

September 14, 2000

VIA OVERNIGHT MAIL

Mr. Michael Tucker
Chairman, Town of Bethlehem
Industrial Development Agency
445 Delaware Avenue
Town of Bethlehem, New York 12054

Re: Bethlehem Energy Center Project

Dear Mr. Tucker:

As you know, PSEG Power New York Inc. closed on its purchase of the Albany Steam Station earlier this year, and we are in the process of determining whether to proceed with redevelopment of the Station. Accordingly, we would like to present the attached application to the Town of Bethlehem Industrial Development Agency ("the Bethlehem IDA") requesting that the Bethlehem IDA undertake the Bethlehem Energy Center Project ("the BEC Project"). We believe that the Bethlehem IDA's participation in the redevelopment of the Station is both appropriate and the best way to address the long-standing real estate tax issues concerning the existing Station.

Enclosed are four (4) copies of an executed Application for the proposed BEC Project, together with our check for \$250. Our application is subject to the terms of this letter and: (1) the passage of an Inducement Resolution by the Bethlehem IDA, (2) the compliance with the deviation procedures of the Uniform Tax Exemption Policy of the Bethlehem IDA, and (3) the affirmative vote of the membership of the Bethlehem IDA.

As New York State and the rest of the nation moves into a deregulated and competitive electric market, consumers will be able to choose electric suppliers. Costs associated with the generation of electricity will no longer be automatically passed on to customers. As you may know, the existing 400-megawatt Station, currently assessed at \$257,760,000, is roughly 50 years old and has efficiency and technological limitations.

In a restructured and competitive electric power industry, we believe the existing Station has two significant problems: (1) high real estate taxes; and (2) low efficiency with resulting high fuel costs.

Taxes are a key consideration for us in deciding where to make investments. In connection with the transfer of the property from Niagara Mohawk Power Corporation ("NIMO"), we entered into a Tax Allocation Agreement with NIMO. Under that agreement, the parties agreed that NIMO's allocated share of the taxes for certain switchyard assets which are covered by the same Town of Bethlehem tax account parcel number is \$1,169,964. Under this allocation, the resulting taxes applicable to the assets sold in this tax account parcel are \$5,515,545 based on the 1999-2000 school tax bill and the 2000 county and town tax bill. Taxes at this level make redevelopment of the existing station uneconomic. Accordingly, we seek a long-term solution to this problem which would allow us to make an investment in the community in the form of the BEC Project. Unless real estate taxes are substantially reduced, it will not be economically feasible to redevelop the station and the site will not reach its full economic potential.

We note that the \$47.5 million purchase price for the Albany Steam Station was the result of an extensive effort to market the facility to the broadest available range of potential purchasers. In approving the sale, the New York Public Service Commission's Order noted that the record demonstrated that the purchase price established the Station's fair market value. However, we would like to work cooperatively towards achieving a long-term solution for taxes on the BEC Project and that would also phase down the current property tax burden on the existing Station until the BEC Project commences operations.

BEC Project Background

By way of background, the BEC Project would consist of the redevelopment of the existing Albany Steam Station with a new 750 megawatt state-of-the-art combined cycle, natural gas-fired electric generating facility. Once completed, this facility would replace the existing station. It would be a new source of electric power, provide substantial environmental benefits, and provide additional economic development and continuing employment opportunities.

The BEC Project would compete with an increasingly more competitive electric generation market as new projects come on line. Currently, there are nineteen projects amounting to approximately 12,800 MW that have filed applications, pre-application reports, or preliminary scoping statements with the New York State Board on Electric Generation Siting and the Environment ("Siting Board"). Additional projects amounting to approximately 13,900 MW have been proposed or announced for a total addition of 26,700 MW to the existing 30,000 MW in the NYISO. All projects will vie for the most competitive cost structure to assure economic viability and only those projects which are able to achieve competitive cost levels will be built.

By undertaking the BEC Project, the Bethlehem IDA would allow the new facility to compete in the New York market and with the Athens Generating Company Project being sponsored by the Greene County Industrial Development Agency, a project already approved by the Siting Board. The Athens Project involves the construction of a natural gas-fired, combined cycle combustion turbine generating plant with an electric generating

capacity of approximately 1,080 megawatts. In the immediate Capital Region, the proposed Besicorp Project in Renesselaer and Glenville Energy Park in Scotia-Glenville will also add competitive market pressure.

