

DICKSTEIN SHAPIRO MORIN & OSHINSKY LLP

2101 L Street NW • Washington, DC 20037-1526
Tel (202) 785-9700 • Fax (202) 887-0689

February 27, 2004

Clifford P. Tomaszewski
Manager, Natural Gas Regulation
Office of Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3E-042, FE-34
1000 Independence Avenue, S.W.
Washington, D.C. 20585

RECEIVED

FEB 27 2004

DOCKET

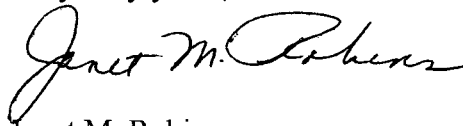
Re: Application of KeySpan Gas East Corporation for Authorization
to Import Natural Gas from Canada, FE Docket No. 04-30NG

Dear Mr. Tomaszewski:

Please find enclosed for filing an original and fifteen (15) copies of the Application of KeySpan Gas East Corporation for Authorization to Import Natural Gas from Canada. Also enclosed is a check in the amount of \$50.00, made payable to the Treasurer of the United States, for the filing fee.

Please date-stamp the enclosed sixteenth copy of the Application and return it to us via our messenger. Thank you for your assistance.

Very truly yours,



Janet M. Robins

Enclosures

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

RECEIVED

FEB 27 2004

DOE/OFE/NGR

IN THE MATTER OF)
)
KEYSPAN GAS EAST CORPORATION)
_____)

FE Docket No. 04 - 30 - NG

APPLICATION OF KEYSPAN GAS EAST CORPORATION
FOR AUTHORIZATION TO IMPORT NATURAL GAS FROM 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 ("KGEC") hereby applies to DOE's Office of Fossil Energy ("OFE") for authority to import natural gas from Canada under the terms of a Gas Sales Agreement between KGEC and Nexen Marketing ("Nexen"), effective February 4, 2004 ("Gas Sales Agreement"). In support of its application, KGEC states the following:

I.

The exact legal name of the applicant is KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island. KGEC, a local natural gas distribution company, is a New York corporation with its principal office in Hicksville, New York. Its parent company is KeySpan Corporation ("KeySpan"), a New York corporation that has its principal place of business in Brooklyn, New York. KeySpan is the parent company of several gas utilities and is one of the largest distributors of natural gas in the Northeast. As stated in the opinion of counsel, which is attached as Exhibit A to this application, the proposed natural gas importation is within the corporate powers of KGEC.

II.

Communications regarding the application should be directed to:

John Allocca
Senior Counsel
KeySpan Gas
One Metro Tech Center
21st Floor
Brooklyn, NY 11201
(718) 403-2009
FAX: (718) 403-3106

Beth L. Webb
Janet M. Robins
Dickstein Shapiro Morin & Oshinsky LLP
2101 L Street, N.W.
Washington, DC 20037
(202) 785-9700
FAX: (202) 887-0689

III.

The authorization sought herein will permit KGEC to import from Canada: (1) up to 25,451 Mcf/day¹ of natural gas for the period April 1, 2004 or the date of first delivery of gas under the requested import authorization to April 1, 2007; and (2) an incremental amount of up to 27,508 Mcf/day for two periods -- (i) November 1, 2004 to April 1, 2005, and (ii) November 1, 2005 to April 1, 2006. KGEC intends to use the gas imported under this authorization for system supply to serve its customers in New York. All of the gas imported under the requested authorization will be purchased from Nexen, pursuant to the Gas Sales Agreement, which is attached to this application as Exhibit B.² KGEC will make all U.S.

¹ The Gas Sales Agreement measures the contract quantity in Dth, but consistent with OFE's rules, KGEC has converted Dth to Mcf for this application. For the purposes of the Gas Sales Agreement and this application, one Dth is equivalent to one Mcf.

² KGEC has attached a redacted version of the Gas Sales Agreement to the original application and the copies thereof, and has provided one copy of that agreement to OFE in its complete, unredacted form, which it has requested OFE to return after its review.

transportation arrangements for the gas imported under the requested authority. No new pipeline facilities subject to federal regulation will be required for the importation, and no potential environmental impact is anticipated. The gas will be transported in the United States on existing facilities of Tennessee Gas Pipeline Company (“Tennessee”).

KGEC will comply with all reporting requirements deemed necessary by the Department of Energy, including filing quarterly reports.

Northeast Gas Markets, L.L.C. (“NEGM”) will act as KGEC’s administrative agent for all purposes of the Gas Sales Agreement. In addition, NEGM will also act as agent for the purposes of several other gas sales agreements that were executed substantially simultaneously with KGEC’s Gas Sales Agreement (“Other Nexen Agreements”), between Nexen and The Berkshire Gas Company; The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York; EnergyNorth Natural Gas, Inc. d/b/a/ KeySpan Energy Delivery New England; Essex Gas Company d/b/a/ KeySpan Energy Delivery New England; Boston Gas Company d/b/a/ KeySpan Energy Delivery New England; and Connecticut Natural Gas Corporation (“Other Customers”). As compensation for the services it renders, each month, each customer will pay NEGM a fee based on the Daily Contract Quantity (“DCQ”) of the customer under its respective gas sales agreement and the number of days in the month. The fee is described in Section 5 of the Management Services Agreement among NEGM and KGEC and the Other Customers. KGEC has included a copy of the Management Services Agreement³ and the Agency Agreement among NEGM and KGEC and the Other Customers as Exhibits C and D to this application.

³ KGEC has attached a redacted version of the Management Services Agreement to the original application and the copies thereof and has provided one copy of that agreement to OFE in its complete, unredacted form, which it has requested OFE to return after its review.

Each of the Other Customers is filing an individual application for long term import authority to import the gas to be purchased under the Other Nexen Agreements or will, where appropriate, file an application for blanket import authority.⁴

IV.

The principal terms of the Gas Sales Agreement are as follows:

Contract Term. The Gas Sales Agreement became effective, subject to the receipt of regulatory approvals, on February 4, 2004 and continues until April 1, 2007.

Point of Delivery. The point of delivery will be a point on the international boundary between Canada and the United States at or near the interconnection between the facilities of TransCanada Pipelines Limited (“TransCanada”) and the facilities of Tennessee at or near Niagara Falls, New York and Niagara Falls, Ontario.

Contract Quantity. During the Term of the contract, KGEC is entitled to receive the quantity of gas nominated by NEGM on behalf of KGEC for delivery at the Delivery Point each day, which quantity cannot exceed KGEC’s DCQ of 1,275 Mcf/day, except as otherwise provided in Section 5.1 of the Gas Sales Agreement. In addition, KGEC retains the flexibility to nominate any quantity of gas less than the full DCQ no later than five business days prior to the beginning of each month.

Section 5.1 provides that KGEC may purchase additional volumes if those volumes are not nominated by the Other Customers under the Other Nexen Agreements five business days

⁴ All of the Other Customers except Connecticut Natural Gas Corporation are filing long term import applications. Connecticut Natural Gas Corporation, which has a gas sales contract with a term of less than 2 years that begins November 1, 2004, will seek blanket import authority in the future, if it does not have adequate existing blanket import authority.

before TransCanada's deadline for monthly nominations. Because it is theoretically possible that all the Other Customers could decide not to purchase their volumes under such agreements on a specific day, and that KGEC could choose to purchase the entire DCQ of the Other Customers under such agreements that day, KGEC is seeking authorization to import not only its DCQ of 1,275 Mcf/day, but also the full DCQ's of KGEC and all the Other Customers under the Other Nexen Agreements, *i.e.*: (1) up to 25,451 Mcf/day for the period April 1, 2004 or the date of first delivery of gas under the requested import authorization to April 1, 2007; and (2) an incremental amount of up to 27,508 Mcf/day for two periods -- (i) November 1, 2004 to April 1, 2005, and (ii) November 1, 2005 to April 1, 2006.⁵

Price. The Price in the Gas Sales Agreement is based on index prices in order to ensure that the prices will be competitive over the life of the agreement. The price is identified in the defined term "Contract Price" set forth in the Gas Sales Agreement.

V.

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 "a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas [is] deemed to be consistent with the public interest" and authorization for such must be granted without modification or delay. 15 U.S.C. § 717b(c). This authorization, sought by KGEC, is to import natural gas from 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.


⁵ The OFE authorized a similar import arrangement in *Brooklyn Union Gas Company, et al.*, 1 FE ¶ 70,285 at 71,219 (1991).

VI.

WHEREFORE, KGEC respectfully requests authorization to import from Canada:
(1) up to 25,451 Mcf/day of natural gas for the period April 1, 2004 or the date of first delivery of gas under the requested import authorization to April 1, 2007; and (2) an incremental amount of up to 27,508 Mcf/day for two periods -- (i) November 1, 2004 to April 1, 2005, and (ii) November 1, 2005 to April 1, 2006.

Dated: February 27, 2004

Respectfully submitted,

By: 
Beth L. Webb
Janet M. Robins
Dickstein Shapiro Morin
& Oshinsky LLP
2101 L Street, N.W.
Washington, DC 20037
(202) 785-9700

Attorneys for KeySpan Gas East Corporation

EXHIBIT A



KeySpan Energy
One MetroTech Center
Brooklyn, New York 11201-3850

February 23, 2004

Clifford P. Tomaszewski
Manager, Natural Gas Regulation
Office of Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3E-042, FE-34
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Sir:

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 dba KeySpan Energy Delivery Long Island ("KEDLI"), for Authorization to Import Natural Gas from Canada. I am counsel to KEDLI, and as such am familiar with its corporate documents. Based upon the foregoing and for the purposes of the Application to the Office of Fossil Energy, my opinion is that the proposed imports as described in the Application are within the corporate powers of KEDLI.

