration and Test Reports

IV. SERVICE INSTALLATION

A. Service Equipment

The Generator-owner shall provide service entrance equipment as a part of their installation. The Generator-owner's service equipment shall be rated, at a minimum, for the maximum fault current available from the Company's supply and their own contribution from the generator(s), motors, etc.

B. Grounding

As a minimum, the Generator-owner's generation equipment shall be grounded in accordance with the latest requirements of the National Electrical Code (NEC). For specific installations, refer to the applicable sections of this document.

C. Metering

The Company reserves the right to determine that all metering schemes allow for the proper administration of all contracts and rates. Additional metering requirements are specified in the appropriate sections of this bulletin and the Company's tariff, PSC No. 207.

1.0 Metering Location and Arrangement

Proposed location and arrangement of Company metering equipment will be furnished by the Company and included on the Generator-owner's drawings when submitted for approval. Where energy will be sold to the Company, a credit metering system will be installed.

Normally, for installations with credit metering the connection of the Company's PT metering transformers is on the generator side of the CT's. The instantaneous relative polarity of metering transformers is critical to proper operation. CT's are polarized such that the polarity dot or marking is on the Company side.

2.0 Billing and Credit Metering

The Company will specify the quantity, type, rating, connections, location and arrangement of all equipment required for the metering of the Generator-owner's service inclusive of the sale and/or purchase of energy as well as the monitoring of compliance with all applicable laws, regulations and contracts. Individual kWH meters will either be equipped with a detent to prevent reverse registration, or will be capable of bi-directional measurement.

A metering system will be installed to continuously record kilowatt hours (kWH) on a time differentiated basis. (To and From Company), and depending on magnitude of Generator-owner's load and/or generation, kilowatt demand (kW) (From Company), and kilovar demand (kVAR) (From Company). For those installations having a "Buy All-Sell All" purchase agreement contract in effect, additional kilowatt hour (kWH) meters will also be installed on the output of the generator(s). Also, a recorder will be installed.

At the Generator-owner's request and cost, the Company will furnish equipment for demand pulse signals (analog or digital) at the point of the metering, which will represent the kW demand for operation of Generator-owner equipment. These signals are for information only and the Company shall not be liable for distorted or missing pulses. The Company will not provide time pulses.

Details of the installation requirements are covered in the appropriate Electric System Bulletin listed in this Supplement.

3.0 Non Residential On-Site Generation

Non-Residential Customers with on-site generation (OSG) are subject to billing adjustments per the Company's Tariff. Additional metering will be installed at the Customer's expense in order to measure the appropriate adjustment.

4.0 Remote Acquisition of Meter Data

A dedicated, voice grade communication circuit is required to be installed at the Company's meter board. This circuit shall be furnished and maintained by the Generator-owner.

The Customer is responsible for arranging the installation and paying all costs associated with dedicated analog dial phone lines, or other types of automatic meter reading being employed by the Company, to both the OSG and billing meters.

V. PLANT REQUIREMENTS

A. Telemetering

1.0 Telemetering Criteria

The Company reserves the right to determine all telemetering and supervisory control schemes to allow reliable operation of the electric system and for the proper administration of all contracts.

For all installations 5,000kW or larger, telemetering of data, control and/or status of devices as specified by the Company is required. The Company also reserves the right to extend the need for telemetering to less than 5,000 kW generation or where Merchant Plants desire this equipment for their NYISO requirements. This information is for the Company's Energy Management System (EMS) and will require the installation of Remote Terminal Unit (RTU) equipment in the Generator-owner's facilities.

The Company will furnish the telemetering Remote Terminal Unit (RTU), for the installation. The Company will specify the transducers, sensors or other components that the Generator-owner will purchase and acquire. Equipment furnished by the Company will remain Company property and will be maintained by the Company.

2.0 Telemetering Specifications

The RTU cabinet is typically 42" H x 30" W x 26" D shall be wall-mounted with the bottom edge 36" above the floor. A 5-foot clear working space shall be maintained in front of the mounting panel.

A dedicated 20A, 120VAC, single phase 60 hertz power circuit is required for the RTU cabinet. All conduit and wiring (minimum of No. 10 AWG copper) to the telemetry cabinet for this circuit shall enter the cabinet from the bottom. A three (3) foot length of all conductors shall be provided for final Company connection.

A dedicated 10A, 48V or 125V DC input is required to the Remote Terminal Unit (RTU) directly from the station battery.

The Generator-owner will be responsible for mounting this equipment in their installation, subject to Company approval. The Generator-owner will provide space, power and all input connections for this package, in the same area with the metering equipment. See ESB No. 752.

The following guidelines shall be adhered to:

The RTU shall be located indoors within 15 feet of the billing meters to facilitate testing and calibration.

The RTU shall be remote from heavy traffic areas, work areas and loading areas.

The RTU shall be remote from heat producing or high electrostatic or electromagnetic field producing equipment.

The RTU shall be remote from station batteries.

The analog inputs to the RTU shall be +1.0 ma DC at rated input, +2 ma D.C. maximum. The analog metered inputs required as metered at delivery point are as follows:

Net kW	(+)	-	To the Company's System
Net kW	(-)	-	From the Company's System
Net kVAR	(+)	-	To the Company's System
Net kVAR	(-)	-	From the Company's System

Where the Generator-owner's system includes generation and plant load, the metered values shall be the net sum of power from the Company's System, and the generation minus any internal plant load, which may be connected to the generator output circuits.

The Accumulator inputs to the RTU shall be:

Net kWH (+)	-	To the Company's System
Net kWH (-)	-	From the Company's System

The bi-directional metering equipment for telemetering shall be capable of providing instantaneous power and a pulse output that is proportional to integrated energy.

Additional inputs that normally will be required are:

Voltage (kV) - measured at the interconnection bus (service voltage)

Circuit breaker(s) control and/or status

Motor operated disconnect(s) status

Instantaneous value of frequency (Hz) - if so specified

Ring bus station voltage, current, active and reactive power at several locations.

Note: The Company will provide an EMS-RTU point list for inputs required at the Generator-owner facility.

B. Telecommunications

1.0 Installation

The telephone equipment shall be located as close to the RTU cabinet as feasible.

A voice telephone dedicated for Company use, furnished and maintained by the Generator-owner, is required in the Control House for the Company's Traveling Operators.

The Generator-owner shall incur all costs for the telecommunications services.

EXHIBIT 1: COMMUNICATIONS DATA

The following information is needed for the telephone requirements of the installation at the Generator-owner's site:

A. SITE INFORMATION

1. Location name.
2. Location address.
3. Location telephone number.
4. Geographic location for circuit termination (bldg., floor and room).
5. Contact person's name, address and telephone number for engineering and access at the location.
6. As-built copy of substation ground grid and equipment grounding drawing. (Ground grid area - extent of ground potential rise zone of influence.)
7. Results of ground grid resistance test. (Ground grid impedance in ohms.)
8. Maximum line to ground fault including Generator-owner contribution. (Ground return fault current, which produces ground potential rise {GPR} - steady state RMS volts).
9. Nominal System Voltage (kV)
10. X/R ratio at worst fault condition.
11. Ground potential rise (GPR) under worst case single phase to ground fault (steady state RMS volts).
12. Circuit required due date.

Attachment 6

Transmission Provider's Description of its Upgrades and Best Estimate of Upgrade Costs

The Transmission Provider shall describe Upgrades and provide an itemized best estimate of the cost, including overheads, of the Upgrades and annual operation and maintenance expenses associated with such Upgrades. The Transmission Provider shall functionalize Upgrade costs and annual expenses as either transmission or distribution related.

There are no Upgrades associated with this Agreement.