

DICKSTEINSHAPIROLLP

1825 Eye Street NW | Washington, DC 20006-5403
TEL (202) 420 2200 | FAX (202) 420-2201 | dicksteinshapiro.com

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SEP 19 2007

DOCKETMASTER

September 18, 2007

By Email and U.S. Mail

larine.moore@hq.doe.gov

Ms. Larine Moore
Docket Room Manager, Natural Gas Regulation
Office for Oil and Gas Global Security
Docket Room 3E-042, FE-34
Fossil Energy, U.S. Department of Energy (FE-34)
PO Box 44375
Washington, D.C. 20026-4375

Re: Application of KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery Long Island) for Long-Term Authorization to Import and Export Natural Gas from and to Canada, FE Docket No. 07-101NG
(ANE/BP Contract)

Dear Ms. Moore:

Please find enclosed for filing an original and three copies of the Application of KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery Long Island) ("KeySpan Long Island") for Long-Term Authorization to Import and Export Natural Gas from and to Canada. Also enclosed is a check in the amount of \$50.00, made payable to the U.S. Department of Treasury, for the filing fee.

A copy of KeySpan Long Island's application is also being transmitted to you as of the date of this letter by email. Thank you for your assistance.

Sincerely,



Joan M. Darby
(202) 420-2745
darbyj@dicksteinshapiro.com

Enclosures

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SEP 19 2007

DOE/OFE/NGR

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

IN THE MATTER OF)

KEYSPAN GAS EAST CORPORATION)
(D/B/A KEYSpan ENERGY DELIVERY)
LONG ISLAND))

FE Docket No. 07- 101 - NG

APPLICATION OF KEYSpan LONG ISLAND
FOR LONG-TERM AUTHORIZATION TO IMPORT AND EXPORT
NATURAL GAS FROM AND TO CANADA

Pursuant to Section 3 of the Natural Gas Act (“NGA”), 15 U.S.C. § 717b, the regulations of the Department of Energy (“DOE”), 10 C.F.R. § 590.201, et seq., and DOE Delegation Order Nos. 0204-111 and 0204-127, KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery Long Island) (“KeySpan Long Island”) hereby applies to DOE’s Office of Fossil Energy (“OFE”) for long-term authority to import and export from and to Canada natural gas purchased under the terms of the Back to Back Agreement (ANE/BP Contract) between Alberta Northeast Gas Limited (“ANE”), KeySpan Long Island and five other local distribution companies¹ dated September 1, 2006 (“Back to Back Agreement”). The Back to Back Agreement incorporates the terms of the Long Haul Term Gas Supply Contract between ANE and BP Canada Energy Company (“BP”) also dated September 1, 2006 (“Long Haul

¹ The five other local distribution companies that are signatory to the Back to Back Agreement are The Brooklyn Union Gas Company (d/b/a KeySpan Energy Delivery New York), Consolidated Edison Company of New York, Inc., Central Hudson Gas & Electric Corporation (a subsidiary of CH Energy Group, Inc.), New York State Electric & Gas Corporation (a subsidiary of Energy East) and The Narragansett Electric Company. KeySpan Long Island and the other five companies are referred to collectively as the “Repurchasers.”

Agreement”) pursuant to which ANE will purchase the subject volumes from BP.² In support of its application, KeySpan Long Island states the following:

I.

The exact legal name of KeySpan Long Island is KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery Long Island). KeySpan Long Island, a local natural gas distribution company, is a New York corporation with its principal place of business in Brooklyn, New York. Its parent company is KeySpan Corporation, a New York corporation, which has its principal place of business in Brooklyn, New York. As stated in the attached opinion of counsel (Exhibit A), the proposed natural gas importation and exportation are within the corporate powers of KeySpan Long Island.

Communications regarding the application should be directed to:

John Allocca
KeySpan Gas East Corporation
One Metro Tech Center, 21st Floor
Brooklyn, NY 11201-3850
Tel: (718) 403-2009
Fax: (718) 596-7802
jallocca@keyspanenergy.com

Beth L. Webb
Joan M. Darby
Dickstein Shapiro LLP
1825 Eye Street, N.W.
Washington, DC 20006
Tel: (202) 420-2200
Fax: (202) 420-2201
webbb@dicksteinshapiro.com
darbyj@dicksteinshapiro.com

² KeySpan Long Island attaches to the original and copies of this application a redacted version of each of the Long Haul Agreement and the Back to Back Agreement as Exhibit B and Exhibit C, respectively. KeySpan Long Island has provided one copy of each of those agreements to OFE in complete, unredacted form, which copies KeySpan Long Island requests OFE to return after its review is completed.

II.

The authorization sought herein will permit KeySpan Long Island to import and export from and to Canada up to 92,409 MMBtu of natural gas per day for a period commencing on November 1, 2007 (or such later date of first delivery under the authorization) and extending through October 31, 2010; the total volume for which KeySpan Long Island seeks authorization over the three-year term is 101.5 Bcf of natural gas. KeySpan Long Island intends to utilize the gas imported under this authorization for system supply to serve the customers in its service territory.³

All of the gas imported under the requested authorization will be purchased from ANE under the terms of the Back to Back Agreement between ANE and the Repurchasers and, as incorporated therein, the terms of the Long Haul Agreement between ANE and BP. ANE is a Canadian corporation that acts as a conduit for the purchase of gas from Canadian suppliers and its resale to local distribution companies in the Northeast United States, including KeySpan Long Island. Consistent with the structure of ANE's operations that flows through to these local distribution companies the benefits and obligations of being a direct purchaser of Canadian gas, the Back to Back Agreement flows through to KeySpan Long Island and the other Repurchasers all of ANE's rights and obligations under the Long Haul Agreement.⁴ Thus, the terms of the proposed imports are set by the Long Haul Agreement as well as the Back to Back Agreement; these terms are described in Section III below.

³ KeySpan Long Island is also requesting authority to export natural gas to Canada to make it possible for KeySpan Long Island to sell to customers in Canada, on any given day, the volumes that it now plans to import under the authorization it is requesting herein.

⁴ The OFE authorized a similar import arrangement by KeySpan Long Island's predecessor, Long Island Lighting Company, among other Northeastern local distribution companies, through ANE in *Brooklyn Union Gas Company, et al.*, 1 FE ¶¶ 70,285 and 70,370 (1990) (DOE/FE Orders Nos. 368 et seq.)

No new pipeline facilities subject to federal regulation will be required for the importation or exportation, and no potential environmental impact is anticipated. KeySpan Long Island will make all U.S. transportation arrangements for the gas imported and exported under the requested authority. The gas will be transported in the United States on existing facilities of Iroquois Gas Transmission System, L.P. (“Iroquois”). ANE will not own or operate any natural gas facilities. All gas delivered to ANE by BP under the Long Haul Agreement will be resold, immediately upon its receipt, by ANE to KeySpan Long Island under the Back to Back Agreement. Such gas will be received by Iroquois from TransCanada PipeLines Limited (“TransCanada”) for the account of KeySpan Long Island.

KeySpan Long Island will comply with all reporting requirements deemed necessary by OFE, including filing quarterly reports.

III.

The principal terms of the Long Haul Agreement, incorporated in the Back to Back Agreement, are as follows:

Contract Term. The Long Haul Agreement became effective, subject to the receipt of regulatory approvals, on September 1, 2006 and the contract term continues through October 31, 2010, unless earlier terminated under the terms of the Long Haul Agreement. The contract term of the Back to Back Agreement is co-extensive.

Commencement of Deliveries. The period of delivery commences on November 1, 2007 and continues through October 31, 2010.

Delivery Point. The point of delivery will be a point on the international boundary between Canada and the United States at or near the point of interconnection between the facilities of TransCanada and the facilities of Iroquois at or near Iroquois, Ontario.

Contract Quantity. The Daily Contract Quantity (“DCQ”) under the Long Haul Agreement is 92,409 MMBtu per day. Under the terms of the Back to Back Agreement, KeySpan Long Island’s “Aliquot Share” of that DCQ is 36.6% or 33,831 MMBtu per day. The contract provisions permit KeySpan Long Island flexibility with respect to both its monthly and daily nominations up to its Aliquot Share of the DCQ. In addition, KeySpan Long Island may purchase the volumes in excess of its Aliquot Share of the DCQ in the event that one or more other Repurchasers elects not to purchase its Aliquot Share of the DCQ for any specified period of time. In such event, ANE shall offer such volumes for sale to the other Repurchasers and KeySpan Long Island would have the opportunity to purchase additional volumes.⁵

Price. The price under the Long Haul Agreement is comprised of a commodity charge, as well as the demand and commodity charges for gas transportation in Canada. The commodity charge generally is based on a specified index price. Under the Back to Back Agreement, KeySpan Long Island is also responsible to pay all costs and expenses incurred by ANE in connection with the Long Haul Agreement.

IV.

Section 3 of the Natural Gas Act provides that an import or export of natural gas must be authorized unless there is a finding that it “will not be consistent with the public interest.” 15 U.S.C. § 717b(a) (1993). As amended by Section 201 of the Energy Policy Act of 1992, P.L. 102-486, 106 Stat. 2866 (1992), 15 U.S.C. § 717b(c) (1993), the importation and exportation of natural gas from and to “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

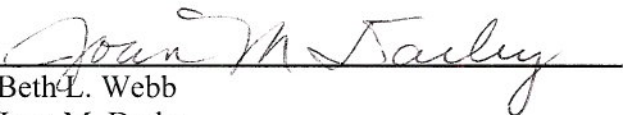
⁵ The authorized volume requested by this Application reflects the full DCQ under the Long Haul Agreement because of the theoretical possibility that KeySpan Long Island could purchase that volume if all other Repurchasers elected not to purchase their Aliquot Shares of the DCQ. This request is consistent with the similar import arrangement through ANE previously authorized by OFE. *See n. 4 supra.*

the public interest” and authorization for such must be granted without modification or delay. 15 U.S.C. § 717b(c). The authorization sought by KeySpan Long Island is to import and export natural gas from and to Canada, a nation with which a free trade agreement is in effect. It therefore meets the Section 3(c) criterion and should be approved as consistent with the public interest.

WHEREFORE, KeySpan Long Island respectfully requests authorization, effective as of November 1, 2007, to import and export from and to Canada up to 92,409 MMBtu of natural gas per day for a period beginning on November 1, 2007 (or such later date of first delivery under the authorization) and extending through October 31, 2010 or 101.5 Bcf of natural gas over the three-year term.

Dated: September 18, 2007

Respectfully submitted,

By: 
Beth L. Webb
Joan M. Darby
Dickstein Shapiro LLP
1825 Eye Street, N.W.
Washington, DC 20006
(202) 420-2200

Attorneys for Alberta Northeast Gas Limited, acting
as agent for KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)

EXHIBIT A

Opinion of Counsel



KeySpan Corporation
One MetroTech Center
Brooklyn, NY 11201-3851
Tel 718 403-3320
Fax 718 403-2809
E-Mail: jbishar@keyspanenergy.com
www.keyspanenergy.com

John J. Bishar, Jr.
Executive Vice President,
General Counsel and
Chief Governance Officer

August 3, 2007

Office of Natural Gas & Petroleum
Import & Export Activities
Fossil Energy, U.S. Department of Energy
1000 Independence Avenue SW
Washington, D.C. 20585

Dear Sirs and Madams:

This opinion is furnished to you pursuant to Section 590.202(c) of the Department of Energy Regulations, 10 C.F.R. §590.202(c) and the Application of KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery Long Island) ("KeySpan Long Island") for Long-Term Authorization to Import and Export Natural Gas from and to Canada. I am counsel to KeySpan Long Island, a corporation organized and existing under the laws of the State of New York, and as such I am familiar with its Certificate of Incorporation and By-laws. Based on the foregoing and for the purposes of the Application to the Office of Fossil Energy, I am of the opinion that the proposed imports and exports as described in the Application will not contravene any of the terms, conditions or provisions of KeySpan Long Island's Certification of Incorporation or By-Laws.

Very truly yours,

John J. Bishar, Jr.

EXHIBIT B

Long Haul Agreement

(redacted)

LONG HAUL TERM GAS SUPPLY AGREEMENT

THIS AGREEMENT is made effective this 1st day of September, 2006 BETWEEN:

BP Canada Energy Company, a Nova Scotia Corporation, with principal offices in Calgary, Alberta (hereinafter referred to as "SELLER")

and

Alberta Northeast Gas Limited, a Canadian Corporation, with principal offices in Beverly, Massachusetts (hereinafter referred to as "BUYER").

SELLER and BUYER are sometimes hereinafter referred to separately as "Party" and jointly as "Parties".

WHEREAS, SELLER has or will have contracted for certain long haul Firm natural gas transportation capacity to the Delivery Point on NGTL and TransCanada.

WHEREAS, BUYER seeks to purchase certain Firm natural gas supplies.

WHEREAS, SELLER desires to sell certain Firm natural gas supplies.

WHEREAS, BUYER will immediately resell the natural gas supplies purchased hereunder to the following natural gas local distribution companies:

- The Brooklyn Union Gas Company (d/b/a Keyspan Energy Delivery New York)
- Keyspan Gas East Corporation (d/b/a Keyspan Energy Delivery Long Island)
- Consolidated Edison Company of New York, Inc.
- Central Hudson Gas & Electric Corporation (a subsidiary of CH Energy Group, Inc.)
- New York State Electric & Gas Corporation (a subsidiary of Energy East)
- The Narragansett Electric Company

pursuant to the Back to Back Agreement between BUYER and the Repurchasers and the Consent Agreement between SELLER, BUYER and the Repurchasers.

WHEREAS, the Parties desire to set forth the terms and conditions applicable to the sale by SELLER and the purchase by BUYER of certain quantities of natural gas.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein SELLER and BUYER mutually agree as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 Definitions

In this Agreement the following capitalized words and phrases have the following meanings:

“**10³m³**” means the quantity of Gas occupying one thousand cubic metres at a temperature of 15 degrees Celsius and at a pressure of 101.325 kilopascals absolute.

“**Agreement**” means this Long Haul Term Gas Supply Agreement.

“**Alternate Commodity Price**”

“**Average Daily Commodity Price**” means

“**Back to Back Agreement**” means that certain agreement titled “Back to Back Agreement (ANE/BP Contract)” of even date herewith, by and between BUYER and the Repurchasers.

“**Business Day**” means any Day, other than a Saturday, a Sunday, a United States Federal holiday, or a Canadian Federal holiday.

“**CCT**” means Central Clock Time, which shall be the prevailing time (standard or daylight savings) in the United States Central Time Zone.

“**Confirmation**” means a document substantially in the form of Exhibit “B” tendered in accordance with Section 10 and confirming the Alternate Commodity Price and Alternate Price Quantity under Section 4.8 or confirming Alternate, Monthly and Daily Nominations or Option Gas under Section 5.

"Consent Agreement" means that certain agreement titled "Assignment and Consent Agreement (ANE/BP Contract)" of even date herewith, by and between BUYER, the Repurchasers and SELLER.

"Contract Price(s)" means

"Contract Year" means a one year period commencing at 9:00 a.m. CCT on November 1 of any year and ending at 9:00 a.m. CCT on November 1 of the next succeeding year. The first Contract Year shall commence at 9:00 a.m. CCT on November 1, 2007.

"Conversion Factors" means (1) Gas stated in 10^3m^3 's will be converted to GJ's using NGTL's posted heating value at the Empress border for the Delivery Month and (2) Gas stated in GJ's will be converted to MMBtu's by dividing the GJ's by 1.055056.

"Daily Commodity Price" means

"Daily Contract Quantity" or **"DCQ"** means a quantity of Gas per Day equal to 92,409 MMBtu/Day or, in the event of a reduction of the Daily Contract Quantity under the terms of this Agreement, such reduced quantity as is determined in accordance therewith.

"Day" means a period of twenty-four consecutive hours, beginning at 9:00 a.m. CCT on any calendar day.

"Deemed Yearly Fuel Allowance" means the fuel percentage rate as agreed to by the Parties prior to November 1st of each year applicable to transportation on TransCanada for a one year period commencing each

November 1st, which agreement shall reflect a weighted blending of anticipated fuel percentage rates for each of the winter and summer seasons on TransCanada from Empress to the Delivery Point and, in the event NGTL, which as of the Effective Date does not have a fuel charge, adopts a fuel charge, the fuel percentage rate as agreed to by the Parties prior to November 1st of each year applicable to transportation on NGTL for a one year period commencing each November 1st, which agreement shall also reflect a weighted blending of anticipated fuel percentage rates for each of the winter and summer seasons on NGTL from AECO C to Empress.

“Deficiency Default” has the meaning set forth in Sections 4.3 and 4.4.

“Deficiency Quantity” has the meaning set forth in Sections 4.3 and 4.4.

“Delivery Month” means the Month in which Gas is or is to be delivered.

“Delivery Point” means a point on the international boundary between Canada and the United States of America at or near the point of interconnection between the facilities of TransCanada and the facilities of Iroquois at or near Iroquois, Ontario.

“Demand Charge” means

“Dollars” (and the symbol “\$”) means dollars, which shall be designated as U.S. Dollars (“US\$”) or Canadian Dollars (“CAD\$”).

“Effective Date” means the date of this Agreement as hereinabove written.

“Exchange Rate” means the published Bank of Canada noon day rate of exchange for CAD\$/US\$ for the first Business Day of the month following the Delivery Month. The Exchange Rate shall be utilized for all conversions for the Delivery Month between US\$ and CAD\$.

“Firm” means the Parties’ obligations are unconditional except in the event of a *Force Majeure* or where excused by the other Party’s failure to perform its obligations hereunder.

“Force Majeure” has the meaning set out in Section 12.

“Gas” means methane and other gaseous hydrocarbons that is consistent with the quality, temperature and pressure standards and specifications of NGTL, TransCanada and Iroquois, as amended from time to time and approved by jurisdictional regulatory authorities.

“GJ” means 1 gigajoule; 1 gigajoule is equal to one million joules; a joule has the meaning specified in the SI system of units.

“Governmental Body” means a federal, state or provincial governmental agency, regulatory body, or legislature with the authority to approve, change, modify or reject any or all of the terms of this Agreement, the Back to Back Agreement, or the Consent Agreement or with the authority to take any other action which affects performance under this Agreement, the Back to Back Agreement, or the Consent Agreement or to grant or deny permits or licenses necessary therefor.

“Guarantor” means any entity that has provided a guarantee or other assurance of performance on behalf of SELLER or on behalf of any Repurchaser.

“Interest” means interest which shall accrue on any amounts owing under this Agreement calculated daily and not compounded for the period of time from the date the payment is due until it is paid, at a rate equal to the Prime Rate as reported in the Money Rates column of the Wall Street Journal on the last Business Day of the preceding month, plus one percent, divided by 365.

“Iroquois” means Iroquois Gas Transmission System, L.P.

“Market Disruption Event” means, with respect to a price index, any of the following events: (i) the failure of the price source to announce or

publish information necessary for determining the Alternate Commodity Price, the Monthly Commodity Price, the Daily Commodity Price or the Average Daily Commodity Price; (ii) the failure of trading to commence or the discontinuation or material suspension of trading in Gas on the exchange or market acting as the price source; (iii) the discontinuance or unavailability of the price source; (iv) the closing of any exchange acting as the price source; or (v) a material change in the formula for, or the method of calculating, a price index used for determining the Alternate Commodity Price, the Monthly Commodity Price, the Daily Commodity Price or the Average Daily Commodity Price.

“**MMBtu**” means one million British thermal units; a British thermal unit has the same meaning as the International Btu (“Btu(IT)”).

“**Month**” means a period of time beginning at 9:00 a.m. CCT on the first Day of any calendar month and ending at 9:00 a.m. CCT on the first Day of the next calendar month.

“**Monthly Commodity Price**” means

“**Monthly Fuel Over or Under Collection**” means the positive or negative differences obtained when the Deemed Yearly Fuel Allowance for each of TransCanada and NGTL (if NGTL is applicable) is subtracted from the published fuel percentage rate for the Delivery Month on each of TransCanada and NGTL (if NGTL is applicable).

“**NGTL**” means Nova Gas Transmission Limited, a subsidiary of TransCanada, or any successor thereto.

“**Period of Delivery**” means the period commencing at 9:00 a.m. CCT on November 1, 2007 and ending at 8:59:59 a.m. CCT on the last Day on which SELLER is obligated to sell and deliver and BUYER is obligated to purchase and receive Gas hereunder, which shall be no later than 8:59:59 a.m. CCT on November 1, 2010.

“**Present Value Discount Rate**” shall mean: (i) if the amount payable is in Canadian currency, the yield of Canadian Government Treasury Bills

with a term closest to the time remaining in the remaining term of this Agreement or other applicable period, plus 100 basis points; or (ii) if the amount payable is in United States currency, the "Ask Yield" interest rate for United States Government Treasury notes as quoted in the "Treasury Bonds, Notes, and Bills" section of the Wall Street Journal most recently published with a term closest to the time remaining in the remaining term of this Agreement or other applicable period, plus 100 basis points.

"Reference Price" means the price, stated in US\$/MMBtu, at which (1) BUYER obtains Gas in substitution for the Seller Deficiency Quantity, adjusted as necessary in a commercially reasonable manner to the extent that the transportation costs for the Repurchasers from the point of the substitute purchase exceed those from the Delivery Point, or (2) SELLER sells the Buyer Deficiency Quantity, adjusted as necessary in a commercially reasonable manner to account for the extent that the transportation costs to the point of the substitute sale exceed those to the Delivery Point and, in either case, converted as necessary utilizing the Conversion Factors and Exchange Rate.

"Replacement Price Differential" means, in the event of a Seller Deficiency Default, the positive difference, if any, obtained by subtracting the applicable Contract Price(s) from the applicable Reference Price, and, in the event of a Buyer Deficiency Default, the positive difference, if any, obtained by subtracting such Reference Price from the applicable Contract Price(s).

"Repurchaser" shall mean any one of the local distribution companies listed in the fourth Recital of this Agreement and **"Repurchasers"** shall mean two or more of the local distribution companies listed in the fourth Recital of this Agreement.

"Scheduled Contract Quantity" shall mean the sum of the Alternate Nomination(s), the Monthly Nomination and the Daily Nomination as determined under Section 5.

"Taxes" means all *ad valorem*, property, occupation, severance, consumption, production, gathering, pipeline, utility, gross production, gross receipts, sales, use, excise and other taxes, governmental charges,

licenses, permits and assessments, other than taxes based on excess profits, net income or net worth.

“**TransCanada**” means TransCanada PipeLines Limited, or any successor thereto.

“**TransCanada Capacity**” means

“**Transportation Commodity Charges**” means

- 1.2 Entire Agreement. This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, whether written or oral, existing at the date hereof between the Parties concerning such subject matter. No amendment, modification or change to this Agreement shall be enforceable unless executed in writing by both Parties. All obligations hereunder are subject to and conditional upon the effectiveness of the Back to Back Agreement, the Consent Agreement and the capacity assignments under the terms of Section 3 of the Consent Agreement.
- 1.3 BUYER and the Repurchasers. It is acknowledged and agreed that BUYER will immediately resell the natural gas supplies to be purchased by BUYER

from SELLER hereunder to the Repurchasers, whose aggregate natural gas supply requirements comprise the DCQ, as set forth in Exhibit "C" hereto, as such Exhibit "C" may be revised from time to time by BUYER, to reflect a reallocation or a reduction of, but not an increase in, the DCQ (i) as agreed by SELLER and BUYER, (ii) as provided under the terms of this Agreement or (iii) upon any assignment by a Repurchaser of its share of the DCQ as set forth in Exhibit "C" hereto to another Repurchaser, provided that the assignee Repurchaser meets the Minimum Rating or posts Adequate Assurance of Performance or SELLER otherwise consents.

2. **TERM.**

- 2.1 Term. This Agreement shall be in full force and effect as of the Effective Date and shall continue in full force and effect for a period ending at 9:00 a.m. CCT on November 1, 2010, unless earlier terminated pursuant to the terms hereof. Deliveries of the Scheduled Contract Quantity shall commence at 9:00 a.m. CCT on the first Day of the Period of Delivery.

3. REPRESENTATIONS AND WARRANTIES

- 3.1 Representations. Each Party, with respect to itself, hereby represents and warrants to the other Party that, as of the Effective Date: (i) there are no suits, proceedings, judgements or orders by or before any court or any Governmental Body that materially adversely affect its ability to perform this Agreement or the rights of the other Party under this Agreement; (ii) subject to Section 8.1, it has the legal right, power and authority to conduct its business, to execute and deliver this Agreement and to perform its obligations hereunder; (iii) the making and performance of this Agreement are within its powers and do not and will not violate any provision of law or any rule, regulation, order, writ, judgement, decree or other determination presently in effect applicable to it or any provision of its governing documents, except any such violations which would not have a material adverse effect; (iv) this Agreement constitutes a legal, valid, and binding act and obligation of it, enforceable against it, subject to bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally; and (v) there are no bankruptcy, insolvency, reorganization, receivership or other proceedings pending, or being contemplated by it or, to its knowledge, threatened against it.
- 3.2 Warranty. SELLER warrants that it shall at the time of delivery have good title to and/or the full right and authority to sell good and merchantable title to all Gas delivered by SELLER to BUYER hereunder, and that such Gas is free and clear from all liens and adverse claims accruing prior to delivery of such Gas to BUYER. SELLER warrants that it shall as of

November 1, 2007 have good title to the TransCanada Capacity on a year-to-year renewable basis

4. QUANTITY OBLIGATIONS

- 4.1 BUYER's Purchase Obligation. BUYER shall purchase and receive from SELLER at the Delivery Point, on a Firm basis each Day during the Period of Delivery, a quantity of Gas equal to the Scheduled Contract Quantity. BUYER shall be the exporter of Gas from Canada and the individual Repurchasers shall be the importers of Gas into the United States.
- 4.2 SELLER's Sales Obligation. SELLER shall sell and deliver to BUYER at the Delivery Point, on a Firm basis each Day during the Period of Delivery, a quantity of gas equal to the Scheduled Contract Quantity.
- 4.3 BUYER's Failure to Receive. If on any Day during the Period of Delivery, BUYER fails to purchase and receive the Scheduled Contract Quantity for such Day at the Delivery Point and such failure is not excused by SELLER's non-performance or pursuant to an event of *Force Majeure*, then such occurrence shall constitute a "Buyer Deficiency Default," and the difference between the Scheduled Contract Quantity for such Day and the quantity of Gas actually purchased and received by BUYER on such Day is the "Buyer Deficiency Quantity." For further clarity, a reduction of an Alternate Nomination or a Monthly Nomination in accordance with Section 5.3 shall not constitute a Buyer Deficiency Default. In the event of a Buyer Deficiency Default, BUYER shall pay SELLER an amount equal to the product of the Buyer Deficiency Quantity multiplied by the Replacement Price Differential, pursuant to the invoicing and payment provisions set forth in Sections 7.1(c) and 7.2 respectively, provided that SELLER has used commercially reasonable efforts to sell the Buyer Deficiency Quantity at the market price that will result in the least amount of damages being incurred. If a Buyer Deficiency Default continues unabated for three (3) consecutive Days, or for five (5) or more cumulative Days in any thirty (30) Day period, and affects five percent (5%) or more of the Scheduled

Contract Quantity on each such Day, such event shall be an Event of Default hereunder and SELLER may, at its sole option, at any time within fifteen (15) Days after the conclusion of either such period, give written notice to BUYER to terminate this Agreement otherwise in accordance with the provisions of Section 7.6.

- 4.4 SELLER's Failure to Deliver. If on any Day during the Period of Delivery, SELLER fails to sell and deliver the Scheduled Contract Quantity for such Day at the Delivery Point and such failure is not excused by BUYER's non-performance or pursuant to an event of *Force Majeure*, then such occurrence shall constitute a "Seller Deficiency Default," and the difference between the Scheduled Contract Quantity for such Day and the quantity of Gas actually sold and delivered by SELLER on such Day is the "Seller Deficiency Quantity." For further clarity, a reduction of an Alternate Nomination or a Monthly Nomination in accordance with Section 5.3 shall not constitute a Seller Deficiency Default. In the event of a Seller Deficiency Default, SELLER shall pay BUYER an amount equal to the product of the Seller Deficiency Quantity multiplied by the Replacement Price Differential, pursuant to the invoicing and payment provisions set forth in Sections 7.1(c) and 7.2 respectively, provided that BUYER has used commercially reasonable efforts to purchase gas in substitution for the Seller Deficiency Quantity at the market price that will result in the least amount of damages being incurred. If a Seller Deficiency Default continues unabated for three (3) consecutive Days, or for five (5) or more cumulative Days in any thirty (30) Day period, and affects five percent (5%) or more of the Scheduled Contract Quantity on each such Day, such event shall be an Event of Default hereunder and BUYER may, at its sole option, at any time within fifteen (15) Days after the conclusion of either such period, give written notice to SELLER to terminate this Agreement otherwise in accordance with the provisions of Section 7.6.
- 4.5 Priority of Deliveries. In the event that on any Day the quantity of Gas delivered and received is for any reason less than the Scheduled Contract Quantity, BUYER shall give written notice to SELLER, no later than two (2) Business Days after the notice of Deficiency Default given under Section 7.1, of the Contract Price(s) applicable to the quantity of Gas not delivered and/or received.

- 4.6 Market Disruption Event. If a Market Disruption Event occurs on any Day, the Parties shall promptly and in good faith negotiate a substitute for the Alternate Commodity Price, Monthly Commodity Price, Daily Commodity Price, or Average Daily Commodity Price, as applicable (or method for determining a substitute for such Price) for the affected Day or Days. If a substitute is not so determined by the third (3rd) Business Day after the Day on which the Market Disruption Event first occurred, then on or before the fifth (5th) Business Day after the Day on which the Market Disruption Event first occurred, each Party shall obtain in good faith and transmit to the other Party up to three quotes from leading dealers for the sale of Gas in the relevant market and the Parties together shall determine the applicable substitute price by averaging all such quotes if four or fewer or, if more than four, averaging the remaining quotes after discarding the highest and lowest.
- 4.7 Redetermination of a Price Index. If a price index required to calculate the Monthly Commodity Price, Daily Commodity Price, Average Daily Commodity Price or the Alternate Commodity Price permanently ceases to be available or a Market Disruption Event affecting such price index continues for seven (7) Days, and no successor price index is identified or generally accepted within the industry, or both Parties do not agree to accept any such generally accepted successor price index, the Parties shall promptly and in good faith negotiate a replacement index for such price index (the "Replacement Price Index"). If the Parties cannot agree on a substitute methodology or price index by the end of the first Month in which a price index ceases to be available, then within ten (10) Days of the end of such Month, each Party shall prepare and submit simultaneously to the other Party a list, numbered in order of preference, of up to five alternate published reference postings or prices representative of spot prices for Gas delivered in or near the point of the price index to be replaced. The Replacement Price Index shall be the index that appears on both Parties' lists and for which the sum of the numbers indicating each Party's order of preference is the lowest; in the event that such sums are the same for two indices, then the choice between the two will be determined by a coin toss for which BUYER calls heads or tails and SELLER tosses the coin in the presence of an authorized representative of BUYER. If no index appears on both Parties' lists, then within ten (10) Days of the most recent exchange of lists, each Party shall prepare and

submit a new list adding two indices. This procedure shall be repeated until a Replacement Price Index is determined. If either Party fails to provide timely a list, the Replacement Price Index shall be the index listed first on the other Party's list. For the first half of the period from and after the date the price index ceases to be available, until the date that the Replacement Price Index is determined, the price index shall be the last price index available, and for the second half of such period, the price index shall be the Replacement Price Index.

4.8 Conversion to an Alternate Commodity Price.

4.9 Alternate Commodity Price Performance Obligation.

(a)

5. OPERATIONS AND DELIVERY

5.1 BUYER's Nominations to SELLER.

5.4 Oral Procedure.

- (a) If the Parties come to an oral agreement regarding an Alternate Price Quantity and an Alternate Commodity Price under Section 4.8, or if BUYER provides any telephone notice to SELLER under Section 5.1 or Section 5.3 (such agreement or notice herein the "Arrangement"), the Parties shall be legally bound by the terms of such Arrangement from the time that the oral agreement is made or the telephone notice is given (which shall be considered to be a "writing" and to have been "signed" by each Party) and acknowledge that each Party will rely thereon in doing business. BUYER shall confirm the terms of any such Arrangement by sending SELLER a Confirmation by any reasonable means, including facsimile or computer facsimile, or any other mutually agreeable means on the same Business Day as the oral agreement is made or the telephone notice is given that constitutes the Arrangement. Failure by any Party to send, or the other Party to return, a Confirmation shall not invalidate any Arrangement. Each Party adopts its confirming letterhead, or the like, as its signature on any Confirmation as the identification and authentication of such Party.
- (b) If BUYER's Confirmation is materially different from SELLER's understanding of the terms of an Arrangement, SELLER shall notify BUYER of any such material differences in writing by 4 p.m. CCT on the first Business Day following the Business Day on which a Confirmation is received by SELLER (the "Confirm Deadline").
- (c) The failure of SELLER to so notify BUYER of any such material differences by the Confirm Deadline constitutes SELLER's acceptance of the terms of the Confirmation. If SELLER has timely disputed the terms of the Confirmation, the Arrangement remains valid and the Parties remain legally bound thereby; however, both Parties shall in good faith attempt to resolve such differences. Once such material differences are resolved, BUYER shall transmit a Confirmation to SELLER, and such Confirmation

shall be deemed accepted if not disputed pursuant to the provisions of this Section. The provisions of this Section may be repeated as many times as necessary to produce a written Confirmation that is accepted or deemed accepted by SELLER.

