

APPENDIX 2

DESCRIPTION OF T&D SYSTEM AND T&D SYSTEM SITE RELATED DOCUMENTS

The T&D System consists of all real and personal property, equipment, machinery, tools and materials and other similar items relating to the transmission and distribution of Power and Energy retained by Long Island Lighting Company at the time of its merger with the Authority's subsidiary under the terms of the Acquisition Agreement. The T&D System extends, without limitation, from the points of interconnection with Consolidated Edison Company of New York, the New York Power Authority, and Connecticut Light & Power and the on-island generating plants owned by GENCO on the low voltage side of the step-up transformers in the switch yards, or others and interconnections as they are built to the meters of the transmission and distribution facilities, equipment and property up through the retail and wholesale electric customers' point of interconnection with the meter. Prior to the adoption of the initial Annual T&D Budget, the parties shall further specify the detailed description of the T&D System based upon, among other things, documents and information provided by the Manager or an Affiliate of the Manager.

APPENDIX 3

NOTICE APPENDIX

The Manager shall give notice to the Authority as to the matters relating to Operation and Maintenance Services and Construction Work, at the times and in the manner as shall be specified in the System Policies and Procedures. Except as the Authority shall otherwise agree, such notice shall, at a minimum, be consistent with the notices provided to the NYSPSC by LILCO as of the Contract Date under applicable NYSPSC requirements.

APPENDIX 4

INSURANCE

In accordance with Section 4.13 of the Agreement, the Manager shall obtain and maintain insurance policies with respect to the Operation and Maintenance Services (the "Required Operation Period Insurance") and the Construction Work (the "Required Construction Work Insurance"), covering such risks and in such amounts as are required under Applicable Law and as are consistent with Prudent Utility Practice. The parties shall agree upon the types and amounts of coverage and deductible amounts prior to the Closing Date. In addition, the Manager shall obtain and maintain such other insurance coverages as requested by the Authority during the Term. The Authority, its trustees, officers and employees shall be additional or named insureds, as appropriate, on all such policies, which shall require 30 days prior written notice to the Authority prior to any change in or cancellation of such policies. Such coverages shall be maintained with generally recognized financially responsible insurers reasonably acceptable to the Authority and qualified and authorized to insure risks in the State of New York. At the Authority's discretion, it may, at its expense, cancel or replace and obtain independently some or all of such insurance, following at least 90 days' written notice to the Manager.

APPENDIX 5

DIRECT COST BUDGET INDICES

Indices to be used in determining the initial and subsequent Direct Cost Budgets as described in subsection 6.2(B)(3) shall be mutually agreeable objective indices such as:

Cost Component	Cost Index
Union Labor and Benefits	Local 1381 and Local 1049 February 14, 1998 - 2.5% increase August 14, 1998 - 1% increase February 14, 1999 - 2.5% increase August 14, 1999 - 1% increase February 14, 2000 - 2.5% increase August 14, 2000 - 1% increase Effective February 14, 2001 - Employment Cost Index - Service Producing Industries, Union workers*
Non-Union Labor	Regional Employment Cost Index - Service Producing Industries, Non-union workers
Administrative and General:	
- Labor and employee benefits	Regional Employment Cost Index - Service Producing Industries, Non-union workers

Cost Component	Growth Indices
Distribution Cost	
- Meter Expenses (586,587,597)	Percentage increase in number of Active Meters
- Other Distribution O&M	Percentage in Conductor Miles
Customer Service & Customer Accounts	Percentage increase in Number of Customers

- Commencing on the Closing Date, non-union labor and benefit costs included in the Direct Cost Budget shall be escalated annually at the beginning of each contract year using the U.S. Labor Department's Bureau of Labor Statistics Employment Cost Index

* As published by the United States Labor Department's Bureau of Labor Statistics

(ECI) for nonunion workers in service-producing industries. Commencing February 14, 2001, union labor and benefit costs included in the Direct Cost Budget shall be escalated annually at the beginning of each contract year using the U.S. Labor Department's Bureau of Labor Statistics Employment Cost Index (ECI) for union workers in service-producing industries. Prior to February 14, 2001, escalations in union labor and benefit costs will be based on the percent wage increases outlined in the provisions of the existing labor contracts. The initial Direct Cost Budget shall be adjusted each year based on the difference between the 1997 base year index and the current year index.

APPENDIX 6

EXIT TEST

The following provides an overview of the scope of the “Exit Test” to be performed on behalf of the Authority in accordance with Section 8.3 of the Agreement. The Exit Test will include, topically and in detail, those reviews, evaluations, inspections, and audits as contemplated in Section 8.3 of the Agreement undertaken on behalf of the Authority periodically during the course of the Agreement for assessment of the T&D System since the last regular periodic review, including determination of the need for corrective, remedial, or replacement actions noted in previous periodic reviews performed on behalf of the Authority, but not yet corrected or completed as of the date of completion of the Exit Test. The Exit Test will include review of reporting, testing, inspection, and recordkeeping performed by or on behalf of the Manager or its Affiliates, agents or Subcontractors, including, but not limited to, the topics set forth below.

