

Cayuga Operating Company
228 Cayuga Drive, Lansing NY 14882

July 20, 2012

Hon. Jaclyn A. Brillling
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Notice of Intent to Mothball
Cayuga Units 1 and 2
Lansing, New York

Dear Secretary Brillling:

Pursuant to the New York State Public Service Commission's ("Commission") Generator Retirement Notice Order, Cayuga Operating Company, LLC ("Cayuga Operating Company") hereby provides this written notice that it intends to mothball its Cayuga Generating Facility in Lansing, New York, which is comprised of two coal-fired generating units (the "Cayuga Facility") by January 16, 2013.¹ Unit 1 is 154 MWs net capacity and Unit 2 is 158.7 MWs net capacity. Unit 1 was placed in service in 1955 and unit 2 was placed in service in 1958 and both have been supplying energy, capacity and ancillary services in New York.

The current and forecasted wholesale electric prices in New York are inadequate for the Cayuga Facility to operate economically and, therefore, Cayuga Operating Company intends to place the Cayuga Facility in protective lay-up to limit the costs that are incurred at the facility. Cayuga Operating Company intends to take all steps within its control to avoid permanently retiring the facility by continuing to explore any and all alternatives with its suppliers and other parties, including reductions in its variable and fixed costs. During the 180 day notice period and any subsequent protective lay-up period that may ensue thereafter, Cayuga Operating Company will undertake efforts to ensure readiness for a restart reasonably promptly at any time during this period. These efforts are expected to include ongoing compliance activities, maintaining valid environmental operating and related permits, periodic inspection work and maintenance of the Cayuga Facility to ensure quick reactivation, and keeping the source, i.e., the Cayuga Facility in New York State's emissions inventory. Cayuga Operating Company

¹ Case 05-E-0889, Proceeding on Motion of the Commission To Establish Policies and Procedures Regarding Generation Unit Retirements, Order Adopting Notice Requirements for Generation Unit Retirements (December 20, 2005) ("Order"). In its Order the Commission defined "retirement" to collectively include, *inter alia*, "mothballing, and other circumstances where a generating unit is taken out of service for a substantial period of time, excluding scheduled maintenance and forced outages."

Hon. Jaclyn A. Brillig

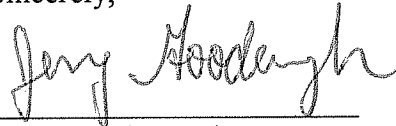
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will maintain this state of readiness while closely monitoring market conditions and circumstances that will allow it to continue operations.

In accordance with the Order and Technical Bulletin No. 185 issued by the New York Independent System Operator, Inc. ("NYISO"), Cayuga Operating Company contemporaneously has sent a copy of this mothball notice to the NYISO via e-mail directed to its designated address. In addition to providing a copy of this notice to the NYISO, the Order provided that the notice must be provided to "any affected T&D utility." Cayuga Operating Company has also provided this notice to New York State Electric & Gas Corporation ("NYSEG"), the T&D utility to which the Cayuga Facility is interconnected and in whose service territory the Cayuga Facility is located.

Please contact me if you have any questions concerning this notice.

Sincerely,



Jerry Goodenough
Chief Operating Officer Cayuga Operating
Company, LLC

cc: New York Independent System Operator at generator_retirement@nyiso.com (via e-mail and overnight mail)
Mr. Jeffrey McKinney, New York State Electric & Gas Corporation (via e-mail and overnight mail)