Very truly yours,

A handwritten signature in black ink, appearing to read "John E. Allocca".

John E. Allocca, Esq.

#110338

EXHIBIT B

Redacted

GAS SALES AGREEMENT

THIS AGREEMENT is made effective this 4th day of February, 2004 (the "Effective Date")

BETWEEN:

Nexen Marketing, an Alberta Partnership, with principal offices in Calgary, Alberta (hereinafter referred to as "SELLER")

and

KeySpan Gas East Corporation d/b/a/ KeySpan Energy Delivery Long Island, a New York Corporation, with principal offices in Hicksville, New York (hereinafter referred to as "BUYER").

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

WHEREAS, BUYER seeks to secure long term, Firm natural gas supplies;

WHEREAS, SELLER desires to sell long term, Firm natural gas supplies;

WHEREAS, BUYER desires that Northeast Gas Markets, L.L.C. ("NEGM") act as its administrative agent for all purposes under this Gas Sales Agreement;

WHEREAS, NEGM will also act as administrative agent for purposes of certain other Gas Sales Agreements executed substantially simultaneously herewith by and between SELLER and The Berkshire Gas Company; Boston Gas Company d/b/a/ KeySpan Energy Delivery New England; Connecticut Natural Gas Corporation; The Brooklyn Union Gas Company d/b/a/ KeySpan Energy Delivery New York; EnergyNorth Natural Gas, Inc. d/b/a/ KeySpan Energy Delivery New England; and Essex Gas Company d/b/a/ KeySpan Energy Delivery New England (individually, "Other Customer" and collectively, the "Other Customers");

WHEREAS, the Parties desire to set forth the terms and conditions applicable to the sale by SELLER and the purchase by BUYER of certain volumes 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:

"**Agreement**" means this Gas Sales Agreement.

"**Business Day**" means any Day, other than a Saturday, Sunday, or a Federal holiday.

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

"**Contract Price**"

"**Daily Contract Quantity**" or "**DCQ**" means a quantity of Gas per Day equal to 1,275 dth.

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

"**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 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 PipeLines Limited ("TransCanada") and the facilities of Tennessee Gas Pipeline Company ("Tennessee") at or near Niagara Falls, Ontario.

"**Dollars**" (and the symbol "\$") means U.S. dollars.

"**dth**" means dekatherm.

"**Firm**" means the Parties' obligations are unconditional except in the event of a *Force Majeure* as defined in Section 12 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

TransCanada and Tennessee, as amended from time to time and approved by jurisdictional regulatory authorities.

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

"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.

"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 calendar Day of the next calendar month.

"Other Customer" shall have the meaning set forth in the fourth WHEREAS clause.

"Period of Delivery" means the period commencing at 9:00 a.m. CCT on April 1, 2004 and ending at 9:00 a.m. CCT on April 1, 2007.

"Reference Price"

"Replacement Price Differential"

"Scheduled Contract Quantity" shall mean the quantity of gas nominated by NEGM on behalf of BUYER pursuant to Section 5.1 for delivery by SELLER at the Delivery Point on each Day of a Month, which quantity,

except as otherwise specifically provided herein, shall not exceed the DCQ.

"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.

- 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.

2. TERM

Term. This Agreement shall become effective on the date hereof and shall continue in full force and effect for a period ending at 9:00 a.m. CCT on April 1, 2007, 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 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.

4. QUANTITY OBLIGATIONS

4.1 BUYER's Purchase Obligation. BUYER shall purchase and receive 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 importer of Gas into the United States.

4.2 SELLER's Sales Obligation. SELLER shall sell and deliver 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. SELLER shall be the exporter of Gas from Canada.

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 and such failure is not excused by SELLER's non-performance or pursuant to an event of *Force Majeure* under Section 12, 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 purchased and received by BUYER for such Day is the "Buyer Deficiency Quantity." 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 Subsections 7.1(b) 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 ten (10) consecutive Days, SELLER may, at its sole option, immediately, or any time thereafter during the continuation of such Deficiency Default, upon written notice to BUYER, terminate this Agreement.

4.4 SELLER's Failure to Deliver. If on any Day during the Period of Delivery, SELLER fails to sell and deliver BUYER's Scheduled Contract Quantity for such Day and such failure is not excused by BUYER's non-performance or pursuant to an event of *Force Majeure* under Section 12, then such occurrence shall constitute a "Seller Deficiency Default," and the difference between BUYER's Scheduled Contract Quantity for such Day and the quantity of Gas sold and delivered by

SELLER is the "Seller Deficiency Quantity." 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 Subsections 7.1(b) and 7.2 (respectively), provided that BUYER (or NEGM on its behalf) 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 ten (10) consecutive Days, BUYER may, at its sole option, immediately or at any time thereafter during the continuation of such Deficiency Default, upon written notice to SELLER, terminate this Agreement.

- 4.5 Redetermination of a Price Index. If a price index required to calculate the Contract Price ceases to be available and no successor price index is identified or generally accepted within the industry, the Parties shall promptly and in good faith negotiate an alternate index for such 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, the Parties will utilize the last price index available on an interim basis and in good faith refer the matter to arbitration pursuant to Section 15.6.

5. **OPERATIONS AND DELIVERY**

- 5.1 BUYER's Monthly Nominations to SELLER. No later than five (5) Business Days prior to TransCanada's deadline(s) for nominations for the Month, NEGM on behalf of BUYER shall provide telephone notice to SELLER, confirmed by facsimile or email, of the quantity of Gas BUYER requires SELLER to deliver at the Delivery Point on each Day of the Month. To the extent that BUYER's Scheduled Contract Quantity is less than the DCQ for any Month, such difference shall be available for purchase in such Month by any Other Customer (pursuant to the terms and conditions of the Gas Sales Agreement between SELLER and such Other Customer referenced in the fourth WHEREAS clause) if elected by NEGM on behalf of such Other Customer by the deadline referenced in the first sentence of this Section 5.1. To the extent that BUYER elects to purchase volumes not purchased by any Other Customer in any Month, such volumes shall be included in BUYER's Scheduled Contract Quantity for such Month. For any Month, the sum of the Scheduled Contract Quantities nominated by NEGM on behalf of BUYER and Other Customers shall not exceed the sum of the Daily Contract Quantities of BUYER and the Other Customers.

5.2 Transportation. SELLER shall arrange and pay for transportation to the Delivery Point, and BUYER shall arrange and pay for transportation from the Delivery Point.

5.3 Measurement. The volume and energy content of the Gas sold hereunder shall be measured at the Delivery Point by TransCanada. SELLER shall procure from TransCanada, upon reasonable request by BUYER therefore, the results of any meter calibration testing performed at the Delivery Point during the term of this Agreement.

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 to 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 fifteenth Day of each Month following the Month in which Gas was delivered (the "Delivery Month"), SELLER shall provide to NEGM on behalf of BUYER a detailed invoice setting forth the amount due for Gas which was delivered for the preceding Month, which shall be the product of the Contract Price and the number of dekatherms of Gas delivered in the Delivery Month, together with any other amounts due 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 Quantities, and any discrepancy between the actual quantity of Gas delivered and the Scheduled Contract Quantities will be reflected in the following Month's invoice. All invoices shall include the relevant supporting documentation from TransCanada and such other information as may be reasonably requested by BUYER.

- (b) After either a Seller Deficiency Default or a BUYER Deficiency Default occurs, the non-defaulting Party shall provide to the other Party a detailed statement setting forth the amount due for such default. Either Party must notify the other of a default by the later of five (5) Business Days after the date such Party became aware of the default or by the fifteenth Day of the Month following the Month of Deficiency Default.
- 7.2 Payment Date. Subject to Section 7.5, BUYER shall pay or cause NEGM to pay amounts BUYER owes and SELLER shall pay amounts it owes as set forth in invoices and/or statements under Section 7.1 no later than the Payment Date. For invoices rendered under Subsection 7.1(a), "Payment Date" means the twenty-fifth Day of the Month in which the statement was received, provided that if the twenty-fifth Day is not a Business Day, Payment Date shall be the next Business Day after the twenty-fifth Day. If receipt of an invoice is delayed after the fifteenth Day of the Month, the Payment Date shall be delayed for a like period, unless the payor is primarily responsible for such delay. For Deficiency Default statements rendered under Subsection 7.1(b), "Payment Date" means the fifth Day after defaulting Party receives the default statement, provided that if the fifth Day is not a Business Day, the Payment Date shall be the next Business Day after the fifth day. All payments invoiced under Subsection 7.1 shall be made by electronic funds transfer to the payee's account designated on Exhibit "A" hereto.
- 7.3 Late Payment. If BUYER (or NEGM on behalf of BUYER) or SELLER should fail to pay any amounts due under this Agreement in full by the Payment Date, or if any adjustments are made under this Agreement, including adjustments due to audits or the resolution of a billing dispute, Interest on the unpaid portion shall accrue from the date payment was due until the date payment is made in full.
- 7.4 Failure to Pay. If BUYER (or NEGM on behalf of BUYER) fails to make payment when due pursuant to the terms of Section 7.2, and such failure is not remedied within five Business Days after SELLER gives NEGM on behalf of BUYER written notice of such failure, SELLER, in addition to any other remedy it may have, may immediately suspend further sale and delivery of Gas until such amount, including Interest, is paid. In the event that SELLER suspends the sale and delivery of Gas to BUYER under this Section 7.4, BUYER shall be obligated to SELLER for an amount equal to the product of the Scheduled Contract Quantity (or portion thereof that is suspended) multiplied by the Replacement Price Differential for each Day of such suspension. If such failure to pay continues for an additional five Business Days after the commencement of any such suspension, SELLER may, in addition to any other rights SELLER may

have, at its sole option, immediately, or at any time thereafter during the continuation of the failure to pay, upon written notice to BUYER, terminate this Agreement. If SELLER fails to make payment when due pursuant to the terms of Section 7.2, and such failure is not remedied within ten (10) Business Days after BUYER (or NEGM on behalf of BUYER) gives SELLER written notice of such failure, BUYER may, in addition to any other remedy it may have, at its sole option, immediately, or at any time thereafter during the continuation of the failure to pay, upon written notice to SELLER, terminate this Agreement. Notwithstanding any other provision of this Agreement, in no event shall NEGM have any liability to SELLER for any amount due from or any other obligation of BUYER hereunder. SELLER's sole recourse for any amount or obligation due from BUYER shall be against BUYER.

