

99-48-NG

June 22, 1999

Mr. Anthony Como
Director, Office of Coal & Electricity
Office of Fuels Program
Fossil Energy
U. S. Department of Energy
Forrestal Building, Room 3F-056, FE-50
1000 Independence Avenue, S. W.
Washington, D. C. 20585

REC'D
DOE/FE
JUN 23 2 05

Dear Mr. Como:

Pursuant to Section 3 of the Natural Gas Act and Section 590.201 et seq. of the Regulations of the Department of Energy, Office of Fossil Energy, Milford Power Company, LLC ("Milford") hereby transmits an original and sixteen (16) copies of its Application for Long Term Authority to Import Natural Gas from Canada.

Milford will construct, own and operate a 540 MW gas-fired combined-cycle power generation facility near Milford, Connecticut. The primary source of gas for Milford's plant will be from Canada and shall be delivered into the United States at the interconnections of (a) TransCanada PipeLines Limited and Tennessee Gas Pipeline Company at Niagara, New York, and (b) TransCanada PipeLines Limited and Iroquois Gas Transmission System, LP at Waddington, New York.

Please file the original and fifteen copies and return one stamped copy for our files.

Respectfully submitted,

MILFORD POWER COMPANY, LLC

By: Robert W. Baker
Robert W. Baker
Its Attorney
(713) 420-7021

power generation, natural gas pipelines, gas gathering and processing facilities and natural gas and power marketing. PDC Milford Power LLC is a subsidiary of Power Development Company, Inc., a developer of independent power generation facilities in the United States.

Applicant is constructing and will own and operate a 540 MW gas-fired combined-cycle power generation facility (the "Plant") near Milford, Connecticut. The Plant is scheduled to commence commercial operations in March of 2001. Applicant has entered into a power sales agreement with El Paso Power Services Company ("EPPS"), pursuant to which EPPS will purchase the full output of the Plant. EPPS will then sell the output of the Plant for resale into the wholesale power market in the Northeastern United States. Such sales will generally consist of sales bid into the New England Power Pool, as well as long- and short-term bilateral contracts. As a result, the Plant has no long-term fixed price contract for the sale of its power and is generally considered to be a merchant plant.

III. FUEL PURCHASE AGREEMENT

Applicant has entered into a 20-year Fuel Purchase Agreement with El Paso Gas Marketing Company ("EPGM") to serve the natural gas requirements of the Plant up to a maximum of 96,000 Dth per day. EPGM has the ability to source the gas to be delivered under the Fuel Purchase Agreement at any sources that it desires. The major source of gas for the Plant's requirements will be from Canada, which shall be delivered into the United States at the pipeline interconnections of (a) TransCanada PipeLines Limited ("TransCanada") and Tennessee Gas Pipeline Company at Niagara, New York and (b) TransCanada and Iroquois Gas Transmission System, LP at Waddington, New York. It is anticipated that a maximum of 75,000 Dths per day shall be imported.¹ The remainder of the gas will be sourced from domestic supply basins in the United States.

The purchase price under the Fuel Purchase Agreement is designed to obtain market competitive supplies for the Plant throughout the full term of the agreement. In particular, EPGM will attempt to

¹ An affiliate of EPGM, El Paso Energy Marketing Canada Limited has export authorization from the National Energy Board. See NEB Order Number is GO-93-97.

locate the most economical gas that is available and will recommend to Applicant a fuel purchase plan for Applicant's review and approval. In light of the merchant nature of the Plant, Applicant will be seeking gas supplies that are market competitive on an ongoing basis in order to ensure that its costs of operations are competitive and that its Plant will be dispatched. In order to accomplish this goal, Applicant will consider a portfolio of supplies, with Applicant taking into consideration price, supply diversity and reliability. To the extent that there is any disagreement on the fuel purchase plan, the Fuel Purchase Agreement provides for a default pricing mechanism, which utilizes a basket of market-based indices in the Northeast.² This default pricing mechanism ensures that the gas supplies purchased under the Fuel Purchase Agreement will remain market competitive throughout the full term of the agreement. Although no arrangements have been finalized at this time, it is anticipated that Milford and EPGM will attempt to enter into longer-term arrangements for up to 35,000 Dths per day that would be in place at the commencement of commercial operations. Such longer-term arrangements shall include market responsive pricing for gas that would be purchased at or upstream of the TransCanada – Iroquois interconnect point at the US-Canadian border. Such gas would be imported into the United States at such interconnection point. Milford and EPGM will examine other longer -term opportunities as the time nears the commencement of commercial operations. Milford and EPGM anticipate that such additional long-term arrangements will also include market responsive pricing provisions.

The Fuel Purchase Agreement includes an arrangement, whereby EPGM will take a portion of Applicant's gas-to-power price risk through a partial subordination of gas payments to the debt obligations of Applicant to its lenders to the project. This assisted in the arrangement of financing for the project, since fuel costs are a major cost of the operations of the Plant. A copy of the Fuel Purchase Agreement is attached.

² The market pricing points include liquid trading points at (1) Dracut, Massachusetts, (2) Menden, Massachusetts, (3) Shelton, Connecticut and (4) Zone 1 of Tennessee Gas Pipeline Company

IV.
REQUESTED AUTHORIZATION

In light of the above, Applicant requests long-term authority to import from Canada up to 75,000 Mcfs per day³ over a 20-year period (a total of 547 Bcf) to begin on the date of first delivery pursuant to this authorization. Applicant requests authority to import gas on a daily basis that is in excess of that required for use at the Plant for resale in the United States.

IV.
PUBLIC INTEREST

Applicant submits that the requested long-term import authorization, if granted, will not be inconsistent with the public interest, as required by Section 3 of the NGA. The Energy Policy Act provides that the importation and exportation of natural gas from or to a nation with which there is in effect a free trade agreement shall be deemed to be within the public interest, and that applications for such importation and exportation shall be granted without modification or delay. Because Milford's application is for the importation of natural gas from Canada, a nation with which the United States has a free trade agreement, Applicant submits that this application is in the public interest.

V.
ENVIRONMENTAL IMPACT

No new facilities will be constructed in the United States by Applicant or any other party for the proposed importation of natural gas pursuant to this application. Consequently, granting this application will not be a federal action significantly affecting the quality of human environment within the meaning of the National Environmental Policy Act, 42 U.S.C. § 4321, et seq. Therefore, an environmental impact statement or environmental assessment is not required.

³ Converted using the assumption of 1000 Btu = 1 cubic foot.

VI.
REPORTING REQUIREMENTS

Applicant will comply fully with DOE/FE's reporting requirements after imports are made. To facilitate the timely review of any sales transacted under this authorization, Applicant will file with DOE/FE, within one month following each calendar quarter, a summary of all import transactions made during the previous quarter under the authorization sought herein. Applicant will notify DOE/FE in writing of the date of first delivery of natural gas imported under the requested authorization within two weeks of such delivery.

VII.
MISCELLANEOUS

In support of its Application, Applicant submits the attached Opinion of Counsel. Further, in compliance with Section 590.207 of the DOE/FE Regulations, Applicant includes with this Application a filing fee in the amount of \$50.00.

VIII.
CONCLUSION

WHEREFORE, Applicant requests the DOE/FE expeditiously consider this application and , pursuant to Section 3 of the NGA and Section 201 of the Energy Policy Act, grant Applicant's request for long-term authorization to import Canadian natural gas to the United States. The grant of such authorization would not be inconsistent with the public interest.

Respectfully submitted,

MILFORD POWER COMPANY, LLC

By: Robert W. Baker

Robert W. Baker
Milford Power Company, LLC
Post Office Box 2511
Houston, Texas 77252
Tel.: (713) 420-7021

Dated: June 22, 1999

STATE OF TEXAS
COUNTY OF HARRIS

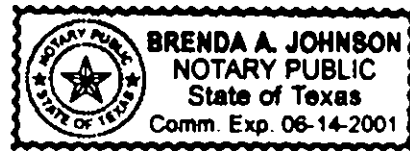
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Robert W. Baker being first duly sworn, upon oath, deposes and says: That he is an Attorney for Milford Power Company, LLC; that as such he has signed the foregoing Application for and on behalf of said company; that he is authorized to do so; that he has read the same and is familiar with the contents thereof; that matters and things set forth therein are true and correct to the best of his knowledge, information and belief; and that, to the best of his knowledge, the same or a similar matter is not being considered by any other part of DOE, by the FERC or any other Federal agency or department.

Subscribed and sworn to before me, a Notary Public in and for the State of Texas this 22nd day of

June, 1999.

Brenda A. Johnson



REDACTED VERSION OF FUEL PURCHASE AGREEMENT

FUEL PURCHASE AGREEMENT
BETWEEN
MILFORD POWER COMPANY, L.L.C.
AND
EL PASO GAS MARKETING COMPANY

FUEL PURCHASE AGREEMENT

THIS FUEL PURCHASE AGREEMENT (the "Agreement") is made and entered into this 25th day of March, 1999, by and between **MILFORD POWER COMPANY, L.L.C.** (the "Company"), and **EL PASO GAS MARKETING COMPANY** (the "Marketer"). Marketer and Company are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties."

WITNESSETH:

WHEREAS, Company is developing and will construct a combined cycle electric generation facility having a nominal capacity of approximately 540 MW and fuel oil storage facilities adjacent thereto to be located near Milford, Connecticut ("Plant");

WHEREAS, the Plant will use natural gas as its primary fuel supply and fuel oil as its back-up fuel supply;

WHEREAS, Marketer is a fuel supplier engaged in the purchase, sale and marketing of natural gas and fuel oil;

WHEREAS, the Parties desire to have Marketer sell all of the natural gas and fuel oil supplies to be used at the Plant;

WHEREAS, the Plant and its operation is subject to and must comply in all respects with applicable laws, approvals, and various permits, including without limitation conditional approval by the Connecticut Energy Facilities Siting Board, Lowest Achievable Emissions Rate, and a so-called Air Permit, all of which are listed on Exhibit A to this Agreement (collectively, "Laws and Permits");

WHEREAS, the Parties desire to set forth in this Agreement the terms and conditions applicable to the purchase and sale of natural gas and fuel oil by the Marketer to the Company; and

WHEREAS, the financial obligations of Marketer under this Agreement will be guaranteed by El Paso Energy Corporation pursuant to a Guaranty executed on the date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and benefits to be derived under this Agreement, Company and Marketer agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

1.1 Definitions - Unless otherwise provided to the contrary in this Agreement, capitalized terms in this Agreement shall have the meanings set forth in Section 1.1 of Exhibit B.

1.2 Interpretations - Unless expressly provided to the contrary in this Agreement, this Agreement shall be interpreted in accordance with the provisions set forth in Section 1.2 of Exhibit B.

ARTICLE II

PURCHASE AND SALE OF FUEL

2.1 Purchase and Sale of Fuel - Subject to the other provisions of this Agreement, Marketer shall sell and Company shall purchase all of the Gas and Fuel Oil requirements of the Plant. The Gas and Fuel Oil sold by Marketer and purchased by the Company shall be sold pursuant to the terms of a mutually agreeable Fuel Purchase Plan (as defined below) or, if the Parties fail to agree upon a Fuel Purchase Plan, pursuant to the terms of the Default Purchase Plan (as defined below).

2.2 Fuel Purchase Plan - Marketer shall prepare a plan during each Annual Period to supply all of the Gas and Fuel Oil requirements of the Plant following the Commercial Operations Date (the "Fuel Purchase Plan"). The Fuel Purchase Plan shall include the following:

(a) Gas Supplies - Marketer shall submit for each Annual Period a Fuel Purchase Plan for Gas supplies and Gas transportation capacity options that are reasonably accessible to the Plant, taking into consideration (i) the coordination of electric dispatch and Gas nominations; (ii) any constraints and obligations imposed from time to time by any independent system operator ("ISO"); (iii) the requirements of all Laws and Permits; (iv) fluctuation of demand and use of the Plant's energy supply requirements; and (v) the terms and conditions associated with the purchase and transportation from various available Supply Basins (such as term of commitment, price, firm vs. interruptible obligation to purchase, firm vs. interruptible obligations to transport and other terms and conditions affecting the revenues and risks associated with such purchase and transportation). The Parties intend that the Fuel Purchase Plans will contain terms and conditions for the sale and transportation of fuel that will

provide the Company with the best economic result. The Parties envision that the Fuel Purchase Plans will provide for a price for Gas supplies delivered at the Plant that will be based upon one of the following pricing alternatives during each Annual Period:

(i) Supply Index Based Pricing - Prior to the availability of the New England Market Index set forth in (ii) below, the Parties envision that the price for the delivered gas supplies to the Plant would be equal to the sum of (A) an appropriate market based index for the relevant supply basin ("Supply Index"), plus any applicable market based premiums associated with the purchase of longer term or firm gas supplies described in the Fuel Purchase Plan consistent with the Confirmation Letter(s) and (B) any applicable and reasonable market based transportation fee quoted by Marketer to Company (including all fuel and other surcharges) to deliver the Gas from each applicable supply basin to the Plant.