Although the BEC Project would be considerably smaller in size than the Athens Project, it would, nevertheless, represent a substantial investment in the community. It would serve as a catalyst for expanding the community's economic base and result in both continued employment at the Station as well as construction-related work opportunities. The need for economic development to increase the local tax base is acknowledged, in light of the increase in new home construction and student population. A pro-business stance by the community would serve to attract new commercial ventures. The advantages of the BEC Project would include:

1. **Reduced Emissions of Air Pollutants.** The BEC Project would substantially benefit the environment by significantly reducing emissions of sulfur dioxide (SO₂) and nitrogen oxides (NO_x). SO₂ and NO_x emissions cause acid rain, and NO_x emissions also cause ground-level ozone. The risk that these pollutants pose to public health and the environment (especially in sensitive areas such as the Adirondacks) has led Governor Pataki to set stringent new emission targets for power plants. PSEG Power New York supports Governor Pataki's and the Legislature's initiative to reduce power plant emissions. Emissions from the BEC Project would be far below those limits. For these reasons, the BEC Project would provide a source of modern, clean energy that would help achieve New York State's emissions reduction targets.

We estimate that with a new facility NO_x annual emissions would be reduced from 874 tons (based upon 1998 data) to roughly 227 tons. Likewise, annual SO₂ emissions would be reduced from 2,758 tons (based upon 1998 data) to about 38 tons for the new plant.

We also expect the BEC Project to achieve reduction in emissions of particulate matter. In addition, the BEC Project would emit roughly 42% less carbon dioxide (CO₂) and other greenhouse gases; 99% less sulfur dioxide (SO₂); and 94% less nitrous oxide (NO_x) for each megawatt-hour of electricity generated.

2. **Reduced Water Usage.** In addition to improving the air emissions profile, the BEC Project would reduce by at least 95% the use of Hudson River water for cooling purposes by replacing the existing "once-through" system with a closed loop cooling system i.e., cooling towers.

3. **Elimination Of Barge Deliveries.** The BEC Project would end the requirement to receive barge/ship deliveries of heavy residual oil via the Hudson River. In addition, the BEC Project would result in the removal of two of the three 220,000 barrel fuel oil storage tanks currently located on the site.

4. **Reduced Visual Impacts.** Visual impact would also be reduced by removal of the four existing stacks located on top of the existing power plant.

5. Creation And Retention Of Jobs. We anticipate that the BEC Project would create 200 to 300 construction jobs over the construction period and would provide continuing employment opportunities at the new facility.

6. Sale Of Power To Bethlehem IDA. Subject to reaching a mutually acceptable Payment in Lieu of Taxes (PILOT) Agreement, we would be willing to sell electricity, through an affiliate, to the Bethlehem IDA as an aggregator under a to-be-negotiated Power Purchase Agreement. The Bethlehem IDA could then resell the electricity in connection with economic development activities in the Town. However, this is not a requirement on our part and assuming an acceptable Pilot Agreement could be reached we would proceed with the redevelopment of the Station regardless of whether the Bethlehem IDA chose to purchase power.

7. Promote Economic Development. Experience shows that the direct and secondary economic effects of the BEC Project as an investment would, over time, more than offset the reduction in current taxes levied against the existing Albany Steam Station. Essentially, for every dollar spent locally, between one and a half and two dollars in economic impact would be generated. Thus, any reduction in tax revenues from the existing Station would be more than made up in economic benefits due to the infusion of investment and employment. Expenditures would not only bolster the local economy (and associated tax revenues) but also result in the creation of jobs. Moreover, the economic life of the plant together with its associated jobs and revenues would be significantly extended. The BEC Project could also be used as a vehicle for attracting more commercial ventures to the Town, adding to the tax base.

We believe that the BEC Project would complement and facilitate the efforts being undertaken by the Bethlehem IDA in connection with its study to locate potential sites suitable for industrial development by high tech businesses. We understand that this study, funded by the Bethlehem IDA, is being performed by Tech Valley LLC under the auspices of the Albany County Partnership, a joint business development initiative of the Albany-Colonie Chamber of Commerce and the Office of the County Executive. Obviously, any potential sites suitable for development would need a ready supply of electricity as well as the requisite water, sewer, highway access and zoning. The BEC Project would be strategically located in the specific corridor being studied for potential high tech development.

It is our view that everyone's long-term best interests are to avoid taxing electric generation facilities in a manner that compromises their economic viability. Moreover, it is generally acknowledged that there is an inverse relationship between high taxes and jobs. As mentioned, we believe that the BEC Project proposed to be undertaken with the participation of the Bethlehem IDA would have a substantial positive economic effect in the area and allow the community to further promote economic development. This, in turn, could be a new source of potential tax revenues and additional jobs.

IDA Participation

The participation by the Bethlehem IDA would consist of the following described below.

- (a) The acquisition by the Bethlehem IDA of an interest in the existing Albany Steam Station, located on property roughly 84 acres in size along Route 144 in the Glenmont section in the Town of Bethlehem ("the Land"); and,
- (b) The BEC Project would involve the construction on the Land of an electric generating plant, consisting of an approximately 85,000 square-foot turbine building and an approximately 20,000 square-foot plant services building, which would serve a 750 megawatt natural gas-fired combined cycle turbine facility, utilizing three frame 7FA GE gas combustion turbines, the primary fuel for which would be natural gas with limited use of low sulfur distillate oil (0.05% sulfur) as a backup fuel (collectively referred to as "the Facility"); and,
- (c) The installation on the Land and at the Facility of a variety of equipment, machinery, and other personal property ("the Equipment"); and,
- (d) The Bethlehem IDA's lease or installment sale (with an option to purchase) of the Land, Facility, and Equipment to PSEG Power New York Inc.

The estimated cost to construct the BEC Project, including material and equipment, would be roughly \$400 million, excluding construction loan interest. At the present time, we anticipate that the BEC Project would be a straight "sale/leaseback" project (i.e., one not involving Bethlehem IDA debt/bonds). However, we are still evaluating the potential use of such debt/bonds.

We expect that the BEC Project would take approximately two years to construct ("the Construction Period") after pre-construction permits and approvals are issued. However, as in the case of any endeavor of this type, there are numerous contingencies and circumstances which could operate to extend the time necessary to complete construction. Prompt conclusion of a Pilot Agreement is an essential aspect of supporting a commercial in-service date of Summer 2003. Once the BEC Project is completed, the existing station would no longer be in service or usable as a generating asset.

In connection with the BEC Project, we would request an exemption from applicable sales and use taxes, mortgage recording taxes, and real property taxes under the terms of a PILOT Agreement which would commence after the closing with the Bethlehem IDA and continue for a term of twenty (20) years after completion of the

Construction Period. We would also request that any fees paid to the Bethlehem IDA not exceed on a pro-rated megawatt basis the fees paid by the Athens Project to the Greene County IDA.

It is our understanding that pursuant to the requirements in the General Municipal Law, Section 874, the Bethlehem IDA has adopted a Uniform Tax Exemption Policy ("the Uniform Policy") which sets forth the Bethlehem IDA's general policy concerning real property tax abatements and exemptions from sales and use taxes and mortgage recording taxes.

We would request that the Bethlehem IDA deviate from its Uniform Policy concerning the real property tax abatement requested to be granted to PSEG Power New York Inc. The proposed deviation from the Uniform Policy concerning the terms of a PILOT Agreement is as follows:

1. Term of PILOT Agreement The period of time from the closing with the Bethlehem IDA until the Construction Period ("Pre-Construction Period"), through the Construction Period, and continuing for twenty (20) years after the Construction Period.

2. Payments under PILOT Agreement

We would like the opportunity to meet with you to discuss the details of specific payments under a PILOT Agreement. Essentially, we would like to reach an amicable resolution which is consistent with competitive realities.

As mentioned, it is our view that the BEC Project would foster a strong business environment which could help ease the tax burden on residences in meeting the needs of municipal and school district budgets. Development in the form of a clean, modern power plant could be the basis for attracting additional businesses which would, in turn, add to the tax base.


Conclusion

We believe that the BEC Project would promote economic welfare and prosperity by attracting, encouraging, and developing economically sound commerce and industry. The BEC Project would also protect and promote the public health and environment, most notably, by reducing air emissions. There would also be benefits to competition, given that the State's competitive and energy cost reduction initiatives require introduction of new and modern generating facilities. Moreover, the BEC Project would provide net environmental improvement, as well as providing economic and social advantages in that an existing electric generating site would be upgraded and modernized.

As mentioned, current property taxes make redevelopment of the Albany Station economically unfeasible. The economic and environmental benefits of a new facility are clear. Please let us know if the Bethlehem IDA is interested in pursuing such a project.

If so, we would look forward to working with the Bethlehem IDA to enter into a PILOT Agreement which will serve the long-term and best interests of all parties.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. S. Arlotta', written in a cursive style.

Russell S. Arlotta
Director-Development

**OFFICERS AND DIRECTORS OF
PSEG POWER NEW YORK INC
80 Park Plaza
Newark, NJ 07102**

<u>Name</u>	<u>Business Phone</u>	<u>Title</u>	<u>Mail Code</u>
Frank Cassidy	973-430-5687	President & Director	4B
Edward J. Biggins, Jr.	973-430-5640	Secretary	4B
Harold W. Borden	973-430-6868	Vice President & General Counsel	16D
Patrick M. Burke	973-430-5636	Assistant Secretary	4B
Patrick D. Colgan	973-430-8675	Vice President	16A
Harold W. Keiser	856-339-1100	Director	XO4
Robert W. Metcalfe	973-430-8211	Vice President -- Development	16L
Morton A. Plawner	973-430-6474	Treasurer	6B
Patricia A. Rado	973-430-6161	Vice President and Controller	9B
Ardeshir Rostami	973-430-6570	Assistant Treasurer	6B
Fred F. Saunders	973-430-6563	Assistant Treasurer	6B
Steven R. Teitelman	973-430-5522	Vice President & Director	21F

TOWN OF BETHLEHEM INDUSTRIAL DEVELOPMENT AGENCY APPLICATION

IMPORTANT NOTICE: The answers to the questions contained in this application are necessary to determine your firm's eligibility for financing and other assistance from the Town of Bethlehem Industrial Development Agency. These answers will also be used in the preparation of papers in this transaction. Accordingly, all questions should be answered accurately and completely by an officer or other employee of your firm who is thoroughly familiar with the business and affairs of your firm and who is also thoroughly familiar with the proposed project. This application is subject to acceptance by the Agency.

TO: Town of Bethlehem Industrial Development Agency
Town Hall
445 Delaware Avenue
Delmar, New York 12054

This application by applicant respectfully states:

APPLICANT: PSEG POWER NEW YORK INC. c/o Russell S. Arlotta

APPLICANT'S ADDRESS: 80 Park Plaza, Mail Code 16D

CITY: Newark STATE: New Jersey ZIP: 07102

TELEPHONE NO.: (973) 430-7057

NAME OF PERSON(S) AUTHORIZED TO SPEAK FOR APPLICANT WITH RESPECT TO THIS APPLICATION:

Russell Arlotta, Director of Development or X. Paul Humbert, PSEG Power Counsel

IF APPLICANT REPRESENTED BY AN ATTORNEY, COMPLETE THE FOLLOWING:

NAME OF ATTORNEY: John B. Hood, Esq./X. Paul Humbert, Esq.

ATTORNEY'S ADDRESS: Mr. Hood: Nixon Peabody LLP,

Clinton Square, P.O. Box 31051

CITY: Rochester STATE: New York ZIP: 14603-1051

TELEPHONE NO.: 716-263-1344

Mr. Humbert: See Applicant's address above; telephone no.: 973-430-6481

Note: Please read the instructions on page 2 before filling out this form.

INSTRUCTIONS

1. The Agency will not approve any application unless in the judgment of the Agency said application contains sufficient information upon which to base a decision whether to approve or tentatively approve an action.
2. Fill in all the blanks, using "none" or "not applicable" or "N/A" where the question is not appropriate to the project which is the subject of this application.
3. If an estimate is given as the answer to a question, put "(est)" after the figure or answer which is estimated.
4. If more space is needed to answer any specific question, attach a separate sheet.
5. When completed, return this application to the Agency at the address indicated on the first page of this application.
6. Please note that Article 6 of the Public Officers Law declares that all records in the possession of the Agency (with certain limited exceptions) are open to public inspection and copying. If the applicant feels that there are elements of the project which are in the nature of trade secrets which if disclosed to the public or otherwise widely disseminated would cause substantial injury to the applicant's competitive position, the applicant may identify such elements in writing and request that such elements be kept confidential in accordance with Article 6 of the Public Officers Law.
7. The Applicant will be required to pay to the Agency all actual costs incurred in connection with this application and the project contemplated herein (to the extent such expenses are not paid out of the proceeds of the Agency's bonds issued to finance the project). The costs incurred by the Agency, including the Agency's general counsel and bond counsel, may be considered as a part of the project and included as a part of the resultant bond issue.
8. The Agency has established a general Agency fee to be paid by the applicant upon closing. Such fee is to be in the amount of 1/2 of one percent of the bond amount for a tax-exempt issue, and 1/4 of one percent of the bond amount for a taxable issue.
9. The Agency requires a non-refundable administrative fee of TWO HUNDRED FIFTY DOLLARS (\$250.00) TO BE PAID UPON SUBMISSION OF THE APPLICATION.
10. Four (4) copies are required by the Agency.

I. PROPOSED OCCUPANT OF PROJECT (HEREINAFTER, THE "COMPANY")

a. COMPANY NAME: PSEG Power New York Inc.
 PRESENT ADDRESS: Route 144
 CITY: Glenmont STATE: New York ZIP: 12077
 EMPLOYER ID NO.: 22-3692584

b. If the Company differs from the applicant, give details of relationship:

Not Applicable

c. Indicate type of business organization of Company:

X Corporation (If so, incorporated in what country? USA

What state? Delaware)

Date incorporated? 11/18/99 Type of corporation? Business corporation

Authorized to do business in New York? Yes x No .)

NA Partnership (If so, indicate type of partnership)

number of general partners NA.

number of limited partners NA.

number of members (if LLC) NA.

NA Sole proprietorship.

d. Is the Company a subsidiary or direct or indirect affiliate of any other organization(s)? If so, indicate name of related organization(s) and relationship:

The Company is a direct wholly-owned subsidiary of PSEG Fossil LLC and an indirect affiliate of PSEG Power LLC. PSEG Power LLC is a wholly-owned subsidiary of Public Service Enterprise Group, Inc.

e. List executive officers, directors and partners (complete all columns for each person):

<u>Name and Home Address</u>	<u>Office Held</u>	<u>Other Principal Business Affiliations</u>
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See attached.

Is the Company or management of the Company now a plaintiff or a defendant in any civil or criminal litigation?

Yes _____ No X

Has any person listed above ever been convicted of a criminal offense (other than a minor traffic violation)?

Yes _____ No X

Has any person listed above or any concern with whom such person has been connected ever been in receivership or been adjudicated a bankrupt?

Yes _____ No X

Has the company been cited by any regulatory authority for environmental violations?

Yes _____ No X

(If yes to any of the foregoing, furnish details in a separate attachment).

f. Principal owners of Company: Is Company publicly held? ___ Yes X No.

If yes, list exchanges where stock traded:

Note: The Company's parent, Public Service Enterprise Group, Inc. is publicly held.

If no, list all stockholders having a 5% or more interest in the Company:

NAME:	ADDRESS:	PERCENTAGE OF HOLDING:
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None

g. Company's Principal Bank(s) of account:

Chase Manhattan Bank – New York City
Account No. 328-887783

h. Please attach copies of the Company's financial statements (audited preferred) for the last four years.

NA

i. Please attach your Company's business plan, including projected financial statements for the next three years.

NA

Note: For items h and i, confidentiality may be maintained upon your specific request.

II. DATA REGARDING PROPOSED PROJECT:

a. Summary: (Please provide a brief narrative description of the Project.)

See attached accompanying Letter.

b. Location of Proposed Project:

1. STREET ADDRESS: Route 144

2. CITY OF:

3. TOWN OF: Bethlehem

4. VILLAGE OF:

5. COUNTY OF: Albany

c. Project Site:

1. Approximate size (in acres or square feet) of Project site: 84

2. Are there existing buildings on project site?

Yes X No _____ If yes, indicate number and approximate size (in square feet) of each building:

To be supplied.

3. Are existing buildings in operation?

Yes X No _____ If yes, describe use of present buildings.

Electric Generation

4. Is a map, survey or sketch of project site attached?

Yes _____ No X

Are existing buildings abandoned? Yes _____ No X

About to be abandoned? Yes _____ No X

5. Utilities serving project site:

Water-Municipal: Yes
Other (describe)

Sewer-Municipal: Yes
Other (describe)

Electric-Utility: Yes
Other (describe)

Heat-Utility: NA
Other (describe)

6. Present legal owner of project site: PSEG Power New York, Inc.

If the Company owns project site, indicate date of purchase:
May 11, 2000

Purchase price: \$47.5 Million (includes all Albany Steam Station assets
acquired from Niagara Power Corporation)

If Company not owner, does Company have an option to purchase the
project site? Yes _____ No _____

NA

If yes, indicate date option signed with owner to purchase the project site:

NA

Date option expires:

NA

If the Company does not own the project site, is there a relationship
legally or by common control between the Company and the present
owners of the project site?

Yes _____ No _____

NA

(If yes, describe in detail on separate attachment).

7. Zoning District in which project site is located:

Industrial

Are there any variances or special permits affecting the site?

Yes _____ No X

(If yes, list below and attach copies of all such variances or special permits.)

d. Buildings

1. Does part of the project consist of a new building or buildings?

Yes X No

If yes, indicate number and size of new buildings:

See attached accompanying Letter.

2. Does part of the project consist of additions and/or renovations to the existing buildings?

Yes X No

If yes, indicate nature of expansion and/or renovation:

See attached accompanying letter.

3. Describe the principal uses to be made by the Company of the building or buildings to be acquired, constructed or expanded:

Electric Generating

- e. What are the principal products to be produced at the Project?

Electricity

- f. What are the principal activities to be conducted at the Project?

Electric Generation.

g. Construction Status:

1. Has construction work on this project begun?
Yes _____ No X

If yes, please discuss in detail the approximate extent of construction and the extent of completion. Indicate in your answer whether such specific steps have been completed as site clearance and preparation completion of foundations; installation of footings; etc.:

NA

2. Please indicate amount of funds expended on this project by the Company in the past three (3) years and the purposes of such expenditures.

None

h. Method of Construction After Agency Approval:

1. If the Agency approves the project which is the subject of this application, there are two methods that may be used to construct the project. The applicant can construct the project privately and sell the project to the Agency upon completion. Alternatively, the applicant can request to be appointed as "agent" of the Agency for purposes of constructing the project, which request, if approved, will result in the applicant constructing the project as "agent" of the Agency, in which case certain laws applicable to public construction will apply to the project. Does the applicant wish to be designated as "agent" of the Agency for purposes of constructing the project?
Yes X No _____

III. EMPLOYMENT IMPACT:

- a. Indicate below the number of people presently employed at the project site and the number that will be employed at the project site at the end of the first and second year after the project has been completed (do not include construction workers).

TYPE OF EMPLOYMENT:

Professional <u>Managerial</u>	Skilled _____	Unskilled or <u>Semi-skilled</u>	TOTALS _____
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Existing -

First Year after Construction - See accompanying Letter.

Second Year after Construction -

- b. Will the completion of the project which is the subject of this application result in the removal of a commercial, industrial or manufacturing plant or facility of the Company from one area of the State of New York to another area of the State of New York?

Yes _____ No X

Will the completion of the project result in the abandonment of one or more plants or facilities of the Company located in the State of New York?

Yes _____ No X

If yes, is this project reasonably necessary to preserve the Company's competitive position in its industry?

Yes X No _____

Is this project reasonably necessary to discourage the Company from removing such other plant or facility to a location outside the State of New York?

Yes X No _____

If yes, furnish details in separate attachment.

See accompanying Letter.

IV. PROJECT COST:

State the costs reasonably necessary for the acquisition of the project site and the construction of the proposed project, including the acquisition and installation of any machinery and equipment necessary or convenient in connection therewith and including any utilities, access road or appurtenant facilities, using the following categories:

<u>Description of Cost:</u>	<u>(Current, rough estimate)</u>
	<u>Amount:</u>
Land	\$ NA
Buildings	\$ Included
Machinery and equipment costs	\$ Included
Utilities, roads and appurtenant costs	\$ NA
Architects and engineering fees	\$ Included
Costs of Bond issue (legal, financial and printing)	\$ NA
Construction loan fees and interest (if applicable)	\$ Not Included
Other (specify)	\$ NA
	\$
	\$
	\$
	\$
TOTAL PROJECT COST	\$ 400,000,000 (EST) - See accompanying letter

b. Have any of the above expenditures already been made by applicant?
Yes _____ No X

If yes, indicate particulars:

c. Amount of loan requested None Dollars;

Maturity requested NA years.

d. Has a commitment for financing been received as of this application date, and if so, from whom?

Yes _____ No X Institution Name _____

Provide name and telephone number of the person we may contact.

Russell S. Ariotta

Tel 973-430-7057

PSEG POWER NEW YORK INC.
(applicant)

By: [Signature]

VERIFICATION

(If Applicant is a Corporation)

STATE OF NEW JERSEY)

SS:

COUNTY OF ESSEX)

Frank Cassidy deposes and says
(Name of chief executive officer of applicant)
that he is the President of PSEG Power New York, Inc.
(Title) (Company name)

the corporation named in the attached application; that he has read the foregoing application and knows the contents thereof; that the same is true and complete and accurate to the best of his knowledge. Deponent further says that the reason this verification is made by the deponent and not by said company is because the said company is a corporation. The grounds of deponent's belief relative to all matters in the said application which are not stated upon his own personal knowledge are investigations which deponent has caused to be made concerning the subject matter of this application as well as information acquired by deponent in the course of his duties as an officer of and from the books and papers of said corporation.

Frank Cassidy
(Chief Officer of company submitting)

Sworn to before me this
13th day of September, 2000.

Susan M. Costello
Notary Public

SUSAN M. COSTELLO
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 3/26/2002

VERIFICATION

(If applicant is partnership)

STATE OF _____)

SS:

COUNTY OF _____)

_____, deposes and says that
he is one of the members of the firm of _____

the partnership named in the attached application; that he has read the foregoing application and knows the contents thereof; and that the same is true and complete and accurate to the best of his knowledge. The grounds of deponent's belief relative to all matters in the said application which are not stated upon his own personal knowledge are investigations which deponent has caused to be made concerning the subject matter of this application as well as information acquired by deponent in the course of his duties as a member of and from the books and papers of said partnership.

Sworn to before me this

____ day of _____, 19____.

Notary Public

NOTE: THIS APPLICATION WILL NOT BE ACCEPTED BY THE AGENCY UNLESS THE FOLLOWING HOLD HARMLESS AGREEMENT IS SIGNED BY THE APPLICANT.

VERIFICATION

(If applicant is sole proprietor)

STATE OF _____)

SS:

COUNTY OF _____)

_____, deposes and says that
(Name of individual)

has read the foregoing application and knows the contents thereof; that the same is true and complete and accurate to the best of his knowledge. The grounds of deponent's belief relative to all matters in the said application which are not stated upon his own personal knowledge, are investigations which deponent has caused to be made concerning the subject matter of this application.

Sworn to before me this

____ day of _____, 19__.

Notary Public

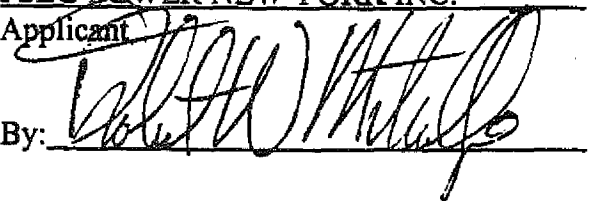
HOLD HARMLESS AGREEMENT

Applicant hereby releases the Town of Bethlehem Industrial Development Agency and the members, officers, servants, agents and employees thereof (hereinafter collectively referred to as the "Agency" from, agrees that the Agency shall not be liable for and agrees to indemnify, defend and hold the Agency harmless from and against any and all liability arising from or expense incurred by (I) the Agency's examination and processing of, and action pursuant to or upon, the attached Application, regardless of whether or not the application or the project described therein or the issue of bonds requested therein are favorable acted upon by the Agency, and (II) the Agency described therein or the issue of bonds requested therein financing of the Project described herein; including without limiting the generality of the foregoing, all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing. If, for any reason, the Applicant fails to conclude or consummate necessary negotiations, or fails, within a reasonable or specified period of time, to take reasonable, proper or requested action, or withdraws, abandons, cancels or neglects the Application, or if the Agency or the Applicant are unable to find buyers willing to purchase the total bond issue requested, then, and in that event, upon presentation of any invoice itemizing the same, Applicant shall pay to the Agency, its agents or assigns, all actual costs incurred by the Agency in the processing of the Application, including attorneys' fees, if any.

PSEG POWER NEW YORK INC.

Applicant

By:



Sworn to before me this

13th day of September, 192000



Notary Public

SUSAN M. COSTELLO
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 3/26/2002