- 7.5 Invoice Disputes. If a dispute arises as to the amount payable in any invoice rendered hereunder, BUYER shall nevertheless pay or cause NEGM to pay when due the amount not in dispute under such invoice, and shall, at the time of such payment, provide or cause NEGM to provide written notice to SELLER indicating the disputed amount and the reason for such dispute, along with all supporting documentation. Payment of any invoice shall not be deemed to be a waiver of the right by BUYER to recoup any overpayment, nor shall acceptance of any payment be deemed to be a waiver by SELLER of additional amounts owed to it by BUYER. If a dispute arises, the Party who prepared the statement shall promptly investigate the matter and submit an adjusted bill, if necessary, to the other Party. The underpaying or overpaid Party shall reimburse the other Party plus Interest accrued on such amount within 10 Business Days of determination of the under or overpayment.
- 7.6 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.
- 7.7 Financial Responsibility. If a Party becomes Materially Weaker (as defined herein) or a Designated Event occurs with respect to that Party (the "Assuring Party"), causing the Assuring Party or the resulting, surviving or transferee entity to become Materially Weaker, the other Party (the "Requesting Party") may demand Performance Assurance, whether or not an event of default or an event of non-performance has occurred, which Performance Assurance shall be provided by the Assuring Party by the end of the 5th Business Day after demand is received.

For the purposes of this Section 7.7, Materially Weaker shall mean, in the case of

BUYER, that the senior unsecured long-term debt or deposits of BUYER, or in the event of a reorganization, of the resulting, surviving or transferee entity, is or are, as the case may be, rated less than investment grade by Standard & Poor's Corporation ("S&P") and Moody's Investment Services, Inc. ("Moody's), or, in the event that there are no such S&P or Moody's ratings for BUYER, a change in the nature, character, identity or condition of BUYER or, in the event of a reorganization, the resulting, surviving or transferee entity, that would, pursuant to SELLER's Policies (as defined herein) in effect at the time, lead SELLER, solely as a result of such change from its state prior to such event or Designated Event, to decline to make an extension of credit to, or enter into a transaction with, BUYER or the resulting, surviving or transferee entity. "SELLER's Policies", for the purposes of this definition, means: A) internal credit limits applicable to individual entities or B) other limits on doing business in certain jurisdictions or engaging in certain activities.

With respect to BUYER, a Designated Event means that (i) BUYER consolidates, reorganizes, amalgamates or merges with, or transfers all or substantially all of its assets to, or receives all or substantially all the assets or obligations of, another entity; (ii) 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 BUYER; (iii) BUYER effects any substantial change in its capital structure by means of the issuance or incurrence of debt or preferred stock or other securities convertible into or exchangeable for, debt or preferred stock; or (iv) BUYER enters into any agreement providing for any of the foregoing.

For purposes of this Section 7.7, SELLER shall be deemed to be Materially Weaker only in the event that all partners in SELLER are not Creditworthy. Creditworthy shall mean, in the case of any partner in SELLER which is rated by S&P and Moody's, that the senior long-term debt or deposits of such partner or, in the event of a reorganization, of the resulting, surviving or transferee entity, is or are, as the case may be, rated less than investment grade by S&P and Moody's. Creditworthy shall mean, in the case of any partner for whom there are no such S&P and Moody's ratings, a change in the nature, character, identity or condition of such partner or its controlling shareholder or, in the event of a reorganization, the resulting, surviving or transferee entity, that would, pursuant to BUYER's Policies (as defined herein) in effect at the time, lead BUYER, solely as a result of such change from its state prior to such event or Designated Event, to decline to make an extension of credit to, or enter into a transaction with, such partner or the resulting, surviving or transferee entity; provided, however, that it is understood and agreed that all partners in SELLER are jointly and severally

liable for the obligations of SELLER under this Agreement. "BUYER's Policies", for the purposes of this definition, means: A) internal credit limits applicable to individual entities or B) other limits on doing business in certain jurisdictions or engaging in certain activities.

With respect to SELLER, a Designated Event means that (i) SELLER or any partner in SELLER consolidates, reorganizes, amalgamates or merges with, or transfers all or substantially all of its assets to, or receives all or substantially all the assets or obligations of, another entity; (ii) Nexen Inc. ceases to be a partner in SELLER; (iii) 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 SELLER or any partner in SELLER; (iv) SELLER or any partner in SELLER effects any substantial change in its capital structure by means of the issuance or incurrence of debt or preferred stock or other securities convertible into or exchangeable for, debt or preferred stock; or (v) SELLER or any partner in SELLER enters into any agreement providing for any of the foregoing.

Performance Assurance shall mean security in the form proposed by the Assuring Party and accepted by the Requesting Party, such acceptance not to be unreasonably withheld, including, but not limited to, an irrevocable standby letter of credit, a prepayment, a security interest in an asset acceptable to the Requesting Party or performance bond or guarantee by an entity reasonably acceptable to the Requesting Party, provided, however, that in no event shall BUYER be required to provide Performance Assurance in an amount which exceeds the product of the DCQ, sixty (60) Days and the then-effective Contract Price. If the Requesting Party does not provide Performance Assurance within five (5) Business Days of the Requesting Party's written request, the Requesting Party may immediately, or at any time thereafter, upon written notice to the Assuring Party, suspend the sale and delivery or purchase and receipt of Gas, as the case may be, under this Agreement until such Performance Assurance has been received. If the Assuring Party does not provide the Requesting Party with Performance Assurance within five (5) Business Days of the commencement of any such suspension, the Requesting Party may, at its sole option, immediately, or at any time thereafter, upon written notice to the Assuring Party, terminate this Agreement.

- 7.8 Termination Payment. In the event that this Agreement is terminated by BUYER pursuant to the provisions of Sections 4.4, 7.4 or 7.7, SELLER shall pay BUYER, within five (5) Business Days after the end of the Month in which the effective date of such termination occurs ("Termination Month"), an amount equal to the

sum of the products of the Scheduled Contract Quantity and the Replacement Price Differential for each Day from the effective date of such termination to the end of the Termination Month, in addition to any amounts due and owing by SELLER prior to such termination. In the event that this Agreement is terminated by SELLER pursuant to the provisions of Sections 4.3, 7.4 or 7.7, BUYER shall pay SELLER, within five (5) Business Days after the end of the Termination Month, an amount equal to the sum of the products of the Scheduled Contract Quantity and the Replacement Price Differential for each Day from the effective date of such termination to the end of the Termination Month, in addition to any amounts due and owing by BUYER prior to such termination. The Termination Payment provided herein shall be a Party's sole and exclusive remedy in the event such Party terminates this Agreement; provided, however, that no Termination Payment shall be due or owing as a result of a termination pursuant to Section 8.2.

8. REGULATION

- 8.1 Regulatory Approval. The effectiveness of this Agreement is subject to receipt and acceptance, not to be unreasonably withheld, of all necessary regulatory approvals required to be obtained from all Governmental Bodies having jurisdiction.
- 8.2 Other Events. If a Party's ("Affected Party") activities under this Agreement become subject to new law or regulation or a change in law or regulation which renders this Agreement illegal or incapable of being performed, or an event of *Force Majeure*, as defined in Section 12 below, continues unabated for at least 30 consecutive Days, then the Affected Party (or, in the case of an unabated *Force Majeure*, either Party) may elect, by written notice to the other Party, to terminate this Agreement.

9. NETTING

Netting of Payments. If on any date a common amount is payable under this Agreement by each Party to the other, including, without limitation, amounts owing under Section 7.1, payments owed under Sections 4.3, 4.4 and 7.8, 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 as specified in Exhibit "A" and shall, if transmitted and confirmed by facsimile, telecopier, or other similar form of telecommunication or by email during normal business hours, be deemed to have been given or made on the Day on which so transmitted 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.

11.2 NEGM as Agent. The Parties acknowledge and agree that BUYER has appointed NEGM as agent for all purposes of administering this Agreement. SELLER hereby recognizes such appointment and agrees that any act which is to be performed by BUYER hereunder may be performed by NEGM on behalf of BUYER, and SELLER agrees to accept such performance as if it were made directly by BUYER. In the event that NEGM is no longer able to act as agent or is removed from such position by BUYER, SELLER agrees to accept such replacement agent as may be reasonably appointed by BUYER.