(ii) Market Index Based Pricing - Subject to fulfilling any gas supply and gas transportation commitments made pursuant to Fuel Purchase Plans approved for prior Annual Periods, if a mutually agreeable market index is available for deliveries to locations in the vicinity of the Plant ("New England Market Index"), then the price for the delivered gas supplies to the Plant would be equal to the New England Market Index, plus any applicable market based premiums associated with the purchase of longer term or firm gas supplies described in the Fuel Purchase Plan consistent with the Confirmation Letter(s).

(iii) Test Gas Pricing - Marketer shall sell and deliver a quantity of Gas up to the maximum quantity set forth in Section 6.1 for the purposes of testing, start-up and commissioning of the Plant prior to the Commercial Operations Date following consultation with Company regarding the schedule for delivery. Unless otherwise incorporated in the approved Annual Plan, such purchases and sales of Gas will be delivered on an Interruptible Service basis using interruptible transportation and will be priced as mutually agreed, at a delivered cost consistent with daily market prices; provided that to the extent that Company notifies Marketer that it desires such supplies to be provided on a Firm Basis and provides Marketer a schedule of Company's requirements of Gas for purposes of testing, start-up and commissioning of the Plant upon the earlier of (A) five business Days prior to the first Day of the next month or (B) three business Days prior to earliest Transporter's nomination deadline for the

next month, then such purchases and sales of Gas will delivered on a Firm Basis using firm transportation and will be priced as mutually agreed, at a delivered cost consistent with first of the month market prices.

(b) Fuel Oil Supplies -

(c) Alternative Structures - The expression of the Parties' present intentions regarding Fuel Purchase Plan (including the Gas supply and transportation options and Fuel Oil supply and the pricing that would be applicable thereto) is not intended to restrict Marketer's submission of Fuel Purchase Plans containing other pricing alternatives, such as fixed price arrangements or pricing that is tied in whole or in part to the market prices for the sale of the electrical energy and capacity of the Plant.

(d) Provision of Information - On or before [REDACTED] Days prior to each Annual Period, Company shall provide all information that is reasonably requested by Marketer to assist in the formulation of the Fuel Purchase Plan. Without limiting the above, Company shall provide Marketer with (i) a projection of the total Gas requirements for each month during the next Annual Period, (ii) a projection on the swings of Gas requirements on a daily basis for each such month, (iii) a list of proposed dates of any scheduled maintenance, repairs or overhauls of the Plant during the next Annual Period and the anticipated duration of any resulting interruptions and (iv) any other matters affecting the operation of the Plant. The Company shall also provide written notice to

Marketer during the Annual Period of any material changes in such information provided as soon as reasonably practical. Marketer, during start-up and the first two months of commercial operations, agrees to use commercially reasonable efforts to obtain Gas supplies and transportation that provide flexibility in deliveries to the Plant on a daily and hourly basis.

2.3 Company's Selection of Plan - On or before [REDACTED] Days prior to each Annual Period, Marketer shall submit the Fuel Purchase Plan for the next Annual Period to the Company and to the Lenders. Any Fuel Purchase Plan submitted for Company approval shall be consistent with Laws and Permits. On or before [REDACTED] Days prior to each Annual Period, the Company (following the receipt of any required consents of the Lenders pursuant to the Financing Agreements) shall provide written notice to Marketer either (a) approving the Fuel Purchase Plan or (b) requesting modifications to the Fuel Purchase Plan. If the Company approves the Fuel Purchase Plan as submitted, then Marketer shall implement the Fuel Purchase Plan in accordance with its terms. If the Lenders give notice to Company (which notice Company shall provide to Marketer) at least thirty (30) days prior to the upcoming Annual Period that the proposed Fuel Purchase Plan is subject to the Lenders' approval under the Financing Agreements, such Fuel Purchase Plan may not be implemented by Marketer unless such approval is given by the Lenders. Failure of the Company to either approve or request a plan modification on or before 30 days of the Annual Period shall constitute a rejection of the proposed Fuel Purchase Plan. If the Company requests modifications to the Fuel Purchase Plan, then the following shall apply:

(a) The Parties shall negotiate in good faith to agree upon a revised Fuel Purchase Plan no later than fifteen (15) Days prior to the applicable Annual Period. If the Parties (and the Lenders to the extent required pursuant to the Financing Agreements) are able to agree upon a revised plan, then Marketer shall implement the revised Fuel Purchase Plan in accordance with its terms, as more fully set forth in Section 3.1 and Section 3.3; or

(b) If despite such good faith efforts the Parties (and the Lenders to the extent required pursuant to the Financing Agreements) are unable to so agree upon a revised Fuel Purchase Plan, then Marketer shall implement the Default Fuel Purchase Plan in accordance with its terms, as more fully set forth in Section 2.6. The Parties will continue to negotiate in good faith during the Annual Period to agree upon a Fuel Purchase Plan, and if agreed upon between the Parties (and the Lenders to the extent required pursuant to the Financing Agreements), shall implement the revised Fuel Purchase Plan as soon as practical taking into

consideration any prior commitments made in accordance with the Default Fuel Purchase Plan.

2.4 Revisions to Approved Fuel Purchase Plan - During the applicable Annual Period, after taking into consideration commitments made pursuant to the Fuel Purchase Plans approved for the current and prior Annual Periods, either Marketer or the Company may request revisions to the Fuel Purchase Plan approved by the Company in accordance with Section 2.2 to the extent either Marketer or the Company believes that such revisions would be more advantageous to the Company under the circumstances than the Fuel Purchase Plan previously approved. Subject to the receipt of any required approval of the Lenders pursuant to the Financing Agreements, the Company may either approve, reject or request modifications to such proposed revised Fuel Purchase Plan. Failure of the Company to affirmatively approve, reject or request modifications to such proposed revisions shall constitute the Company's rejection of the proposed revision. Any approved revisions will be implemented as soon as practical.

2.5 Company Participation - No approval by the Company of any Fuel Purchase Plan, or participation in or cooperation by the Company in the formulation of any Fuel Purchase Plan or other plan shall be deemed a guarantee by the Company of any information, projection or the like, and the involvement of the Company in the formulation of any such Fuel Purchase Plan shall not excuse any failure of Marketer to comply with or perform under this Agreement.

2.6 Default Fuel Purchase Plan - If the Company (and the Lenders to the extent required pursuant to the Financing Agreements) do not select and agree upon the Fuel Purchase Plan and the Parties are unable to mutually agree upon or the Lenders do not consent to the modifications to the existing Fuel Purchase Plan, then Marketer shall be responsible for implementing the Default Fuel Purchase Plan, which shall consist of:

(a) Gas Sales and Transportation - Subject to fulfilling commitments made pursuant to Fuel Purchase Plans approved for prior Annual Periods, and unless Marketer is otherwise excused from delivering such quantities under this Agreement, Marketer will sell Gas to Company at the Delivery Point and cause the transportation and delivery of such Gas at the Plant in quantities (up to 96,000 MMBtu per Day) and at the times required by Company at its request. Although Marketer is responsible for and assumes any liability (except as set forth in Article XVII, Section 8.3 and Section 8.4) with respect to the transportation of Gas necessary to cause the delivery of Gas at the Plant under this Agreement as set forth in Section 8.1, Marketer is not required to purchase and maintain a particular

source of firm Gas supply or particular path of firm transportation service in order to meet its delivery obligation set forth in the previous sentence. The following "Default Index Price" shall apply to sales of Gas pursuant to the Default Fuel Purchase Plan:

(i) The "Default Index Price" applicable to such sales for the first Annual Period and thereafter until redetermined in accordance with Section 2.6(a)(ii) below shall be the most economical price for Gas delivered to the Plant for periods not to exceed 3 months in duration, determined via a survey, as defined below, of the following five (5) locations: the Delivered Niagara Index, the Delivered Dracut Index, the Delivered Shelton Index, the Delivered Menden Index and the Delivered TGPL Zone 1 Index (individually a "Default Index Location" and collectively the "Default Index Locations"); provided that for any periods in which (a) there is no Published Report (as defined below) at a Default Index Location or (b) Firm Service or the functional equivalent is not commercially available for transportation from a Default Index Location to the Plant, then such Default Index Location or Locations will not be included in the determination of the most economical price. At least five (5) Days prior to each calendar quarter, Marketer shall survey the prices available at the Default Index Locations that are included in the determination of the most economical price in accordance with the preceding sentence to determine the Default Index Price. The survey shall take into consideration reports (the "Published Reports") published by trade publications or press that are widely relied upon by buyers and sellers of gas at such Default Index Locations as reflective of the market conditions (a) for the purchase and sale of gas at such points and (b) for the transportation of gas from such points to the Plant; provided that, unless otherwise mutually agreed to by Marketer and Company (following the receipt of any consents from the Lenders required under the Financing Agreements), the survey shall not include any reports that have been published for a period of less than one year. If, despite Marketer's reasonable commercial efforts, Marketer is unable to obtain Gas at any of the five (5) listed indices, within one Business Day after determining that it is unable to obtain such quantities of Gas, Marketer shall recommend for the approval of the Company (following the receipt of any consents from Lenders required under the Financing Agreements) an alternate point for determining the most economical price for Gas delivered to the Plant for periods not to exceed 3 months in duration, which economical price shall be deemed the Default Index Price. The Default Index Price shall remain

in effect as the price for Gas sold under the Default Fuel Purchase Plan until redetermined under this Section 2.6(a)(i) or Section 2.6(a)(ii).

(ii) Either Party may, at any time, request a redetermination of the designated survey points used to determine the Default Index Price. If the Parties are unable to mutually agree upon such an adjustment to the calculation of the Default Index Price within ten (10) days, then the Parties shall submit such a determination to arbitration in accordance with Section 18.5. The arbitrator shall determine whether the proposed pricing points (A) represent liquid and transparent pricing points at which Marketer can, on a consistent basis using reasonable efforts, purchase and sell Gas supplies and trade financial derivatives thereof and (B) are points from which Firm Service or the functional equivalent is readily available for transportation from the pricing point to the Plant. If the arbitrators determine that the pricing points proposed by the Party seeking redetermination are consistent with (A) and (B) above, such proposed pricing points shall become the means for determining the Default Index Price. Until the Default Index Price is finally redetermined in accordance with this Section 2.6(a)(ii), the Default Index Price in effect at the time a redetermination is requested shall remain in effect.

(iii) Subject to fulfilling any Gas supply and Gas transportation commitments made pursuant to Fuel Purchase Plans approved for prior Annual Periods, during any Annual Periods in which the Parties mutually agree that a liquid and transparent market index is available that reflects a market competitive rate at which Marketer can, on a consistent basis using reasonable efforts, (A) purchase and sell Gas supplies and (B) trade financial derivatives thereof for deliveries to locations in the vicinity of the Plant ("Market Index"), the "Default Index Price" shall be equal to the Market Index.

(b) Fuel Oil Sales -

2.7 Transportation Costs – If the Delivery Point is not located at the Plant, then it is the intent of the Parties that the pricing established under the Fuel Purchase Plan or the Default Fuel Purchase Plan, whichever is applicable, for the delivery of the Gas and the Fuel Oil shall be a price based on delivered supplies at the Plant and that, pursuant to Section 8.1, Marketer shall arrange and pay for and, except as set forth in Article XVII, Section 8.3 and Section 8.4, shall assume all liability with respect to the transportation from the Delivery Point to the Plant. Without reducing or varying any obligations imposed upon Marketer under Section 8.1 or Section 11.1(a), if for any reason Marketer is not permitted to pay for such transportation costs, then the Parties intend that the pricing set forth herein will be reduced for such transportation costs that are borne by the Company.

ARTICLE III

IMPLEMENTATION OF FUEL ELECTIONS

3.1 Documentation of Natural Gas Services Under Fuel Purchase Plan
- The Parties will execute such Confirmation Letters pursuant to this Agreement as are necessary to document the execution of the Fuel Purchase Plan, or, if failing approval of the Fuel Purchase Plan, the Default Fuel Purchase Plan, with regard to the sale and delivery of Gas. Unless otherwise mutually agreed by the Parties, an individual Confirmation Letter will be executed for each type of service set forth under the applicable plan, setting forth the nature of the service (e.g. Interruptible Service, Firm Service or other mutually agreed service), the term of the service, the price applicable to the service, the quantity of Gas to be provided and any other agreements of the Parties associated with the applicable service. The remaining terms of this Agreement shall also apply to such Transactions (with the exception of Article XI, which applies to sales of Fuel Oil under this Agreement), unless expressly provided for otherwise in a Confirmation Letter. Notwithstanding anything herein to the contrary, the terms of any Confirmation Letter shall not vary from the Fuel Purchase Plan in effect or the Default Fuel Purchase Plan as appropriate, unless any such variation is expressly approved by the Company (and the Lenders during the term of the Financing Agreements) in writing.

