

**FORTISTAR CAPITAL INC.**

One North Lexington Avenue
White Plains, New York 10601
Phone 914-421-4900
Fax 914-421-0052

Contact: Jon Maurer
Fortistar Capital Inc.
Phone 914-421-4912
Fax 914-421-0052

Press Release

City of Oswego Names FORTISTAR CAPITAL INC. to Lead Effort to Acquire and Redevelop Niagara Mohawk's 2,180 MW Oswego Steam Station

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White Plains, New York, January 26, 1998: The City of Oswego has retained the services of Fortistar Capital Inc. of White Plains, New York in an effort to arrange as soon as possible for a group to acquire and repower the Oswego Steam Station, a 2,180 MW oil-fired electric generating plant that is slated to be sold pursuant to Niagara Mohawk's pending Power Choice restructuring plan and the related Non-Nuclear Generation Divestiture Plan. The City of Oswego's interest in this effort results from the significant amount of property taxes, jobs and associated economics that could be lost in the event the generating plant ceases to operate.

Niagara Mohawk converted the Steam Station to an oil-fired facility in the 1980s just as oil prices were rising as a result of the oil crisis of the 1970s. Since that time, the facility has not been fully utilized and may not be competitive in a deregulated environment in its current configuration. A recent report in the Oswego newspaper asserts that Niagara Mohawk may indeed "tear down" the Steam Station.

A plan has been developed to repower the Oswego Steam Station into a 300 MW coal fired unit with the ability to co-fire with natural gas up to a total of 650 MWs. After a careful review, Fortistar and the City believe that a re-powering is viable but must be pursued quickly. Jon Maurer, Vice President

of Fortistar states, "We are seeking a company that agrees that a dual fueled facility located in Oswego could be competitive in a deregulated market".

Mayor Terrence Hammill has, on several occasions, publicly expressed concern that the anticipated auction of Niagara Mohawk's fossil fuel generation assets may come too late to be of any economic benefit to the City. "The City of Oswego has too much at stake to be a passive participant in the sale process," said Mayor Hammill. "We are being unfairly disadvantaged by the deregulation process and we will do everything possible to ensure that the Oswego Steam Station is developed as quickly as possible."

Moving quickly enables the re-powered facility to be further along in the development process when deregulation occurs. Towards this end the City has retained Fortistar to lead its effort in arranging for a group to acquire and repower the Oswego Steam Station. Fortistar and the City hope to select the other members of the development team within sixty days.

Fortistar has extensive experience in the power industry in New York State. Fortistar is experienced in project development, construction, financing and management. Fortistar is the managing general partner of the Lockport Project, a 200 MW cogeneration project near Buffalo, New York. In addition, Fortistar has been closely involved in the New York State deregulation proceedings through its membership in IPPNY, the Independent Power Producers of New York.