11.3 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 for Sections 7.4, 7.7 and 8.1 with respect to SELLER and Sections 7.7 and 8.1 with respect to BUYER, this Section 12 is the sole and exclusive excuse for non-performance permitted under this Agreement. Except with regard to payment obligations incurred prior to the inception of a *Force Majeure* event, in the event either Party is rendered unable, wholly or in

part, by *Force Majeure* to carry out its obligations under this Agreement, the obligations of the Parties, to the extent that they are affected by such *Force Majeure*, shall be suspended, from its inception and during the continuance of the *Force Majeure*.

- 12.2 Events Constituting *Force Majeure*. "*Force Majeure*" shall mean any cause not within the control of the Party claiming *Force Majeure* and which by the exercise of due diligence such Party is unable to prevent or overcome which affects the delivery or receipt of gas at the Delivery Point, including interruptions, diversions, or curtailments of SELLER's or BUYER's Firm delivery or takeaway transportation service at the Delivery Point(s) implemented by TransCanada or Tennessee or interruptions, diversions, or curtailments occurring on BUYER's distribution system. *Force Majeure* shall also include any directive, order, or sanction by any Governmental Body that results in the interruption, diversion or curtailment of SELLER's or BUYER's Firm delivery or takeaway transportation service at the Delivery Point, regardless of whether TransCanada or Tennessee is declaring an event of force majeure. The Party affected by an event of *Force Majeure* shall give verbal and written notice and full particulars thereof to the other Party as soon as is reasonably possible. Neither Party shall be entitled to the benefit of the provisions of *Force Majeure* under either or both of the following circumstances: (i) to the extent the failure to perform was caused by the sole or contributory negligence of the Party claiming excuse; or (ii) to the extent the failure to perform was caused by the Party claiming excuse having failed to remedy the condition and to resume the performance of its obligations with reasonable dispatch. *Force Majeure* shall not include "economic hardship" which includes, without limitation, SELLER's ability to sell Gas at a higher or more advantageous price and BUYER's ability to purchase Gas at a lower or more advantageous price.
- 12.3 Obligations of Parties During *Force Majeure*. On any Day or portion thereof for which BUYER claims *Force Majeure*, BUYER's obligation to receive and pay for Gas will be reduced only by the percentage that the affected BUYER's total Firm Gas flows are interrupted, curtailed or pro-rated at the Delivery Point(s) as a result of such *Force Majeure*. On any Day or portion thereof for which SELLER claims *Force Majeure*, SELLER shall reduce Firm obligations at the Delivery Point without regard to the price paid or received for the Gas, but shall be entitled to give priority to Firm obligations of longer terms over those of shorter terms. Any imbalance penalties incurred as a result of the *Force Majeure* shall be the responsibility of the Party claiming *Force Majeure*, provided that, upon provision of notice of a *Force Majeure* event as set forth in Section 12.2, SELLER shall be responsible for any imbalance penalties upstream of the Delivery Point and

BUYER shall be responsible for any imbalance penalties downstream of the Delivery Point.

13. **TAXES**

Allocation of and Indemnity for Taxes. The Contract Price includes 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 does 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. 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.

14. **IMBALANCES**

Responsibility for Imbalances. Subject to Section 12.3, the Party causing (or Party whose pipeline transporter causes) a pipeline imbalance, imbalance or variance charge, or a pipeline-imposed penalty shall be responsible for, liable for and shall indemnify the other Party from such imbalances, charges or penalties.

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. Except as otherwise expressly stated herein, failure of a Party to complain of any act or to declare the other Party in default, or to elect to terminate this Agreement, regardless of how long such failure continues, shall not constitute a waiver thereof until the applicable statute of limitations period has expired.

- 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 Audit Rights. Each Party shall have the right, at its sole cost and expense, during the Period of Delivery and for two years thereafter, upon reasonable notice and at reasonable times, to appoint an independent auditor to examine the books and records of the other Party to the extent reasonably necessary to verify the accuracy of any billing statement, payment demand, charge, payment or computation made under this Agreement. 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 conducted in accordance with the CPR Institute for Dispute Resolution Rules for Non-Administered Arbitration of International Disputes. The site of the arbitration shall be in Toronto, and the language of the arbitration shall be in English. 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. In deciding the substance of the Parties' Claims, the arbitrators shall refer to the laws of New York. It is agreed that the Arbitrators shall have no authority to award treble, exemplary or punitive 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.

Within thirty days of the notice of initiation of the arbitration procedure, each Party shall select one arbitrator. The two arbitrators shall select a third arbitrator.

The third arbitrator shall be a person who has experience in the oil and gas industry.

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 State of New York, without regard to principles of conflicts of law, and the Parties irrevocably submit and attorn to the non-exclusive jurisdiction of the Courts of the State of New York for all matters arising out of or relating to this Agreement.
- 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:
- (1) 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 (A) so notify the other Party immediately, (B) utilize all reasonably available means to limit the scope of the required disclosure, and (C) take all actions reasonably necessary to prevent disclosure to the public as a result of disclosure to the court or administrative body;
 - (2) disclosure is necessary to obtain transportation of the Gas covered by this Agreement;
 - (3) disclosure is required to implement capacity assignment programs; or
 - (4) disclosure is required in the course of routine audit procedures or to enforce the provisions of the Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

Nexen Marketing

Per: Janet Velluti
Per: _____

Name Printed
Janet E. Vellutini
Vice President,
Natural Gas Marketing

Title

KeySpan Gas East Corporation d/b/a/ KeySpan
Energy Delivery Long Island, by its agent,
KeySpan Utility Services LLC

Per: Ronald Lukas

Ronald Lukas
Name Printed
Vice President
Title

Per: Susan Schulli
Name: Susan L. Schulli
Title: Assistant Secretary

ACKNOWLEDGED

Northeast Gas Markets, L.L.C. As
Administrative Agent

Per: Michael S. Lucy
Michael S. Lucy
President

EXHIBIT "A" to GAS SALES AGREEMENT
between Nexen Marketing and KeySpan Gas East Corporation d/b/a/ KeySpan Energy
Delivery Long Island
dated this 4th day of February, 2004

NOTICES AND COMMUNICATIONS

NOTICES TO BUYER:

KeySpan Gas East Corporation d/b/a/
KeySpan Energy Delivery Long Island
c/o Northeast Gas Markets, L.L.C.
100 Cummings Center, Suite 457G
Beverly, Massachusetts 10915-6132
Telephone No. (978) 922-1194
Facsimile No. (978) 922-1195
E-mail: msslucy@negm.com;
mferullo@negm.com

NOTICES TO SELLER:

Nexen Marketing
801 - 7th Ave. SW, Suite 1700
Calgary, AB T2P 3P7
Attn: Contract Administration
Facsimile No. (403) 699-5707
E-mail: deb_robinson@nexeninc.com;
Sharron_roberts@nexeninc.com

**PAYMENTS TO NEGM. on behalf of
BUYER:**

If by Wire Transfer, to:
Beverly National Bank
240 Cabot Street
Beverly, Massachusetts 01915
ABA No.: 011302768
Account No.: 2800007052
Telephone: (978) 922-2100
Contact: Steven Curran, Vice President

PAYMENTS TO SELLER:

The Royal Bank of Canada
255 - 5th Ave. SW
Calgary, AB T2P 3G6
Bank # 003 Transit #02319
Account # 100-423-3 (Cdn\$)
Account # 400-144-2 (US\$)

**BILLING AND ACCOUNTING
MATTERS:**

KeySpan Gas East Corporation d/b/a/
KeySpan Energy Delivery Long Island
c/o Northeast Gas Markets L.L.C.
100 Cummings Center, Suite 457G
Beverly, Massachusetts 10915-6132
Telephone No. (978) 922-1194
Facsimile No. (978) 922-1195
E-mail: msslucy@negm.com;
mferullo@negm.com

**BILLING AND ACCOUNTING
MATTERS:**

Nexen Marketing
801 - 7th Avenue SW, Suite 1700
Calgary, AB T2P 3P7
Telephone No. (403) 699-4028
Facsimile No. (403) 699-5705
E-mail: kyle_carroll@nexeninc.com

CONFIRMATIONS:

Facsimile No. (978) 922-1195

AFTER HOUR NOTICES:

(978) 545-4999

CONFIRMATIONS:

Facsimile No. (403) 699-5705

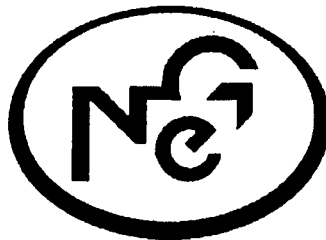
AFTER HOUR NOTICES:

(403) 213-4130

EXHIBIT C

Redacted

NEGM
MSA for
KEDNE



Northeast Gas Markets

100 Cummings Center
Suite 457G
Beverly, MA 01915
Telephone: (978) 922-1194
Fax: (978) 922-1195

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement is made this 4th day of February, 2004 by and among Northeast Gas Markets LLC ("NEGM") and the following local distribution companies: Bay State Gas Company; The Berkshire Gas Company; Boston Gas Company d/b/a/ KeySpan Energy Delivery New England; Connecticut Natural Gas Corporation; KeySpan Utility Services LLC as agent for The Brooklyn Union Gas Company d/b/a/ KeySpan Energy Delivery New York; EnergyNorth Natural Gas, Inc. d/b/a/ KeySpan Energy Delivery New England; Essex Gas Company d/b/a/ KeySpan Energy Delivery New England; KeySpan Utility Services LLC as agent for KeySpan Gas East Corporation d/b/a/ KeySpan Energy Delivery Long Island; and, Northern Utilities, Inc. (herein individually "Customer" and collectively "Customers").

WITNESSETH:

WHEREAS, pursuant to the Agency Agreement entered into by NEGM and Customers ("Agency Agreement" or "AA"), each Customer has authorized NEGM to act on its behalf as administrative agent for all purposes under its respective Gas Sales

Agreement(s) with BP Canada Energy Company and/or NEXEN Marketing (collectively, the "Suppliers") of even date herewith, providing for the sale and export by the Suppliers and the purchase and import by such Customer of Canadian natural gas (individually "Gas Sales Agreement" or "GSA" and collectively "Gas Sales Agreements"), the form of each such Gas Sales Agreement being appended to the Agency Agreement;

WHEREAS, Customers seek to secure the services of NEGM to implement and administer on behalf of Customers the Gas Sales Agreements; and,

WHEREAS, NEGM is willing to implement and administer on behalf of Customers the Gas Sales Agreements on the terms and conditions set forth herein.

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

1. Unless otherwise provided, all terms defined in the Gas Sales Agreements and the Agency Agreement shall have the same meaning when used in this Agreement.

2. NEGM will render all operational, management, contract administration, coordination, reporting, accounting and bookkeeping services necessary for NEGM to administer the Gas Sales Agreements, subject to all applicable regulatory authorizations. NEGM, subject to review and approval of Customers, shall maintain and update as necessary an operating manual detailing the procedures to be followed by NEGM and Customers and shall provide a copy of such operating manual and updates thereto to all Customers.

Specifically, NEGM shall provide the following services under this Agreement:

SERVICES SCHEDULE

- a. Maintain records of quantities and total heating value of Gas sold by the Suppliers to each Customer and transportation volumes allocated at the Niagara check meter by Tennessee to the account of each Customer, and verify that such allocation conforms to the allocation of volumes by Canadian transporters reflected in monthly invoices rendered by the Suppliers;
- b. Transmit promptly to the respective Customer all notices received from the Suppliers under a Gas Sales Agreement, receive notices from Customers of their Scheduled Contract Quantities pursuant to GSA Section 5.1, transmit to the Suppliers the nominations of each Customer pursuant to GSA Section 5.1;
- c. Coordinate re-offerings of Gas not nominated by individual Customers to other Customers pursuant to GSA Section 5.1 and AA Section 3;
- d. Notify promptly Customers of the effective monthly Contract Price and, when applicable, the effective Reference Price under the respective Gas Sales Agreements;
- e. Prepare and file on behalf of Customers any operational reports which may be required by regulatory authorities, including without limitation quarterly reports required by the U.S. Department of Energy Office of Fossil Energy;
- f. Prepare and file required U.S. Customs forms and arrange for payment of any levies pertaining to the importation of Gas;
- g. Analyze and reconcile the nominated and received Gas volumes;
- h. Review periodic meter station inspections reports concerning Tennessee's (and, if appropriate, that of TransCanada PipeLines Ltd.) Niagara check meter facility and if necessary, witness annual inspection of same;
- i. Open and maintain such bank accounts as may be necessary for NEGM to perform its services pursuant to this Agreement;
- j. Coordinate meetings of representatives of Customers, the Suppliers, Tennessee, and any other appropriate parties, as may be necessary to discuss and resolve operational, commercial and regulatory issues;
- k. Retain legal counsel and other outside professional services as directed by Customers;
- l. Acknowledge the receipt, and verify the accuracy, of invoices from the Suppliers and from third parties, including but not limited to taxing authorities, vendors, lawyers and consultants;

- m. Render invoices to each Customer for amounts due in accordance with the terms of the respective Gas Sales Agreements, the Agency Agreement and this Agreement;
- n. Monitor receipt by NEGM of amounts due from each Customer in accordance with the terms of the respective Gas Sales Agreements, the Agency Agreement and this Agreement;
- o. Remit promptly sums due and owing by Customers to the Suppliers and third parties (including fees due under this Agreement);
- p. Maintain such office facilities, personnel and equipment as may be necessary for NEGM to perform its services pursuant to this Agreement;
- q. Conduct renegotiation and arbitration as required under the Gas Sales Agreements; and
- r. Perform such other acts as may be necessary or appropriate for proper performance, implementation and administration of the Gas Sales Agreements, the Agency Agreement and this Agreement.

3. It is understood and agreed that NEGM shall receive its instructions from and shall report exclusively to Customers in the performance of this Agreement.

4. NEGM shall cause detailed books and records pertaining to the services rendered hereunder to be kept in accordance with generally accepted accounting principles and all applicable regulatory requirements. All such books and records shall be the property of NEGM and shall be kept available for use, audit and inspection by Customers or their authorized representatives during the term of this Agreement and for six years thereafter.

5. As compensation for the services rendered by NEGM pursuant to this Agreement, each Customer shall pay to NEGM each Month a fee equal to the product of and the effective Daily Contract Quantity under its respective Gas Sales Agreement and the number of Days in such Month, without regard to actual quantities of Gas delivered to such Customer for that Month. NEGM's charge shall be

included in the monthly invoices rendered by NEGM to Customers pursuant to AA Section 4.

6. NEGM may arrange with outside persons or organizations to perform services necessary to the administration of the Gas Sales Agreements, such as legal, consulting, internal and external audits, and bank escrow services. Such services shall be outside the scope of this Agreement and shall be performed pursuant to written agreements between such persons or organizations and NEGM. Any such agreement for outside services shall set forth the rate of compensation and the scope of services to be performed. Each Customer shall be responsible for the charges and related expenses for any such services in the same proportion that its Daily Contract Quantity bears to the sum of the Daily Contract Quantities of all Customers. Such charges and related expenses shall be billed by the provider of such service to NEGM and shall be included in the monthly invoices rendered by NEGM to Customers pursuant to AA Section 4. NEGM shall remit sums due for such services promptly upon receipt of payment therefor from Customers. In no event shall NEGM be required to disburse monies from its own funds for such services.

7. The parties hereto acknowledge that, pursuant to AA Section 4, NEGM is to render monthly invoices to Customers. It is understood and agreed that such monthly invoices shall be prepared and rendered by NEGM to each Customer and shall include amounts due and payable by such Customer to the Suppliers under GSA Section 7.2, to NEGM under Section 5 hereof and to third parties under Section 6 hereof. It is further understood and agreed that deposits made by each Customer pursuant to AA Section 5 shall include all such amounts due and payable by such Customer as set

forth on such monthly invoices, subject to such Customer's right under GSA Section 7.5 to dispute amounts due to the Suppliers. NEGM shall disburse (a) pursuant to AA Section 5, to the Suppliers by the Payment Date the amounts due and payable by each Customer and (b) the amounts due and payable to NEGM and to third parties by the dates due in accordance with Sections 5 and 6 hereof.

8. NEGM shall be indemnified and held harmless by the Customers against any and all claims and demands arising out of the Customers' obligations under their respective Gas Sales Agreements, NEGM's actions as agent under the Agency Agreement or NEGM's performance of services under this Agreement, except for claims and demands caused by NEGM's gross negligence or willful misconduct, including, but not limited to, criminal actions, provided, however, that this indemnification provision must be construed in a manner consistent with Section 10 of this Agreement.

Customers shall be indemnified and held harmless by NEGM against any and all claims and demands arising out of NEGM's activities unrelated to its actions as agent under the Agency Agreement or its performance of services under this Agreement and any and all claims and demands arising out of or in any way connected with the Agency Agreement or this Agreement which arise out of NEGM's gross negligence or willful misconduct, including, but not limited to, criminal actions. This Section 8 is not intended to limit the remedies available to a party in the event of a material breach of this Agreement.

9. NEGM may not assign its rights or obligations under this Agreement without the prior written approval of Customers. Each Customer may assign its rights and obligations under this Agreement only in connection with an assignment of its

rights and obligations under its respective Gas Sales Agreement in accordance with the terms thereof.

10. It is understood and agreed that the obligations and liabilities of each Customer under its respective Gas Sales Agreement, the Agency Agreement and this Agreement are several, and not joint or collective.

11. No partnership, joint venture, association or other such relationship among the Customers is created by this Agreement.

12. Nothing in this Agreement limits the ability of NEGM or any Customer to engage in any business, in any transaction or in any relationship with any entity.

13. It is understood and agreed that NEGM shall receive its instructions from, and report to, each Customer with respect to its respective Gas Sales Agreement, but in no event shall have any liability to the Suppliers under the terms of such Gas Sales Agreement.

14. All notices and communications made pursuant to this Agreement shall be in writing, shall be addressed as specified in the Appendix hereto, and shall, if transmitted and confirmed by facsimile, telecopier, or other similar form of telecommunication or by email during normal business hours, be deemed to have been given or made on the day on which so transmitted, and if sent by overnight courier and delivery is confirmed, or if mailed by registered or certified mail, return receipt requested, shall be deemed to have been given or made on the day on which delivered.

15. No waiver by any party of any default 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.

16. This Agreement shall not be amended except by written agreement of all the parties hereto.

17. This Agreement shall be governed and interpreted in accordance with the laws of the State of New York.

18. NEGM agrees to perform all services hereunder in compliance with all applicable laws, rules and regulations. This Agreement shall be subject to all applicable laws, rules and regulations and orders of all governmental and regulatory bodies having jurisdiction and shall terminate to the extent that performance may conflict with any rule, regulation or order of the Securities and Exchange Commission adopted before or after the effective date hereof.