3.2 Natural Gas Transportation Agreements – In accordance with and subject to Section 8.1, Marketer shall be responsible for contracting for any transportation upstream of the Delivery Point and for arranging on behalf of Company for any transportation downstream from the Delivery Point to the Plant in accordance with the

Fuel Purchase Plan or, if failing approval of the Fuel Management Plan, the Default Fuel Purchase Plan in accordance with Section 2.6.

3.3 Fuel Oil Agreements -

3.4 Confirmation Letters - The Parties shall set forth the terms of a Transaction in a Confirmation Letter. Each Transaction, documented in a Confirmation Letter, shall constitute an integral part of this Agreement and shall be read and construed as one with this Agreement. Marketer will prepare each Confirmation Letter and send it by facsimile to Company by the close of the Business Day following the date on which the Transaction was agreed to by the Parties. Company will (i) execute such Confirmation Letter and return it to Marketer, or (ii) if Company's understanding of the terms of the Transaction is contrary to the terms set forth in the Confirmation Letter, notify Marketer of its objections in writing within three (3) Business Days after Company's receipt of the Confirmation Letter. Company's failure to timely notify Marketer of its objection within the time period set forth above shall constitute Company's acceptance of the terms in the Confirmation Letter and such terms will conclusively establish the specific terms of a Transaction. Unless the Lenders have provided their express written consent to the terms of a Confirmation Letter during the period when the Financing Agreements are in effect, any Confirmation Letter that is not

consistent, in all material respects, with an effective Fuel Purchase Plan or Default Fuel Purchase Plan, as applicable, shall be void ab initio and any sales made shall be made in accordance with the effective Fuel Purchase Plan or Default Fuel Purchase Plan, as applicable.

3.5 Limitation of Liability - The Parties acknowledge that the market for the purchase and sale of Gas and Fuel Oil is often a volatile and fluctuating market and that the Gas and Fuel Oil delivered under this Agreement in accordance with a Confirmation Letter may be priced at varying times at levels that are above or below the then existing market prices for such supplies. Marketer shall have no liability to Company nor shall Company have any liability to Marketer (other than the obligations under this Agreement) for sales made in accordance with the approved Fuel Purchase Plan or Default Fuel Purchase Plan, as applicable, including without limitation to the extent that (a) the prices approved under such plans are from time to time greater or less than the then existing market prices for such supplies or (b) the prices approved under such plans are not always the least cost supplies of Marketer.

ARTICLE IV

MARKETER'S COMMISSION AND ADVISORY FEE

4.1 Commission - In consideration of the sale of Gas and Fuel Oil made pursuant to this Agreement, Company shall pay Marketer a commission each month following the Commercial Operations Date equal to the greater of (a) [REDACTED] multiplied by the total amounts owed by Company to Marketer (including without limitation all costs incurred by Transporter pursuant to the Transportation Contracts to deliver Gas to the Plant) during the applicable month for sales of Gas and Fuel Oil under this Agreement and (b) [REDACTED] escalated each Annual Period by CPI (the "Commission"); [REDACTED]

4.2 Advisory Fee - In consideration of the development and implementation of the Fuel Purchase Plan by Marketer, Company shall pay Marketer an advisory fee equal to [REDACTED] per month, escalated at the beginning of each calendar year by CPI (the "Advisory Fee"), less any tax paid by the Company associated with the provision of business analysis, business management, or business management consulting services, as determined by the Connecticut Department of Revenue Services associated with the Advisory Fee.

4.3 Subordination of Commission and Advisory Fee - Notwithstanding anything to the contrary in this Agreement or the Subordination Agreement, the Commission and the Advisory Fee shall not be subordinated pursuant to the terms of the Subordination Agreement and shall continue to be paid by the Company to Marketer, until the "Outstanding Subordinated Amount" exceeds the "Maximum Amount" (as such terms are defined in the Subordination Agreement), at which point the Commission and the Advisory Fee will be subordinated in accordance with the terms of the Subordination Agreement.

ARTICLE V

GAS ARBITRAGE OPPORTUNITIES

5.1 Use of Fuel Oil - Subject to the NEPOOL Agreement and all Laws and Permits, including without limitation the so-called "air permit" which Marketer acknowledges limits oil-fired operations at the Plant, Marketer shall review and analyze hourly, daily and other longer-term opportunities (a) to use the available supplies of Fuel Oil in place of Gas as the fuel supply for the Plant and (b) to use the Gas supplies and transportation capacity that would otherwise be sold by Marketer to Company under this Agreement for sale to third parties and/or to assign the transportation capacity to third parties. Subject to the NEPOOL Agreement and all Laws and Permits, if (a) Marketer is able to sell the Gas supplies that would otherwise be sold to Company under relevant Confirmation Letters to a third party at a price that is greater than the price that would apply under the relevant Confirmation Letters ("Gas Margin") or Marketer is able to assign any transportation capacity used to deliver Gas to the Plant for such periods at a rate greater than the price or rate set forth under the relevant Transportation Contract ("Capacity Margin") and (b) the sum of the Gas Margin and the Capacity Margin is greater than the additional costs of using Fuel Oil (including without limitation the relative commodity price and any additional operating costs incurred by the Company in using Fuel Oil at the Plant), rather than Gas at the Plant (with the difference being the "Arbitrage Margin"), then Marketer shall implement such sales of Gas to third parties and/or such assignments of transportation capacity and use Fuel Oil at the Plant. Marketer shall replenish the Fuel Oil inventory at the Plant as soon as practicable, taking into consideration any restrictions imposed by Law or Permits on the delivery of Fuel Oil to the Plant, then existing versus projected prices for Fuel Oil and the projected timing for the need for such Fuel Oil supplies.

5.2 Dispatch of Plant - If the Company is permitted by all Laws and Permits, prior sales commitments made by the Company or the Power Marketer and the NEPOOL Agreement to elect not to generate electrical output from the Plant for any

period, then Marketer, in conjunction with the Power Marketer and the Company, shall review and analyze hourly, daily and other longer-term opportunities to not deliver Gas supplies or Fuel Oil to the Company at the Plant and to thereby direct the Plant not to generate electricity. If ██████████ percent of the sum of the Gas Margin and the Capacity Margin is greater than the margins that Marketer, the Power Marketer and the Company reasonably project that the Company would have otherwise received if such Gas supplies or Fuel Oil were delivered to the Plant and electricity would have been generated (with the difference being the "Dispatch Margin"), then Marketer shall implement such sales of Gas to third parties and/or such assignments of transportation capacity and notify the Company not to generate electricity at the Plant. If the Marketer is required to subordinate payments in accordance with the Subordination Agreement or the Company (or the Lenders under the Financing Agreement) notify the Marketer that it is reasonably likely that the Marketer will be required to subordinate payments in accordance with the Subordination Agreement, then Marketer shall invoice and Company shall pay for the Gas sold and/or the transportation capacity assigned to such third parties at the Price that the Company would have otherwise paid if such Gas supplies or Fuel Oil were delivered to the Plant and electricity would have been generated pursuant to the terms of this Agreement ("Billed Amount"). Upon receipt of proceeds from such third parties for the sale of such Gas and/or the assignment of the transportation capacity, Marketer shall remit the invoice for the Billed Amount to Company, plus the Company's portion of the Dispatch Margin pursuant to Section 5.4. Company shall have the right to offset its obligation to pay the Billed Amount pursuant to the preceding sentence by the Subordinated Portion of Fuel Costs (as that term is defined in the Subordination Agreement) pursuant to the Subordination Agreement. For avoidance of doubt, the Billed Amount shall be subject to the terms of the Subordination Agreement. In the alternative, Marketer may submit other dispatch proposals, whereby Marketer will sell to Company the power that would otherwise have been delivered from the Plant at a mutually agreed upon price, along with a mutually agreed upon sharing of the profits from the resulting gas arbitrage opportunities.

A. Use of Excess Gas and Capacity - If Company does not require or otherwise does not consume all or a portion of the Gas supplies ("Excess Gas") and/or the capacity under any Transportation Contracts ("Excess Capacity") pursuant to the Fuel Purchase Plan or the Default Fuel Purchase Plan, whichever is applicable, then Marketer shall sell such Excess Gas and/or Excess Capacity to third parties, in such a manner to maximize the amounts received for such sales. If despite its reasonable efforts, Marketer sells such Excess Gas and Excess Capacity during a month at a price less than the price that would be paid by the Company under this Agreement, then, subject to the provisions of the Subordination Agreement, Company shall reimburse Marketer for any such loss. If Marketer sells such Excess Gas and Excess Capacity during a month at a price greater

than the price that would be paid by the Company under this Agreement ("Excess Gas/Capacity Margin"), then Marketer shall share such profits in accordance with Section 5.4.

B. Sharing of Gas Arbitrage Opportunities - If the plans set forth in Sections 5.1, 5.2 and 5.3 are implemented during any month, then Company shall receive [REDACTED] of the sum of the Arbitrage Margin, the Dispatch Margin and the Excess Gas/Capacity Margin and Marketer shall receive [REDACTED] of the sum of the Arbitrage Margin, the Dispatch Margin and the Excess Gas/Capacity Margin received by Marketer during that month; provided that Marketer shall offset Company's share of such profits against (a) any cumulative losses incurred by Marketer and not otherwise reimbursed by the Company from implementing the plans set forth in Sections 5.1, 5.2 and 5.3 for prior months and (b) the invoiced amounts owed by Company to Marketer for the applicable month under this Agreement. Pursuant to the Subordination Agreement, if Plant does not generate electricity and Gas and/or Fuel Oil is not delivered under this Agreement pursuant to Section 5.2, then the fuel costs that would have been incurred if the Plant would have generated electricity in the absence of the election made pursuant to Section 5.2 will be subject to the terms of the Subordination Agreement.

5.5. Pooling Alternatives - The Parties agree to cooperate to examine and evaluate opportunities to combine the fuel purchase activities being provided by Marketer to Company and to other power generators owned by the shareholders of Company or their Affiliates to achieve economies of scale, to pool available gas supplies and transportation capacity for such projects and to mitigate risks of interruption of supplies and transportation capacity for such projects. The Parties shall examine and evaluate the sharing of any benefits and risk mitigation between Marketer, Company and such other power generators. None of such pooling alternatives shall be implemented unless they are set forth in a Fuel Purchase Plan approved by the Company (following the receipt of any required consents of the Lenders pursuant to the Financing Agreements).

ARTICLE VI

NATURAL GAS QUANTITY AND DELIVERY

6.1 Delivery and Purchase Obligation - Subject to the other provisions of this Agreement, commencing on the Commercial Operations Date Marketer agrees to (a) sell and deliver and Company agrees to purchase and receive each Day at the Delivery Point and (b) cause the transportation and delivery at the Plant of, all of the Gas scheduled for consumption at the Plant in accordance with the Quality and Quantity terms of the effective Confirmation Letters. Notwithstanding anything to the contrary in this

Agreement, in no event shall (a) Marketer be obligated to deliver in excess of 96,000 MMBtus per Day to Company under this Agreement or (b) Company be entitled to resell the Gas sold under this Agreement to third parties or to use the Gas delivered for purposes other than the consumption of Gas at the Plant. Except as provided in Article XVII, Section 8.3 or Section 8.4, Marketer is responsible for and assumes any liability with respect to the transportation of Gas necessary to cause the delivery of Gas at the Plant under this Agreement.

6.2 Interruptible Quantities - Subject to the terms and conditions of this Agreement, (a) Company shall purchase and receive and Marketer shall sell and deliver on an Interruptible Service basis a quantity of Gas on each Day at the Delivery Point and (b) Marketer shall cause the transportation and delivery of such quantity of Gas at the Plant on an Interruptible Service Basis equal to the sum of the MDQs under Confirmation Letters that provide for deliveries on an Interruptible Service basis ("Total Interruptible MDQ").

6.3 Firm Quantities - Subject to the terms and conditions of this Agreement, (a) Company shall purchase and receive and Marketer shall sell and deliver on a Firm Service basis a quantity of Gas on each Day at the Delivery Point and (b) Marketer shall cause the transportation and delivery of such quantity of Gas at the Plant on a Firm Service Basis equal to the sum of the MDQs under Confirmation Letters that provide for deliveries on a Firm Service basis ("Total Firm MDQ").

6.4 Priority of Purchases and Sales under Confirmation Letters - If for any reason the Company is unable to purchase and receive the Total Interruptible MDQ and the Total Firm MDQ on any Day, then the Confirmation Letters shall set forth the relative priority between the Gas delivered at the Delivery Point pursuant to each Confirmation Letter for purposes of determining pursuant to which Confirmation Letter the quantities were delivered during such Day.

6.5 Provision of Information - On or before 10 Days prior to each month, Company shall provide all information that is reasonably requested by Marketer to assist in the nomination and delivery of Gas under this Agreement. Without limiting the above, Company shall provide Marketer with (i) its projection of the total Gas requirements for each month during the next 12-month rolling period, (ii) its projection on the swings of Gas requirements on a daily basis for such month of delivery, (iii) any scheduled maintenance, repairs or overhauls of the Plant during the next Annual Period and the anticipated duration of any resulting interruptions and (iv) any other matters affecting the operations of the Plant. Company shall provide Marketer notice during the month of any changes in such projections and information as soon as practicable.

6.6 Nomination Requirements - For so long as the Power Marketing Agreement is in full force and effect and Marketer is the purchaser of the full electrical output of the Plant, then Company shall not have any obligation to nominate the Gas to be purchased under this Agreement; provided that Company shall notify Marketer as soon as practicable regarding any changes in the operation of the Plant that would cause material changes in the Gas requirements of the Plant. If Marketer is not the purchaser of the full electrical output of the Plant for any reason under the Power Marketing Agreement, then Company shall be obligated to comply with the following nomination requirements:

(a) Monthly Nomination - On or before the earlier of (a) five business Days prior to the first Day of the next month or (b) three business Days prior to earliest Transporter's nomination deadline for the next month, Company will provide Marketer with a nomination specifying the quantity of Gas to be purchased and received for each Day during the next month ("Nominated Quantity").

(b) Daily Adjustments - On or before 4:00 p.m., Central Time Zone on the Day prior to the earliest Transporter's nomination deadline for Gas Flow the next Day, Company may adjust its Nominated Quantity prospectively for any Day during the remainder of that month.

(c) Notice of Adjusted Nominations - On the day of Gas flow, Company may request adjustments to the nominations set forth above in this section either by telephonic or electronic communication (to be followed immediately in writing by telecopy) at least five (5) hours prior to the earliest Transporter's nomination deadline, for intraday nomination changes.

6.7 Remedies for Failures to Deliver

(a) Marketer's Failure to Deliver - If on any Day Marketer fails to deliver or cause the delivery of a quantity of Gas equal to the lesser of the full Gas requirements of the Plant or the Total Firm MDQ (including any failure by Marketer that is caused by a Transporter's failure to transport such Gas under a Transportation Contract, except to the extent Marketer's obligations are excused in Article XVII, Section 8.3 and Section 8.4), then Company shall have the right to purchase either Gas or Fuel Oil from a third party supplier, in an amount equal to the difference between (i) the lesser of the full Gas requirements of the Plant on such Day or the Total Firm MDQ, less any quantities of Gas which Marketer is excused from delivering pursuant to this Agreement and (ii) the amount actually delivered by the Marketer at the Plant on such Day

("Deficiency Quantity"). Company shall be entitled to recover from Marketer an amount calculated by multiplying (i) the Deficiency Quantity by (ii) the positive difference between (A) any commercially reasonable price, on a MMBtu basis, of replacement Fuel Oil or Gas purchased by Company from such third party supplier(s) and delivered to the Plant ("Replacement Price") and (B) the Price, per MMBtu, set forth under the Confirmation Letters, and adding to the product of such calculation any contractual or other penalties, fines or costs incurred by the Company ("Penalties"), including but not limited to revenues associated with changes in dispatch required by Marketer's failure to deliver and any amounts that would have constituted the "Subordinated Portion of Fuel Costs" under the Subordination Agreement if Marketer had delivered the Deficiency Quantity. Company shall provide Marketer with information and documentation reasonably supporting the amounts the Company claims are due pursuant to this Section 6.7(a). Company agrees to mitigate its damages and act in good faith and in a commercially reasonable manner in purchasing any replacement Gas or Fuel Oil required so as to minimize Marketer's obligation to Company under this Section 6.7. In attempting to mitigate such damages, the Company shall review whether, in the sole opinion of the Company, the damages associated with purchasing Deficiency Quantities are in excess of the difference between (a) the revenues that Company would otherwise have obtained if Marketer had delivered the Gas and power had been available at the Plant and (b) the avoided costs of operating the Plant to generate power therefrom ("Plant Profits"). If Company makes such a determination, in its sole opinion, then (i) the Company would mitigate such damages by not purchasing such Deficiency Quantities and (ii) Marketer would pay to Company an amount equal to the sum of Plant Profits and Penalties associated with the failure to dispatch the Plant. The Parties acknowledge that the market for the sale of power is often a volatile and fluctuating market and the Company's projections of what the Plant Profits would be are difficult to project and Company shall have no liability to Marketer for any failure to accurately predict or project the actual Plant Profits in this regard.

(b) Damages When No Coverage Available - If Company is not able to locate and purchase alternate Gas supplies pursuant to Section 6.7(a), or can not consume available Fuel Oil due to any restrictions found in Laws and Permits, then Marketer shall pay the Company an amount equal to the sum of the Plant Profits and Penalties.

(c) Curtailment - In addition to the remedies set forth in Sections 6.7(a) of 6.7(b), if for any reason, including an event of force majeure, Marketer is unable to meet all of its firm sales obligations under this Agreement with Marketer's supplies that are reasonably accessible to serve Company, then Marketer agrees to use all reasonable efforts to provide Company with no less than Company's pro-rata share of

such available supplies on Transporter based upon the actual nominations of all of Marketer's firm sales customers made during the period of curtailment that can be served by such available supplies, after having interrupted 100% of Marketer's interruptible, non-firm sales to the extent that the curtailment of such other customers would be useful in maintaining deliveries to Company.

(d) Exclusive Remedy - The Parties agree that the actual losses incurred by Company as a result of Marketer's failure to deliver quantities would be uncertain and impossible to determine with precision. As a result, other than any remedy in respect of the subordination of payments under this Agreement in accordance with the Subordination Agreement, any remedy available under Section 9.1 and Section 9.2 or any remedy available to the Company as a result of an Event of Default by Marketer, payment by Marketer in accordance with Section 6.7(a) or 6.7(b) and the deliveries in accordance with Section 6.7(c) above shall be Marketer's entire and sole liability to Company. Payment by Marketer pursuant to Section 6.7(a) or 6.7(b) is reasonable compensation for such failures.

(e) Payment - Marketer shall pay to Company all amounts due under Section 6.7(a) or Section 6.7(b) on the earlier of (i) the twenty-fifth (25th) day of the Month following the Month in which Marketer's obligation to pay such amounts arose (the "Payment Month"), or (ii) the day on which Company is required to pay an invoice, pursuant to Section 15.1, in the Payment Month.

6.8 Flow Requirements - Unless permitted otherwise by Transporter delivering gas to the Plant, Company will receive Gas at rates that are in compliance with the terms of the tariff of the Transporter delivering gas to the Plant. Marketer will exercise commercially reasonable efforts (a) to include the deliveries to Company within Marketer's OBA (as defined in Section 8.2) or (b) if such inclusion is not possible, to obtain Gas supplies and arrange for transportation for deliveries to the Plant, taking into consideration the potential fuel requirement fluctuations at the Plant. The Parties acknowledge that fluctuations in the hourly takes are anticipated. Marketer will exercise commercially reasonable efforts to accommodate such Plant requirements.

ARTICLE VII

NATURAL GAS PRICE

7.1 Applicable Price - The price for the quantities of Gas delivered by Marketer and received by Company shall be the price per MMBtu set forth in each applicable Confirmation Letter which price must be consistent with the effective Fuel

Purchase Plan, either annual or default. Subject to Section 13.3(b), such price will be inclusive of all Taxes, royalties, transportation charges, expenses and costs applicable to the Gas prior to receipt by Company at the Delivery Point. In the event Company should be required, by the laws of any governmental body having jurisdiction under this Agreement, to pay any such costs or charges for which Marketer is liable, then Company shall have the right to reduce the amount payable under this Agreement by an amount equal to such costs or charges. In the event Marketer should be required, by the laws of any governmental body having jurisdiction under this Agreement, to pay any such costs or charges for which Company is liable, then Company shall reimburse Marketer for same within ten (10) Days of Company's receipt of Marketer's invoice therefor. As set forth in Section 2.7, the price per MMBtu shall also be inclusive of transportation charges for transportation from the Delivery Point to the Plant.

7.2 Suspension of Indexes - If, during the term of this Agreement, an index specified in a Confirmation Letter ceases to be published or a specified index price is not published for a given month, then the Parties will attempt to agree upon a new index price for purposes of determining the applicable price under that Confirmation Letter. If the Parties are unable to reach such agreement by the expiration of the fifteenth (15th) Day immediately following the end of the month in which the specified indexes or the specified pricing information in such publications are not published, the method of setting the price for Gas for periods after such publication or information in such publications are not published, shall be determined by arbitration pursuant to Article XVIII. The arbitrators so selected shall be required to select an alternate index or pricing mechanism that reflects the current market value of Gas delivered from the applicable Supply Basin on the applicable Transporter. Arbitration shall not apply to the replacement of a Market Index, which the Parties agree must be mutually agreed to by the Parties.

ARTICLE VIII

TRANSPORTATION AND BALANCING ARRANGEMENTS

8.1 Transportation Arrangements - Marketer shall be responsible for all arrangements necessary to deliver the Gas sold under this Agreement to the Delivery Point, including entering into Transportation Contracts with Transporters and administering such agreements and making payment of any transportation charges thereunder. Marketer shall be responsible for arranging or entering into on behalf of Company all arrangements necessary to deliver Gas sold under this Agreement from the Delivery Point to the Plant, administering such agreements and making payment of any transportation charges thereunder. Except as set forth in Article XVII, Section 8.3 and

Section 8.4, Marketer shall assume any and all liability arising out of or relating to any Transportation Contract entered into by Marketer (whether in its own name or on behalf of the Company or assigned to the Company) necessary to cause the delivery at the Delivery Point or the Plant of the Gas purchased by Company under this Agreement. Such transportation arrangements shall be made in accordance with the approved Fuel Purchase Plan, or if failing approval of the Fuel Purchase Plan, the Default Fuel Purchase Plan. Subject to its obligation to arrange for the delivery of Gas to Company at the Plant in accordance with this Agreement, Marketer shall have full and complete control over the utilization of the Transportation Contracts, including without limitation the manner and timing of any receipts, deliveries or transportation of Gas under such contracts. Company and Marketer shall cooperate (a) to ensure that nominations (including any necessary adjustments thereto) are made timely to Transporters and that such nominations reflect the actual expected deliveries and receipts and (b) to respond to any directives of Transporters concerning the receipts, deliveries and imbalances under the Transportation Contracts. Company agrees to cooperate with Marketer to designate, appoint, nominate, delegate or to grant such powers of attorney that will permit Marketer to enter into and administer (including without limitation, the handling of nominations and balancing requirements and the receipt and payment of invoices) all Transportation Contracts applicable to the transportation on behalf of the Company from the Delivery Point to the Plant. If such designation, appointment, nomination, delegation or power is not provided, then the Parties will cooperate to amend the terms of this Agreement or the terms of any outstanding Confirmation Letters to reflect the inability of Marketer to administer such Transportation Contracts for transportation from the Delivery Point to the Plant. Marketer shall indemnify and hold Company harmless from any and all claims, costs, losses, liabilities or damages arising out of or relating to any Transportation Contract, except as otherwise set forth in this Agreement (including pursuant to Article XVII, Section 8.3 or Section 8.4) or to the extent that such claims, costs, losses, liabilities or damages are caused by Company's breach of this Agreement. If Marketer or Company is required to provide letters of credit, guarantees or other security to Transporters to obtain transportation to deliver the Gas sold under this Agreement to the Plant, then Marketer shall provide such letters of credit, guarantees or other security, subject to being reimbursed by Company for any associated costs.

8.2 Operational Balancing Agreement - Marketer will use commercially reasonable efforts to include the deliveries at the Delivery Point within its Operational Balancing Agreement ("OBA") at such point. Furthermore, if permitted by the Transporter delivering Gas to the Plant, Company agrees to appoint Marketer as its agent to enter into and maintain an OBA with such Transporter, in accordance with such Transporter's tariff for deliveries at the Plant. Any variance between actual deliveries and scheduled deliveries at the Delivery Point or the Plant will be allocated to the

applicable OBA. Marketer shall be responsible for correcting any such variation or imbalance under the OBA; provided that Company will use reasonable efforts to cooperate with Marketer to correct any such imbalance or variation under the OBA and to respond to any directives of Transporter concerning receipts, deliveries and imbalances under the Transportation Contract. Company will reimburse Marketer for (a) any unauthorized overrun charges where (i) Company has submitted nominations in accordance with Section 6.6 or (ii) Marketer has submitted nominations in accordance with Section 6.6, and, in either case, Marketer notified Company of the quantities of Gas confirmed and authorized by the Transporter and Company took in excess of such quantities, (b) any penalties or charges that are imposed by Transporter due to Company's failure to cooperate with a directive of the pipeline, such as operational flow orders, alert Days, line pack or draft orders or curtailment orders, (c) such other charges, penalties or losses that are imposed without notice and without ability of either Party to cure that are caused by Company's failure to notify Marketer pursuant to Section 6.6 of any changes in the Gas requirements of the Plant due to operations at the Plant recognizing the procedures required during an initial period consistent with Section 2.2(c), (d) if Marketer is not the purchaser of the full electrical output of the Plant for any reason under the Power Marketing Agreement, any scheduling penalties caused by Company's failure to accurately nominate Gas deliveries in accordance with Section 6.6, or (e) such other charges, penalties or losses caused by the Company's failure to respond to the directives of the Transporter. Marketer will be responsible for all other penalties or charges imposed by Transporter under the OBA.