- (d) If a Confirmation exists which is accepted or deemed accepted under Section 5.4(c), then the terms of the Confirmation shall control to the extent of any conflict between the terms of the Confirmation and any other evidence of the terms. In the absence of a Confirmation that the Parties have accepted or are deemed to have accepted, any evidence may be used to establish the terms of an Arrangement, including, without limitation, a transaction tape, oral testimony, data in a computer system, trade tickets, and/or notes.

- 5.5 Measurement. The volume and energy content of the Gas sold hereunder shall be measured at the Delivery Point by TransCanada. In the event that SELLER receives notice, directly from TransCanada and not otherwise distributed to all shippers of record, (a) that the measurement equipment is to be tested or (b) of the results of any measurement equipment testing performed at the Delivery Point during the term of this Agreement, SELLER shall forward promptly a copy of such notice to BUYER, provided, however, that the failure to forward any such notice shall not be an Event of Default under Section 7.6(b) of this Agreement. If at any time any inaccuracy in such measurement equipment is found, it shall be resolved in accordance with the TransCanada and Iroquois tariffs.

6. POSSESSION AND TITLE

- 6.1 Title Transfer and Indemnity. SELLER shall be responsible for any injury or damage caused by the Gas delivered hereunder up to and including the time it is delivered to BUYER at the Delivery Point. Following delivery of Gas to BUYER at the Delivery Point, BUYER shall be responsible for any injury or damage caused thereby. Title to Gas delivered hereunder shall pass from SELLER to BUYER at the Delivery Point.
- 6.2 Risk of Loss. SELLER and BUYER each assume full responsibility and liability for, and shall indemnify and hold harmless the other Party from all losses, liabilities or claims (including reasonable legal fees and costs of Court), arising from any act or incident related to the Gas occurring when title to the Gas is vested in the indemnifying Party, except to the extent

such act or incident was caused by the gross negligence or wilful misconduct of the other Party.

7. **BILLING AND PAYMENT**

7.1 Invoice Date and Charges.

- (a) By the 10th Day of the Month immediately following the Delivery Month, SELLER shall invoice BUYER for Gas which was delivered and received in the Delivery Month and for any applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. Such amount due shall be the sum of:

together with any other amounts due under this Agreement and reflecting any credits or debits required under this Agreement. If the actual quantity of Gas delivered is not available by such billing date, billing will be prepared based on the Scheduled Contract Quantity, and the invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

(b)

- (c) After either a Seller Deficiency Default or a Buyer Deficiency Default occurs, the performing Party shall provide to the non-performing Party a detailed statement ("Deficiency Default Statement") setting forth the amount due for such Deficiency Default and the basis upon which the amount was calculated pursuant to either Section 4.3 or Section 4.4. The performing Party must notify the non-performing Party of a Deficiency Default no later than two (2) Business Days after the date the performing Party became aware of the Deficiency Default and the performing Party shall provide a Deficiency Default Statement no later than five (5) Business Days after such notice of the Deficiency Default.

7.2 Payment Date. Subject to Section 7.4, BUYER shall pay amounts BUYER owes and SELLER shall pay amounts SELLER owes as set forth in invoices and/or statements under Section 7.1 no later than the Payment Date. For invoices rendered under Section 7.1(a), "Payment Date" means the later of the twenty-fifth Day of the Month following the Delivery Month or the Day fifteen (15) Days after receipt of the invoice, provided that if the Payment Date is not a Business Day, payment is due on the next following Business Day, provided further that if the Payment Date falls on a Friday which is not a Business Day, BUYER shall use commercially reasonable efforts to make payment on the immediately preceding Business Day. For Deficiency Default Statements rendered under Section 7.1(c), "Payment Date" means the fifth Business Day after the non-performing Party receives the Deficiency Default Statement. All payments invoiced under Section 7.1

shall be made in immediately available funds by electronic funds transfer to the payee's account designated on Exhibit "A" hereto.

- 7.3 Late Payment. If the invoiced party fails to remit the full amount payable when due under this Agreement, Interest on the unpaid portion shall accrue from the date payment was due until the date payment is made in full.
- 7.4 Invoice Disputes. If the invoiced party, in good faith, disputes the amount of any such invoice and/or statement under Section 7.1(a), or any part thereof, such invoiced party will pay such amount as it concedes to be correct; if the invoiced party, in good faith, disputes the amount of any Deficiency Default Statement under Section 7.1(c), or any part thereof, such invoiced party will pay such amount in full and the Parties will proceed to resolve such dispute; provided that in either case the invoiced party provides supporting documentation acceptable in industry practice to support the amount disputed. A party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment or computation made under this Agreement. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Agreement. All invoices and statements shall be conclusively presumed final and accurate and all associated claims for under or over payments shall be deemed waived unless such invoices or statements are objected to in writing, with adequate explanation and/or documentation, within two years after the Delivery Month. All retroactive adjustments under this Section 7 shall be paid in full with Interest by the Party owing payment within 30 Days of notice and substantiation of such inaccuracy.
- 7.5 Billing/Payment Address. Billings, payments and statements shall be made to the accounts or the addresses specified in Exhibit "A" hereto, as may be amended from time to time.

7.6 Financial Responsibility.

- (a) The Parties acknowledge and agree that, as of the Effective Date, SELLER and each individual Repurchaser satisfy the Minimum Rating as defined below. For the purposes of this Section 7.6(a), "Impacted Party" means (i) SELLER or, if applicable, its Guarantor or (ii) an individual Repurchaser or, if applicable, its Guarantor, in each case when such entity becomes Materially Weaker (as defined below) or a Designated Event (as defined below) occurs with respect to such entity, causing the resulting, surviving or transferee entity to become Materially Weaker. BUYER (if SELLER or, if applicable, its Guarantor is the Impacted Party) or SELLER (if an individual Repurchaser or, if applicable, its Guarantor is the Impacted Party) (the "Requesting Party") may demand Adequate Assurance of Performance (as defined below) from SELLER or such individual Repurchaser, respectively (the "Assuring Party"), whether or not an Event of Default (as defined below) or another event of non-performance has occurred, which Adequate Assurance of Performance shall be provided by the Assuring Party by the end of the second Business Day after a demand is received, provided, however, that, if an individual Repurchaser is the Impacted Party, SELLER shall be entitled to demand Adequate Assurance of Performance only with respect to such Repurchaser's share of the DCQ as set forth on Exhibit "C" and provided further, however, that neither BUYER nor SELLER shall be entitled to demand Adequate Assurance of Performance from SELLER or an individual Repurchaser, respectively, unless, after the Effective Date of this Agreement, such SELLER or individual Repurchaser has become Materially Weaker or a Designated Event has occurred with respect to such SELLER or individual Repurchaser.
- (i) "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, term and from an issuer reasonably acceptable to the Requesting Party requesting same, including, but not limited to
- (A) a standby irrevocable letter of credit issued by a U.S. commercial bank or the New York branch of a Canadian Bank with such bank having a credit rating of at least "A" from Standard & Poor's ("S&P") or "A3" from Moody's

- Investor Service (“Moody’s”) (Exhibit “D” sets forth provisions of an acceptable letter of credit);
- (B) a guaranty from a third party having a minimum credit rating on its senior unsecured long-term debt (not supported by third-party enhancement) of at least “BBB-” from S&P or “Baa3” from Moody’s and not on Credit Watch with a Negative Outlook or other similar terminology (the “Minimum Rating”); or
 - (C) a cash deposit or prepayment in an amount acceptable to the Requesting Party acting reasonably.
- (ii) “Materially Weaker” shall mean, for the purposes of this Section 7.6(a), where X refers to an Impacted Party, the senior long-term unsecured debt (not supported by third-party enhancement) or deposits of X, or in the event of reorganization, the resulting, surviving or transferee entity of X, is or are, as the case may be, rated less than the Minimum Rating as defined in Section 7.6(a)(i)(B). If X is rated by both S&P and Moody’s during the term of this Agreement, and the lower rating is less than that required for the Minimum Rating, it shall be deemed to be Materially Weaker; if X is not rated by either of S&P and Moody’s during the term of this Agreement, it shall be deemed to be Materially Weaker.
- (iii) “Designated Event” shall mean, for the purposes of this Section 7.6(a), where X refers to an Impacted Party:
- (A) X consolidates, reorganizes, amalgamates or merges with, or transfers all or substantially all its assets to, or receives all or substantially all the assets or obligations of, another entity; or
 - (B) any person or entity acquires directly or indirectly the beneficial ownership of equity securities having the power to elect a majority of the board of directors of X; or
 - (C) X effects any substantial change in its capital structure by means of the issuance or occurrence of debt or preferred

stock or other securities convertible into or exchangeable for, debt or preferred stock; or

(D) X enters into any agreement providing for any of the foregoing.

- (b) For purposes of this Section 7.6(b), any reference to a "Defaulting Party" includes a reference to (1) BUYER, (2) SELLER or its Guarantor, if one, or (3) an individual Repurchaser or its Guarantor, if one, as applicable. In the event (each an "Event of Default") the Defaulting Party:
- (i) makes an assignment or any general arrangement for the benefit of creditors;
 - (ii) files a petition or otherwise commences, authorizes, or acquiesces in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or has such petition filed or proceeding commenced against it;
 - (iii) otherwise becomes bankrupt or insolvent (however evidenced);
 - (iv) is unable to pay its debts as they fall due;
 - (v) has a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets;
 - (vi) fails to provide, establish or maintain for, or on behalf of, SELLER or an individual Repurchaser, respectively, any Adequate Assurance of Performance as required under Section 7.6(a) or otherwise fails to perform any obligation with respect to any Adequate Assurance of Performance so provided or established;
 - (vii) has not paid any amount due the other Party under this Agreement or the Back to Back Agreement on or before the end of the second Business Day following written notice that such payment was not received on the date payment was due;
 - (viii) fails to receive or deliver Gas for the specified periods set forth in Sections 4.3 or 4.4; or

- (ix) fails to perform any other material obligation to the other Party under this Agreement which is not cured within five (5) Business Days of notice of such failure;

then SELLER (if BUYER, an individual Repurchaser or an individual Repurchaser's Guarantor is the Defaulting Party) or BUYER (if SELLER or its Guarantor is the Defaulting Party) (the "Non-Defaulting Party") shall have the right, in addition to any and all other remedies available hereunder, at its sole election, (x) immediately and for such period as the Event of Default is continuing (or for such extended period provided in Sections 4.3 and 4.4) to withhold and/or suspend deliveries or payments upon notice for a period of up to thirty (30) Days, and/or (y) immediately or after any period of suspension, and for such period as the Event of Default is continuing (or for such extended period provided in Sections 4.3 and 4.4), to terminate and liquidate this Agreement, in the manner hereafter provided in this Section 7.6; provided, however, that if one or more individual Repurchasers is a Defaulting Party, and BUYER has so notified SELLER, then such Repurchaser, and not BUYER, shall be the Defaulting Party for purposes of this Section 7.6 and SELLER's rights shall be limited to that portion of this Agreement representing the portion of the DCQ allocated as set forth on Exhibit "C" to the Repurchaser that is the Defaulting Party (the "Defaulted Portion") and, in the case of termination, SELLER's rights shall be subject to the right of any other Repurchaser to assume the rights and obligations under the Back to Back Agreement of the Defaulted Portion as long as each such assuming Repurchaser meets the Minimum Rating or posts Adequate Assurance of Performance, or SELLER otherwise consents, and

- (c) In the event of a *Force Majeure* that continues unabated for thirty (30) consecutive Days (each an “Unabated *Force Majeure*”), then for a period beginning at any time after such period of thirty (30) consecutive Days and continuing until the second (2nd) Business Day after the event of a *Force Majeure* ends, either Party shall have the right, at its sole election, to terminate and liquidate this Agreement, in the manner hereafter provided in this Section 7.6; provided, however, that if one or more individual Repurchasers is affected by such event of *Force Majeure*, and BUYER has so notified SELLER, then either Party’s right to terminate shall be limited to that portion of this Agreement representing the portion of the DCQ allocated as set forth on Exhibit “C” to such Repurchaser (the “Affected Portion”) and shall be subject to the right of any other Repurchaser to assume the rights and obligations under the Back to Back Agreement of the Affected Portion as long as each such assuming Repurchaser meets the Minimum Rating or posts Adequate Assurance of Performance, or SELLER otherwise consents, and
- (d) For purposes of this Section 7.6, in the event: (i) BUYER exercises its right to terminate, BUYER shall be the “Terminating Party” and SELLER shall be the “Terminated Party”; (ii) SELLER exercises its right to terminate the Agreement, SELLER shall be the “Terminating Party” and BUYER shall be the “Terminated Party”; and, (iii) SELLER exercises its right to terminate the Affected Portion, SELLER shall be the “Terminating Party” and the Repurchaser that is claiming such event of *Force Majeure*, and not BUYER, shall be the “Terminated Party”.
- (e) In the event of an Event of Default or an Unabated *Force Majeure*, the Terminating Party shall have the right, subject to the provisions of Section 7.6(b) or 7.6(c), by notice to the Terminated Party, to designate a

Day, no earlier than the Day such notice is given and no later than 20 Days after such notice is given, as an early termination date (the "Early Termination Date") for liquidation and termination of this Agreement, the Defaulted Portion or the Affected Portion, as applicable, pursuant to this Section 7.6(e). If an Early Termination Date has been designated, the Terminating Party shall calculate the Net Settlement Amount and the Final Payment Amount, each as defined below, and provide the Terminated Party detailed support for such calculations.

- (i) As of the Early Termination Date, the Terminating Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each of the Terminating Party and the Terminated Party with respect to all Gas delivered and received between those Parties under this Agreement and the Back to Back Agreement on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Sections 4.3 or 4.4), for which payment has not yet been made by the Party that owes such payment under this Agreement and the Back to Back Agreement and (ii) the Market Value, as defined below, of this Agreement, the Defaulted Portion or the Affected Portion, as applicable. The Terminating Party shall (x) liquidate this Agreement, the Defaulted Portion or the Affected Portion, as applicable, at its Market Value, so that the difference between the Market Value and the Contract Value, as defined below, shall be due to the BUYER or the individual Repurchaser that is the Terminated Party if such Market Value exceeds the Contract Value and to the SELLER if the opposite is the case; and (y) discount the amount then due under clause (x) above to present value as of the Early Termination Date in a commercially reasonable manner using the Present Value Discount Rate (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to this Agreement and the Back to Back Agreement). For purposes of this Section 7.6(e), "Contract Value" means the amount of Gas remaining to be delivered or purchased under this Agreement, the Defaulted Portion or the Affected Portion, as applicable, multiplied by an amount equal to the applicable Contract Price(s) minus the

applicable Demand Charges, and "Market Value" means the amount of Gas remaining to be delivered or purchased under this Agreement, the Defaulted Portion or the Affected Portion, as applicable, multiplied by the market price stated in US\$/MMBtu for a similar long haul supply agreement at the Delivery Point determined by the Terminating Party in a commercially reasonable manner. To ascertain the Market Value, the Terminating Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical Gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. The Terminating Party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension of the term of this Agreement to which Parties are not bound as of the Early Termination Date shall not be considered in determining Contract Value and Market Value. For the avoidance of doubt, any option pursuant to which one Party has the right to extend the term of this Agreement shall not be considered in determining Contract Value and Market Value.

- (ii) The Terminating Party shall net any and all amounts owing between the Terminating Party and the Terminated Party under Section 7.6(e)(i), so that all such amounts are netted to a single liquidated amount payable by one of either the Terminating Party or the Terminated Party to the other Party (the "Net Settlement Amount"). The Net Settlement Amount shall be deemed to be the "Final Payment Amount" unless, at its sole option and without prior notice to the Terminated Party, the Terminating Party elects to setoff (i) any Net Settlement Amount owed to the Terminated Party against any margin or other collateral held by the Terminating Party in connection with any obligation(s) to provide or establish for, or on behalf of, the Terminated Party any Adequate Assurance of Performance; or (ii) any Net Settlement Amount payable to the Terminated Party against any amount(s) payable by the Terminated Party to the Terminating Party under any other agreement or arrangement between those Parties, in which case the resulting amount shall be the "Final Payment Amount".

- (iii) If any obligation that is to be included in any netting or setoff pursuant to Section 7.6(e)(ii) is unascertained, the Terminating Party may in good faith estimate that obligation and net or setoff, as applicable, in respect of the estimate, subject to the Terminating Party accounting to the Terminated Party when the obligation is ascertained. Any amount not then due which is included in any netting or setoff pursuant to Section 7.6(e)(ii) shall be discounted by the Terminating Party to net present value in a commercially reasonable manner using the Present Value Discount Rate.
- (f) As soon as practicable after a liquidation, notice shall be given by the Terminating Party to the Terminated Party of the Final Payment Amount, and whether the Final Payment Amount is due to or due from the Terminating Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Terminated Party against the Terminating Party. The Final Payment Amount shall be paid by the close of business on the second Business Day following delivery of such notice to the Terminated Party, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Final Payment Amount shall accrue from the date due until the date of payment in full. The foregoing provisions of this Section 7.6(f) shall apply equally to the accounting for, and payments of, amounts outstanding when an obligation is ascertained under Section 7.6(e)(iii).
- (g) The Terminating Party's remedies under this Section 7.6 are the sole and exclusive remedies of the Terminating Party with respect to the occurrence of any Early Termination Date. Each Party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from this Agreement, the Back to Back Agreement and the Consent Agreement;

8. REGULATION

- 8.1 Regulatory Approval. The terms and conditions of this Agreement are subject to receipt and acceptance, not to be unreasonably withheld, of all necessary authorizations for SELLER to remove Gas from Alberta, export authorizations for BUYER from the National Energy Board of Canada and import authorizations for the Repurchasers from the U.S. Department of Energy Office of Fossil Energy on or before April 1, 2007 or such later date as may be mutually agreed upon for good cause by SELLER and BUYER.
- 8.2 Other Events. If a Party's or a Repurchaser's activities under this Agreement, the Back to Back Agreement and/or the Consent Agreement (the "Affected Party") become subject to new law or regulation or a change in law or regulation which renders this Agreement, the Back to Back Agreement and/or the Consent Agreement illegal or incapable of being performed, then the Affected Party may elect, by written notice to the other Party, to terminate this Agreement immediately, provided, however, that if one or more individual Repurchasers is an Affected Party, and BUYER has so notified SELLER, then BUYER's termination right shall be limited to that portion of the DCQ allocated as set forth on Exhibit "C" to such Repurchaser(s) (the "Terminable Portion") and shall be subject to the right of any other Repurchaser to assume the rights and obligations under the Back to Back Agreement of such portion of the DCQ as long as each such assuming Repurchaser meets the Minimum Rating or posts Adequate Assurance of Performance, or SELLER otherwise consents,

9. NETTING

Netting of Payments. If on any Payment Date a common amount is payable under this Agreement by each Party to the other, including, without limitation,

amounts owing under Sections 4.3, 4.4 and 7.1, Interest or credits, then each Party's obligation to make payment of such common amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by a Party (the "Net Payor") exceeds the aggregate amount that would otherwise have been payable by the other Party (the "Net Payee"), it shall be replaced by an obligation upon the Net Payor to pay to the Net Payee an amount equal to the excess of the larger aggregate amount over the smaller aggregate amount.

10. NOTICE

Address for and Receipt of Notices. All notices and communications made pursuant to this Agreement shall be in writing and transmitted to the Parties as specified in Exhibit "A" and shall, if transmitted and confirmed by facsimile, telecopier, or other similar form of telecommunication or by email before the deadline of the close of normal business hours (i.e., before 5:00 p.m. on a Business Day in the receiving Party's time zone), be deemed to have been given or made on the Business Day on which so transmitted, or if not before such deadline, on the next Business Day, and, if sent by overnight courier and delivery is confirmed, or, if mailed by registered or certified mail, return receipt requested, be deemed to have been given or made on the Day on which delivered.

11. TRANSFER OR ASSIGNMENT

- 11.1 Transfer or Assignment. Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by security or otherwise) by either Party without the prior written consent of the other Party (such consent shall not be unreasonably withheld), except that a Party may make such transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to another entity (but without prejudice to any other right or remedy under this Agreement) provided that the aforesaid entity has a credit rating equal to or greater than that of the transferring Party or otherwise is of greater or equal creditworthiness as the transferring Party. Notwithstanding the foregoing, SELLER acknowledges and agrees that: (1) BUYER shall have the right to assign this Agreement and all of its interests and obligations hereunder to one or more of the Repurchasers; and, (2) each Repurchaser has the right to assign

all of its interests and obligations under the Back to Back Agreement and Consent Agreement to any other Repurchaser or any company with which such assigning Repurchaser is affiliated at the time of the assignment, provided that, in the case of clauses (1) or (2), each such assignee meets the Minimum Rating or posts Adequate Assurance of Performance or SELLER otherwise consents

- 11.2 Enurement. This Agreement shall enure to and be binding upon the successors and permitted assigns of the Parties hereto.

12. FORCE MAJEURE

- 12.1 Suspension for Force Majeure. Except with regard to a Party's obligation to make payment(s) due under Section 7, neither Party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by *Force Majeure*, and BUYER shall not be liable to SELLER for failure to perform a Firm obligation that is the result of a failure of any individual Repurchaser to perform a Firm obligation under the Back to Back Agreement that was caused by *Force Majeure* as defined in this Section 12. For the purposes of this Section 12, in the case of SELLER, "Party" and "SELLER" shall mean BP Canada Energy Company and, in the case of BUYER, "Party" and "BUYER" shall mean Alberta Northeast Gas Limited or any individual Repurchaser affected by *Force Majeure*. The term "*Force Majeure*" as employed herein means any cause not reasonably within the control of the Party claiming suspension, as further defined in Section 12.2.
- 12.2 Events Constituting Force Majeure. "*Force Majeure*" shall include, but not be limited to, the following: (i) physical events such as acts of God,

landslides, lightning, earthquakes, fires, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe or storms or storm warnings, such as hurricanes, which result in evacuation of such entire geographic region; (iii) interruption and/or curtailment of Firm transportation and/or storage by any transporter for SELLER from AECO C to the Delivery Point or any transporter for any individual Repurchaser from the Delivery Point to such Repurchaser's city-gate; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, terrorist attacks, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. SELLER and BUYER shall make reasonable efforts to avoid the adverse impacts of a *Force Majeure* and to resolve promptly the event or occurrence once it has occurred in order to resume performance.

12.3 Obligations of Parties During *Force Majeure*.

- (a) Neither Party shall be entitled to the benefit of the provisions of *Force Majeure* to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the Party claiming excuse failed to use reasonable efforts to overcome the condition or otherwise failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, SELLER's ability to sell Gas at a higher or more advantageous price than any applicable Contract Price(s) or BUYER's ability to purchase Gas at a lower or more advantageous price than any applicable Contract Price(s); (iv) the loss of BUYER's market(s) or BUYER's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 12.2; (v) the loss or failure of SELLER's gas supply or depletion of reserves, except, in either case, as provided in Section 12.2; or (vi) partial or entire failure of specific wells, including without limitation, well blow outs and well craterings.

- (b) The Party claiming *Force Majeure* shall be excused from its responsibility for Imbalance Charges as provided in Section 14 related to any interruption due to the *Force Majeure* from such time as the *Force Majeure* commences provided that such Party uses all reasonable efforts to notify the other Party of the *Force Majeures* with all reasonable dispatch.
 - (c) Regardless of the Party claiming *Force Majeure*, SELLER shall use all commercially reasonable efforts to sell the Gas that cannot be delivered and/or received due to such *Force Majeure* at the most advantageous market price and BUYER shall be credited by SELLER for an amount equal to such market price minus \$0.05 US/MMBtu (and, to the extent that the transportation costs incurred to the point of sale exceed those to the Delivery Point, minus such incremental transportation costs/MMBtu) for each MMBtu of such Gas so sold.
- 12.4 Industrial Disturbances. Notwithstanding anything to the contrary herein, the Parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the Party experiencing such disturbance.
- 12.5 Notice of Force Majeure. The Party whose performance is prevented by *Force Majeure* must provide notice to the other Party. Initial notice may be given orally; however, written notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing telephonic notice of *Force Majeure* to the other Party, such telephonic notice to be confirmed in writing within one Business Day, the affected Party will be relieved of its obligation, from the onset of the *Force Majeure* event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of *Force Majeure*, and neither Party shall be deemed to have failed in such obligations to the other during such occurrence or event; provided, however, that in the event of a *Force Majeure* affecting some, but not all of SELLER's gas supplies accessible at the Delivery Point, BUYER, at a minimum, shall be entitled to a pro rata allocation of any gas supplies delivered to SELLER's Firm buyers at the Delivery Point and any failure by SELLER to make such allocation and deliveries shall not be excusable by *Force Majeure*.

13. TAXES

Allocation of and Indemnity for Taxes. The Contract Price(s) include and SELLER is liable for and shall pay, all Taxes applicable to the Gas sold hereunder that may be imposed prior to its delivery at the Delivery Point. SELLER shall reimburse BUYER for all Taxes paid on behalf of SELLER by BUYER. The Contract Price(s) do not include and BUYER is liable for and shall pay, all Taxes applicable to Gas sold hereunder that may be imposed at or after delivery at the Delivery Point, including any goods and services tax ("GST") due under the *Excise Tax Act* (Canada). BUYER shall reimburse SELLER for all such Taxes paid on behalf of BUYER by SELLER. BUYER represents and warrants to SELLER that, unless BUYER notifies SELLER to the contrary, BUYER will comply with the requirements of the *Excise Tax Act* (Canada) for a zero-rated export of the Gas sold hereunder, and such Gas will be invoiced by SELLER on a zero-rated (i.e., no GST payable) basis.

14. IMBALANCES

Responsibility for Imbalances. Subject to Section 12.3(b), the Party causing, or the Party whose pipeline transporter causes (if TransCanada, then SELLER and if Iroquois, then BUYER), a pipeline imbalance, imbalance or variance charge, or a pipeline-imposed penalty ("Imbalance Charges") shall be responsible for, liable for and shall indemnify the other Party from such Imbalance Charges.

15. MISCELLANEOUS

- 15.1 Winding Up Arrangements. Upon termination of this Agreement, any monies due and owing shall be promptly paid pursuant to the terms hereof. Notwithstanding the termination of this Agreement, the provisions respecting liabilities and indemnities which have accrued prior to the effective date of such termination and provisions respecting confidentiality, maintenance of records, audit rights and settlement of accounts, shall continue in full force and effect in accordance with their terms.
- 15.2 Non-Waiver. No waiver by either Party of any default by the other in the performance of any provisions of this Agreement shall be construed as a waiver of any other default whether of a like or different nature.
- 15.3 Severability. Except as otherwise stated herein, if any provision or Section of this Agreement is declared or rendered unlawful by a court of law or

Governmental Body or deemed unlawful because of a statutory change, the remaining provisions of this Agreement shall be unaffected.

- 15.4 Headings and Exhibits. The headings used for the Sections herein are for convenience and reference purposes only and shall not affect the meaning or interpretation of the provisions of this Agreement. All Exhibits referenced in this Agreement are hereby incorporated for all purposes.
- 15.5 Record Retention. The Parties shall retain all relevant records throughout the Period of Delivery and for two years thereafter.
- 15.6 Dispute Resolution. Any claim, counterclaim, demand, cause of action, dispute, or controversy arising out of or relating to this Agreement, any provision hereof, or the alleged breach thereof, (collectively the "Claims"), whether such Claims sound in contract, tort, or otherwise, at law or in equity, under provincial, state or federal law, whether provided by statute or the common law, for damages or any other relief, shall be resolved by binding and non-appealable arbitration.

The Parties agree that all disputes arising out of this Agreement shall be determined by final and binding arbitration. The validity, construction, and interpretation of this agreement to arbitrate, and all procedural aspects of the arbitration conducted pursuant hereto, shall be decided by the arbitrators under the International Commercial Arbitration Act of the Province of Alberta; to the extent not in conflict with such International Commercial Arbitration Act, the arbitration shall be conducted in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution. In deciding the substance of the Parties' Claims, the arbitrators shall apply the laws of the Province of Alberta, Canada. The site of the arbitration shall be Chicago, and the language of the arbitration shall be English. It is agreed that the Arbitrators shall have no authority to award treble, exemplary or punitive damages or consequential, indirect or incidental damages of any type under any circumstances whether or not such damages may be available under provincial, state or federal law, or under any applicable Arbitration Act, the Parties hereby waiving their right, if any, to recover any such damages. All awards shall be in writing and shall state the reasoning on which the award rests unless the Parties agree otherwise. The Parties shall bear equally all fees, costs and expenses of the arbitration

and each Party shall bear its own legal expenses, attorneys' fees and costs of all experts and witnesses, provided, however, that the arbitration panel may apportion between the Parties the costs incurred by either Party as the arbitration panel may deem equitable.

Either Party may initiate arbitration under this Section by providing written notice to the other Party. Within thirty (30) Days of such notice, each Party shall select one arbitrator and so notify the other Party in writing. Within fifteen (15) Days after the two arbitrators have been so selected, those two arbitrators shall select a third arbitrator who shall be experienced in the resolution of disputes, controversies or claims relating to the subject matter of the dispute. Each arbitrator shall take an oath at the first session of the arbitration affirming that he or she is neutral and impartial.

To the fullest extent permitted by law, any arbitration proceeding and the arbitrators' award shall be maintained in confidence by the Parties.

- 15.7 Applicable Law. This Agreement shall be governed by and construed, enforced, and performed in accordance with the laws of the Province of Alberta, Canada without regard to principles of conflicts of law.
- 15.8 Further Assurances. Each of the Parties shall during the term of this Agreement, on a reasonable written request to do so, do all such further acts and execute and deliver or cause to be done, executed or delivered all such further acts, deeds, documents, assurances and things as may be reasonably required in order to perform the terms of this Agreement.
- 15.9 Confidentiality. Each Party agrees that it will maintain this Agreement, and all parts and contents thereof, in strict confidence, and that it will not cause or permit disclosure of same to any third-party without the express written consent of the other Party; provided that disclosure by a Party is permitted in the event and to the extent:
- (a) such Party is required by a court or agency exercising jurisdiction over the subject matter hereof, by order or regulation or law, to disclose; provided that in the event either Party becomes aware of a judicial or administrative proceeding that has resulted or may result in such a requirement or need to disclose, it shall (1) so notify the other Party immediately, (2) utilize all reasonably available means to limit the scope of the required disclosure,

- and (3) take all actions reasonably necessary to prevent disclosure to the public as a result of disclosure to the court or administrative body;
- (b) disclosure is necessary to obtain transportation of the Gas covered by this Agreement;
 - (c) disclosure to such third party is for the sole purpose of enabling the third party to determine a published price index;
 - (d) disclosure is required to implement capacity assignment programs; or
 - (e) disclosure is required in the course of routine audit procedures or to enforce the provisions of the Agreement.
- 15.10 Electronic Recording. Each Party agrees and consents to the electronic recording of all telephone conversations between the officers, employees or agents of the Parties under this Agreement; no further notice to, or consent from, the other Party is required. Each Party shall have or has obtained all required agreement or consent of its officers, employees or agents to such recording.
- 15.11 Disclosure of Tax Treatment. Notwithstanding anything to the contrary, each Party to this Agreement (and each employee, representative or other agent of such Party for so long as they remain an employee, representative or agent) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction contemplated herein (the "Transaction") and all materials of any kind (including opinions or other analysis) that are provided to such Party relating to such tax treatment or tax structure; provided, however, that any such disclosure may not be made (a) until the earlier of (i) the date of the public announcement of the discussions relating to the Transaction, (ii) the date of the public announcement of the Transaction, or (iii) the date of the execution of this Agreement (with or without conditions) and (b) to the extent required to be kept confidential to comply with any applicable securities laws. Nothing in this Agreement, or any other agreement between the Parties hereto express or implied, shall be construed as limiting in any way the ability of either Party to consult with any tax adviser (including a tax adviser independent from all other entities involved in the Transaction) regarding the tax treatment or tax structure of the Transaction.

15.12 Type of Parties.

- (a) To the extent that this Agreement shall constitute a “commodity contract” or an “OTC derivative” pursuant to the *Securities Act* (Alberta) or the *Securities Act* (British Columbia), SELLER represents that it, and BUYER represents that it and each of the Repurchasers, is a “Qualified Party” within the meaning of Paragraph 9.1 of the Alberta Securities Commission Blanket Order 91-502 and Paragraph 1.1 of the British Columbia Securities Commission Blanket Order BOR #91-501.
- (b) It is the intention of the Parties that this Agreement, and any guarantee of a Party’s liabilities under this Agreement, shall each constitute an “eligible financial contract” within the meaning of the Bankruptcy and Insolvency Act (Canada), the Companies’ Creditors Arrangement Act (Canada), the Winding-Up and Restructuring Act (Canada), and other Canadian insolvency legislation. To the extent that this Agreement is, or the parties are, subject to the application of the United States Bankruptcy Code, it is the intention of the parties that this Agreement shall constitute a “forward contract”.

15.13 Restrictions. EXCEPT AS SET FORTH HEREIN, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, A PARTY’S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, A PARTY’S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR

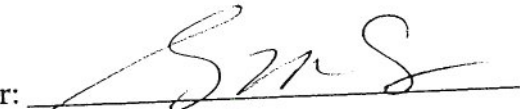
CONTRACT, UNDER ANY INDEMNITY PROVISION (UNLESS THE THIRD PARTY CLAIMANT OBTAINS A JUDGEMENT FOR SUCH) OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE; JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

15.14 Counterparts. This Agreement is executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date set forth above.

BP Canada Energy Company

Alberta Northeast Gas Limited

Per: 

Per: 

Gordon R. McIvor
Vice President
BP Canada Energy Company

MICHAEL S. Leary
Name Printed

Name Printed

Name Printed

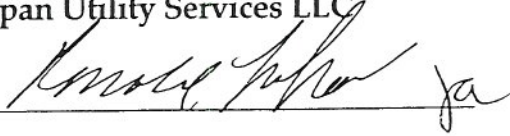
PRESIDENT

Title

Title

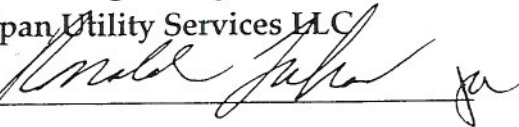
Acknowledged by:

The Brooklyn Union Gas Company
(d/b/a KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC

Per: 

Ronald Lukas
Name Printed
Vice President
Title

KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC

Per: 

Ronald Lukas
Name Printed
Vice President
Title

New York State Electric and Gas
Corporation (a subsidiary of Energy East)

Per: _____

Name Printed

Title

Consolidated Edison Company of
New York, Inc.

Per: _____

Name Printed

Title

Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)

Per: _____

Name Printed

Title

New England Gas Company (a division of
Southern Union Company)

Per: _____

Name Printed

Title

Acknowledged by:

**The Brooklyn Union Gas Company
(d/b/a KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC**

Per: _____

Name Printed

Title

**KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC**

Per: _____

Name Printed

Title

**New York State Electric and Gas
Corporation (a subsidiary of Energy East)**

Per: _____

Name Printed

Title

**Consolidated Edison Company of
New York, Inc.**

Per:  _____

Terry Agriss

Name Printed

Vice President

Title

823

**Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)**

Per: _____

Name Printed

Title

**New England Gas Company (a division of
Southern Union Company)**

Per: _____

Name Printed

Title

Acknowledged by:

**The Brooklyn Union Gas Company
(d/b/a KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC**

**Consolidated Edison Company of
New York, Inc.**

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

**KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC**

**Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)**

Per: _____

Per: Arthur R. Upright

Name Printed

Arthur R. Upright

Name Printed

Title

Senior Vice President

Title

**New York State Electric and Gas
Corporation (a subsidiary of Energy East)**

**New England Gas Company (a division of
Southern Union Company)**

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

Acknowledged by:

**The Brooklyn Union Gas Company
(d/b/a KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC**

**Consolidated Edison Company of
New York, Inc.**

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

**KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC**

**Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)**

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

**New York State Electric and Gas
Corporation (a subsidiary of Energy East)**

**New England Gas Company (a division of
Southern Union Company)**

Per: _____

Per: _____



Name Printed

Name Printed

PRESIDENT & CEO

Title

Title

Acknowledged by:

The Brooklyn Union Gas Company
(d/b/a KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC

Consolidated Edison Company of
New York, Inc.

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC

Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

New York State Electric and Gas
Corporation (a subsidiary of Energy East)

~~The Narragansett Electric Company
New England Gas Company (a division of
Southern Union Company)~~ *Jack*

Per: _____

Per: *Lee A. Klosowski*

Name Printed

Lee A. Klosowski

Name Printed

Title

Director, Gas Supply & Transportation

Title

EXHIBIT "A" to LONG HAUL TERM GAS SUPPLY AGREEMENT
NOTICES, COMMUNICATIONS AND PAYMENTS

Page 1 of 2

NOTICES TO BUYER:

Michael S. Lucy
Alberta Northeast Gas Limited
c/o Northeast Gas Markets, L.L.C.
100 Cummings Center, Suite 457G
Beverly, Massachusetts 01915-6132
Telephone No. (978) 922-1194
Facsimile No. (978) 922-1195
E-mail: mslucy@negm.com ; mferullo@negm.com

NOTICES TO SELLER:

Brent Ohr, Contracts Lead
BP Canada Energy Company
1100, 240 - 4th Avenue SW
P.O. Box 200
Calgary Alberta T2P 2H8
Telephone No. (403) 231-6834
Facsimile No. (403) 233-5611
E-mail: Brent.Ohr@bp.com

PAYMENTS TO BUYER:

PAYMENTS TO SELLER:

**EXHIBIT "A" to LONG HAUL TERM GAS SUPPLY AGREEMENT
NOTICES, COMMUNICATIONS AND PAYMENTS**

Page 2 of 2

BILLING AND ACCOUNTING MATTERS:

BUYER

c/o Northeast Gas Markets L.L.C.
100 Cummings Center, Suite 457G
Beverly, Massachusetts 01915-6132
Telephone No. (978) 922-1194
Facsimile No. (978) 922-1195
E-mail: msslucy@negm.com ; mferullo@negm.com

CONFIRMATIONS:

BUYER

AFTER HOUR NOTICES:

BILLING AND ACCOUNTING MATTERS:

SELLER

Attn: ACCOUNTING, Natural Gas Marketing
BP Canada Energy Company
1100, 240 – 4th Avenue SW
P.O. Box 200
Calgary Alberta T2P 2H8
Telephone No. (403) 233-1459
Facsimile No. (403) 237-8476
Contact: Robert Pratt, Financial Operations Manager
E-mail: Robert.Pratt@bp.com

CONFIRMATIONS:

SELLER

AFTER HOUR NOTICES:

EXHIBIT "B" to LONG HAUL TERM GAS SUPPLY AGREEMENT
FORM OF CONFIRMATION

CONFIRMATION FOR IMMEDIATE DELIVERY

Letterhead/Logo	Date: _____ Confirmation #: _____
This Confirmation is under the Long Haul Term Gas Supply Agreement ("Agreement") between Buyer and Seller dated _____, 2006.	
SELLER: _____ Attn: _____ Phone: _____ Fax: _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ Attn: _____ Phone: _____ Fax: _____ Transporter: _____ Transporter Contract Number: _____
Special Conditions:	
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____

EXHIBIT "C" to LONG HAUL TERM GAS SUPPLY AGREEMENT
REPURCHASERS' REQUIREMENTS

	<u>Share of DCQ Volumes</u>	<u>Aliquot Share of DCQ</u>
	<u>MMBtu</u>	<u>%</u>
KeySpan NewYork	33,831	36.6
KeySpan Long Island	33,831	36.6
Con Edison	11,240	12.2
NYSEG	6,829	7.4
Central Hudson	5,666	6.1
Narragansett	1,012	1.1
<u>TOTAL</u>	92,409	100.0

EXHIBIT "D" to LONG HAUL TERM GAS SUPPLY AGREEMENT
PROVISIONS OF AN ACCEPTABLE LETTER OF CREDIT

LETTER OF CREDIT PROVISIONS

Adequate Assurance of Performance in the form of a Letter of Credit, provided by one party ("X") for the benefit of the other ("Y") pursuant to Section 7.6(a)(i)(A) of this Agreement, shall provide as follows:

- (a) (i) the Letter of Credit shall have an initial term of one year, which shall automatically renew for successive one-year terms, unless the issuer of the Letter of Credit, by the date ninety (90) Days prior to the expiry of any such term (or a shorter notice period required by the issuer), provides written notice of its intent not to renew the outstanding Letter of Credit to Y;
- (ii) the issuer of the Letter of Credit must honor Y's properly documented request to draw on the Letter of Credit within two (2) Business Days of presentation of the request to draw; and,
- (iii) if the Letter of Credit shall expire during an interruption of business of the issuer of such Letter of Credit arising from a cause or circumstance referenced in Article 17 of the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500 (as such Article may be amended from time to time), the issuer of such Letter of Credit shall specifically agree to honor drafts drawn on such Letter of Credit if they are presented to the bank within thirty (30) Days after the issuer's resumption of business from such interruption and such drawings are otherwise in compliance with the terms and conditions of such Letter of Credit.
- (b) upon or at time after the occurrence of an Event of Default or an Early Termination Date, in either case with respect to X as the Defaulting Party, Y may draw upon the Letter of Credit in an amount that is equal to all amounts that are due and owing from X but have not been paid to Y within the time allowed for such payments under the Long Haul Term Gas Supply Agreement between BP Canada Energy Company and Alberta Northeast Gas Limited dated _____, 2006, including, but not limited to, the Final Payment Amount. A drawing may be made on the Letter of Credit upon submission to the bank issuing the Letter of Credit of one or more certificates of Y in accordance with the specific requirements of the Letter of Credit.

EXHIBIT C

Back to Back Agreement

(redacted)

BACK TO BACK AGREEMENT
(ANE/BP CONTRACT)

This Agreement is made as of this 1st day of September, 2006, by and between Alberta Northeast Gas Limited, a Canadian corporation ("ANE"), and each of The Brooklyn Union Gas Company (d/b/a Keyspan Energy Delivery New York), Keyspan Gas East Corporation (d/b/a Keyspan Energy Delivery Long Island), Consolidated Edison Company of New York, Inc., Central Hudson Gas & Electric Corporation (a subsidiary of CH Energy Group, Inc.), New York State Electric & Gas Corporation (a subsidiary of Energy East) and The Narragansett Electric Company (collectively, the "Repurchasers").

WHEREAS, the Repurchasers have authorized ANE to execute the Long Haul Term Gas Supply Agreement ("Seller Contract") between ANE and BP Canada Energy Company ("Seller"); and

WHEREAS, the natural gas to be purchased by ANE pursuant to the Seller Contract will be immediately resold by ANE to the Repurchasers; and

WHEREAS, the Repurchasers desire, as an inducement to Seller to enter into the Seller Contract, to support ANE's obligations under the Seller Contract.

NOW THEREFORE, in consideration of the mutual covenants and benefits herein provided, it is hereby agreed as follows:

1. Definitions: All capitalized terms not defined herein shall have the meanings assigned to them in the Seller Contract.

2. Allocation of Seller DCQ: Pursuant to the Seller Contract, ANE has contracted for the purchase of 92,409 MMBtu of natural gas per day at the Delivery Point (the "Seller DCQ"). The Seller DCQ Capacity shall be allocated among the Repurchasers as shown on Attachment 1 hereto (each such Repurchaser's share of the DCQ as a proportion of the total DCQ, its "Aliquot Share"), as such Attachment 1 may be revised from time to time under the terms of this Agreement.

3. Obligations and Rights of Parties Generally: Each Repurchaser, by execution of this Agreement, acknowledges and agrees that all liabilities, obligations, rights and benefits of ANE under the Seller Contract, whether or not specifically addressed in this Agreement, are matched by corresponding liabilities, obligations, rights and benefits under this Agreement as follows: each Repurchaser assumes responsibility for its share of all liabilities and obligations, and is entitled to its share of all corresponding rights and benefits, of ANE under the Seller Contract, such share (its "Allocated Share") to be its Aliquot Share, provided, however, that when the respective liability, obligation, right or benefit is directly attributable to one or more individual Repurchasers due to the action or inaction of, or a *Force Majeure* affecting, any such Repurchaser, then such Repurchaser's Allocated Share shall be based upon such causation. The responsibilities, liabilities and obligations of each Repurchaser under this Agreement are those of such Repurchaser alone and are not joint or collective

obligations with or of other Repurchasers. No partnership, joint venture, association or other relationship by or among the Repurchasers is created by this Agreement. Each Repurchaser hereby indemnifies and holds harmless ANE from such Repurchaser's Allocated Share of all liabilities and obligations of ANE under the Seller Contract. ANE shall have no obligation to the Repurchasers under this Agreement other than its obligation to make all of ANE's rights and benefits under the Seller Contract available to the Repurchasers as provided herein.

4. Nominations; ANE's Purchase and Resale of Gas: Each Repurchaser shall submit nominations for Gas subject to the Monthly Commodity Price, Daily Commodity Price and/or Alternate Commodity Price (

) to ANE on the Business Day immediately prior to the Day on which ANE is required to nominate Gas for delivery by Seller under the Seller Contract. Upon acceptance of delivery by Seller on any Day, ANE shall immediately resell to the Repurchasers, and each Repurchaser shall purchase from ANE, at the Delivery Point, its share of the Scheduled Contract Quantity or such lesser quantity delivered as a result of *Force Majeure* or a Seller Deficiency Default. Each "Repurchaser's Share" of the Gas delivered subject to each of the Monthly Commodity, Daily Commodity and/or Alternate Commodity Prices shall be determined on a pro rata basis in accordance with such Repurchaser's respective nominations for such Gas, provided, however, that, in the event that Gas is not taken due to the action or inaction of, or a *Force Majeure* affecting, one or more of the Repurchasers, then each Repurchaser's Share shall be determined based upon such causation.

5. Charges and Rates; Repurchasers' Payment Obligations: It is understood that, pursuant to Section 7.1 of the Seller Contract, the Contract Price to be paid by ANE to Seller for each MMBtu of the DCQ will consist of a Demand Charge and, for each MMBtu delivered to the Delivery Point, the Transportation Commodity Charges plus a Monthly Commodity Price, a Daily Commodity Price, or an Alternate Commodity Price, as applicable. The Repurchasers in aggregate shall pay to ANE an amount equal to the amount billed to ANE by Seller in each month as the Contract Price, fuel charges or other amounts due under the Seller Contract. The portion to be paid by each Repurchaser shall be the sum of:

6. Invoices and Payments: ANE shall render a monthly invoice to each Repurchaser for all amounts due from each such Repurchaser pursuant to Section 5, promptly after ANE's receipt of its monthly invoice from Seller. Payment by each Repurchaser of the amount due shall be made in U.S. dollars to the account specified in Attachment 2 at or before 11 a.m. Eastern Standard Time on the Payment Date. If the correct amounts are not paid by any Repurchaser when due, such Repurchaser shall pay Interest on the unpaid portion of the invoice from the date due to the date payment is made in full. Each Repurchaser shall have the right in good faith to dispute the amount of any invoice or part thereof rendered to it by ANE. If the dispute involves an amount that has been billed to ANE by Seller, with the exception of amounts billed on a Deficiency Default Statement, such Repurchaser shall pay to ANE such amounts as it concedes to be correct and ANE shall promptly declare a dispute to Seller. After a final determination of the amount properly due and owing by ANE to Seller, such Repurchaser shall timely pay to ANE the amount, if any, found to be due. If the dispute does not involve an amount which has been billed by Seller to ANE, or involves an amount billed on a Deficiency Default Statement, such Repurchaser shall pay the full amount of the invoice which is, in whole or part, subject to the dispute. Any amount later determined not to be due to ANE by such Repurchaser shall be reimbursed to such Repurchaser by ANE, together with such interest as ANE is able, using commercially reasonable efforts, to recover from third parties to whom such amounts were paid.

7. Representations and Warranties; Quantity Obligations; Possession, Title, and Risk of Loss; Financial Assurances: Each Repurchaser makes to ANE the representations and warranties made by ANE to Seller pursuant to Section 3.1 of the Seller Contract. Sections 4.3, 4.4, 6.1, 6.2 and 7.6 of the Seller Contract are hereby incorporated in this Agreement *mutatis mutandis*. Should Seller require Adequate Assurance of Performance from a Repurchaser pursuant to Section 7.6(a) of the Seller Contract, such Adequate Assurance of Performance shall be furnished timely and directly to Seller by such Repurchaser in accordance with Section 7.6(a) of the Seller Contract. If Seller exercises its right to suspend service under Section 7.6(b) of the Seller Contract with respect to an individual Repurchaser's Aliquot Share because such Repurchaser is responsible for the Defaulted Portion, then such Repurchaser will not have access to its Aliquot Share, and if Seller exercises its right to terminate the Seller Contract with respect to an individual's Repurchaser's Aliquot Share under Section 7.6(b) of the Seller Contract because such Repurchaser is responsible for the Defaulted Portion or Affected Portion, then ANE shall be entitled to terminate this Agreement with respect to such Repurchaser and such Repurchaser shall pay to Seller the portion of the Final Payment Amount attributable to Seller's exercise of its right to terminate the Seller Contract with respect to such Repurchaser's Aliquot Share as and when due pursuant to the Seller Contract and any outstanding amounts due to ANE under the last sentence of Section 5 of this Agreement.

8. Available Excess Gas: Any Repurchaser may notify ANE that it does not wish to purchase its Aliquot Share of the DCQ for any specified period of time. ANE shall so notify each other Repurchaser and shall offer such volumes for sale to the other Repurchasers. If Repurchaser requests to purchase released volumes exceed the volumes available, the volumes available shall be allocated to the requesting Repurchasers on a pro rata basis in accordance with their Aliquot Shares.

9. Term: This Agreement shall be effective from the date of execution hereof and shall remain in full force and effect for the entire term and duration of the Seller Contract.

11. Assignment: Any Repurchaser may assign its rights, benefits, liabilities and obligations under this Agreement to a third party, subject to Seller's consent, and to any other Repurchaser or any company with which such assigning Repurchaser is affiliated at the time of the assignment as long as each such assignee meets the Minimum Rating or posts Adequate Assurance of Performance or Seller otherwise consents :

ANE shall, if requested by any Repurchaser, assign to any Repurchaser its Aliquot Share of ANE's rights, benefits, liabilities and obligations under the Seller Contract as long as each such Repurchaser that is an assignee meets the Minimum Rating or posts Adequate

Assurance of Performance or Seller otherwise consents. Each Repurchaser expressly agrees that the rights conferred by this Agreement on ANE may be assigned by ANE to Seller.

12. Miscellaneous: Sections 12, 13, 14, 15.1, 15.2, 15.3, 15.4, 15.5, 15.7, 15.8, 15.9, 15.10, 15.11 and 15.13 of the Seller Contract are hereby incorporated in this Agreement *mutatis mutandis*. This Agreement sets forth all understandings and agreements among the parties respecting the subject matter hereof, and all prior agreements, understandings and representations, whether written or oral, respecting the subject matter hereof are merged into and superseded by this Agreement. All obligations hereunder are subject to the effectiveness of the Seller Contract, the Consent Agreement and the capacity assignments under the terms of Section 1(b) of the Consent Agreement.

13. Notices: Any notice permitted or required under this Agreement shall be in writing and delivered by facsimile or email to the persons at the addresses specified in Attachment 3 hereto.

14. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an originally executed copy, and it shall not be necessary in making proof of this Agreement to produce all of such counterparts.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed in several counterparts by their proper officers duly authorized as of the first date hereinabove written.

Alberta Northeast Gas Ltd.

Per: Michael S. Lucy

MICHAEL S. LUCY
Name Printed

PRESIDENT
Title

New York State Electric & Gas Corporation (a subsidiary of Energy East)

Per: [Signature]

J.P. LAURITO
Name Printed

PRESIDENT & CEO
Title

The Brooklyn Union Gas Company (d/b/a
KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC

Per: *Ronald Lukas*

Ronald Lukas
Name Printed

Vice President
Title

Consolidated Edison Company of
New York, Inc.

Per: _____

Name Printed

Title

KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC

Per: *Ronald Lukas*

Ronald Lukas
Name Printed

Vice President
Title

Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)

Per: _____

Name Printed

Title

New England Gas Company (a division of
Southern Union Company)

Per: _____

Name Printed

Title


The Brooklyn Union Gas Company (d/b/a
KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC


Per: _____

Name Printed

Title

Consolidated Edison Company of
New York, Inc.

Per:  _____

Terry Agriss 
Name Printed

Vice President
Title

KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC

Per: _____

Name Printed

Title

Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)

Per: _____

Name Printed

Title

New England Gas Company (a division of
Southern Union Company)

Per: _____

Name Printed

Title

The Brooklyn Union Gas Company (d/b/a
KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC

Consolidated Edison Company of
New York, Inc.

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC

Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)

Per: _____

Per:  _____

Name Printed

Arthur R. Upright

Name Printed

Title

Senior Vice President

Title

New England Gas Company (a division of
Southern Union Company)

Per: _____

Name Printed

Title

The Brooklyn Union Gas Company (d/b/a
KeySpan Energy Delivery New York)
by and through its agent
KeySpan Utility Services LLC

Consolidated Edison Company of
New York, Inc.

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)
by and through its agent
KeySpan Utility Services LLC

Central Hudson Gas & Electric Corporation
(a subsidiary of CH Energy Group, Inc.)

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

~~New England Gas Company (a division of
Southern Union Company)~~
The Narragansett Electric Company *fake*

Per: *Lee A. Klosowski*

Lee A. Klosowski
Name Printed

Dir., Gas Supply & Transportation
Title

**ATTACHMENT 1
BACK TO BACK AGREEMENT
(ANE/BP CONTRACT)**

REPURCHASERS' SHARES

	<u>Share of DCQ Volumes</u> MMBtu	<u>Aliquot Share of DCQ</u> %
KeySpan NewYork	33,831	36.6
KeySpan LongIsland	33,831	36.6
Con Edison	11,240	12.2
NYSEG	6,829	7.4
Central Hudson	5,666	6.1
Narragansett	1,012	1.1
<u>TOTAL</u>	92,409	100.0

ATTACHMENT 2
BACK TO BACK AGREEMENT
(ANE/BP CONTRACT)

PAYMENT INFORMATION

PAYMENTS TO ANE:

BILLING AND ACCOUNTING
MATTERS:

ANE

c/o Northeast Gas Markets L.L.C.
100 Cummings Center, Suite 457G
Beverly, Massachusetts 01915-6132
Telephone No. (978) 922-1194
Facsimile No. (978) 922-1195
E-mail: mslucy@negm.com;
mferullo@negm.com

**ATTACHMENT 3
BACK TO BACK AGREEMENT
(ANE/BP CONTRACT)**

NOTICES AND COMMUNICATIONS

**Alberta Northeast Gas Limited
Northeast Gas Markets LLC**

Michael S. Lucy
100 Cummings Center
Suite 457G
Beverly, MA 01915-6132
Tel. #: 978.922.1194
Fax #: 978.922.1195
E-mail: mslucy@negm.com

**The Brooklyn Union Gas Company
(d/b/a KeySpan Energy Delivery
New York)
KeySpan Gas East Corporation (d/b/a
KeySpan Energy Delivery Long Island)**

John Allocca
One MetroTech Center, 13th Floor
Brooklyn, NY 11201-3850
Tel #: 718.403.2009
Fax #: 718.596.7802
E-mail: jallocca@keyspanenergy.com

**Central Hudson Gas & Electric
Corporation (a subsidiary of
CH Energy Group, Inc.)**

Vito Cracchiolo
284 South Avenue
Poughkeepsie, NY 12601
Tel. #: 845.486.5562
Fax #: 845.486.5626
E-mail: vcracchiolo@cenhud.com

**New York State Electric & Gas
Corporation (a subsidiary of Energy East)**

Brian Hawley
18 Link Drive
Binghamton, NY 13904
Tel #: 607-762-5911
Fax #: 607-762-7890

E-mail: bkhawley@nyseg.com

**Consolidated Edison Company of
New York, Inc.**

Paul Olmsted
4 Irving Place Room 1315-S
New York, New York 10003
Tel #: 212.460.4898
Fax #: 212.539.8254
E-mail: olmstedp@coned.com

The Narragansett Electric Company

Gary Beland
100 Weybossett Street
Providence, RI 02903
Tel. #: 401.574.2223
Fax #: 401.333.3527
E-mail: gbeland@negasco.com