(A) Maintenance Review

1. Job Records
2. Document Review
3. Budget Compliance
4. Standards Compliance
5. Field Survey
6. Rights of Way Maintenance
7. Rolling Stock Condition
8. Reliability
9. Care of Equipment

(B) Major Capital Improvements and Public Works Improvements Review

1. Job Records
2. Document Review
3. Budget Compliance
4. Standards Compliance
5. Schedule Performance
6. Field Survey

(C) Deficiencies

1. Responsibility
2. Cure Policy Compliance Status
3. Remedial Activity
4. Resolution

(D) Reporting/Proof of Performance

1. Compliance
2. Budget
3. Inventory

APPENDIX 7

NON-COST PERFORMANCE INCENTIVES AND DISINCENTIVES; PILOT PAYMENTS

The following are the formulas for non-cost performance incentives and disincentives in accordance with Section 6.4(A) of the Agreement related to reliability, worker safety, and customer service.

1. OPERATING AREA RELIABILITY

The Manager will earn an incentive or incur a disincentive computed in accordance with a formula based on specific minimum, midpoint and objective System Average Annual Interruption Frequency Index ("SAIFI") and Customer Average Interruption Duration Index ("CAIDI") levels for each of the four divisions as set forth below. For purposes of this incentive, interruptions during major storms are excluded from the SAIFI and CAIDI statistics. Major storms, as currently defined by the NYSPSC, are periods of adverse weather during which service interruptions affect at least 10 percent of the customers in an operating area and/or result in customers being without electric service for a duration of at least 24 hours.

Operating Division	SAIFI Levels			CAIDI Levels		
	Minimum	Midpoint	Objective	Minimum	Midpoint	Objective
Queens-Nassau	1.230	1.080	0.930	1.120	1.025	0.930
Central	1.400	1.245	1.090	1.350	1.230	1.110
West Suffolk	1.600	1.450	1.300	1.210	1.150	1.090
East Suffolk	2.100	1.925	1.750	1.190	1.040	0.890

In each year, performance in each division for each reliability measure shall be compared to the minimum, midpoint, and objective standard set forth in the above table. For performance

at or below the minimum level for each division, the Manager shall incur a disincentive of \$800,000 for SAIFI and \$200,000 for CAIDI. For performance at or in excess of the objective level for each division, the Manager shall receive an incentive of \$800,000 for SAIFI and \$300,000 for CAIDI. For performance at the midpoint levels and below the objective levels, the Manager shall receive one-half of the full incentive payment. For performance between the minimum and midpoint levels (the “dead band”), the Manager shall neither incur a disincentive nor receive an incentive payment. The total possible incentive payment can be earned by equaling or exceeding the objective level for each measure in each division. The maximum total reliability incentive or disincentive shall be \$4,000,000.

For the purpose of Section 7.2, the Minimum Reliability Standards for SAIFI and CAIDI shall be as set forth below.

Operating Division	Minimum Reliability Standard	
	SAIFI	CAIDI
Queens-Nassau	1.53	1.31
Central	1.71	1.59
West Suffolk	1.90	1.33
East Suffolk	2.45	1.49

2. WORKER SAFETY

The Authority shall provide an annual incentive payment to the Manager of \$100,000 per Chargeable Accident less than 75 rated on a three-year rolling average. The Manager shall neither earn an incentive payment nor incur a disincentive payment obligation for periods in which the number of chargeable accidents falls between 75 and 80, inclusive (the “dead band”). The Manager shall incur a penalty of \$100,000 per Chargeable Accident for years in which the three-year rolling

average number of Chargeable Accidents is greater than the 80. Data from years prior to the Commencement Date shall be used to compute the three-year averages in the first and second years. The upper and lower limits of the dead band shall be adjusted annually in proportion to the changes in total workforce (full time equivalents) for the departments to which this incentive plan applies: Electric Design & Construction, Electric Service, Electric System Operations, and Meter Readers. The total annual incentive or disincentive shall not exceed \$1,000,000.

A Chargeable Accident, for incentive purposes, are those which are charged to the involved employee's department in accordance with LILCO General Operating Procedure 10103, Exhibit 9.9. It is any injury or illness suffered by an employee, while at work, that requires offsite treatment administered by a physician or registered professional under the direction of a physician, (whether the treatment is received at a clinic, doctor's office, hospital, or other medical facility) with the exception of injuries in the following categories:

- (1) company sanctioned sports activities
- (2) assaults by customers
- (3) insect bites
- (4) animal bites
- (5) injuries resulting from running to safety while being threatened with attack by customer, animal or insect
- (6) medical conditions not related to work (diabetic shock, etc.)
- (7) certain occupational illnesses that occur due to chronic exposure in the work place specifically: Carpal Tunnel Syndrome, respiratory illnesses (such as Asbestosis), chronic hearing loss, or other medical conditions due to exposure to substances in work place (rashes from unknown substances, etc.)

- (8) Motor Vehicle accidents in which the employee is not at fault.

For the purpose of Section 7.2, the Minimum Worker Safety Standard shall be 95 Chargeable Accidents on a three-year rolling average basis.

3. CUSTOMER SERVICE

- (A) Call Answering

The Manager shall earn an incentive or incur a discentive for customer call answering performance on a basis that shall be mutually agreed to prior to the beginning of the second Contract Year.

- (B) Meter Reading

For purposes of the meter reading incentive, "Estimated Meter Reads" are defined as those scheduled meter reads which were not performed. These exclude "management estimates" due to sustained periods of abnormal weather conditions or abnormal weather events such as hurricanes, nor'easters, winter storms, heavy snow cover, "black ice", flooding, and ice storms. When these conditions occur, and it is the opinion of the Manager of Customer Offices and the Senior Vice President of Customer Relations that meter reading effectiveness is diminished by slow travel or increased safety hazards, the resulting estimates will be excluded. The Manager will record specific data concerning the excluded estimated meter reads and the reasons for their exclusion.