8.3 Imbalances and Penalties - Despite the efforts described above, the Parties acknowledge that (a) imbalances between receipts and deliveries and variances between scheduled quantities and actual quantities may occur and (b) the Transportation Contract may provide for the payment of penalties, including without limitation imbalance, cashout and scheduling penalties. Marketer shall be responsible for any penalties or charges assessed by Transporter upstream of the Delivery Point (or upstream of the Plant if Marketer is delegated responsibility to administer the transportation of gas to the Plant), under the Transportation Contracts, provided that if the Power Marketing Agreement is not in effect and Company is required to submit nominations to Marketer in accordance with Section 6.6, then Company shall be responsible for the portion of such penalties or charges (including but not limited to any losses resulting from a "cash-out" procedure) that are caused by Company's failure to receive the Nominated Quantity. Any Party that receives a notice of an imbalance or scheduling error, or the imposition of a penalty or charge which is the responsibility of the other Party agrees to (a) provide notice to the other Party of such an occurrence and (b) if possible under the circumstances, provide the other Party with a reasonable opportunity to dispute such penalty or charge prior to paying the Transporter. After complying with the above, the

Party which pays a penalty which is the responsibility of the other Party shall be reimbursed by such other Party within thirty (30) Days of a demand, along with any supporting documentation. The Parties will cooperate to schedule, confirm and adjust nominations as soon as practicable to accurately reflect the quantities to be delivered at the Plant and minimize the incurrence of the penalties set forth above.

8.4 Transportation Limitation - If a Transporter interrupts, curtails or otherwise fails to receive, transport or deliver the Gas sold under this Agreement, then Marketer's obligation to deliver Gas under this Agreement will be suspended for that portion of the quantities interrupted or curtailed by such Transporter for so long as such interruption or curtailment of deliveries continues; provided that (a) subject to the reimbursement of any incremental costs by Company, Marketer will use all reasonable efforts to locate alternate supplies and/or transportation arrangements in order to maintain deliveries of Gas under this Agreement and (b) Marketer's obligations to deliver Gas at the Plant pursuant to Firm Service under this Agreement, including but not limited to its obligation to deliver Gas under the Default Fuel Purchase Plan, shall not be suspended to the extent that Transporter interrupts, curtails or otherwise fails to receive, transport or deliver Gas sold under this Agreement pursuant to a Transportation Contract providing Interruptible Service, or where Marketer could not obtain firm capacity at a secondary receipt or delivery point or on a secondary transportation path or due to Marketer's negligence or default under any Transportation Contract. For avoidance of doubt, Marketer's obligation to deliver Gas to the Plant under the terms of this Agreement shall not be excused solely as a result of the failure of Iroquois Gas Transmission System, L.P. ("Iroquois") to construct and put into operation certain compression facilities as contemplated by that certain Precedent Agreement, dated July 20, 1998 between Iroquois and El Paso Energy Marketing Canada Limited and by any document amending, modifying or clarifying such agreement.

ARTICLE IX

QUALITY AND PRESSURE

9.1 Quality Requirements - Marketer will cause the delivery of Gas at the Plant that meets the quality specifications as set forth in the Transportation Contract of the Transporter delivering Gas to the Plant. If Marketer fails to deliver Gas in accordance with such quality specifications, then the Company shall have the right to reject such non-conforming Gas supplies and Company shall retain any and all remedies, including without limitation the right to seek alternative supplies or any damages due to any harm to the Plant, arising from Marketer's failure to deliver Gas meeting such quality

specifications as if Marketer failed to deliver such Gas supplies in accordance with Section 6.7(a).

9.2 Pressure Requirements - The Gas shall be delivered at the Plant at the pressure existing in the facilities of the Transporter delivering Gas to the Plant. Marketer shall submit for the Company's prior review and approval any provisions in Transportation Contracts entered into with the Transporter delivering gas to the Plant that are associated with the minimum and maximum pressure obligations of the Transporter. The Company shall bear any costs or fees associated the delivery of gas at defined pressure requirements of the Company. For avoidance of doubt, to the extent that the installation of any compression facilities on Iroquois' pipeline system is delayed beyond the required completion date to meet the pressure specifications of Company, then Marketer agrees to cooperate with Company to install any necessary compression facilities at or near the Plant in order to meet such pressure requirements. Company agrees to provide Marketer such pressure specifications within ten days of the execution of the Financing Agreements.

ARTICLE X

MEASUREMENT AND TESTS

10.1 Measurement Point - The Gas sold under this Agreement shall be measured at or near the Plant at pressures in existence from time to time and shall be corrected to the unit of measurement, which shall be one MMBtu.

10.2 Standards for Measurement and Tests - Unless specified herein to the contrary, the standards for measurement and tests shall be governed by those standards set forth in the tariff of the Transporter delivering the Gas to the Plant.

10.3 Operation of Measurement Facilities - Marketer, as the shipper or the agent for Company under the Transportation Contract with Transporter, shall cause Transporter to operate the measurement facilities involved in metering and receiving Gas at the Plant in accordance with such Transporter's effective tariff or the relevant Transportation Contract. Said operation shall include the changing of all charts, calculation of volumes and the calibration, maintenance, adjustments and the repair of such meter facilities in accordance with the tariff of the Transporter delivering Gas to the Plant or the relevant Transportation Contract under which such Gas is delivered to the Plant. To the extent either Party has access rights to the Plant, including the measurement facilities, that Party will provide similar access to the other Party, to the extent permitted, to fulfill any rights or obligations under this Agreement.

ARTICLE XI
FUEL OIL SALES





ARTICLE XII

DELIVERY POINT

The Delivery Point for all Gas and Fuel Oil sold and delivered under this Agreement shall be those specified in Exhibit E.

ARTICLE XIII

TITLE AND TAXES

13.1 Transfer of Title, Possession and Control - Title to the Gas and Fuel Oil sold under this Agreement shall pass from Marketer to Company upon delivery of said Gas and Fuel Oil at the Delivery Point. As between the Parties, Marketer shall be deemed to be in control and possession of all Gas and Fuel Oil delivered under this Agreement and shall indemnify and hold Company harmless from any damage, injury or losses which occur prior to delivery to Company at the Delivery Point except to the extent caused by the gross negligence or willful misconduct of Company; otherwise, subject to Section 8.1, Company shall be deemed to be in exclusive control and possession thereof and shall indemnify and hold Marketer harmless from any other injury, damage or losses except to the extent caused by the gross negligence or willful misconduct of Marketer.

13.2 Warranty of Title - Marketer warrants title to all Gas and Fuel Oil delivered under this Agreement by Marketer or that Marketer has the right to sell the same, and that such Gas and Fuel Oil is free from liens and adverse claims of every kind.

Marketer will indemnify and save Company harmless against all loss, damage and expense of every character on account of adverse claims to the Gas and Fuel Oil delivered by it before delivery of the Gas and Fuel Oil to the Company at the Delivery Point.

13.3 Taxes - The following terms shall apply with regard to the payment of Taxes:

(a) Existing Taxes - Marketer will be responsible and pay for all Taxes existing on the date of this Agreement that are assessed or levied on the Gas and Fuel Oil prior to the delivery of such Gas and Fuel Oil to Company, or for Company's account at the Delivery Point. Company will be responsible for and will pay all other Taxes existing on the date of this Agreement that are assessed or levied on the Gas and Fuel Oil at and after delivery of such Gas and Fuel Oil to Company, or for Company's account, at the Delivery Point. The Parties shall cooperate to obtain and to provide any available certificates of exemption or other evidence of exemption from taxes that might otherwise apply.

(b) New or Increased Taxes - Notwithstanding anything to the contrary, Company shall also reimburse Marketer for any new or increased Taxes over and above those in effect as of the date of this Agreement (the "New Taxes") which are levied on the Gas and Fuel Oil sold pursuant to this Agreement; provided that Company shall not be required to reimburse Marketer for any portion of the New Taxes that are reflected in the established Price under this Agreement. If the Parties are unable to agree upon whether the New Taxes are reflected in the established Price under this Agreement, then either Party may submit the dispute to be resolved or determined by arbitration pursuant to Article XVIII. If submitted to arbitration, the Marketer must demonstrate the New Taxes are not included in the established price according to industry practice. For avoidance of doubt, "New Taxes" shall be deemed to include any Tax that, although it was in effect on the date of this Agreement, the application or interpretation of such Tax was changed by the governmental body having jurisdiction over such matter.

ARTICLE XIV

TERM OF AGREEMENT

14.1 Primary Term - This Agreement shall become effective on the date of this Agreement (the "Effective Date") and shall continue in full force and effect for a

primary term of twenty (20) years from the Commercial Operations Date, unless earlier terminated pursuant to another provision in this Agreement.

14.2 Extension - This Agreement shall remain in full force and effect from year to year after the primary term, unless and until terminated by either Party upon giving six months' prior written notice to the other Party.

14.3 Termination Right - Marketer shall have the right to terminate this Agreement (a) at any time prior to the Financial Closing for the Plant if such Financial Closing has not occurred on or before March 31, 2000 and (b) at any time prior to the Commercial Operations Date if such Commercial Operations Date has not occurred on or before December 31, 2002.

ARTICLE XV

BILLING AND PAYMENT

15.1 Billing and Payment - Marketer shall render to Company, at the address indicated in Section 20.5, on or before the fifteenth (15th) Day of each calendar month an invoice for all Gas and Fuel Oil purchased during the preceding month according to the measurements, computations, and prices provided herein. Invoices may be based initially upon estimates, but will be corrected to actuals as soon as possible. Company agrees to make payment under this Agreement to Marketer for its account in available funds by wire transfer at such location as Marketer may from time to time designate in writing; provided that the Parties recognize that Marketer has entered into a Subordination Agreement with the Company and the Lenders, pursuant to which certain payments under this Agreement are subordinated to other expenses of the Company, and that the terms of such agreement are incorporated in this Agreement and shall govern the payment and subordination of such amounts. Payment shall be made by Company on or before the 25th day of the month following the deliveries of the Gas and Fuel Oil under this Agreement. If Marketer owes to Company amounts determined under Sections 6.7(a), 6.7(b) or 11.2(a), Company may, in its sole discretion, offset any amounts that it owes Marketer as set forth in an invoice issued under this Section 15.1 against any such amounts Marketer owes Company. If the invoiced amount is not paid when due, then interest on any unpaid amount shall accrue at the then current prime rate of interest of Chase Manhattan Bank, N.A., not to exceed any applicable maximum lawful rate, together with any court costs, reasonable attorneys' fees and all other costs of collection which Marketer may incur in enforcing the terms of this Agreement. If such default continues thirty (30) Days after written notice from Marketer to Company, then Marketer, after giving the Lenders notice thereof and the right to cure within such period, may

suspend Gas deliveries under this Agreement without liability and without prejudice to other remedies. Notwithstanding the above, if a good faith dispute arises between the Parties over the amounts due under the invoice for any matters, then Company will pay that portion of the statement not in dispute on or before the due date and both Parties will continue to perform their obligations under this Agreement during such dispute; provided that (a) Company will be required to provide in writing, within thirty (30) Days, the reasons for its dispute, (b) Company will be required to provide, within thirty (30) Days of a written request by Marketer, a good and sufficient surety bond guaranteeing payment to Marketer of any portion of the amount ultimately found due that is not subject to subordination under the terms of the Subordination Agreement and (c) in the event Company and Marketer are unable to resolve the disputed portion of the bill within sixty (60) Days, the matter shall be submitted to arbitration under the provisions of Article XVIII.

15.2 Adjustments to Payments - If any overcharge or undercharge in any form whatsoever shall at any time be found and the bill therefor has been paid, Marketer shall refund the amount of any overcharge received by Marketer and Company shall pay the amount of any undercharge, within thirty (30) Days after final determination thereof; provided, there shall be no retroactive adjustment of any overcharge or undercharge if the matter is not brought to the attention of the other Party in writing within the earlier of (a) twelve (12) months following the date deliveries under this Agreement were made regarding which overcharge or undercharge apply or (b) the period in which the statements and payments to the Transporter delivering Gas to the Plant become final for transportation of Gas under this Agreement.

15.3 Review of Books and Records - Company and Marketer shall have the right to inspect and examine, or cause to be inspected and examined at reasonable business hours and upon reasonable advance notice, the books, records and charts of the other (pertaining to the sale of Gas and Fuel Oil under this Agreement or any other charge or fee arising under this Agreement) to the extent necessary to verify the accuracy of any invoice, charge or computation made pursuant to this Agreement.

ARTICLE XVI

REGULATORY BODIES

16.1 Laws and Regulations - This Agreement shall be subject to all valid applicable governmental laws and orders, regulatory authorizations, directives, rules and regulations of any governmental body or official having jurisdiction over the Parties, their facilities, the Gas or the Fuel Oil this Agreement or any provision thereof; but

nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any such law, order, rule or regulation in any forum having jurisdiction.

16.2 Reliance on Law - The Parties are entitled to act in accordance with a law until such law is amended, reversed or otherwise disposed in a final nonappealable order.

16.3 Cooperation - The Parties shall cooperate to ensure compliance with all governmental regulation, including obtaining and maintaining all necessary regulatory authorizations or any reasonable exchange or provision of information needed for filing or reporting requirements. For avoidance of doubt, (a) Marketer shall be responsible for obtaining and maintaining, or causing its Affiliates to obtain and maintain, any necessary regulatory authorizations that are necessary to export Gas sold under this Agreement from Canada and (b) Marketer shall be responsible for causing to be obtained and maintained on behalf of the Company any necessary regulatory authorizations that are necessary to import Gas sold under this Agreement into the United States, with regard to any Gas that is to be sourced from Canada.

16.4 Changes in Law or Regulation - If any federal or state statute or regulation or order by a court of law or regulatory authority directly or indirectly (a) prohibits performance under this Agreement, or (b) makes such performance illegal or impossible, or (c) effects a change in a substantive provision of this Agreement which has a significant material adverse impact upon the ability of either Party to perform its obligations under this Agreement, then the Parties will use all reasonable efforts to revise the Agreement so that (a) performance under the Agreement is no longer prohibited, illegal, impossible or is no longer impacted in a material adverse fashion, and (b) the Agreement is revised in a manner that preserves, to the maximum extent possible, the respective positions of the Parties. Each Party will provide reasonable and prompt notice to the other Party as to any proposed law, regulations or any regulatory proceedings or actions that could affect the rights and obligations of the Parties. If the Parties are unable to revise the Agreement in accordance with the above, then the Party whose performance is rendered prohibited, illegal, impossible or is impacted in a material adverse manner shall have the right to, at its sole discretion, suspend this Agreement upon thirty (30) days' prior written notice and to terminate this Agreement upon ninety (90) days prior written notice, such notices to be provided to the other Party and the Lenders to the extent required under the Financing Agreements.

ARTICLE XVII

FORCE MAJEURE

17.1 Suspension of Receipt and Delivery Obligations - If Company or Marketer is rendered unable, wholly or in part, by force majeure to perform obligations under this Agreement or a Confirmation Letter, other than the obligation to make payments due under this Agreement or a Confirmation Letter, it is agreed that the performance of the respective obligations of Marketer and Company to deliver or purchase and receive Gas or Fuel Oil, so far as they are affected by force majeure, shall be excused and suspended from the inception of any such inability until it is corrected, but for no longer period. Company or Marketer, whichever is claiming such inability, shall give notice thereof to the other as soon as practicable after the occurrence of the force majeure. Such notice may be given orally or in writing, but, if given orally, it shall be promptly confirmed in writing, giving reasonably full particulars. Such inability shall be promptly corrected to the extent it may be corrected through the exercise of reasonable diligence by the Party claiming inability by reason of force majeure.

17.2 Liability During Force Majeure - Neither Company nor Marketer shall be liable to the other for any losses or damages, regardless of the nature thereof and however occurring, whether such losses or damages be direct or indirect, immediate or remote, by reason of, caused by, arising out of or in any way attributable to suspension of the performance of any obligation of either Party to the extent that such suspension occurs because a Party is rendered unable, wholly or in part, by force majeure to perform its obligations.

17.3 Definition of Force Majeure - The term "force majeure" as used herein shall mean, cover and include acts of God, epidemics, landslides, hurricanes, floods, washouts, lightning, earthquakes, storms, perils of the sea, hurricane or storm warnings (to the extent that such warnings cause an evacuation of facilities and restrict service under this Agreement), restraints of any court or governmental or regulatory authorities, acts of civil disorder, acts of industrial disorder of a general nature, accidents to Company's facilities or any storage or pipeline system of a Transporter, the freezing of Marketer's or its suppliers' wells, lines of pipe, storage facilities or other equipment, necessities for making repairs or alternations to machinery, wells, platforms, lines of pipe, storage facilities, pumps, compressors, valves, gauges or any other similar equipment to the extent such repairs or alterations are required or caused by Force Majeure as defined herein, cratering, blowout or similar physical failure of any well or wells to produce, or any cause, whether of the kind herein enumerated or otherwise, that (a) restricts or prevents performance under this Agreement, and (b) is not reasonably within the control,

or caused by the default or negligence, of the party claiming suspension and could not be avoided or overcome by the exercise of due care provided, however, the settlement of any labor dispute to prevent or end any act of industrial disorder shall be within the sole discretion of the Party to this Agreement involved in such labor dispute, and the above requirement that an inability shall be corrected with reasonable diligence shall not apply to labor disputes. The inability of Marketer to obtain and resell Gas and Fuel Oil supplies at a profit, and the failure of Marketer to obtain gas supply, fuel oil or transportation (other than due to Force Majeure as defined herein or due to the failure of a Transporter to complete the pipeline facilities continuing from the Plant to the pipeline system of Iroquois and the facilities necessary to connect these pipeline facilities to the pipeline system of Iroquois) and the financial inability to perform, shall not constitute events of Force Majeure under this Agreement.

17.4 Termination - If a force majeure event continues for a period of ninety (90) consecutive Days, then the Party which did not claim such force majeure may at any time thereafter terminate this Agreement upon thirty (30) Days prior written notice provided to the other Party (and to the Lenders to the extent required pursuant to the Financing Agreements) to the extent the force majeure event has not been corrected prior to the expiration of such notice period.

ARTICLE XVII

ARBITRATION

18.1 Submission of Dispute for Arbitration – Except as set forth in Section 18.5, any controversy under this Agreement shall be resolved by a board of arbitration, consisting of three members, upon notice of submission given by either Party, which notice shall also name one (1) arbitrator. The Party receiving such notice, shall, by notice to the other Party within ten (10) Days thereafter, name the second arbitrator, or failing to do so, the Party giving notice of submission shall name the second arbitrator. The two (2) arbitrators so appointed shall name a third arbitrator, or, failing to do so within ten (10) Days, the third arbitrator shall be appointed by the person who is the senior (in terms of service) actively-sitting judge of the United States District Court for the District where Company's principal place of business is located.

18.2 Qualifications of Arbitrators - The arbitrators shall be qualified by education, experience and training in the Gas or Fuel Oil industry to decide upon the particular question in dispute.

18.3 Arbitration Proceedings - The arbitrators so appointed, after giving the Parties due notice of the date of a hearing and reasonable opportunity to be heard, shall promptly hear the controversy in the area where Company's principal place of business is located and shall thereafter render their decision determining said controversy no later than ninety (90) Days after such board has been appointed. Any decision requires the support of a majority of the arbitrators. If the board of arbitration is unable to reach such decision, new arbitrators will be named and shall act under this Agreement, at the request of either Party, in a like manner as if none had been previously named. After the presentation of evidence has been concluded, each party shall submit to the arbitrators a final offer of its proposed resolution of the dispute. The arbitrators shall approve the final offer of one party, without modification and reject that of the other. In considering the evidence and deciding which final offer to approve, the arbitrators shall be guided by the criteria described in the applicable section of this Agreement.

18.4 Arbitrator's Decision - The decision of the arbitrators shall be rendered in writing and supported by written reasons. The decision of the arbitrators shall be final and binding upon the Parties and will be complied with by the Parties. The Parties agree that the decision of the arbitrators shall be kept confidential in accordance with Section 20.1 of this Agreement. Each Party shall bear the expenses of its chosen arbitrator, and the expenses of the third arbitrator shall be borne equally by the Parties. Each Party shall bear the compensation and expenses of its legal counsel, witnesses and employees.

18.5 Expedited Decision - If the Parties are unable to agree upon an adjustment to the calculation of the Default Index Price in accordance with Section 2.6(a)(ii), then the matter shall be resolved by arbitration pursuant to Sections 18.1 through 18.4 above, except as set forth below:

(a) The matter shall be resolved by one arbitrator selected by the Parties, or failing agreement of the Parties within five (5) Days, the arbitrator shall be appointed by the person who is the senior (in terms of service) actively-sitting judge of the United States District Court for the District where Company's principal place of business is located;

(b) The arbitrator shall hold a hearing and render a decision within ten (10) Days of his appointment; and

(c) The expenses of the sole arbitrator shall be borne equally by the Parties.

ARTICLE XIX

DEFAULT

19.1 Default Remedies - If an Event of Default shall occur, then the non-defaulting party may (a) subject to Sections 6.7, 11.2 and 21.2, exercise any remedy it may have at law, in equity or provided in this Agreement, (b) in addition to its other remedies, elect to terminate this Agreement in accordance with this Section 19.1, or (c) in the case of Company's failure to pay in accordance with Section 19.2(a), Marketer may either terminate this Agreement or suspend deliveries of Gas and Fuel Oil upon thirty (30) days' prior written notice. Prior to exercising any right to terminate this Agreement, the non-defaulting Party shall provide the defaulting Party (and the Lenders to the extent required pursuant to the Financing Agreements) written notice of the Event of Default.

19.2 Events of Default - An "Event of Default" shall mean:

(a) Failure to Pay - Except as permitted in whole or in part by this Agreement, the failure of either Party to make payments in full and when due pursuant to this Agreement, which failure is not cured within thirty (30) days after written notice of such default by the non-defaulting Party to the defaulting Party and the Lenders to the extent required pursuant to the Financing Agreements;

(b) Failure to Deliver - Except as expressly excused under this Agreement, the failure of Marketer to deliver Gas or Fuel Oil supplies in accordance with this Agreement for a period of 60 consecutive days or 60 days in any 120 day period;

(c) Failure to Perform - Except with respect to the payment of amounts owed under this Agreement which is governed by Section 19.2(a) and except with respect to Marketer's failure to deliver in accordance with this Agreement which is governed by Section 19.2(b), the failure of either Party to perform any of its material obligations under this Agreement and such failure is not cured within 45 Days after written notice thereof by the non-defaulting Party provided to the defaulting Party (and the Lenders to the extent required pursuant to the Financing Agreements) specifying the failure; provided that if the nature of the failure is such that the Event of Default cannot be cured within such 45 Day period and if the defaulting Party has commenced and is diligently pursuing such cure, such period shall be extended for such further period not to exceed three months after the notice of the default, as shall be necessary for non-defaulting Party to cure the failure;

(d) Voluntary Bankruptcy - Either Party files for or becomes subject to voluntary bankruptcy or similar proceedings; or

(e) Involuntary Bankruptcy - Either Party has filed against it involuntary bankruptcy or similar proceedings and such proceedings are not dismissed or stayed within ninety (90) Days; provided however, that the events described in (d) and (e) of this Section 19.2 shall not constitute an Event of Default if the debtor in possession, trustee, or other party exercising control over the assets of the party in default affirms this Agreement within a reasonable period of time and provides evidence reasonably satisfactory to the non-defaulting Party of the ability to continue the performance of the defaulting party's obligations under this Agreement.

ARTICLE XX

MISCELLANEOUS

20.1 Confidentiality - Except as necessary to obtain transportation of the Gas and Fuel Oil sold under this Agreement, any notices to Lenders or as otherwise provided herein, Marketer and Company agree to maintain the confidentiality of this Agreement and each of the terms and conditions of this Agreement and any information provided pursuant to this Agreement, including without limitation the information set forth in Sections 2.2(d) and 6.5, and Marketer and Company agree not to divulge same to any third party except to the extent, and only to the extent, required by law, court order or the order or regulation of an administrative agency having jurisdiction over Company and Marketer. If required to be disclosed, then the Party subject to the disclosure requirement shall (a) notify the other Party immediately and (b) cooperate to the fullest extent in seeking whatever confidential status may be available to protect any material so disclosed. The Parties shall be entitled to all remedies available at law or in equity to enforce or seek relief in connection with these confidentiality obligations.

20.2 No Incidental, Consequential or Punitive Damages - Unless expressly provided for herein, the Parties hereto waive any and all rights, claims, or causes of action arising under this Agreement for incidental, consequential, tortious, exemplary or punitive damages. Any damages resulting from a breach of this Agreement by either Party shall be limited to actual damages incurred by the Party claiming damages.

20.3 Waiver of Deceptive Trade Practices - MARKETER AND COMPANY CERTIFY THAT THEY ARE NOT "CONSUMERS" WITHIN THE

MEANING OF THE TEXAS DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, SUBCHAPTER E OF CHAPTER 17, SECTIONS 17.41 ET SEQ. AMENDED (THE "DTPA"). THE PARTIES COVENANT, FOR THEMSELVES TO THE EXTENT DTPA IS APPLICABLE, (A) THE PARTIES ARE "BUSINESS CONSUMER" THEREUNDER, (B) EACH PARTY HEREBY WAIVES AND RELEASES ALL OF ITS RIGHTS AND REMEDIES THEREUNDER (OTHER THAN SECTION 17.55; TEXAS BUSINESS AND COMMERCE CODE) AS APPLICABLE TO THE OTHER PARTY AND ITS SUCCESSORS AND ASSIGNS, AND (C) EACH PARTY SHALL DEFEND AND INDEMNIFY THE OTHER FROM AND AGAINST ANY AND ALL OF THEIR AFFILIATES BASED IN WHOLE OR IN PART ON THE DTPA, ARISING OUT OF OUR IN CONNECTION WITH THE TRANSACTION SET FORTH IN THIS AGREEMENT.

20.4 Third Party Beneficiaries - Neither Company nor Marketer intend for the provisions of this Agreement to benefit any third party. No third party shall have any right to enforce the terms of this Agreement against Company or Marketer other than the Lenders for so long as obligations remain outstanding under the Financing Agreements.

20.5 Notices - Except as otherwise expressly provided in this Agreement, every notice, request, statement and invoice provided in this Agreement shall be in writing directed to the Party to whom given, made or delivered at such Party's address as follows:

Company:

MILFORD POWER COMPANY, L.L.C.

200 High Street, 5th Floor

Boston, MA 02110

Telephone: 617-747-9100

Facsimile: 617-747-9101

Attention: Michael Armitage

Marketer:

EL PASO GAS MARKETING COMPANY

1001 Louisiana Street

Houston, Texas 77002

Telephone: 713-420-4103

Facsimile: 713-420-7817

Attention: Senior Vice President, Marketing

Either Company or Marketer may change one or more of its addresses for receiving invoices, statements, notices and payments by notifying the other in the manner as provided above. All written notices, requests, statements and invoices shall be considered transmitted at the time of delivery, if hand delivered, or, if delivered by mail, on the second working Day after mailing; if transmitted by telephone or other oral means or by facsimile or other form of electronic or telegraphic communication, all such notices shall be considered transmitted at the time of oral communication or at the time the facsimile or other form of electronic or telegraphic communication was sent.

20.6 Choice of Law - THE PARTIES AGREE THAT THE LAW OF THE STATE OF TEXAS SHALL CONTROL CONSTRUCTION, INTERPRETATION, VALIDITY, AND/OR ENFORCEMENT OF THIS AGREEMENT, EXCLUSIVE OF THE CHOICE OF LAW PROVISIONS OF SUCH LAWS.

20.7 Assignment - All provisions of this Agreement shall extend to and be binding on the successors and assigns of the Parties hereto insofar as applicable to the rights and obligations succeeded to or assigned, but no succession or assignment shall relieve the assigning or succeeded to Party of its obligations without the written consent of the other Party, which consent shall not be unreasonably withheld. Nothing in this section prevents either Party from pledging or mortgaging all or any part of such Party's property as security. Except with regard to any sale associated with a foreclosure by the Lenders pursuant to the Financing Agreements, Company shall require any purchaser or lessee of Company's Plant to assume the obligations under this Agreement to the extent so directed by Marketer. Marketer's designation of an Affiliate to meet its sales and delivery obligations under this Agreement shall not relieve Marketer of its obligations under this Agreement.

20.8 Entire Agreement - The terms and conditions contained in this Agreement, along with any Confirmation Letters, Exhibits, schedules or other agreements entered into by the Parties to document a Transaction under this Agreement constitute the full and complete agreement between the Parties and any change to be made must be

submitted in writing and agreed to by both Parties. Subject to Section 3.1, if there is any conflict between this Agreement and any Confirmation Letter, then the terms of the Confirmation Letter shall govern.

20.9 Recording of Transaction - The Parties agree that (i) each may electronically record all telephone conversations between them relating to any Transaction, (ii) each waives any further notice of such monitoring or recording, and agrees to notify its officers and employees of such monitoring or recording and to obtain any necessary consent of such officers and employees and an electric recording of the oral agreement of the Parties maybe used as evidence of to the terms set forth in a Confirmation Letter.

20.10 Severability - Except as otherwise stated herein, any article or section declared or rendered unlawful by a court of law or regulatory authority with jurisdiction over the Parties or deemed unlawful because of a statutory change will not otherwise affect the lawful obligations that arise under this Agreement.

20.11 Enforceability - Each Party represents that it has all necessary power and authority to enter into and perform its obligations under this Agreement and that this Agreement constitutes a legal, valid and binding obligation of that Party enforceable against it in accordance with its terms, except as such enforceability may be affected by any bankruptcy law or the application of principles of equity.

IN WITNESS WHEREOF, this Agreement is executed in multiple counterparts, each of which is an original as of the date first written above.

MILFORD POWER COMPANY, L.L.C.

By: *PDC Milford Power, LLC, its Member*

By: _____

Name: _____

Title: _____

EL PASO GAS MARKETING COMPANY

By: _____

Name: _____

Title: _____

EXHIBIT A
LIST OF LAWS AND PERMITS

EXHIBIT B

DEFINITIONS AND INTERPRETATIONS

1.1 Definitions - Unless expressly stated otherwise, the following terms as used in this Agreement shall mean:

Advisory Fee shall mean the fee set forth in Section 4.2.

Annual Period shall mean the one year period commencing on November 1 of each year, with the first Annual Period commencing on November 1 after the Commercial Operations Date.

Arbitrage Margin is defined in Section 5.1.

Btu shall mean British Thermal Unit(s) which shall mean that amount of heat energy required to raise the temperature of one avoirdupois pound of water from fifty-nine-degrees Fahrenheit (59°F) to sixty-degrees Fahrenheit (60°F) at standard atmospheric pressure, as determined on a dry basis. All prices and charges paid under this Agreement shall be computed on a "dry" Btu basis. Any indices reported will be converted on a dry basis before being utilized.

Business Day shall mean any Day except Saturday, Sunday or Federal Reserve Bank holidays

Capacity Margin is defined in Section 5.1.

Commercial Operations Date shall mean the date on which the Company informs Marketer that the Plant is available to commence operation on a continuous, full-time, commercial basis.

Commission shall mean the commission set forth in Section 4.1.

Company shall mean Milford Power Company, L.L.C.

Confirmation Letter shall mean a written verification of a Transaction which Marketer shall, from time to time pursuant to the terms of this Agreement, submit to Company setting forth the terms and conditions applicable to the sale of Gas and Fuel Oil. The form of Confirmation Letter is attached as Exhibit C.

CPI shall mean the "Consumer Price Index" for all Items for the Boston Metropolitan Area, as published monthly in the "Monthly Labor Review" of the Bureau

of Labor Statistics of the United States Department of Labor. If at any time the Consumer Price Index is no longer used, the term "CPI" shall mean an index comparable to the Consumer Price Index and published by the Bureau of Labor Statistics of the United States of Labor.

Day shall mean the period of time defined as "Day" or "daily" in the effective tariff or other operating rules, policies or procedures of the Transporter delivering Gas to the Plant.

Default Fuel Purchase Plan shall have the meaning set forth in Section 2.6.

Default Index Price shall have the meaning set forth in Section 2.6.

Default Transportation Rate shall mean the generally applicable transportation rate for transportation of Gas on a firm basis from the applicable Supply Basin to the Plant. On or before ninety days prior to the Commercial Operations Date, the Parties shall use all reasonable efforts to attempt to agree upon any available published indices or other methodologies that reflect the current market value of transportation of Gas from the applicable Supply Basins to the Plant. If the Parties are unable to reach such agreement by such date, the method of setting the Default Transportation Rate shall be determined by arbitration pursuant to Article XVIII. The arbitrators so selected shall be required to select indices or a pricing mechanism that reflects the current market value for transportation of Gas on a firm basis from the applicable Supply Basin to the Plant.

Deficiency Quantity shall have the meaning set forth in Section 6.7(a).

Delivered Dracut Index shall mean the sum of (1) the commercially reasonable price reasonably available in the commercial market during bid week for the applicable month for Gas purchased and sold at Dracut, Massachusetts and (2) the applicable Default Transportation Rate to deliver the gas from such pricing point to the Plant.

Delivered Menden Index shall mean the sum of (1) the commercially reasonable price reasonably available in the commercial market during bid week for the applicable month for Gas purchased and sold at Menden, Massachusetts and (2) the applicable Default Transportation Rate to deliver the gas from such pricing point to the Plant.

Delivered Niagara Index shall mean (1) the commercially reasonable price reasonably available in the commercial market during bid week for the applicable month

for Gas purchased and sold at Niagara and (2) the applicable Default Transportation Rate to deliver the gas from such pricing point to the Plant.

Delivered Shelton Index shall mean (1) the commercially reasonable price reasonably available in the commercial market during bid week for the applicable month in for Gas purchased and sold at Shelton, Connecticut and (2) the applicable Default Transportation Rate to deliver the gas from such pricing point to the Plant.

Delivered TGPL Zone 1 Index shall mean (1) the commercially reasonable price reasonably available in commercial market during bid week for the applicable month for Gas purchased and sold at TGPL Zone 1 and (2) the applicable Default Transportation Rate to deliver the gas from such pricing point to the Plant.

Delivery Point shall mean the point at which title to the Gas and Fuel Oil, possession and risk of loss transfers from Marketer to Company as more fully described in Exhibit E.

Dispatch Margin is defined in Section 5.2.

Effective Date is the date of this Agreement.

Event of Default is defined in Section 19.2.

Excess Capacity is defined in Section 5.3.

Excess Gas is defined in Section 5.3.

Excess Gas / Capacity Margin is defined in Section 5.3.

Financial Closing shall mean the date of first draw of funds under the non-recourse portion of the Financing Agreements.

Financing Agreements shall mean the credit agreement, security agreements, equity funding agreements, Subordination Agreement, interest rate protection agreements with any Lender associated with financing the costs of developing and constructing the Plant.

Firm Service shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Article VIII related to its interruption after the nomination is made to the Transporter and

until the change in deliveries and/or receipts is confirmed by the Transporter. The Marketer shall reduce such nominations as soon as practicable to mitigate the effects of force majeure.

Fuel Purchase Plan shall mean the plan developed and approved for each Annual Period for the supply of Gas and Fuel Oil to the Plant in accordance with Section 2.2.

Fuel Oil shall mean [REDACTED] distillate oil that meets the quality specifications set forth in Exhibit D.

Fuel Oil Deficiency Quantity is defined in Section 11.2(a).

Fuel Oil Index shall have the meaning set forth in Section 2.2(b).

Fuel Oil Penalties shall have the meaning set forth in Section 11.2(a).

Fuel Oil Replacement Price is defined in Section 11.2(a).

Funding and Settlement Agreement shall mean the agreement entered into by the affiliates of the members of the Company dated the same date as this Agreement, pursuant to which such parties set forth their agreement, among other things, to reduce the Commission under this Agreement based upon the level of the unspent contingency under the Financing Agreements.

Gas shall mean casinghead gas, natural gas from gas wells, and residue gas resulting from processing casinghead gas and gas well gas.

Gas Margin is defined in Section 5.1.

Imbalance Charges shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

Interruptible Service shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Article VIII related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter. The Marketer shall reduce such nominations as soon as practicable to mitigate the effects of Force Majeure.

ISO shall mean the independent system operator that has assumed responsibility for the operation of the NEPOOL control center and the administration of the NEPOOL open access transmission tariff subject to the regulation of the Federal Energy Regulatory Commission.

Laws and Permits is defined in the fifth recital of this Agreement.

Lenders shall mean any financial institutions or other lenders that provide capital to finance the costs to develop and construct the Plant.

Marketer shall mean El Paso Gas Marketing Company.

Market Index is defined in Section 2.6(a)(iii).

Mcf shall mean one thousand (1,000) cubic feet at a pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch absolute and at a temperature of sixty degrees (60°) Fahrenheit, with correction from Boyle's Law.

MMBtu shall mean one million (1,000,000) Btus.

Month shall mean the period of time beginning on the first calendar Day of each calendar month and ending on the first Day of the following calendar month.

MDQ or Maximum Daily Quantity shall mean the daily quantity agreed to by the Parties as specified in the Confirmation Letter.

"NEPOOL Agreement" means the Restated New England Power Pool Agreement dated as of November 1, 1997, and any amendments to such agreement made from time to time.

New England Market Index is defined in Section 2.2(a)(ii).

Nominated Quantity is defined in Section 6.6(a).

O&M Agreement shall mean the Operating and Maintenance Agreement to be entered by Company with a qualified entity to operate and maintain the Plant.

OBA is defined in Section 8.2.

Party shall mean Marketer or Company, individually. Parties shall mean Marketer and Company, collectively.

Penalties is defined in Section 6.7(a).

Plant shall have the meaning set forth in the second recital of this Agreement.

Plant Profits is defined in Section 6.7(a).

Power Marketer means El Paso Power Services Company

Power Marketing Agreement means the power marketing agreement dated on the same date as this Agreement between Power Marketer and Company.

Price shall mean the amount or pricing mechanism agreed to by the Parties as specified in the Confirmation Letter.

Quality shall mean, for purposes of Section 6.1 and Section 11.1, the quality of the Marketer's fuel delivery obligation, such as Firm Service, Interruptible Service or similar service term.

Quantity shall mean the quantity of fuel to be sold and delivered by Marketer and purchased and received by Company.

Replacement Price is defined in Section 6.7(a).

Subordination Agreement shall mean the Subordination Agreement to be entered into between Marketer, Company and Lenders (as agent and collateral agent), pursuant to which certain payments owed by the Company to Marketer under this Agreement are subordinated to the other expenses of the Company, including debt service under the Financing Agreements.

Supply Basin shall mean any location which (A) represent liquid and transparent pricing points at which Marketer can, on a consistent basis using reasonable efforts, purchase and sell Gas supplies and trade financial derivatives thereof and (B) are points from which Firm service or the functional equivalent is readily available from the pricing point to the Plant.

Supply Index is defined in Section 2.2(a)(ii).

Tax shall mean any tax levied, assessed or claimed to be due by any federal, state, county, tribal, or municipal government or any other governmental agency having jurisdiction to do so.

Total Firm MDQ is defined in Section 6.3.

Total Interruptible MDQ is defined in Section 6.2.

Transaction shall mean a particular, specifically agreed-to purchase or sale of Gas or Fuel Oil for delivery or receipt to be performed under this Agreement, as evidenced by a Confirmation Letter or oral recording if a Confirmation Letter has not been sent.

Transportation Contract shall mean (a) any transportation contract entered into by and between Marketer and Transporter or (b) any transportation contract entered into by and between Transporter and Company or Marketer on behalf of Company, in either case pursuant to Section 8.1.

Transporter shall mean the pipeline(s) or gathering line(s) engaged by Marketer to deliver Gas to the Delivery Point and the pipeline(s) engaged by Company or by Marketer on behalf of the Company to deliver Gas from the Delivery Point to the Plant.

Year shall mean a period of twelve (12) consecutive months, commencing on the first Day of the month following the Commercial Operations Date, as defined in Article XIV, and each subsequent twelve (12) month period; provided that the first year will include the period from the Commercial Operations Date until the first Day of the following month if the Commercial Operations Date is not on the first Day of a month.

1.2 Interpretations - Unless expressly provided for elsewhere in this Agreement, this Agreement shall be interpreted in accordance with the following provisions:

(a) Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine, or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

(b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(c) A reference to a person, corporation, trust, partnership, or other entity includes any of them.

(d) The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(e) All references in this Agreement to articles, sections or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections, or subdivisions of another document or instrument.

(f) A reference to any agreement or document (including without limitation a reference to this Agreement) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this Agreement or that other agreement or document.

(g) No waiver by either Party of any default by the other Party in the performance of any provision, condition or requirement herein shall be deemed to be a waiver of, or in any manner release the other Party from, performance of any other provision, condition or requirement herein, nor shall such waiver be deemed to be a waiver of, or in any manner a release of, the other Party from future performance of the same provision, condition or requirement. Any delay or omission of either Party to exercise any right hereunder shall not impair the exercise of any such right, or any like right, accruing to it thereafter. The failure of either Party to perform its obligations hereunder shall not release the other Party from the performance of such obligations.

(h) A reference to any party to this Agreement or another agreement or document includes the party's successors and assigns.

(i) A reference to legislation or to a provision of legislation includes a modification or reenactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(j) A reference to writing includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form.

(k) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, subsection, schedule and exhibit references are to this Agreement unless otherwise specified.

EXHIBIT C

CONFIRMATION LETTER

CONFIRMATION DATE: _____

CONTRACT #: _____ **CONTRACT DATE:** _____

COMPANY: (COMPANY NAME)
(COUNTERPARTY)

COMPANY:

ATTN:

PHONE #: (713/ 420-5000)

FAX #: (713/ 420-7817)

ATTN:

PHONE #:

FAX #:

This Confirmation Letter serves to confirm our understanding of the following transaction between El Paso Gas Marketing Company and Milford Power Company, L.L.C. When executed by Milford Power Company, L.L.C., this Confirmation Letter will also serve to amend the above referenced Agreement to provide for the following transaction:

TERM:

QUANTITY:

PIPELINE:

PRICE:

DELIVERY POINT:

RECEIPT AND DELIVERY OBLIGATION:

SPECIAL TERMS & CONDITIONS:

This Confirmation Letter is subject to the terms of the above referenced Contract. Please confirm that the foregoing correctly expresses our verbal agreement by signing in the space provided below and returning an executed copy of this Confirmation by facsimile (Fax #713/420-7817) to El Paso Gas Marketing Company. Your response should be signed by an employee of the company who has the authority to enter into this transaction, and should be executed by you and received by El Paso Gas Marketing Company no later than 5:00 p.m. CT on the Business Day following the above date. In the event El Paso Gas Marketing Company has

not received an executed copy of written objections thereto from you by 5:00 p.m.
CT on the Business Day following the above date, this Confirmation Letter shall be
deemed to be accepted by Milford Power Company, L.L.C.

MILFORD POWER COMPANY, L.L.C.

EL PASO GAS MARKETING COMPANY

By: _____
Title: _____

By: _____
Title: _____

TRADE #

EXHIBIT D
FUEL OIL QUALITY SPECIFICATIONS

[not awarded herein]

EXHIBIT E
DELIVERY POINT

Gas Delivery Point

The Delivery Point for Gas under this Agreement shall be at a point nominated by Marketer and shall be set forth in the Fuel Purchase Plan and the Confirmation Letters.

Fuel Oil Delivery Point

The Delivery Point for Fuel Oil under this Agreement shall be at a point nominated by Marketer and shall be set forth in the Fuel Purchase Plan and the Confirmation Letters.

Default Plan Delivery Point

The Delivery Point for Gas sold under this Agreement pursuant to a Default Fuel Purchase Plan shall be at points at or near the Default Index Locations that are located outside of the states of Connecticut and New York. For Gas sold under this Agreement that is sourced from Canada the Delivery Point shall be at the United States – Canadian border; provided that for purposes of reporting the quantities exported from Canada and imported into the United States, the Parties agree that the measurement point for such Gas shall be at the last measurement station in Canada prior to such border. The Delivery Point for Fuel Oil sold under this Agreement pursuant to a Default Fuel Purchase Plan shall be at or near the pricing point set forth in Section 2.6(b). If the Parties are unable to mutually agree upon the location of such default Delivery Points within twenty (20) days, then the Parties shall submit such a determination to arbitration in accordance with Article XVIII. The arbitrators shall determine whether the proposed points represent liquid and active trading points at which Marketer can, on a consistent basis using reasonable efforts, purchase and sell Gas supplies and Fuel Oil in or near NEPOOL and outside the states of Connecticut and New York. If the arbitrators determine that the pricing points proposed by the Party seeking redetermination are consistent with the preceding sentence, such proposed delivery points shall become the means for determining the Delivery Points. Until such Delivery Points are finally redetermined, the prior Delivery Points in effect at the time of a determination is requested shall remain in effect.

OPINION OF COUNSEL

June ~~22~~ 1999

Mr. Anthony Como
Director, Office of Coal & Electricity
Office of Fuels Program
Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3F-056, FE-50
1000 Independence Avenue, S.W.
Washington, D. C. 20585

Dear Mr. Como:

Pursuant to Section 590.202(c) of the Regulations of Energy, Office of Fossil Energy, 10 C.F.R. Section 590.202(c), this opinion of counsel is hereby furnished in connection with the Application of Milford Power Company, LLC ("Applicant") for authorization to import natural gas from Canada pursuant to Section 3 of the Natural Gas Act.

In respect of the above, I am of the opinion that:

1. Applicant is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware; and
2. The proposed importation of natural gas is within the corporate power of Applicant.

Respectfully submitted,

MILFORD POWER COMPANY, LLC

By: Robert W. Baker
Robert W. Baker
Milford Power Company, LLC

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

REC'D DOE/FE
1999 AUG 26 A 9:02

_____)
MILFORD POWER COMPANY, LLC) FE DOCKET NO. 99-48-NG
_____)

ORDER GRANTING LONG-TERM AUTHORIZATION TO
IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1507

August 26, 1999

I. DESCRIPTION OF REQUEST

On June 23, 1999, as supplemented on June 24, 1999, Milford Power Company LLC (Milford) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),^{1/} and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import from Canada up to 75,000 Mcf of natural gas per day over a 20-year term (a total of 547 Bcf). Milford, a limited liability company organized and existing under the laws of the State of Delaware, with its principal place of business in Milford, Connecticut, is jointly owned by El Paso Milford Power I Company (El Paso I), El Paso Milford Power II Company (El Paso II), and PDC Milford Power LLC. El Paso I and II are subsidiaries of El Paso Energy Corporation, a diversified energy company with interests in power generation, natural gas pipelines, gas gathering and processing facilities and natural gas and power marketing. PDC Power LLC is a subsidiary of Power Development Company, Inc., a developer of independent power generation facilities in the United States.

Milford will use the imported volumes as fuel for a 540 MW gas-fired combined cycle power generation facility near Milford, Connecticut, which it will own and operate. Commercial operation is expected on or about March 2001. Milford states that the natural gas requirements of the plant will be approximately 96,000 Mcf per day and that these supplies will come from both domestic and Canadian sources, with the majority expected from Canada. Milford will sell the full output of its facility to El Paso Power Services Company (EPPS). EPPS will in turn sell the output in the wholesale power market in the U.S. Northeastern power grid. Milford has also

^{1/} 15 U.S.C. § 717b.

requested authority to import gas on a daily basis that is in excess of that required for use at the facility for resale to third parties.

The gas would be transported from Canada to the United States markets through the pipeline facilities of TransCanada PipeLines Limited (TCPL) and Tennessee Gas Pipelines Company at Niagara Falls, New York, and TCPL and Iroquois Gas Transmission System L.P. at Waddington, New York. Milford would purchase the imported gas from El Paso Gas Marketing Company (EPGM) under a Fuel Purchase Agreement dated March 25, 1999.

Under the agreement, Milford will purchase the gas in accordance with a fuel purchase plan recommended by EPGM and approved by Milford through Confirmation Letters, using one of the following pricing mechanisms: (i) a supply index-based price, plus applicable and reasonable fees, premiums and surcharges; (ii) a market index-based price (New England Market Index), plus applicable and reasonable fees, premiums and surcharges; and (iii) a test gas price consistent with daily market prices. If Milford and EPGM do not agree on a fuel purchase plan then a default purchase plan will be implemented (not to exceed three months in duration). The default pricing mechanism utilizes a basket of market-based indices in the Northeast. Milford and EPGM anticipate entering into one or more long-term import arrangements prior to the commencement of commercial operations in March 2001. The requested authorization will not require the construction of new pipeline facilities.

II. FINDING

The application filed by Milford has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Milford to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Milford Power Company, LLC (Milford) is authorized to import up to 75,000 Mcf of natural gas per day from Canada in accordance with the "Fuel Purchase Agreement" between Milford and El Paso Gas Marketing Company (EPGM) dated March 25, 1999. This natural gas may be imported from Canada at Niagara Falls or Waddington, New York.

B. The term of this authorization is for 20 years, beginning on the date of first delivery pursuant to this Order.

C. Within two weeks after the date of first delivery, Milford shall provide written notification to the Office of Natural Gas & Petroleum Import & Export Activities of the date that the first import of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, Milford shall file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following each calendar quarter, reports indicating whether imports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports of natural gas have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, Milford must report by contract and import point, the total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border.

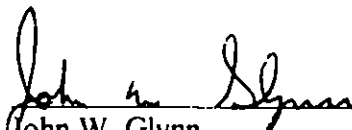
E. With respect to any volumes imported which are in excess of that required for use by Milford in its power generation facility and which Milford resells to third parties, the quarterly reports shall provide the details of each transaction, including the names(s) of the purchaser(s), geographic market(s) served (by States), and the volume in Mcf.

F. With respect to the Confirmation Letters executed under the Fuel Purchase Agreement for any import arrangement(s), within 2 weeks of their execution, Milford shall file with the Office of Natural Gas & Petroleum Import & Export Activities a copy of the executed Confirmation Letters. The executed Confirmation Letter shall contain at a minimum the following information: (1) the term of the contract; (2) the daily contract demand in Mcf (3) the identification of the exporter/seller of the gas if other than EPGM; (4) the date of the first import; and (5) the point of entry for this supply on the international border.

G. The notifications, Confirmation Letters, and reports required by Ordering Paragraphs C, D, and F of this Order shall be filed with the Office of Natural Gas & Petroleum Import & Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

H. The first quarterly report required by Ordering Paragraphs D and E of this Order is due 30 days following the quarter in which the first import of natural gas occurs.

Issued in Washington, D.C., on August 26, 1999.



John W. Glynn
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy