

SCHEDULE C

TRANSITION WORK

As required by Section 1.7 of this Agreement, promptly following the Contract Date, the parties shall take the respective actions set forth in this Schedule in good faith and as soon as practicable, and in any event, no later than the date specified (if appropriate) unless mutually agreed otherwise:

1. Parent and Company Responsibilities. Parent and Company, as appropriate, shall undertake and complete the following responsibilities:

(a) Site Access. Upon reasonable notice by Authority, Parent and Company shall permit Authority, its representatives, consultants, designees and agents to have access at Authority discretion, subject to compliance with safety and operational procedures, to the T&D System, the Common Facilities necessary for the operation and maintenance of the T&D System, and the GENCO Generating Facilities in order to (1) perform engineering analysis and such additional studies or tests as deemed necessary by Authority, and (2) perform all necessary onsite activities in order to satisfy Authority's pre-Closing responsibilities under the Acquisition Agreement and the other Basic Agreements. Parent and Company shall, upon reasonable notice by Authority, grant Authority access to the Shoreham site for investigations, analyses and studies in connection with the possible development of generating facilities and an undersound transmission cable.

(b) T&D System Information. Parent and the Company shall cooperate with Authority, its representatives, consultants, designees and agents to provide information reasonably necessary, including, without limitation, information in electronic form, if available, to assess T&D System operation, characteristics and limitations, reliability, generation operation and cost impacts associated with changes in generation plant, load growth, and transmission facility improvements, additions and interconnections. Such information shall include, but not be limited to, information which is filed by Parent or Company with the New York Power Pool.

(c) Capital Assets Inventory and Depreciation Analysis. Parent and Company shall undertake and complete, within 90 days after the Closing Date, a capital assets inventory of the T&D System in accordance with the Management Services Agreement and a depreciation analysis of the Generating Facilities in accordance with the Power Supply Agreement.

(d) Legal Entitlements. Parent and Company shall obtain and maintain all legal entitlements necessary for their consummation of the transactions for which they, or a Transferee Subsidiary, are responsible as contemplated under the Basic Agreements.

(e) Reliability of New Undersound Transmission Cable. Parent and Company, working with Authority, shall cooperate in the performance by others of or, at the

Authority's request, conduct a study and evaluation of the impact on T&D System reliability of the installation and operation of a new nominal 600 MW direct current transmission cable between Long Island and Connecticut. Such study shall be undertaken in accordance with good engineering practices and shall be completed no later than the earlier of March 1, 1998 and 180 days prior to the anticipated Closing Date. Authority, its representatives, consultants and agents shall have access to work papers, supporting models in electronic form, assumptions and analyses supporting the results of such study and evaluation. Parent and Company shall also cooperate in the performance by others of and undertake such other reliability studies as Authority may reasonably request.

(f) Acquisition of Necessary Non-Electric Utilities. Parent and Company shall arrange for the acquisition and/or maintenance of all Non-Electric Utilities necessary to perform their obligations under the Basic Agreements.

(g) O&M Manuals. Parent and Company shall provide the Authority access to six copies of the existing T&D System Operation and Maintenance Manuals on the day after the Contract Date and shall modify, as necessary, such manuals to reflect the terms and conditions of the Management Services Agreement and any other changes in circumstances. Parent and Company shall provide six copies of the fully updated Operation and Maintenance Manuals to the Authority no later than 60 days prior to the anticipated Closing Date.

(h) Insurance. Parent and Company, working with the Authority, shall develop an insurance policy program as required under the Basic Agreements prior to the adoption of the initial Budgets. Parent and Company or the applicable Transferee Subsidiary shall submit to Authority certificates or evidence of insurance for all required insurance specified in the Basic Agreements no later than 60 days prior to the anticipated Closing Date.

(i) Representatives. Parent and Company shall appoint a qualified T&D System Supervisor and Senior Executive, as required under the Management Services Agreement, a qualified Energy Manager Representative, as required under the Energy Management Agreement and a Representative as required under the Power Supply Agreement, within 30 days after the date of the execution of the Agreement and Plan of Merger (the "Contract Date"), subject in each case to Authority approval.

(j) Financing Cooperation. Parent and Company shall cooperate with and assist the Authority in effecting the issuance of tax-exempt bonds for purposes of financing all or a portion of the Cash Purchase Price and refinancing all or a portion of the Retained Debt, including timely providing such information as requested by the Authority in connection with the offering of such bonds and shall certify that such information is true and accurate.

(k) Rate Assistance. Parent and Company shall render requested assistance to the Authority in establishing its retail rates and wholesale rates.

(l) Preparation of Budgets; Revenue Requirements and Proposed Rate Design. Parent and Company, working with Authority, shall prepare a proposed Annual T&D Budget,

Five Year Planning Budget and Major Capital Plan and Budget for the T&D System as required in Article V and VI of the Management Services Agreement and a proposed Five Year Budget Plan as required in Article IX of the Power Supply Agreement, all no later than six months prior to the anticipated Closing Date or at such other times as Authority may reasonably determine. Such budgets shall be prepared, along with the estimated debt service and reserve requirements provided by Authority in a manner which results in a projection of total T&D System revenue requirements for the Authority.

(m) Development of Reporting and Cost Tracking Systems. Parent and Company, working with Authority shall develop, and present to Authority no later than 45 days after the Contract Date, a protocol for tracking costs incurred which will be chargeable to the Authority or LIPA Subsidiary and reporting such information to Authority and LIPA Subsidiary. Such protocol shall be subject to the review and approval of Authority.

(n) Mutual Assistance. Parent and Company, working with the Authority, shall develop and present to Authority for its review and approval, mutual assistance policies in connection with its gas and generator personnel and assets, for use with respect to the T&D System and shall cause the Transferee Subsidiaries to enter into mutual assistance agreements in form and substance reasonably satisfactory to Authority.

(o) Development of Cost Allocation Methodology. Parent and Company, working with the Authority, shall develop and present to Authority no later than 45 days after the Contract Date, a proposed methodology to be used to allocate costs between the T&D System, GENCO Generating Facilities as defined in the Power Supply Agreement, the Common Facilities, and Parent's gas system and costs under the Energy Management Agreement, including, without limitation, the concepts set forth in Appendix 11 of the Management Services Agreement. Such methodology shall be subject to the review and approval of Authority.

(p) Workforce Training on Reporting and Timekeeping. Parent and Company shall provide training to the T&D System workforce and their administrative staffs so that they are thoroughly familiar with and will be able to timely comply with the reporting, timekeeping and other recordkeeping requirements of the Basic Agreements during the terms thereof.

(q) Customer Payments Allocation Methodology. Parent and Company, working with the Authority, shall develop and present to Authority a proposed methodology for allocating billing payments received between the gas customers of Parent and Company, or a Transferee Subsidiary, and the electric customers of Authority no later than six months before the anticipated Closing Date. Such methodology shall be subject to the review and approval of Authority.

(r) Common Facilities. Parent and Company shall allocate and make ready for the functional use by Authority such offices, work space, and other areas of the Common Facilities as required to be made available to Authority under Section 3.1(F) of the Management Services Agreement.

(s) Preparation of Signage with Authority Name/Use of Manager Name. Parent and Company shall prepare a format, for Authority review and approval, for the placement of Authority's name as owner on all vehicles, equipment and other property that will be owned by Authority and used by the Manager after the Closing. The size and placement of such identifying information shall be subject to Authority approval. Parent and Company acknowledge and consent that some property owned by Parent or Company as of the Contract Date that will be owned by the Authority following the Closing will retain the name of Parent or Company for a period of time following the Closing as part of the transition to Authority ownership.

(t) FERC Wholesale Rates. Parent and Company, working with Authority, shall seek approval from FERC as necessary to effect the transactions contemplated hereby and establish and obtain FERC approval of wholesale rates in connection with Authority's purchase of power from the GENCO Generation Facilities in accordance with the Power Supply Agreement.

(u) Load Forecast and Resource Plan. Manager, working with Authority, shall prepare a 10 and 15 year load forecast for annual peak demand and annual energy requirements with and without consideration of energy efficiency and load control programs. Manager shall also prepare a power resource supply plan to meet forecasted customer load and energy requirements based upon a periodic competitive solicitation process for incremental power supply. The load forecast and resource plan will be subject to Authority approval.

(v) Applicable Law Compliance. Parent and Company shall comply with all requirements of applicable law pertaining to the activities undertaken prior to the Closing.

(w) Parent and Company and Transferee Subsidiary Law Compliance. Parent and Company and the Transferee Subsidiaries shall be in substantial compliance with all laws, regulations, rules and orders applicable to their businesses, non-compliance with which would have material effect upon their businesses or their ability to perform their respective obligations under the Basic Agreements.

(x) Delivery of Guaranty. Parent shall execute and deliver the Guaranty Agreement in substantially the form attached as Appendix 15 to the Management Services Agreement.

(y) Support Authority Activities. Parent and Company shall cooperate with and assist Authority in completing its pre-Closing responsibilities under the Acquisition Agreement.

2. Authority Responsibilities. Authority shall undertake and complete the following responsibilities:

(a) Legal Entitlements. Authority shall obtain and maintain all legal entitlements necessary for the consummation of the transactions for which it is responsible as

contemplated under the Basic Agreements.

(b) Review and Adoption of Budgets, Revenue Requirements and Rate Design. Authority shall review the budgets proposed by Parent and Company and shall approve the budgets required under the Management Services Agreement and the Power Supply Agreement prior to the Closing Date. Authority shall determine the revenue requirements for the T&D System and design and establish customer rates for use of the T&D System.

(c) Rate Adoption. Authority shall adopt retail electric rates for the T&D System prior to the Closing Date.

(d) Authority Workforce Hiring and Training. Authority shall hire and train employees to carry out such functions as Authority deems necessary in connection with the transactions contemplated by the Basic Agreements.

(e) Design Format for Manager Reporting Requirements. Authority shall develop, subject to Parent's review and comment, standard formats for information required to be reported by Parent to Authority.

(f) Design Format for Ratepayer Bills. Authority shall develop, subject to Parent's review and comment and its information system capabilities, the formats for bills rendered to customers of the T&D System.

(g) Adoption of System Policies and Procedures. Authority shall adopt such policies and procedures concerning the operation, maintenance, use and availability of the T&D System as it deems appropriate in its sole discretion. The initial policies and procedures shall be established no later than thirty days prior to the date on which Parent or Company must submit its proposed initial Annual T&D Budget.

(h) Complaints. Authority shall adopt requirements concerning the types of customer complaints that Manager is required to provide notice of to Authority, as well as what information is required to be reported as provided in Section 4.10 of the Management Services Agreement.

(i) Applicable Law Compliance. Authority shall comply with all provisions of applicable law pertaining to the activities undertaken prior to the Closing.

(j) Support Parent and Company Activities. Authority shall cooperate with and assist Parent and Company in completing their pre-Closing responsibilities under the Acquisition Agreement.

(k) Prepare Initial Budget. Authority shall prepare and submit to Parent or Company, for use in preparing the Annual T&D Budget, its annual operating and capital budget.

3. Schedule. The parties will consult and agree from time to time as to the schedule

for accomplishing all pre-Closing activities, including establishing and updating the anticipated Closing Date.

4. Mutual Responsibilities. Prior to the adoption of the applicable initial budgets, or as otherwise provided in the applicable Basic Agreement, Parent and Company and Authority shall mutually agree on the following:

(a) Appraisal Methodology. The parties shall establish the appraisal methodology for Authority's option to lease or purchase certain parcels of any of GENCO's existing Generating Facility Sites contemplated in Section 4.2 of the Power Supply Agreement in accordance therewith.

(b) Customer Service Offices. The parties shall establish the minimum requirements to be provided by the T&D System Manager at its customer service offices, as required under Section 4.9(E) of the Management Services Agreement.

(c) Location of T&D System Books and Records. The parties shall establish the location or locations within the Service Area where Manager shall keep its books and records concerning the T&D System, as contemplated under Section 4.15(F) of the Management Services Agreement.

(d) T&D System Description. The parties shall further specify the detailed description of the T&D System as contemplated in Appendix 2 to the Management Services Agreement. Parent and Company shall timely provide all documents and other information necessary for Authority's due diligence in connection therewith.

(e) Construction Standards and Procurement Requirements. The parties shall establish additional construction standards and procurement requirements in connection with the performance of Construction Work as contemplated in Appendix 8 to the Management Services Agreement.

(f) Operations Information and Format. The parties shall determine the additional types and format of operations information required to be provided by the Manager with the Annual Settlement Statement as contemplated in Appendix 9 of the Management Services Agreement.

(g) Pre-Closing Joint Solicitations. The parties will cooperate with each other during the last full year prior to the anticipated Closing Date or such earlier date as may be agreed upon by the parties to prepare joint solicitations for power purchase, supply or transmission agreements.

5. Reporting Requirements. The parties shall each provide the other with monthly reports regarding the undertaking, completion and satisfaction of the pre-Closing responsibilities set forth in the Acquisition Agreement. In addition, on the first day of each month, Parent and Company shall provide to the Authority an itemized list of all such work expected to be

undertaken in the following two months. Written documents or instruments constituting or evidencing satisfaction of the conditions to the Closing shall be furnished to each party prior to or on the Closing Date.

6. Defined Terms. Unless otherwise specified, all capitalized terms set forth in this Schedule C and not otherwise defined herein or in the Acquisition Agreement shall have the respective meanings specified in the Management Services Agreement.