19. This Agreement shall become effective as between NEGM and each Customer as of the date on which such Customer's Gas Sales Agreement(s) becomes effective and, except as hereafter provided in this Section 19, shall continue in full force and effect until the latest termination of a Customer Gas Sales Agreement, provided, however, that this Agreement will not be effective with respect to any Customer as of the termination of its respective Gas Sales Agreement(s). Each Customer shall have the right to terminate or suspend this Agreement, effective thirty (30) days after giving

notice thereof, in the event of (a) a material breach of this Agreement by NEGM not cured by NEGM within thirty (30) days of Customer giving NEGM notice of such breach or (b) three or more material breaches of this Agreement by NEGM over any consecutive sixty (60) day period, provided that such Customer has not caused, or taken any action to contribute to, any such material breach. If any of the Gas Sales Agreements is renewed, this Agreement will be deemed to be renewed as between NEGM and each renewing Customer for the term of each such renewed Gas Sales Agreement.

20. It is agreed that each party hereto will maintain this Agreement, and any proprietary information to which it has access as a consequence of this Agreement, 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 parties or, in the case of proprietary information, the parties owning such information, provided that disclosure by a party is permitted in the event and to the extent disclosure is required (1) in the course of routine audit procedures or to enforce the provisions of this Agreement or (2) by a court or agency exercising jurisdiction over the subject matter hereof, by order or regulation or law, provided that in the event a 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 (A) so notify the affected parties immediately, (B) utilize all reasonably available means to limit the scope of the required disclosure, and (C) take all actions reasonably necessary to prevent disclosure to the public as a result of disclosure to the court or administrative body.

21. This Agreement may be executed in separate counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

NORTHEAST GAS MARKETS L.L.C.

Per: Michael S. Lucy
Michael S. Lucy 215.04
President

BAY STATE GAS COMPANY

Per: _____

Name Printed

Title

ENERGYNORTH NATURAL GAS, INC. d/b/a
KeySpan Energy Delivery New England

Per: _____

Name Printed

Title

THE BERKSHIRE GAS COMPANY

Per: _____

Name Printed

Title

ESSEX GAS COMPANY d/b/a KeySpan Energy
Delivery New England

Per: _____

Name Printed

Title

21. This Agreement may be executed in separate counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

NORTHEAST GAS MARKETS L.L.C.

Per: Michael S. Lucy
Michael S. Lucy 2.18.04
President

BAY STATE GAS COMPANY

Per: _____

Name Printed

Title

THE BERKSHIRE GAS COMPANY

Per: _____

Name Printed

Title

**ENERGYNORTH NATURAL GAS, INC. d/b/a
KeySpan Energy Delivery New England**

Per: Nickolas Stauropoulos
NICKOLAS STAUROPOULOS
Name Printed
PRESIDENT
Title

**ESSEX GAS COMPANY d/b/a KeySpan Energy
Delivery New England**

Per: Nickolas Stauropoulos
NICKOLAS STAUROPOULOS
Name Printed
PRESIDENT
Title

21. This Agreement may be executed in separate counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

NORTHEAST GAS MARKETS L.L.C.

Per: Michael S. Lucy
Michael S. Lucy
President

BAY STATE GAS COMPANY

Per: _____

Name Printed

Title

**ENERGYNORTH NATURAL GAS, INC. d/b/a
KeySpan Energy Delivery New England**

Per: _____

Name Printed

Title

THE BERKSHIRE GAS COMPANY

Per: Karen Zink
Karen Zink
Name Printed
Vice President and General Manager
Title

**ESSEX GAS COMPANY d/b/a KeySpan Energy
Delivery New England**

Per: _____

Name Printed

Title

BOSTON GAS COMPANY d/b/a KeySpan
Energy Delivery New England

Per: Nicholas Stavropoulos

NICKOLAS STAVROPOULOS
Name Printed

PRESIDENT
Title

KEYSPAN GAS EAST CORPORATION d/b/a
KeySpan Energy Delivery Long Island by its
agent KeySpan Utility Services LLC

Per: _____

Name Printed

Title

THE BROOKLYN UNION GAS COMPANY
d/b/a KeySpan Energy Delivery New York by
its agent KeySpan Utility Services LLC

Per: _____

Name Printed

Title

NORTHERN UTILITIES, INC.

Per: _____

Name Printed

Title

CONNECTICUT NATURAL GAS
CORPORATION

Per: _____

Name Printed

Title

BOSTON GAS COMPANY d/b/a KeySpan
Energy Delivery New England

Per: _____

Name Printed

Title

KEYSPAN GAS EAST CORPORATION d/b/a
KeySpan Energy Delivery Long Island by its
agent KeySpan Utility Services LLC

Per: Ronald Lukas *RL*

Ronald Lukas
Name Printed

Vice President
Title

THE BROOKLYN UNION GAS COMPANY
d/b/a KeySpan Energy Delivery New York by
its agent KeySpan Utility Services LLC

Per: Ronald Lukas *RL*

Ronald Lukas
Name Printed

Vice President
Title

NORTHERN UTILITIES, INC.

Per: _____

Name Printed

Title

CONNECTICUT NATURAL GAS
CORPORATION

Per: _____

Name Printed

Title

BOSTON GAS COMPANY d/b/a KeySpan
Energy Delivery New England

Per: _____

Name Printed

Title

THE BROOKLYN UNION GAS COMPANY
d/b/a KeySpan Energy Delivery New York by
its agent KeySpan Utility Services LLC

Per: _____

Name Printed

Title

KEYSPAN GAS EAST CORPORATION d/b/a
KeySpan Energy Delivery Long Island by its
agent KeySpan Utility Services LLC

Per: _____

Name Printed

Title

NORTHERN UTILITIES, INC.

Per: _____

Name Printed

Title

CONNECTICUT NATURAL GAS
CORPORATION

Per: Tim D. Kelley

Tim D. Kelley
Name Printed

Vice President
Title

Appendix 1

Northeast Gas Markets LLC

Michael S. Lucy
President
100 Cummings Center
Suite 457G
Beverly, MA 01915-6132
Tel. #: 978.922.1194
Fax #: 978.922.1195

Connecticut Natural Gas Corporation

John Rudiak
10 State House Square, 6th Floor
Hartford, CT 06144
Tel #: 860-727-3075
Fax #: 860-727-3387

KeySpan Energy Delivery New York KeySpan Energy Delivery Long Island

John Allocca
Senior Counsel
KeySpan Gas
One MetroTech Center
21st Floor
Brooklyn, NY 11201
Tel #: 718.403.2009
Fax #: 718.403.3106

Berkshire Gas

Karen Zink
Vice President
115 Cheshire Road
Pittsfield, MA 01201
Tel #: 413.445.0244
Fax #: 413.443.0546

KeySpan Energy Delivery New England

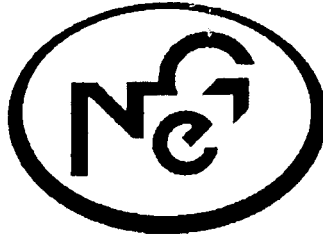
Elizabeth Arangio
Director, Gas Supply
201 Rivermoor Street
West Roxbury, MA 02132
Tel. #: 617.723.5512 ext. 4730
Fax #: 617.323.5372

Bay State Gas

Northern Utilities

F. Chico DaFonte
Director, Energy Supply Services
300 Friberg Parkway
Westborough, MA 01581
Tel. #: 508.836.7253
Fax #: 508.870.2294

EXHIBIT D



Northeast Gas Markets

100 Cummings Center
Suite 457G
Beverly, MA 01915
Telephone: (978) 922-1194
Fax: (978) 922-1195

NEGMA
AA for KEDN

NEGMA AGENCY AGREEMENT

This Agency Agreement is made this 4th day of February, 2004 by and among Northeast Gas Markets LLC ("NEGMA") and the following local distribution companies: Bay State Gas Company; The Berkshire Gas Company; Boston Gas Company d/b/a/ KeySpan Energy Delivery New England; Connecticut Natural Gas Corporation; KeySpan Utility Services LLC, as agent for The Brooklyn Union Gas Company d/b/a/ KeySpan Energy Delivery New York; EnergyNorth Natural Gas, Inc. d/b/a/ KeySpan Energy Delivery New England; Essex Gas Company d/b/a/ KeySpan Energy Delivery New England; KeySpan Utility Services LLC, as agent for KeySpan Gas East Corporation d/b/a/ KeySpan Energy Delivery Long Island; and, Northern Utilities, Inc. (herein individually "Customer" and collectively "Customers").

WITNESSETH:

WHEREAS, each Customer has or will enter into one or more Gas Sales Agreements with BP Canada Energy Company and/or NEXEN Marketing (collectively, the "Suppliers"), providing for the sale and export by the Suppliers and the purchase

and import by such Customer of Canadian natural gas (individually "Gas Sales Agreement" or "GSA" and collectively "Gas Sales Agreements"), the form of each such Gas Sales Agreement being appended hereto in Appendix 1;

WHEREAS, each Customer desires that NEGM act on its behalf as administrative agent for all purposes under its respective Gas Sales Agreement; and,

WHEREAS, NEGM is willing to act on behalf of each Customer as administrative agent for all purposes under its respective Gas Sales Agreement on the terms and conditions set forth herein.

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

1. Unless otherwise provided, all terms defined in the Gas Sales Agreements shall have the same meaning when used in this Agreement.

2. Each Customer hereby authorizes NEGM to act on its behalf as administrative agent for all purposes under and with respect to its respective Gas Sales Agreement, including, without limitation, submitting nominations to the Suppliers on behalf of Customer pursuant to GSA Article 5, coordinating the election by Customer pursuant to GSA Article 5 to purchase quantities not being purchased by an Other Customer, receiving invoices and making payments on behalf of Customer pursuant to GSA Article 7, declaring, or receiving notice of, *Force-Majeure* on behalf of Customer pursuant to GSA Article 12, negotiating or determining an Alternate Index on behalf of Customer pursuant to GSA Article 4, conducting arbitration on behalf of Customer pursuant to GSA Section 15.6, and carrying out all other necessary actions related to the Gas Sales Agreement, including, without limitation, preparing and filing U.S. Customs forms and payments and other operational reports as may be required by regulatory

agencies. In addition to the acts NEGM is expressly required to perform under this Agency Agreement, NEGM shall perform all such other acts as may be necessary or appropriate for proper performance, implementation and administration of the Gas Sales Agreement and this Agency Agreement.

3. Each Customer hereby agrees that it shall provide telephone notice to NEGM, confirmed by facsimile or email, of the quantity of Gas Customer requires the Suppliers to deliver at the Delivery Point on each day of the Month prior to 10:00 a.m. Eastern Clock Time on the "NEGM Nomination Day," which NEGM Nomination Day shall be the last Business Day prior to the day that NEGM on behalf of Customer is required to give notice of nominations to the Suppliers pursuant to GSA Section 5.1 ("Supplier Nomination Day"). To the extent that the nominated Scheduled Contract Quantity of any Customer is less than its DCQ for the Month, NEGM, as promptly as possible on the NEGM Nomination Day, shall give notice by facsimile or email to each other Customer that such difference is available for purchase by any other Customer. Any such other Customer, again as promptly as possible on the NEGM Nomination Day, may give notice by facsimile or email to NEGM that it desires to purchase all or a portion of such difference. Each such other Customer shall be entitled to elect to purchase a portion of such difference in the same proportion that its DCQ bears to the sum of the DCQs of all other Customers electing to purchase a portion of such difference. NEGM, again as promptly as possible on the NEGM Nomination Day, shall confirm with each Customer electing to purchase a portion of such difference the specific quantity that may be, and is, elected by such Customer and, on the Supplier Nomination Day, shall give notice of the resulting Scheduled Contract Quantity for such Customer to the Suppliers in accordance with GSA Section 5.1.

4. The parties hereto acknowledge that, pursuant to GSA Section 7.1, the Suppliers are to render monthly invoices to NEGM on behalf of the respective Customer. Promptly upon the receipt of the monthly invoices from the Suppliers, NEGM shall render to each Customer an invoice for the amounts payable by it.

5. Each Customer shall remit to NEGM by 11:00 a.m. Eastern Clock Time on the Payment Date the amount due and payable as set forth in the invoice rendered to it by NEGM. NEGM shall disburse to the Suppliers the amounts due and payable by each Customer to the Suppliers under the Gas Sales Agreements by the Payment Date. Any Customer making a late deposit shall be responsible for any Interest or other charges incurred as a result of such late deposit.

6. In the event that a Customer disputes an amount due to the Suppliers as billed by NEGM, such NEGM Customer shall notify NEGM of the dispute at least one Business Day prior to the Payment Date under the Gas Sales Agreement and shall remit to NEGM such amount as it concedes to be correct in accordance with the terms of the preceding Section 5 of this Agreement. NEGM, as agent for such Customer, shall promptly declare a dispute to the Suppliers in accordance with GSA Section 7.5 and shall take any such dispute into account in disbursing funds on behalf of NEGM, as agent for the Customer, to the Suppliers.

7. Each Customer shall have the right to audit the books and accounts of NEGM for purposes of determining the accuracy of the amounts payable by it as set forth in the invoices rendered to it by NEGM. In the event that an error is discovered in any such invoice rendered by NEGM, a proper credit or debit adjusting such error shall be shown on the next scheduled invoice. In the event that the last such invoice has been issued prior to an error being discovered, a proper credit or debit adjusting such error shall be shown

on an invoice to be issued by NEGM within 30 days of the discovery of the error and shall be paid within 30 days of the issuance of such invoice.

8. Each Customer hereby authorizes NEGM to receive notices on its behalf under its respective Gas Sales Agreement. NEGM hereby agrees to promptly transmit any such notices, and any other notices received on behalf of Customer from any third party, to the Customer. NEGM further hereby agrees that NEGM will transmit a notice on behalf of Customer to the Suppliers or any third party promptly upon receipt of any such instruction from Customer.

9. NEGM may not assign its rights and obligations under this Agreement without the prior written approval of the Customers. Each Customer may assign its rights and obligations under this Agreement only in connection with an assignment of its rights and obligations under its respective Gas Sales Agreement in accordance with the terms thereof.

10. It is understood and agreed that the obligations and liabilities of each Customer under its respective Gas Sales Agreement and under this Agency Agreement are several, and not joint or collective.

11. No partnership, joint venture, association or other such relationship among the Customers is created by this Agreement.

12. Nothing in this Agreement limits the ability of NEGM or any Customer to engage in any business, in any transaction or in any relationship with any entity.

13. It is understood and agreed that NEGM shall receive its instructions from, and report to, each Customer with respect to its respective Gas Sales Agreement, but in no event shall have any liability to the Suppliers under the terms of such Gas Sales Agreement.

14. NEGM shall be indemnified and held harmless by the Customers against any and all claims and demands arising out of the Customers' obligations under their respective Gas Sales Agreements, NEGM's actions as agent under this Agreement or NEGM's performance of services under the Management Services Agreement among the Customers and NEGM of even date herewith ("MSA"), except for claims and demands caused by NEGM's gross negligence or willful misconduct, including, but not limited to, criminal actions, provided, however, that this indemnification provision must be construed in a manner consistent with Section 10 of this Agreement. Customers shall be indemnified and held harmless by NEGM against any and all claims and demands arising out of NEGM's activities unrelated to its actions as agent under this Agreement or its performance of services under the MSA and any and all claims and demands arising out of or in any way connected with this Agreement or the MSA which arise out of NEGM's gross negligence or willful misconduct, including, but not limited to, criminal actions. This Section 14 is not intended to limit the remedies available to a party in the event of a material breach of this Agreement.

15. All notices and communications made pursuant to this Agreement shall be in writing, shall be addressed as specified in Appendix 2 hereto, and shall, if transmitted and confirmed by facsimile, telecopier, or other similar form of telecommunication or by email during normal business hours, be deemed to have been given or made on the day on which so transmitted, 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.

16. No waiver by any party of any default 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.

17. This Agreement shall not be amended except by written agreement of all the parties hereto.

18. This Agreement shall be governed and interpreted in accordance with the laws of the State of New York.

19. NEGM agrees to perform its duties hereunder as agent in compliance with all applicable laws, rules and regulations. This Agreement shall be subject to all applicable laws, rules and regulations and orders of all governmental and regulatory bodies having jurisdiction and shall terminate to the extent that performance may conflict with any rule, regulation or order of the Securities and Exchange Commission adopted before or after the effective date hereof.

20. This Agreement shall become effective as between NEGM and each Customer as of the date on which such Customer's Gas Sales Agreement(s) becomes effective and, except as hereafter provided in this Section 20, shall continue in full force and effect until the termination of the last Gas Sales Agreement to terminate, provided, however, that this Agreement will not be effective with respect to any Customer as of the termination of its respective Gas Sales Agreement(s) and provided further that each Customer shall have the right to terminate or suspend this Agreement, effective thirty (30) days after giving notice thereof, in the event of (a) a material breach of this Agreement by NEGM not cured by NEGM within thirty (30) days of Customer giving NEGM notice of such breach or (b) three or more material breaches of this Agreement by NEGM over any consecutive sixty (60) day period, provided that such Customer has not caused, or taken any action to contribute to, any such material breach. If any of the Gas Sales Agreements is renewed, this Agreement will be deemed to be renewed as between NEGM and each renewing Customer for the term of each such renewed Gas Sales Agreement.

21. It is agreed that each party hereto will maintain this Agreement, and any proprietary information to which it has access as a consequence of this Agreement, in strict confidence, and that it will not cause or permit disclosure of same to any third-party (except disclosure of this Agreement to the Suppliers) without the express written consent of the other parties, or in the case of proprietary information, the parties owning such information, provided that disclosure by a party is permitted in the event and to the extent disclosure is required (1) in the course of routine audit procedures or to enforce the provisions of this Agreement or (2) by a court or agency exercising jurisdiction over the subject matter hereof, by order or regulation or law, provided that in the event a 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 (A) so notify the affected parties immediately, (B) utilize all reasonably available means to limit the scope of the required disclosure, and (C) take all actions reasonably necessary to prevent disclosure to the public as a result of disclosure to the court or administrative body.

22. This Agreement may be executed in separate counterparts and all of such counterparts taken together shall be deemed to constitute on and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

NORTHEAST GAS MARKETS L.L.C.

Per: Michael S. Lucy
Michael S. Lucy
President

**ENERGYNORTH NATURAL GAS, INC. d/b/a
KeySpan Energy Delivery New England**

Per: _____

Name Printed

Title

BAY STATE GAS COMPANY

Per: _____

Name Printed

Title

**ESSEX GAS COMPANY d/b/a KeySpan Energy
Delivery New England**

Per: _____

Name Printed

Title

THE BERKSHIRE GAS COMPANY

Per: _____

Name Printed

Title

**KEYSPAN GAS EAST CORPORATION d/b/a
KeySpan Energy Delivery Long Island by its
agent KeySpan Utility Services LLC**

Per: _____

Name Printed

Title

22. This Agreement may be executed in separate counterparts and all of such counterparts taken together shall be deemed to constitute on and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

NORTHEAST GAS MARKETS L.L.C.

Per: Michael S. Lucy
Michael S. Lucy 2.18.09
President

**ENERGYNORTH NATURAL GAS, INC. d/b/a
KeySpan Energy Delivery New England**

Per: Nikolaos Stavropoulos
NIKOLAOS STAVROPOULOS
Name Printed
PRESIDENT
Title

BAY STATE GAS COMPANY

Per: _____

Name Printed

Title

**ESSEX GAS COMPANY d/b/a KeySpan Energy
Delivery New England**

Per: Nikolaos Stavropoulos
NIKOLAOS STAVROPOULOS
Name Printed
PRESIDENT
Title

THE BERKSHIRE GAS COMPANY

Per: _____

Name Printed

Title

**KEYSPAN GAS EAST CORPORATION d/b/a
KeySpan Energy Delivery Long Island by its
agent KeySpan Utility Services LLC**

Per: _____

Name Printed

Title

22. This Agreement may be executed in separate counterparts and all of such counterparts taken together shall be deemed to constitute on and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

NORTHEAST GAS MARKETS L.L.C.

Per: Michael S. Lucy
Michael S. Lucy
President

**ENERGYNORTH NATURAL GAS, INC. d/b/a
KeySpan Energy Delivery New England**

Per: _____

Name Printed

Title

BAY STATE GAS COMPANY

Per: _____

Name Printed

Title

**ESSEX GAS COMPANY d/b/a KeySpan Energy
Delivery New England**

Per: _____

Name Printed

Title

THE BERKSHIRE GAS COMPANY

Per: Karen Zink
Karen Zink
Name Printed
Vice President and General Manager
Title

**KEYSPAN GAS EAST CORPORATION d/b/a
KeySpan Energy Delivery Long Island by its
agent KeySpan Utility Services LLC**

Per: _____

Name Printed

Title

22. This Agreement may be executed in separate counterparts and all of such counterparts taken together shall be deemed to constitute on and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement.

NORTHEAST GAS MARKETS L.L.C.

Per: Michael S. Lucy
Michael S. Lucy
President

**ENERGYNORTH NATURAL GAS, INC. d/b/a
KeySpan Energy Delivery New England**

Per: _____

Name Printed

Title

BAY STATE GAS COMPANY

Per: _____

Name Printed

Title

**ESSEX GAS COMPANY d/b/a KeySpan Energy
Delivery New England**

Per: _____

Name Printed

Title

THE BERKSHIRE GAS COMPANY

Per: _____

Name Printed

Title

**KEYSPAN GAS EAST CORPORATION d/b/a
KeySpan Energy Delivery Long Island by its
agent KeySpan Utility Services LLC**

Per: Ronald Lukas
Ronald Lukas
Name Printed
Vice President
Title

BOSTON GAS COMPANY d/b/a KeySpan
Energy Delivery New England

Per: Nicholas Stavroulakis

NICKOLAS STAVROULAKIS

Name Printed

PRESIDENT

Title

NORTHERN UTILITIES, INC.

Per: _____

Name Printed

Title

THE BROOKLYN UNION GAS COMPANY
d/b/a KeySpan Energy Delivery New York by
its agent KeySpan Utility Services LLC

Per: _____

Name Printed

Title

CONNECTICUT NATURAL GAS
CORPORATION

Per: _____

Name Printed

Title

BOSTON GAS COMPANY d/b/a KeySpan
Energy Delivery New England

NORTHERN UTILITIES, INC.

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

THE BROOKLYN UNION GAS COMPANY
d/b/a KeySpan Energy Delivery New York by
its agent KeySpan Utility Services LLC

Per: *Ronald Lukas* *jr*

Ronald Lukas

Name Printed

Vice President

Title

CONNECTICUT NATURAL GAS
CORPORATION

Per: _____

Name Printed

Title

BOSTON GAS COMPANY d/b/a KeySpan
Energy Delivery New England

NORTHERN UTILITIES, INC.

Per: _____

Per: _____

Name Printed

Name Printed

Title

Title

THE BROOKLYN UNION GAS COMPANY
d/b/a KeySpan Energy Delivery New York by
its agent KeySpan Utility Services LLC

Per: _____

Name Printed

Title

CONNECTICUT NATURAL GAS
CORPORATION

Per: Tim D. Kelley

Tim D. Kelley
Name Printed

Vice President
Title

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

RECEIVED
FE DOCKET ROOM
2004 MAR 32 P 12: 12
OFFICE OF FOSSIL ENERGY
U.S. DEPARTMENT OF ENERGY

_____)
KEYSPAN GAS EAST CORPORATION)
_____)

DOCKET NO. 04-30-NG

ORDER GRANTING AUTHORIZATION TO
IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1967

APRIL 1, 2004

I. DESCRIPTION OF REQUEST

On February 27, 2004, KeySpan Gas East Corporation (KGEC) (d/b/a KeySpan Energy Delivery Long Island) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),^{1/} for authorization to import natural gas from Canada, over a term beginning April 1, 2004, through April 1, 2007, under a gas sales agreement with Nexen Marketing (Nexen) effective on February 4, 2004. KGEC, along with six other customers,^{2/} has entered into a management services agreement with Northeast Gas Markets, L.L.C. (NEGM), also effective on February 4, 2004, under which NEGM will act as KGEC's (and the six other customers') agent for all purposes of the gas sales agreements.

Under its gas sales agreement with Nexen, KGEC is entitled to purchase a daily contract quantity (DCQ) of up to 1,275 million cubic feet (Mcf) of natural gas per day plus additional volumes of gas not purchased by the other customers under their gas sales agreements with Nexen. In theory, therefore, if the other Nexen customers do not purchase their DCQ, KGEC is permitted by contract to purchase (1) up to 24,369 Mcf per day of natural gas for an initial period commencing on April 1, 2004, or the date of first delivery under this requested import authorization, to April 1, 2007, except that (2) from November 1, 2004, to April 1, 2005, and from November 1, 2005, to April 1, 2006, KGEC is permitted to purchase up to 27,508 Mcf per day. At no time under the gas sale agreements with Nexen may the sum of the volumes

^{1/} 15 U.S.C. § 717b. This authority is delegated to the Assistant Secretary for Fossil Energy pursuant to Redefinition Order No. 00-002.4 (January 8, 2002).

^{2/} These other six customers include Boston Gas Company d/b/a KeySpan Energy Delivery New England; EnergyNorth Natural Gas, Inc. d/b/a/ KeySpan Energy Delivery New England; The Brooklyn Union Gas Company; Essex Gas Company d/b/a/ KeySpan Delivery New England; and The Berkshire Gas Company.

purchased by KGEC and the other customers exceed the aggregate DCQs. The price of the gas is based on a monthly index to ensure that the price paid for the gas will remain competitive over the life of the gas sales agreement.

KGEC, a local distribution company, is a New York corporation with its principal place of business in Hicksville, New York. KGEC will use the imported gas as system supply to serve its customers. The imported gas will enter the United States through the existing facilities of TransCanada PipeLines Limited and Tennessee Gas Pipeline Company at or near Niagara Falls, Ontario.

II. FINDING

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

ORDER

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

A. Key Span Gas East Corporation (KGEC) is authorized to import the following volumes of natural gas from Canada, in accordance with its February 4, 2004, gas sales agreement with Nexen Marketing from April 1, 2004, to April 1, 2007, up to 25,451 million cubic feet (Mcf) per day of natural gas and from November 1, 2004, to April 1, 2005, and from November 1, 2005, to April 1, 2007, up to 27,508 Mcf per day of natural gas.

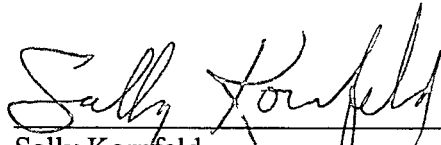
B. This natural gas may be imported at any point on the border of the United States.

C. With respect to the natural gas imports authorized by this Order, KGEC shall file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following each calendar quarter, reports indicating whether imports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports of natural gas have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, the report must give details of each transaction, including: (1) the total monthly volumes in thousand cubic feet (Mcf); (2) the average purchase price of gas per million British thermal units (MMBtu) at the international border; (3) the per unit (MMBtu) demand/commodity/management fee breakdown of the contract price; and (4) the amount sold to each of its customers. [OMB No.: 1901-0294]

D. The first quarterly report required by this Order is due not later than July 31, 2004, and should cover the period from April 1, 2004, until the end of the second calendar quarter, June 30, 2004.

E. The quarterly reports shall be filed with the U.S. Department of Energy, Office of Natural Gas & Petroleum Import & Export Activities, FE-34, P.O. Box 44375, Washington, D.C. 20026-4375.

Issued in Washington, D.C., on April 1, 2004.



Sally Kornfeld
Acting Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy