

December 21, 2018

Mr. James Selmsler
 Supervisor
 Town of Caroga
 Municipal Office Complex
 1840 STH HWY 10, P.O Box 328
 Caroga Lake, New York 12032

Re: Street Light Acquisition Pricing Proposal
 Bill Account No. 88352-92109
 (Reference No. 66338-78105)

Dear Mr. James Selmsler:

Niagara Mohawk Power Corporation d/b/a National Grid (the “Company”) provides this pricing proposal to Town of Caroga (“[Town]”) in response to its letter dated May 17th, 2018, received on 10/02/18, requesting the estimated price to purchase all street lights serving the Town within its taxing district, as reflected by the above-captioned account and reference numbers. In accordance with the New York Public Service Commission’s (the “Commission”) March 15, 2018 Order in Case 17-E-0238 (the “Rate Order”), the estimated, non-negotiable, purchase price at net book value (“NBV”)¹ for the street lights, supporting infrastructure, associated electric circuitry (exclusive of infrastructure used to serve other customers), as well as the transition and transaction costs, is \$31,535.00.² The sales price is an estimate. Per the Commission’s Order, the Company will calculate the final NBV at the time of closing, and adjust (up or down) the sales price to the actual NBV at closing.

The Company developed the estimated NBV sales price using the Town’s billing inventory of 166 street light assets within the municipality’s tax district, the original cost to install the lights, and the accrued depreciation of those assets. Based on the foregoing, the street lights have the estimated NBV, as of the date of this letter, identified in the itemized pricing proposal below. As authorized by the Commission, the itemized pricing proposal also includes firm security, transaction and transition costs. The security represents the Company’s estimated cost to install all required disconnect devices, and it must be in a form acceptable to the Company. If the Town fails to install the required disconnect devices within 24 months of the sale, the Company will perform such work and retain the security. The transaction costs consist of: transfer taxes; recording fees; and mortgage indenture release fees. Likewise the transition costs consist of: costs related to internal system inventory updates; billing data changes; and data updates associated with the sale.

Pricing Proposal Itemized Cost Information	
Original Cost	\$67,236.00
Depreciation	\$40,045.00
Estimated Net Book Value	\$27,191.00
Transaction and Transition Costs	\$4,344.00
Proposed Estimated Purchase Price at NBV	\$31,535.00
Disconnect Device Security	\$75,700.00

¹ The NBV street light sales methodology approved by the Commission does not create a precedent with respect to street light sales occurring after the term of the Company’s rate plan ending March 31, 2021.

² The proposed purchase price does not include the disconnect device security that the customer is required to provide in a form acceptable to the Company for purposes of ensuring the disconnect devices are installed within 24 months.

This pricing proposal is offered on an “as-is, where-is” basis, and therefore does not include any reconfiguration work or removal costs.³ Upon transferring the assets, the Town would receive energy-only service from the Company under Service Classification No. 3 of the Company’s PSC No. 214 Outdoor Lighting Tariff (the “Tariff”). The Town would thereafter be solely responsible for the safe operation, maintenance, and repair of the street lights. As an alternative to acquiring the street lights within its jurisdiction, the Town may consider converting the existing roadway luminaire lights to energy-efficient LEDs in compliance with the Tariff. The cost to the Town for such a conversion is shown in the table below, and the converted lights would still be owned, operated, and maintained by the Company.

Estimated LED Conversion Costs	
Estimated Costs per unit	\$77.86
Company-Owned Roadway Luminaires	166
Total Estimated LED Conversion Cost	\$12,923.98

As authorized by the Rate Order, the Company also offers an energy-efficiency incentive to assist municipalities with the conversion of Company-owned or customer-owned street lights to efficient LEDs. The incentive, which is available on a first-come first-served basis and subject to an annual cap, is between \$50 and \$100 per fixture. To assist the municipality in evaluating its LED conversion options, the Company calculated the **estimated** energy-efficiency incentive below. The actual incentive, however, may differ, and will only be transmitted to the municipality upon completion of the LED conversion and verification of the new LED inventory. The New York State Energy Research and Development Authority (“NYSERDA”) as well as the New York Power Authority (“NYPA”) may also be able to provide technical and financing support.⁴

Energy-Efficiency Incentive (Based on 100% Conversion)	
Estimated Incentive	\$10,610.00

This sales offer will remain open for **180 days** from the date of this letter. If the Town wishes to move forward with the acquisition, the Company will prepare a Purchase and Sales Agreement and License Agreement for Street Lighting Attachments for the Town’s consideration. Once the Company and the Town have executed the agreements, the Company must file them with the Commission for review and approval pursuant to Public Service Law § 70. Alternatively, if the Town would rather consider a different approach, such as the above-mentioned LED conversion option, please let me know.

Thank you for the opportunity to work with you on this project. If you require additional information or seek to move forward with either project please call me at 518-433-3379.

Sincerely,

Joe Pallone
 Regional Account Services
 1125 Broadway
 Albany, NY 12204

³ At the Town’s request, the Company can provide an estimate of the costs to perform the reconfiguration and removal work.

⁴ The contact for NYSERDA is Brad Tito. He can be reached at (212) 971-5342 (ext. 3545) or bradford.tito@nyserda.ny.gov. The contact for NYPA is Joseph Rende, Director of Business Development, Customer Energy Solutions. He can be reached at (914) 287-3431 or joseph.rende@nypa.gov.