Management estimates due to meter reading personnel being assigned to storm response efforts are also excluded.

The meter reads considered by this mechanism currently are for both electric and gas meters, until such time as the meter reading performance for electric and gas meters can be separately determined.

The percentage of Estimated Meter Reads shall be calculated for each month by dividing

the number of scheduled meter readings that are not completed, by the total number of scheduled meter reads. The Authority shall provide an incentive payment of \$200,000 to the Manager for each month in which the percentage of Estimated Meter Reads is equal to or less than 10.9%. The Manager shall neither earn an incentive payment nor incur a disincentive payment for months during which Estimated Meter Reads fall between 10.9% and 11.1%, exclusive (the “dead band”). In months during which the Estimated Meter Reads are at or above 11.1 percent, the Manager shall incur a disincentive payment of \$200,000.

For the purpose of Section 7.2, the Minimum Customer Service Standard shall be Estimated Meter Reads not in excess of 11.6% in more than six months during a year.

(C) Accounts Receivable

The Manager shall earn an incentive or incur a disincentive for accounts receivable performance on a basis that shall be mutually agreed to prior to the beginning of the second Contract Year.

4. PILOT PAYMENTS

The Authority has the sole discretion for determining whether to challenge any payment in lieu of tax (PILOT) payments made on any Retained Asset. At the Authority's request, the Manager shall assist the Authority in evaluating whether to challenge any PILOT payment and with its concurrence shall represent the Authority in any litigation challenging such PILOT payment. In the event the Manager challenges any excessive PILOT payment in court, any PILOT refunds received shall be shared 25%/75% between the Manager and the Authority, respectively. The Manager shall be responsible for all litigation-related costs pertaining to such challenge, provided, however, that if such litigation is terminated solely at the Authority's request, or if this Agreement expires or is terminated by either party, the Manager shall be reimbursed for all of its

costs related to litigations brought at the request of the Authority plus interest at the Base Interest Rate to the extent such costs are not included in the Annual T&D Budget.

APPENDIX 8

MAJOR CAPITAL IMPROVEMENTS CONSTRUCTION STANDARDS AND PROCUREMENT REQUIREMENTS

Construction Standards

The Manager and its Subcontractors shall perform all Construction Work in a timely, safe and efficient manner consistent with the Contract Standards and the Major Capital Plan and Budget, unless otherwise directed in writing by the Authority. In developing any design and engineering specifications, whether for bid documents or for its own use, the Manager shall utilize good engineering practices and shall consult with and implement the reasonable recommendations of the Authority. The Authority shall have access to all construction sites in accordance with Section 3.1(F) and shall have the right to review all Construction Work on an on-going basis for, among other things, compliance with milestone schedules, performance testing, final completion and other customary construction contract provisions. The Authority and the Manager shall also agree to additional procedures or standards to be followed on a project-by-project basis prior to the adoption of each Major Capital Plan and Budget.

Procurement Requirements

In conducting any procurements for all or a portion of Construction Work, the Manager shall comply with Applicable Law and shall use its best efforts to obtain such services or materials on a least cost basis, subject to the Contract Standards. The parties shall agree on additional guidelines for such procurements prior to the adoption of the initial Major Capital Plan and Budget and from time to time during the Term. Any decision by the Manager to perform Construction Work with its own workforce rather than by use of a Subcontractor shall be made with due consideration of the goal of utilizing the lowest cost responsible party to perform such work, unless otherwise directed by the Authority or warranted due to the cost, size, scope or complexity of a particular Major Capital Improvement or Public Works Improvement, as well as additional provisions to be agreed to by the parties prior to the adoption of the Major Capital Plan and Budget.

APPENDIX 9

OPERATIONS INFORMATION AND FORMAT

The parties shall establish prior to the Closing Date the format and types of such additional information and data concerning the T&D System and the performance of the Manager's obligations under this Agreement that shall be provided by the Manager with the Annual Settlement Statement after the end of each Contract Year. Such information shall include, without limitation, data sufficient to allow the Authority to verify the amounts set forth in the Annual Settlement Statement, information concerning the performance of the Manager with its maintenance and Construction Work responsibilities, any fines or penalties incurrent to a Governmental Body, and known violations of Applicable Law and such other matters to enable the Authority to oversee the Manager's compliance with the terms of this Agreement.

APPENDIX 10

BUDGET INFORMATION AND FORMAT

Utilizing the FERC Uniform System of Accounts (USoA) as a framework, the Manager shall prepare proper, accurate and complete Direct Cost and Third Party Costs Budgets. The Manager may establish subaccounts within the USoA prime accounts to provide greater detailed descriptions of cost activities. Detail shall be sufficient enough to enable the Authority to prepare pro forma financial statements and financial ratios regarding the operations of the T&D System. Underlying accounting data shall be maintained to provide adequate support for the respective budgets.

The format of the Direct Cost Budget and Third Party Cost Budget shall be mutually agreed to by the Authority and the Manager no later than six months prior to the anticipated Closing Date.

APPENDIX 11

COST ALLOCATION METHODOLOGY

The cost allocation methodology described herein shall be developed jointly by a team composed of representatives from the Authority and the Manager. This team will recommend a plan to establish the cost allocation procedures to be followed by the Manager in performing its Operation and Maintenance Services and Construction Work.

The initial task of this joint project team will be to obtain a detailed understanding of the nature of (1) the restructured operations of the Parent to determine an appropriate definition of the segments or recipients of activity and related costs, (2) costs directly incurred and (3) costs which are or could be charged to residual overhead pools for subsequent allocation to the segments or recipients of activity. Upon completing this task, the joint project team will recommend appropriate allocation methodologies and procedures to charge its direct costs and allocate its indirect costs to its internal constituents. Such procedures and methods will be based on cost causation principles consistent with generally accepted cost accounting principles. Allocations shall be based on cost without mark-up. The parties recognize that in establishing cost allocation methodologies, appropriate consideration must be given to the NYSPSC accepted allocation methodology for the gas business and the FERC accepted allocation methodology for the generation business.

The objectives of the joint team will be to: (i) review LILCO's current allocation practices with regard to costs charged to O&M T&D costs and T&D capital projects, identify changes to existing processes related to restructuring and develop alternatives appropriate to the new corporate organization, considering prospective changes to the way the Manager will charge its costs to the Authority in the future; (ii) review LILCO's current and proposed cost accounting systems and develop appropriate analysis techniques and cost tracking framework; and (iii) develop budgeting and monitoring techniques.

The joint team will determine the number of cost pools to be used and prepare a schedule of cost elements for the Annual T&D Budget year by responsibility area, FERC prime account and general ledger posting source. For each cost pool, the joint teams will establish an allocation methodology. Some typical methodology examples used include:

Cost Function

1. Payroll-related
2. Personnel-related
3. Activity-related
4. Space-related
5. Revenue and/or expense-related
6. Asset-related

Examples

Direct labor costs
Total labor costs

Number of employees
Number of hires

Number of transactions
Volume
Number of reports

Square footage

Revenues
O&M Expenses
Net income
Total revenues and expenses

Book value
Net book value
Replacement value

APPENDIX 12

SAMPLE SERVICE FEE CALCULATION

The examples set forth below are sample calculations of the Service Fee, as provided for in the Agreement. These examples are provided for reference only and are not meant to be indicative of expected amounts of the applicable budgets and costs. The language contained in the provisions of the body of the Agreement shall control with respect to such applicable provisions in the event of any conflict with this Appendix.

	Year:	Form	
	1	2	3
Direct Cost Budget			
T&D Salaries	255.0	261.4	267.9
Common Plant Capital Recovery	14.0	14.4	14.7
Management Fee	15.0	15.0	15.0
Direct Cost Budget	284.0	290.7	297.6
LILCO/BU Synergy Savings	(20.0)	(45.0)	(60.0)
Management Savings	(5.0)	(5.0)	(5.0)
Efficiency/Productivity Savings	(2.0)	(4.0)	(5.0)
Net Direct Cost Budget A	257.0	236.7	227.6
 Third Party Cost			
Materials & Supplies	0.0	0.0	0.0
Sub-contract Labor	0.0	0.0	0.0
Professional Fees	0.0	0.0	0.0
Mailing	0.0	0.0	0.0
Other	0.0	0.0	0.0
Third Party Cost Budget B	116.0	118.9	121.9
Budgeted Total Costs C	373.0	355.6	349.5
			(A + B)

Actual Cost

Direct Cost	D	242.0	226.2	208.4	
Management Fee	E	15.0	15.0	15.0	
	F	257.0	241.2	223.4	(D+E)
Third Party Cost	G	116.0	121.3	119.4	
Actual Total Costs	H	373.0	362.4	342.8	(F+G)

Payment Calculation

Fixed Direct Fee	I	231.3	213.0	204.9	(A * 90%)
Variable Payment	J	25.7	23.7	18.5	Lesser of (C-I-N) or (H-I-N)
Cost Incentive Fee	K	0.0	0.0	3.3	Greater of (C-H) *50% or zero
Non-cost Performance Incentives	L	5.0	5.0	5.0	Direct input
	M	262.0	241.7	231.7	(I+J+K+L)
Third-party Costs	N	116.0	118.9	119.4	Lesser of B or G
Service Fee	O	378.0	360.6	351.1	(M+ N)
Overrun Payment	P	0.0	0.0	0.0	((H-E)-(C-10)-15) or zero
Total	Q	\$378.0	\$360.6	\$351.1	(O+P)

APPENDIX 13

PROVISIONS REQUIRED BY STATE LAW

1.1 MANAGER TO COMPLY WITH LEGAL REQUIREMENTS. The Manager, in performing its obligations under this Agreement, shall comply with all applicable laws and regulations. All provisions required by such laws and regulations to be included in this Agreement shall be deemed to be included in this Agreement with the same effect as if set forth in full.

1.2 MANAGER TO OBTAIN PERMITS, ETC. Except as otherwise instructed in writing by the Authority, the Manager shall obtain and comply with all legally required licenses, consents, approvals, orders, authorizations, permits, restrictions, declarations, and filings required to be obtained by the Authority or the Manager in connection with this Agreement.

1.3 WORKERS' COMPENSATION INSURANCE. The Manager agrees that:

(a) It will secure Workers' Compensation and Disability Insurance and keep insured during the life of this Agreement such employees as are required to be insured by the provisions of Chapter 41 of the Laws of 1914, as amended, known as the Worker's Compensation Law; and

(b) This Agreement shall be voidable at the election of the Authority and of no effect unless the Manager complies with the requirement in paragraph (a) of this Section.

1.4 NO ASSIGNMENT WITHOUT CONSENT. The Manager agrees that: (1) It is prohibited from assigning, transferring, or otherwise disposing of this Agreement, or of its rights or interests therein, or its power to execute such Agreement to any person, company, partnership, or corporation, without the previous written consent of the Authority. Assignments of this Agreement expressly referred to in clause (3) of the first sentence of Section 9.7 of this Agreement have been so consented to.

(b) If the prohibition contained in paragraph (a) above is violated, the Authority may revoke and annul this Agreement and the Authority shall be relieved from any and all liability and obligations hereunder to the Manager and to the person, company, partnership, or corporation to whom such assignment, transfer, or other disposal shall have been made, and the Manager and such assignee or transferee shall forfeit and lose all the money theretofore earned under this Agreement.

1.5 NON-DISCRIMINATION. (a) The Manager shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability, or marital status, and will undertake or continue existing programs of affirmative action to ensure

that minority group persons and women are afforded equal opportunity without discrimination. Such programs shall include, but not be limited to, recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rates of pay or other forms of compensation, and selection for training and retraining, including apprenticeship and on-the-job training.

(b) At the request of the Authority, the Manager shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding and which is involved in the performance of this Agreement to furnish a written statement that such employment agency, labor union, or representative shall not discriminate because of race, creed, color, national origin, sex, age, disability, or marital status and that such union or representative will cooperate in the implementation of the Manager's obligations hereunder.

(c) The Manager shall state, in all solicitations or advertisements for employees placed by or on behalf of the Manager in the performance of this Agreement, that all qualified applicants will be afforded equal employment opportunity without discrimination because of race, creed, color, national origin, sex, age, disability, or marital status.

The Manager shall submit an equal employment opportunity policy statement to the Authority which shall contain, but not be limited to, the provisions (a) through (c) of this section. (As required by NYCRR §142.1(d)(2) and (3)).

(d) The Manager will include provisions (a) through (c) of this section in every subcontract or purchase order in such a manner that such provisions will be binding upon each subcontractor or vendor as to its work in connection with this Agreement.

(e) The Manager shall furnish to the Authority such information and reports regarding its compliance with the above requirements as the Authority may from time to time request.

(f) The provisions of this section shall not be binding upon the Manager or any subcontractor in the performance of work or the provision of services or any other activity that is unrelated, separate or distinct from this Agreement, as expressed by its terms.

(g) The requirements of this section do not apply to any employment outside the State of New York or application for employment outside the State of New York or solicitations or advertisements therefor, or to any existing programs of affirmative action regarding employment outside the State of New York.

(h) Any disputes regarding this section shall be resolved as provided in Section 316 of the New York State Executive Law.

1.6 INTERNATIONAL BOYCOTT PROHIBITION. The Manager expressly agrees and certifies that neither the Manager nor any person, firm, partnership, or corporation which is substantially owned by or affiliated with the Manager has participated, is participating, or will participate in an international boycott in violation of the provisions of the United States Export Administration Act of 1969, as amended, or the Export Administration Act of 1979, as amended, or the regulations of the United States Department of Commerce promulgated thereunder. The Manager understands that such agreement and certification constitutes a material term of this Agreement.

1.7 FAILURE OR REFUSAL TO TESTIFY. Upon the refusal of any person, including any member, officer, or director of the Manager, when called before a grand jury, head of state department, temporary state commission or other state agency, the organized crime task force in the department of law, head of a city department, or other city agency, which is empowered to compel the attendance of witnesses and examine them under oath, to testify in an investigation concerning any transaction or contract had with the state, any political subdivision thereof or of a public authority, to sign a waiver of immunity against subsequent criminal prosecution or to answer any relevant question concerning such transaction or contract:

(a) such person, and any firm, partnership, or corporation of which he or she is a member, partner, director, or officer (including, if applicable, the Manager), shall be disqualified from thereafter selling to or submitting bids to or receiving awards from or entering into any contracts with any public authority or official thereof, for goods, work, or services, for a period of five years after such refusal, or until a disqualification shall be removed pursuant to law; and

(b) any and all contracts made with any public authority or official thereof, since July 1, 1959 (including if applicable, this Agreement), by such person and by any firm, partnership or corporation of which he is a member, partner, director, or officer (including, if applicable, the Manager), may be canceled or terminated by the public authority without incurring any penalty or damages on account of such cancellation or termination, but any monies owing by the public authority for goods delivered or work done prior to the cancellation or termination shall be paid.

1.8 MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE PROCEDURES

(a) DECLARATION OF POLICY AND STATEMENT OF GOALS. It is the policy of the Authority to provide Minority and Women-Owned Business Enterprises ("M/WBEs") the greatest practicable opportunity to participate in the Authority's contracting activity for the procurement of goods and services. To effectuate this policy, the Manager shall comply with the provisions of this section and the provisions of Article 15-A of the New York State Executive Law. The Manager will use its best efforts to achieve the below-stated M/WBE Goals set for the Agreement, and will cooperate in any efforts of the Authority, or any government agency which may have jurisdiction, to monitor and assist the Manager's compliance with the Authority's M/WBE policy.

Minority-Owned Business Enterprise (MBE) Subcontracting Goal *%

Women-Owned Business Enterprise (WBE) Subcontracting Goal *%

(b) DEFINITIONS.

- (1) "CERTIFICATION". The process conducted by the Director of the Division of Minority and Women's Business Development in the Department of Economic Development to verify that a business enterprise qualifies for New York State Minority or Women-Owned Business Enterprise status. To initiate the certification process, contact one of the offices listed below.

ALBANY OFFICE: (518) 474-6342
State Capitol, 2nd Floor
Albany, New York 12224

NEW YORK CITY OFFICE
2 World Trade Center, 58th Floor
New York, New York 10047

- (2) "CERTIFIED BUSINESS". A business enterprise which has been approved by the Director for status as a MBE or WBE subsequent to verification that the business enterprise is owned, operated, and controlled by Minority Group Members, or women.

- (3) "CONTRACT SCOPE OF WORK". For purposes of this section, this means:
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- (i) Specific tasks required by the Agreement;
 - (ii) Services or products which must be provided to perform specific tasks required by this Agreement; and
 - (iii) Components of any overhead costs billed to the Authority pursuant to this Agreement.
- (4) "DAY". A calendar state business day unless otherwise specified.
 - (5) "DIRECTOR". The Director of the Division of Minority and Women's Business Development in the Department of Economic Development.
 - (6) "DIRECTORY". The Directory of Certified Businesses, prepared by the Director.
 - (7) "GOAL". A percentage of participation, which is not a set aside or quota, that represents a target toward which the Manager must aim in expending good faith efforts to subcontract with or otherwise ensure the commercial involvement of minority and women-owned businesses on this Agreement.
 - (8) "OFFICE" or "OFFICE OF MINORITY AND WOMEN'S BUSINESS DEVELOPMENT". Office in the New York State Department of Economic Development created by Article 15-A of the Executive Law.
 - (9) MINORITY GROUP MEMBER. A United States citizen or permanent resident alien who is and can demonstrate membership in one of the following groups:
 - (i) Black persons having origins in any of the Black African racial groups;
 - (ii) Hispanic persons of Mexican, Puerto Rican, Dominican, Cuban, Central or South American descent of either Indian or Hispanic Origin, regardless of race;
 - (iii) Native American or Alaskan native persons having origins in any of the original peoples of North America;
 - (iv) Asian and Pacific Islander persons having origins in any of the Far East countries, South East Asia, the Indian subcontinent or the Pacific Islands;
 - (v) Other groups which the Office may determine to be eligible for M/WBE

status.

- (10) **MINORITY-OWNED BUSINESS ENTERPRISE.** A business enterprise, including a sole proprietorship, partnership or corporation that is:
- (i) At least fifty-one percent owned by one or more Minority Group Members;
 - (ii) An enterprise in which such minority ownership is real, substantial and continuing;
 - (iii) An enterprise in which such minority ownership has, and exercises the authority to control independently, the day-to-day business decisions of the enterprise for at least one year; and
 - (iv) An enterprise authorized to do business in New York State and is independently owned and operated.
- (11) **"SUBCONTRACT".** An agreement in which a portion of the Manager's obligation under this Agreement is undertaken or assumed.
- (12) **"WOMEN-OWNED BUSINESS ENTERPRISE".** A business enterprise, including a sole proprietorship, partnership or corporation that is:
- (i) At least fifty-one percent owned by one or more United States citizens or permanent resident aliens who are women;
 - (ii) An enterprise in which the ownership interest of such women is real, substantial and continuing;
 - (iii) An enterprise in which such women ownership has, and exercises the authority to control independently, the day-to-day business decisions of the enterprise for at least one year; and
 - (iv) An enterprise authorized to do business in New York State and is independently owned and operated.

(c) **REQUIREMENTS.**

- (1) The Manager shall search for, assess the capabilities of and generally deal with potential M/WBE subcontractors in a fair and responsive manner, allowing them the opportunity to participate in the Contract Scope of Work.

(2) The Manager will designate, and make known to the Authority an M/WBE Officer who will have the responsibility for and authority to effectively administer the M/WBE Program.

(3) The Manager shall submit its Preliminary Subcontracting Plan on a preliminary subcontracting plan form, which shall identify the Certified Businesses it will utilize to meet its M/WBE Contract Goals. Approval of any such firm is solely within the discretion of the Authority. The Manager will also designate an M/WBE Officer who will have the responsibility for, and authority to, effectively administer these procedures. If the Manager believes it may be unable to meet the Goals, the reasons shall be submitted in writing with the form.

(4) The Manager may inspect the current New York State Certification Directory of Minority and Women Owned Businesses, prepared for use by state agencies and contractors in complying with Executive Law Article 15-A, (the Directory) at the Authority's office. In addition, printed or electronic copies of the Directory may be purchased from the Office of Minority and Women's Business Development.

(5) Firms certified as both MBE and WBE may count toward either the MBE or WBE Goal on a single contract, but not both, regardless of whether either Goal is thus exceeded. The Manager must choose the Goal to which the participation value is to be applied in the preliminary Subcontracting Plan.

(6) Within 10 days following the adoption of the initial Annual T&D Budget and in any event no later than 60 days prior to the anticipated Closing Date, the Manager shall submit a complete Utilization Plan, which shall include identification of the M/WBEs which the Manager intends to use; the dollar amount of business with each such M/WBE; the Contract Scope of Work which the Manager intends to have performed by such M/WBEs; and the commencement and end dates of such performance. The Authority will review the plan and, within 20 days of its receipt, issue a written acceptance of the plan or comments on deficiencies in the plan.

(7) The Authority shall consider a partial or total waiver of Goal requirements only upon the submission of a written request for a waiver following the Manager's unsuccessful good faith efforts at compliance. Such waiver request may be made simultaneously with the submission of the Utilization Plan.

(8) The Manager shall include in each Subcontract, in such a manner that the provisions will be binding upon each subcontractor, all of the provisions herein including those requiring subcontractors to make a good faith effort to solicit participation by M/WBEs.

(9) The Manager shall keep records, canceled checks and documents for at least one (1)

year following completion of this Agreement. These records, and canceled checks, documents or copies thereof will be made available at reasonable times upon written request by the Authority or any other authorized governmental entity.

(10) The Manager shall submit monthly compliance reports regarding its M/WBE utilization activity on a Compliance Report Form acceptable to the Authority. Reports are due on the first business day of each month, beginning 30 days after the Closing Date.

(11) The Authority will conduct compliance reviews for determination of the Manager's performance relative to meeting the specified M/WBE Goal which may include review and inspection of documents pertaining to the Manager's efforts towards meeting the Goals and on-site interviews with personnel of Manager and its subcontractors. The Manager will fully cooperate to assist the Authority in this endeavor.

(12) The Manager shall not use the requirements of this section to discriminate against any qualified company or group of companies.

(d) CONDITIONS FOR SATISFYING M/WBE GOALS. M/WBE participation will be counted toward the total Contract M/WBE Goals subject to the following conditions:

(1) If the Manager is unable to meet the Goals with Certified Businesses by making all of the good faith efforts defined herein, the Manager shall actively solicit uncertified M/WBEs to satisfy the Goals. Uncertified firms will be required to submit an application for certification (to the Office of Minority and Women's Business Development) and will be counted as contributing towards the contract Goals only after they have been certified.

(2) The Manager must keep records of efforts to utilize certified M/WBE's including

(i) The firm's name, address and telephone number.

(ii) A description of the information provided to the M/WBE.

(iii) A written explanation of why an agreement with the M/WBE was not obtained

(3) Price alone will not be an acceptable basis for rejecting M/WBE bids if any of the bids are reasonable.

(4) Geographical limitation in the M/WBE search is not an acceptable reason for not meeting the M/WBE goal when traditionally non-local firms have been generally utilized.

(5) the Authority reserves the right to reject any firm as counting toward meeting the Manager's M/WBE goal if, in the opinion of the Authority, the facts as to that firm's

business and technical organization and practices justify the rejection.

(e) MANAGER'S GOOD-FAITH EFFORTS. To satisfy the M/WBE participation requirements, the Manager agrees to make the following good-faith efforts in a timely manner:

- (1) Submission of a completed, acceptable Utilization Plan as described herein.
- (2) Advertising in appropriate general circulation, trade and minority and women-oriented publications.
- (3) Written solicitations made in a timely manner of certified minority and women-owned business enterprises listed in the Directory.
- (4) Attendance at meetings, if any, scheduled by the Authority with certified M/WBEs capable of performing the Contract Scope of Work.
- (5) Written notification to M/WBE trade associations located within the region where the Contract Scope of Work will be performed.
- (6) Structuring the Contract Scope of Work for purposes of subcontracting with certified M/WBEs.
- (7) Where certified M/WBEs have expressed an interest to the Manager in performing work that the Manager normally performs with its own sources and the Contract Scope of Work has not been fully performed, the Manager shall consider subcontracting such work or portions of it to meet the M/WBE Goals.

1.9. COMMENCEMENT OF ACTIONS ON STATE PUBLIC WORKS CONTRACTS. The time within which an action on this Agreement against the Manager must be commenced shall be computed from the date of completion of the physical work. The Manager may notify the Authority in writing, that such physical work has been completed by specifying a completion date, which date shall be no more than thirty days previous to the date of such notice, in which case the completion date set forth in such notice shall be deemed to be the date of completion of the physical work unless the Authority, within thirty days of receipt of such notice, notifies the Manager in writing of its disagreement. In the event that the Manager fails to send the notice provided for herein or the Authority disagrees in the manner provided herein, the date of completion of the physical work shall be determined in any other manner provided by law.

APPENDIX 14

OUTLINE OF T&D SYSTEM POLICIES AND PROCEDURES

Terms And Conditions Of Electric Service

The following is a representative outline of the topics to be addressed by Authority in the T&D System Policies and Procedures in accordance with Section 4.5(B).

(A) Introduction

1. Purpose
2. Application
3. Modification
4. Responsibility of Enforcement

(B) General Information

1. Definitions
2. Application for Electric Service
 - (a) New Occupancy
 - (b) Responsibility for Changes in Service
3. Characteristics of Electric Service
4. Service Interruptions
5. Application of Rates
6. Extension of Customer's Wiring System
7. Continuity and Quality of Electric Service
8. Single Phase and Three Phase Service to Customers Served Under Residential Rate Schedules
9. Single Phase and Three Phase Service to Customers Served Under Commercial Rate Schedules
10. Method of Supplying Electric Service
 - (a) General Residential Service
 - (b) Multiple Dwelling Units, Apartment Complexes
 - (c) Commercial Service
 - (d) Industrial Service
 - (e) Temporary Service
 - (f) Other
11. Access by Authorized Agents to Customer's Premises
12. Electric Service Deposits
 - (a) Commercial Deposits

- (b) Residential Deposits
- (c) Interest on Utility Service Deposits
- (d) Errors in Usage Records
- (e) Unclaimed Deposits
- 13. Billing for Electric Service
 - (a) Average/Level Billing Program
 - (b) Defined Payment Program
 - (c) Utility Assistance Programs
 - (d) Late Payment Charge
 - (e) Estimated Billing
 - (f) Delinquent Bills
 - (g) Shared Customer Meter Billing
- 14. Testing of Meters Upon Request of Customer
- 15. Adjustment of Bills for Meter Inaccuracy and Incorrect Metering
- 16. Change of Occupancy
- 17. Discontinuance of Electric Service
- 18. Denial of Electric Service to a Customer
- 19. Customer's Responsibility for Utility Property
- 20. Tampering with the Utility's Measuring Equipment or Other Property
 - (a) Sub-Metering
 - (b) Meter Seals
 - (c) Tampering with Shut-Off Device
 - (d) Penalties for Energy Diversion
 - (e) Responsibility of Enforcement
- 21. Fraudulent Use of Electricity
- 22. Street Light Policy

(C) Electric Service Regulations

- 1. Customer's Wiring-National Electric Code
- 2. Electric Service Inspection
- 3. Availability of Electric Service
- 4. Minimum Service Connection
- 5. Exclusive Use of Utility's Electric Service
- 6. Resale of Utility's Electric Service
- 7. Point of Delivery of Electric Service
- 8. Grounding/Bonding Conductors and Electrodes Meters
- 9. Equipment Which Adversely Affects Electric Service
 - (a) General
 - (b) Motors
 - (c) Intermittent Electric Loads
 - (d) Voltage and Wave Form Sensitive Equipment

- (e) Power Factor
- (f) Interference Producing Equipment
- (g) Radio Antennas

(D) Standard Extension Policy

1. General
2. Rights-of-Way
3. Overhead Distribution System-Overhead Service
4. Single Phase Underground Secondary Service from Overhead Distribution System
5. Three Phase Underground Secondary Service from Overhead Distribution System
6. Single Phase Underground Secondary Service from Underground Distribution System-Residential
 - (a) Easement Guidelines on Underground Distribution System
7. Underground Service from Primary System
 - (a) Delivery at Primary Voltage Through Utility-Owned Transformers (Primary Extension)
 - (b) Loads Served at Primary Voltage to Customer-Owned Equipment
8. Underground Distribution System
9. Permanent Electric Service
10. Indeterminate Electric Service
11. Temporary Electric Service for Construction

(E) Storm Restoration Procedures

1. Safety
 - (a) General Operations
 - (b) General Procedures
2. Orientation and Training
 - (a) Service Restoration Program - General
 - (b) Pre-Storm Operations
 - (c) Radio Procedure
 - (d) Mapping
 - (e) Hot-Stick Operator Training
 - (f) Patrolling and Reporting Storm Damage
 - (g) Storm Training
 - (h) Training of Manager's affiliates and authorized company personnel
3. Customer Service During Storms/Storm Restoration
 - (a) Essential Customer Report
 - (b) Portable Generators

4. Service Restoration
 - (a) Area Storm Operations
 - (b) Storm Damage Reporting
 - (c) Lineworker Responsibilities
 - (d) Map Posting
 - (e) Initial Clearing of Main Lines
 - (f) Restoration of Primary and Secondary Lines
 - (g) Service Restoration/Trouble Calls
 - (h) Switching
 - (i) Hot-Stick Operations
 - (j) Service Restoration Paperwork
 - (k) Streetlight Restoration
 - (l) Area Daily Crew Log
 - (m) Tagging Out Procedures
 - (n) Public, Fire & Emergency Coordination and Communication
 - (o) Public, Governmental and Media Communications
 - (p) Mutual Aid

(F) Work Order, Status Assessment and Condition Reporting Forms

(G) Operating Procedures

1. Planning
 - (a) Job Planning Check List
 - (b) Vehicle Material and Equipment Check List
 - (c) Job Preliminary Procedures
 - (d) Clearing and Tree Trimming
 - (e) Trenching
 - (f) Commitment of Special Equipment
 - (g) Street Crossings
 - (h) Sketch Procedures
 - (i) Revisions and Alterations to Jobs
 - (j) Voiding Jobs
 - (k) Conflicts of Interest

(H) Customer Service — General

1. Customer Calling Centers
2. Complaint Handling Procedure
3. Emergency Hotline
4. Billing Disputes
5. Alternative Power Supplier Policies

6. DSM/Energy Efficiency Program Communications
7. Billing Inserts and Customer Communications

(I) Rights-of-Way and Easements

1. Transmission Facilities
2. Distribution Facilities
3. Changes to ROW
4. Locked Gates
5. Easement Encroachments
6. Railroad Crossings

(J) General Job and Operation Procedures

1. Information on Job Sketches
2. Phase Diagrams
3. Slab/Conduit Inspections
4. Cable in Conduit Guidelines
5. Protection Coordination
6. Transformer Sizing
7. Wire Sag and Tension
8. Locating Buried Facilities
9. Clearances
10. Poles and Crossarms
11. Conductors and Cables
12. Guying
13. Transformers
14. Grounding
15. Secondaries and Services
16. Metering
17. Voltage Regulation
18. Switching
19. Tagging Procedures
20. Outage Reporting
21. Tree Trimming
22. Care of Equipment
23. Customer-Owned Equipment
24. Coordination With Other Utilities
25. Communications
 - (a) Inter-Utility
 - (b) SCADA
 - (c) Telephone System

(d) Radio

(K) Load Forecasting and Resource Planning

1. Load Forecasting
2. Resource Planning
 - (a) Off-System Purchases
 - (b) Fully-Owned Generation
3. Competitive Positioning Strategies
 - (a) ESCO Cooperation
 - (b) DSM/Load Control
 - (c) Energy Pricing - Compilation and Distribution
 - (d) Retail Wheeling Policies
 - (e) Transmission Access Policies
 - (i) Network
 - (ii) Point-to-Point
4. Power Supply Solicitation Procedures