

June 23, 2008

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 3961 – National Grid Interim Gas Cost Recovery
Responses to Commission Data Requests –Set 1
Revised Commission 1-8 and Revised Second Request for Protective Treatment**

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of National Grid's ("Company") revised response to Commission Data Request 1-8 and the Company's revised Second Request for Protective Treatment in the above-captioned proceeding.

The Company is requesting that the Commission discard the previously filed hard copy submitted on Friday, June 20, 2008, and replace it with this revised version.

Please be advised that the Company is seeking protective treatment of a confidential attachment provided in response to Commission Data Request 1-8, as permitted by Commission Rule 1.2(g) and by R.I.G.L. § 38-2-2(4)(i)(B). This filing also contains a Motion for Protective Treatment in accordance with Commission Rule 1.2(g) and R.I.G.L. § 38-2-2(4)(B). The Company seeks protection from public disclosure of certain pricing terms and calculations relative to the Merrill Lynch contract, which contains a confidentiality provision and is commercially sensitive, and proprietary. Accordingly, National Grid requests that the Commission protect the Merrill Lynch contract being provided as an attachment to Commission Data Request 1-8.

In compliance with Rule 1.2(g), National Grid is providing one (1) complete unredacted copy of the confidential documents in a sealed envelope marked "**Contains Privileged and Confidential Materials – Do Not Release.**" The Company has provided the Commission with the confidential version of Attachment to Commission 1-8.

Thank you for your attention to this filing. If you have any questions, please do not hesitate to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Paul Roberti, Esq. (w/redacted enc.)
Steve Scialabba (w/redacted enc.)
Bruce Oliver (w/redacted enc.)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
RHODE ISLAND PUBLIC UTILITIES COMMISSION

NATIONAL GRID
INTERIM ANNUAL GAS COST RECOVERY

Docket 3961

NATIONAL GRID'S SECOND REQUEST
FOR PROTECTIVE TREATMENT OF CONFIDENTIAL INFORMATION

National Grid¹ hereby requests that the Rhode Island Public Utilities Commission (“Commission”) provide confidential treatment and grant protection from public disclosure of certain confidential, competitively sensitive, and proprietary information submitted in this proceeding, as permitted by Commission Rule 1.2(g) and R.I.G.L. § 38-2-2(4)(i)(B). National Grid also hereby requests that, pending entry of that finding, the Commission preliminarily grant National Grid’s request for confidential treatment pursuant to Rule 1.2 (g)(2).

I. BACKGROUND

On May 23, 2008, National Grid filed with the Commission its interim gas cost recovery filing, and on June 20, 2008, it filed its responses to the Commission’s first set of data requests. The Company’s response to Commission Data Request 1-8 contains the Merrill Lynch Asset Management agreement as Attachment 1-8.

¹ The Narragansett Electric Company d/b/a National Grid (“National Grid or “the Company”).

The Company has filed redacted copies of Attachment 1-8, redacting the asset management fee contained in that agreement as well as confidential banking and Federal Tax I.D. information. For the reasons stated below, the Company requests that these confidential and proprietary terms be protected from public disclosure.

II. LEGAL STANDARD

The Commission's Rule 1.2(g) provides that access to public records shall be granted in accordance with the Access to Public Records Act ("APRA"), R.I.G.L. §38-2-1, *et seq.* Under APRA, all documents and materials submitted in connection with the transaction of official business by an agency is deemed to be a "public record," unless the information contained in such documents and materials falls within one of the exceptions specifically identified in R.I.G.L. §38-2-2(4). Therefore, to the extent that information provided to the Commission falls within one of the designated exceptions to the public records law, the Commission has the authority under the terms of APRA to deem such information to be confidential and to protect that information from public disclosure.

In that regard, R.I.G.L. §38-2-2(4)(i)(B) provides that the following types of records shall not be deemed public:

Trade secrets and commercial or financial information obtained from a person, firm, or corporation which is of a privileged or confidential nature.

The Rhode Island Supreme Court has held that this confidential information exemption applies where disclosure of information would be likely either (1) to impair the Government's ability to obtain necessary information in the future; or (2) to cause substantial harm to the competitive position of the person from whom the information

was obtained. Providence Journal Company v. Convention Center Authority, 774 A.2d 40 (R.I.2001).

The first prong of the test is satisfied when information is voluntarily provided to the governmental agency and that information is of a kind that would customarily not be released to the public by the person from whom it was obtained. Providence Journal, 774 A.2d at 47. Meanwhile the second term of the test is satisfied when disclosure of the information would harm a party's competitive position.

In addition, the Court has held that the agencies making determinations as to the disclosure of information under APRA may apply the balancing test established in Providence Journal v. Kane, 577 A.2d 661 (R.I.1990). Under that balancing test, the Commission may protect information from public disclosure if the benefit of such protection outweighs the public interest inherent in disclosure of information pending before regulatory agencies.

For the reasons provided below, the asset management fee, banking and Federal Tax I.D. information contained in Response 1-8 satisfied both prongs of the analysis and should be granted protective treatment.

III. BASIS FOR CONFIDENTIALITY

With respect to the Merrill Lynch Asset Management agreement, the Company seeks protection from public disclosure for information describing the asset management fee, which is a pricing term that was bid by Merrill Lynch and is subject to a confidentiality provision in the agreement. The information for which the Company seeks confidential treatment is confidential, commercially sensitive, and proprietary.

Merrill Lynch is an active participant in the gas marketplace, and it requires confidential treatment of the price terms set forth in its contracts in order to protect its competitive position, bargaining latitude, and negotiating leverage in that marketplace.

Consistent with the Commission's rules and precedent, the subject of the Company's request for confidentiality under the Merrill Lynch Asset Management agreement are price terms that have been negotiated between the parties and are subject to a confidentiality provision in the contract. Public disclosure of these price terms would be commercially harmful to Merrill Lynch because their other customers and potential customers could use this information to seek similar terms. Also, if the pricing is disclosed, competitors of Merrill Lynch would have important, competitively sensitive information regarding its willingness to accept certain pricing or related contract terms, which would give those competitors an unfair competitive advantage.

Consequently, disclosure of these contract terms may dissuade Merrill Lynch from offering these services in Rhode Island. Moreover, a lack of confidentiality may discourage it from making concessions or agreeing to specific provisions more favorable to the Company, because public knowledge of such information would decrease Merrill Lynch's bargaining leverage in other negotiations. Finally, disclosure of the pricing would potentially impede the Company's ability to obtain a similar or better pricing in the marketplace in the future to the detriment of customers.

In addition, publication of the bank account and Federal Tax I.D. information found in Response 1-8 could damage the interests of the Company and National Grid. This type of information is commercially sensitive and the interests in keeping this information confidential far outweigh any public interest in its disclosure.

V. CONCLUSION

The asset management fee contained in the Merrill Lynch Asset Management agreement is confidential, commercially sensitive, and proprietary. Accordingly, the Company requests that the Commission grant that contract term confidential treatment.

WHEREFORE, the Company respectfully requests that the Commission grant its Motion for Protective Treatment as stated herein.

Respectfully submitted,

NATIONAL GRID

By its attorney,



Thomas R. Teehan, Esq. (RI Bar #4698)
National Grid
280 Melrose Street
Providence, RI 02907
(401) 784-7667

Dated: June 23, 2008

REDACTED

Commission Data Request 1-8

Request:

Provide a copy of the asset management contract with Merrill Lynch.

Response:

A copy of the Merrill Lynch asset management contract is attached.

Please note that Attachment COMM 1-08 contains confidential and proprietary information. The Company is requesting through a Motion for Protective Treatment that the Commission grant protective treatment of Attachment COMM 1-08 in this docket.

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: March 14, 2008. The parties to this Base Contract are the following:

The Narragansett Electric Company d/b/a National Grid
 Duns Number: [REDACTED]
 Contract Number: [REDACTED]
 U.S. Federal Tax ID Number: [REDACTED]

and Merrill Lynch Commodities, Inc.
 20 East Greenway Plaza, Houston, TX 77046
 Duns Number: [REDACTED]
 Contract Number: N/A
 U.S. Federal Tax ID Number: [REDACTED]

Notices:
 100 East Old Country Road, Hicksville, NY 11801
 Attn: Contract Administration
 Phone: (516) 545-6068 Fax: (516) 545-5466

Merrill Lynch Commodities, Inc.
 Attn: Legal Department – Gas Contract Administration
 20 East Greenway Plaza, Houston, TX 77046
 Phone: 713-544-5102 Fax: (713) 544-1411 or 5551

Confirmations:
 100 East Old Country Road, Hicksville, NY 11801
 Attn: Contract Administration
 Phone: (516) 545-6068 Fax: (516) 545-5466

Merrill Lynch Commodities, Inc.
 Attn: Confirmations
 Phone: 713-544-5563 Fax: 713-544-1467

Invoices and Payments:
 100 East Old Country Road, Hicksville, NY 11801
 Attn: _____
 Phone: _____ Fax: (516) 545-5469

Merrill Lynch Commodities, Inc.
 Attn: Gas Accounting
 Phone: 713-544-5818 Fax: 713-544-1524, 1525 or 5299

Wire Transfer or ACH Numbers (if applicable):
 BANK: [REDACTED]
 ABA: [REDACTED]
 ACCT: [REDACTED]
 Other Details: Narragansett Electric Co. – Gas Division

BANK: [REDACTED]
 ABA: [REDACTED]
 ACCT: [REDACTED]
 Other Details: Merrill Lynch Commodities, Inc.

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. **Select only one box from each section:**

Section 1.2 <input type="checkbox"/> Oral (default) Transaction Procedure <input checked="" type="checkbox"/> Written	Section 7.2 <input checked="" type="checkbox"/> 25 th Day of Month following Month of delivery (default) Payment Date <input type="checkbox"/> _____ Day of Month following Month of delivery
Section 2.5 <input checked="" type="checkbox"/> 2 Business Days after receipt (default) Confirm Deadline <input type="checkbox"/> _____ Business Days after receipt	Section 7.2 <input checked="" type="checkbox"/> Wire transfer (default) OR Method of Payment <input checked="" type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check
Section 2.6 <input type="checkbox"/> Seller (default) Confirming Party <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> _____	Section 7.7 <input checked="" type="checkbox"/> Netting applies (default) Netting <input type="checkbox"/> Netting does not apply
Section 3.2 <input checked="" type="checkbox"/> Cover Standard (default) Performance Obligation <input type="checkbox"/> Spot Price Standard	Section 10.3.1 <input checked="" type="checkbox"/> Early Termination Damages Apply (default) Early Termination Damages <input type="checkbox"/> Early Termination Damages Do Not Apply
Note: The following Spot Price Publication applies to both of the immediately preceding. Section 2.26 <input checked="" type="checkbox"/> Gas Daily Midpoint (default) Spot Price Publication <input type="checkbox"/> _____	Section 10.3.2 <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) Other Agreement Setoffs <input type="checkbox"/> Other Agreement Setoffs Do Not Apply
Section 6 <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) Taxes <input type="checkbox"/> Seller Pays Before and At Delivery Point	Section 14.5 Choice Of Law <u>New York</u>
Section 14.10 <input checked="" type="checkbox"/> Confidentiality applies (default) Confidentiality <input type="checkbox"/> Confidentiality does not apply	
<input checked="" type="checkbox"/> Special Provisions Number of sheets attached: <input type="checkbox"/> Addendum(s):	

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID
 Party Name

Merrill Lynch Commodities, Inc.
 Party Name

By 
 Name: Richard A. Rapp, Jr.
 Title: Senior Vice President

By _____
 Name: Chris Beggins
 Title: Managing Director

General Terms and Conditions Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

2.2. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.3. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).

- 2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.
- 2.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.7. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.
- 2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.10. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.
- 2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.16. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.26. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average

of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.
Buyer Pays At and After Delivery Point:
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.
Seller Pays Before and At Delivery Point:
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the

date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

Letterhead/Logo	Date: _____ Transaction Confirmation #: _____
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This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER: _____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____
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Contract Price: \$ _____ /MMBtu or _____

Delivery Period: Begin: _____, _____ End: _____, _____

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
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Delivery Point(s): _____
 (If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____
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Addendum to the Base Contract for Sale and Purchase of Natural Gas

The Narragansett Electric Company d/b/a National Grid ("National Grid") and Merrill Lynch Commodities, Inc ("Counterparty") hereby agree effective this 17th day of April, 2008, to amend, modify and supplement the NAESB Standard 6.3.1 Base Contract for the Sale and Purchase of Natural Gas dated April 19, 2002 ("Base Contract") with the following special provisions contained herein ("Special Provisions"). The Base Contract, as modified by the Special Provisions, shall apply to all confirmed transactions between the parties for the purchase and sale of Gas (each a "Transaction"). All capitalized terms not otherwise defined herein shall have the meaning set forth in the Base Contract.

SECTION 3. PERFORMANCE OBLIGATION

1. The following shall be added to Section 3.4 Termination Option:

Subject to the notice provisions of this Section 3.4, either party shall have the option to terminate a Transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer on a total of three (3) or more Days, which need not be consecutive. For purposes of this Termination Option, the performing party shall provide written notice within two (2) days after the third default or any subsequent default and termination shall be effective on receipt of such notice by the non-performing party. The rights provided under this Section are in addition to any termination rights provided under any other provision of this Contract.

2. The following section shall be added to Section 3, Performance Obligation, as Paragraph 3.5:

3.5 Notwithstanding anything to the contrary in this Contract, in the event:

- (i) a transaction has a Firm obligation,
- (ii) as a result of an event of Force Majeure Seller is unable to sell and deliver or Buyer is unable to purchase and receive the Contract Quantity for such transaction,
- (iii) the Delivery Period for such transaction is at least one Month, and
- (iv) the Contract Price is a Fixed Price (as defined below), then

(a) if the FOM Price (as defined below) is above the Fixed Price, Seller shall pay Buyer for each MMBtu of Gas not delivered and/or received the difference between the FOM Price and the Fixed Price, or

(b) if the FOM Price is below the Fixed Price, Buyer shall pay Seller for each MMBtu of Gas not delivered and/or received the difference between the Fixed Price and the FOM Price.

The "**Fixed Price**" means the Contract Price for a transaction that is expressed as a set amount. Fixed Price includes prices that have either the NYMEX and basis set or floating NYMEX plus set basis upon the agreement of the parties or as a result of a party exercising a price option that resulted in a maximum price or a minimum price.

The "**FOM Price**" means the price per MMBtu, stated in the same currency as the transaction subject to such Force Majeure event, for the first of the month of delivery as published in the Spot Price Publication identified in Section 3.2 on the cover page of this Contract."

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

Add the following new Sections:

- 8.5 Seller warrants that throughout the term of this Contract it will maintain contracts with Seller's Transporter and gas supply so that the gas supply is (i) uncommitted to other purchasers, (ii) deliverable to Transporter at the Delivery Point for the account of National Grid, and (iii) sufficient in quantity to enable Seller to deliver and sell to National Grid on a Firm basis the full Contract Quantity.
- 8.6 Seller warrants that its obligations to National Grid are Firm, such that if Seller at any time is unable for any reason, including a Force Majeure occurrence, to satisfy fully its obligations to National Grid under this Contract, Seller will use supplies of gas available to it on Transporter to satisfy fully its obligations to National Grid under this Contract before applying such supplies to the satisfaction of obligations that are not Firm or that arise under an EFP at the Delivery Point.

SECTION 10. FINANCIAL RESPONSIBILITY

Replace Section 10.1 with the following:

- 10.1 If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y"), X may demand Adequate Assurance of Performance. For purposes of this Section 10.1 the phrase "reasonable grounds for insecurity" shall mean either (i) the occurrence of a material change in the creditworthiness of Y such that the credit rating of Y (if applicable, a guarantor of Y), as determined by either Standard & Poor's Corporation or its successor ("S&P") is below "BBB-", or by Moody's Investors Service, Inc. or its successor ("Moody's") is below "Baa3" or (ii) Y's ability to perform its obligations under this Contract is materially impaired. "Adequate Assurance of Performance" shall mean sufficient security in an amount equal to its Exposure (as defined below) and for the term reasonably acceptable to X, in the form selected by Y, including a standby irrevocable letter of credit, cash, an accelerated payment or prepayment program, or a guarantee issued on behalf of Y by an entity acceptable to X, whose acceptance shall not be unreasonably withheld. If a prepayment program is chosen, X must provide Adequate Assurance of Performance to Y for the value of the prepayments. For purposes of this Section 10.1, the term "Exposure", shall mean the total unpaid obligation for all completed transactions, or completed portions thereof, whether billed or unbilled, added to the positive marked-to-market exposure ("MTM"), if any, for all uncompleted transactions, or uncompleted portions thereof, between the parties. To the extent allowed by executed netting agreements, if any, between the parties, negative MTM and unpaid obligations of the other party may be used to offset unpaid obligations of the party. If, pursuant to a Transaction Confirmation, National Grid has released Capacity to the Seller, National Grid's exposure will also include 90 days of the demand charge portion of Transporter's firm transportation rate for the Capacity. The impaired party must provide Adequate Assurance of Performance within three (3) business days of the request.

Revise Section 10.2 as follows:

In the ninth line, replace the word "second" with the word "tenth" and after the word "is" insert the word "past".

Revise the last sentence in the second paragraph of Section 10.3.1 as follows:

Delete the phrase "determined by the... manner." and insert the phrase "as set forth in Section 7.5."

SECTION 11. FORCE MAJEURE

Revise the second sentence of Section 11.5 as follows:

At the end of the second sentence, add "but in no event shall such notice be given more than five days after the onset of the event".

In Witness whereof, the parties hereto, through their duly authorized officers, have executed these Special Provisions to the Base Contract in duplicate, as of the date of the Base Contract.

The Narragansett Electric Company
d/b/a National Grid
By and Through Its Agent KeySpan Corporate Services LLC



By: _____

Date: April 17, 2008

Name: Richard A. Rapp

Title: Vice President

Company: _____

By: _____

Date: _____

Name: _____

Title: _____

Transaction Confirmation

TRANSACTION CONFIRMATION

Date: March 14, 2008

Transaction Confirmation #:

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer, dated March 14, 2008. This Transaction Confirmation will not become binding until executed by both parties.

SELLER:

Merrill Lynch Commodities, Inc.
Attn: Gas Contract Administration
Phone: 713-544-5102
Fax: 713-544-1411
Base Contract No.
Transporters:

BUYER:

The Narragansett Electric Company dba National Grid
Attn:
Phone: (401) 868-6362
Fax: (401) 333-3527
Base Contract No.
Transporters: The Narragansett Electric Company dba National Grid, Bristol & Warren Gas Co., Valley Gas Co., Providence Gas Co., and New England Gas Co.,

Contract Prices:

2.8.1 Gas sold and delivered by Seller under this Contract shall be priced in accordance with the Dispatch Pricing Structure contained in Exhibit B attached hereto. The Dispatch Pricing Structure includes a Transport Tier and a Storage Tier each with various components. At the time that Buyer makes its Baseload and Swing Nominations, it shall also identify the portion of gas to be priced pursuant to each Tier. The Transport Tier shall include an Algonquin component and a Tennessee component. Within each component, the order of priority shall be from least cost to highest cost as set forth in Exhibit B attached hereto provided however that the quantity allocated to each component shall correspond to Buyer's quantities at the citygate delivery points (i.e., Tennessee vs. Algonquin). Within the Storage Price Tier, Buyer shall designate the order of priority among the various components each Day. Such designation within the Storage Price Tier shall be utilized to track the Paper Balance for each storage component. Except as specifically provided herein, Seller shall retain discretion with respect to the physical dispatch of the Assets. Buyer is a party to a storage contract with Tennessee pursuant to Tennessee's rate schedule FS-MA. Such asset is described in Exhibit A hereto as an Agent Asset. This asset will be linked to Buyer's OBA pursuant to the Storage Swing Option provided by Tennessee pursuant to Schedule LMS-MA (Load Management Service - Market Area). Seller shall not utilize this asset in a manner that interferes with such Storage Swing Option. Further, to ensure that such Storage Swing Option remains available to Buyer, Seller, in its role as agent, may be directed from time to time to inject, withdraw or maintain certain inventory levels.

2.8.2 Buyer shall pay Seller for Gas supply as follows:

- (1) Fixed Supply Demand Charges - Buyer will pay Seller a supply demand charge to compensate Seller for the fixed costs of the Released Assets paid by Seller, and
(2) Variable Charges - For Gas delivered by Seller to Buyer's citygate pursuant to this Contract, Buyer shall pay Seller in accordance with the Dispatch Pricing Structure as described in Exhibit B minus any variables charges paid by Buyer in connection with the Agency Assets. Buyer may revise the Dispatch Pricing Structure to reflect revisions in the Assets (e.g., as assets terminate in the event contracts are not renewed).

2.8.3 Seller will pay Buyer a monthly Optimization Fee of [REDACTED] which will be paid the following Month by a credit against

monies due from Buyer to Seller for Gas delivered during the Month to which the Optimization Fee applies.

Delivery Period: Begin: April 1, 2008

End: April 1, 2009

Performance Obligation and Contract Quantity: Seller shall provide bundled Gas supply service to Buyer pursuant to the Contract in a manner to be determined, as a physical matter, by the Seller, through the use of the Assets and/or the use of other Gas supply assets it owns or procures separately. Except as otherwise set out herein, Seller will have a Firm obligation to deliver and Buyer will have a Firm obligation to purchase all quantities of Gas nominated by Buyer in accordance with Section 4.4.

3.1.1 Released Assets. Subject to satisfaction of its requirements under the Contract, Seller shall have the right to utilize the Released Assets. Seller shall be responsible for all day to day scheduling, nominations, notifications, administration of the Released Assets and Seller shall be responsible for all releasing capacity to Marketers under Buyer's unbundling program. Seller shall be responsible for all costs and payment of all invoices associated with the Released Assets during the Term. At the direction of Buyer, Seller shall release a portion of the Released Assets to marketers pursuant to Buyer's unbundling program. In addition to releasing available storage capacity hereunder, Buyer shall offer Seller the option to purchase all inventory in storage as of the date of such release. The price for such Gas shall be Buyer's weighted average cost of gas. If Seller elects not to purchase such inventory, Buyer may reduce the quantity of storage released to Seller.

3.1.2 Agent Assets. Acting as Buyer's agent, Seller shall utilize the Agent Assets for satisfying Buyer's requirements. In such role, Seller shall be responsible for all scheduling and nominations. Buyer shall remain responsible for payment of invoices in connection with the Agent Assets. The variable component of such payments shall be netted against amounts that would otherwise be payable to Seller hereunder as set forth above in 2.8.2(2). Seller shall not have the right to optimize the Agent Assets without the prior written consent of Buyer. Seller shall be liable for any and all costs incurred, including regulatory fines or penalties in connections with its use of the Agent Assets in a manner inconsistent with the foregoing and Seller shall indemnify and hold harmless Buyer and its affiliates in connection therewith. In connection with any fixed price supply contracts for which Seller has been designated as Buyer's agent, Seller shall be obligated to nominate such contracts in accordance with the terms and provisions contained in such contract.

3.1.3 Assigned Fixed Price Contracts. Seller shall be responsible for nominations and scheduling in connection with the Assigned Fixed Price Contracts and shall be responsible for compliance with all provisions contained in such contracts. Seller shall be responsible for all costs and for payment of all invoices in connection with the Assigned Fixed Price Contracts. In connection with the assignment of the Assigned Fixed Price Contracts, Seller will be required to satisfy the reasonable credit requirements of the fixed price counterparties. In the event the Parties are unable to accomplish assignment of any Fixed Price Contracts, then a proportional quantity of Released Assets will be reclassified as Agent Assets. The parties agree and acknowledge that Section 3.5 of the Addendum to the Base Contract shall not apply to the Assigned Fixed Price Contracts.

3.1.4 Company Managed Assets. The Company Managed Assets will be retained by Buyer. Seller will have no rights or obligations in connection with such assets.

3.1.5 Without the express written consent of Buyer, Seller shall not amend or modify the Assets. Further, Seller shall comply with all contractual requirements of the Assets and shall not take any action that will diminish the value of such Assets. In connection with performance under this Transaction, both parties shall comply with all laws, rules and regulations of the Federal Energy Regulatory Commission ("FERC"), the Rhode Island Public Utilities Commission ("PUC") and any other governmental or regulatory body having jurisdiction. In the event that any such rules or regulations are revised and/or clarified during the Term, the Parties will promptly modify this Transaction in a manner that complies with such revision or clarification and that, to the extent possible, maintains the economic and operational benefits of this Transaction to both parties. If it is not possible to modify this Transaction in such a manner, then this Transaction shall be terminated in a manner that does not jeopardize the continued reliable supply of Gas to Buyer.

The parties agree and acknowledge that: (i) the other party is not acting as a fiduciary or financial investment or commodity trading advisor for it; (ii) It is not relying upon any advice, counsel or representation (whether written or oral) of the other party other than the representations expressly set forth herein with respect to any matters related to this Agreement; (iii) the other party has not given to it (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (either legal regulatory, tax, financial, accounting, or otherwise) of this Transaction; (iv) it has obtained all relevant information that it needs to make the determination to enter into this Transaction, it is solely responsible for such determination, and it will be solely responsible for obtaining and evaluating all relevant information regarding, and will be solely responsible for any subsequent determinations it makes with respect to, any transactions entered into under or in connection with this Transaction, (v) without limitation of the foregoing, Buyer represents and warrants that (A) it has evaluated the merits of granting Seller the authority to enter into transactions, and otherwise act, on its behalf

under this Agreement, (B) it will, to the extent requested by Seller, provide other assistance in connection with any such exercise of authority or the performance by Seller of its obligations hereunder, and (C) to the best of its knowledge, its execution and performance of this Agreement will not violate any provisions of any federal, state or local laws and will not result in the breach or violation of, constitute a default under, or result in the creation of an any lien, charge or encumbrance upon any of its assets..

3.1.6 Seller shall provide Buyer with such reports and documentation as Buyer determines are required to satisfy its internal accounting requirements and the requests of regulatory agencies, and are otherwise deemed necessary by Buyer.

3.1.7 The Contract Quantity for any Day consists of the following categories:

Baseload Quantity – Buyer will designate the quantity of Gas to be delivered on each Day of a Month (“Baseload Quantity”) as provided in Section 4.4.1. Seller shall be obligated to deliver, and Buyer will be obligated to purchase and receive, the Baseload Quantity each Day subject only to Force Majeure and Buyer’s right to reduce the Baseload Quantity as provided below. If on any Day Buyer determines that it is unable to accept the Baseload Quantity at its citygate for operational reasons, Buyer shall have the right to reduce the Baseload Quantity on such Day. Buyer shall notify Seller of any such reduction no later than 8:30 a.m. Eastern Prevailing Time on the Business Day prior to the Day of Gas flow (“Reduction Notice”). The Reduction Notice shall specify the quantity and location of any such reduction. Prior to exercising such right, Buyer shall take reasonable efforts to reduce or eliminate any third party purchases or utilization of Company Managed Assets. In the event of any such reduction, Buyer shall be obligated to pay Seller for each dt of such reduction the positive difference, if any, between the FOM price minus the GDM Price on such Day at the relevant location.

Swing Quantity -- Buyer will designate additional quantities of Gas to be delivered on each Day to its facilities (“Swing Quantity”) as provided in Section 4.4.2. In addition to the Baseload Quantity, Portfolio Manager shall be obligated to deliver, and National Grid will be obligated to purchase and receive, the Swing Quantity each Day subject only to Force Majeure.

In no event shall the sum of the Baseload Quantity and the Swing Quantity (the “Nominated Quantity”) exceed the Maximum Daily Quantity (“MDQ”), as defined below.

Delivery Point(s):

Special Conditions:

Section 2. Definitions:

“Agent Assets” means assets that are managed by Seller as Buyer’s agent and are listed as such on Exhibit A hereto.

“Agent Storage Assets” means Storage Agreements for which Seller is designated agent.

“Agent Storage WACOG” means the average of seven (7) applicable FOM prices during the period April 1, 2008 through October 31, 2008. The indices are set forth in the Storage Tier of Exhibit B hereto (.

“Assets” means the Agent Assets, the Released Assets and the Assigned Fixed Price Contracts.

“Assigned Fixed Price Contracts” means fixed price Gas supply contracts that are assigned to Seller during the Term and are listed as such on Exhibit A hereto).

“Algonquin” means Algonquin Gas Transmission Company.

“Baseload Nomination Deadline” has the meaning set forth in Section 4.4.1 below.

“Baseload Quantity” has the meaning set forth in Section 4.4.1 below.

“Bristoria” means the interconnection between the pipeline facilities of National Fuel and TETCO near Bristoria, Pennsylvania.

“Centerville” means the interconnection between the pipeline facilities of Transco and Algonquin near Centerville, New Jersey.

“Company Managed Assets” means those certain assets that are retained and managed by Buyer and are listed as such on Exhibit A hereto.

"Dominion" means Dominion Transmission Inc.

"Dracut" means the portion of Tennessee's pipeline facilities serving various city gates in the New England area, including the pipeline facilities of The Narragansett Electric Company dba National Grid.

"Ellisburg" means the interconnection of the pipeline facilities of Dominion and Tennessee at Ellisburg, New York.

"FOM" means the Index price published in the first of the month edition of Platts *Inside FERC's Gas Market Report* for the Month of delivery for the designated pipeline and zone.

"GDM Price" means the Midpoint price published in Platts *Gas Daily* for the Day of delivery for the designated pipeline and zone.

"Hanover" means the interconnection between the pipeline facilities of TCO and Algonquin at Hanover, New Jersey.

"Hubline" means the portion of Algonquin's pipeline facilities serving various city gates in the New England area, including the pipeline facilities of The Narragansett Electric Company dba National Grid.

"Initial Released Inventory" means with regard to Released Storage Assets, the quantity of Gas sold and transferred to Seller as of April 1, 2008, if any.

"Initial Agent Inventory" means the actual quantity of Gas contained in each of the Agent Storage Assets as of April 1, 2008.

"Initial WACOG" means with regard to Initial Released Inventory, Buyer's weighted average cost of Gas.

"Injected Quantity for Agent Assets" means, for each Agent Asset, the actual balance as of November 1, 2008 minus the Initial Agent Inventory.

"Injected Quantity for Released Assets" means, for each Released Asset, the actual balance as of November 1, 2008 minus the Initial Released Inventory.

"Iroquois" means Iroquois Gas Transmission System.

"Lambertville" means the interconnection between the pipeline facilities of TETCO and Algonquin at Lambertville, New Jersey and the interconnection of the pipeline facilities of Transco and Algonquin at Centerville, New Jersey.

"Leidy" means the interconnections among the pipeline facilities of Dominion, Transco and TETCO, including the TETCO Storage Facility, all located at Leidy, Pennsylvania.

"Maumee" means the interconnection of TCO's pipeline facilities with the pipeline facilities of Panhandle Eastern Pipeline Company near Maumee, Ohio.

"MDQ" means "Maximum Daily Quantity." MDQ is (211,543 dt/day (142,705 on Algonquin and 68,838 on Tennessee)) as of the start of the Term. The MDQ is subject to change on a monthly basis subject to Buyer's state approved gas unbundling program. Buyer shall establish the MDQ prior to the start of such month.

"National Fuel" means National Fuel Gas Company.

"Oakford" means the interconnection between the pipeline facilities of TETCO and the TETCO Storage Facility located near Oakford, Pennsylvania.

"Released Assets" means assets that are released to Buyer and are listed as such on Exhibit A hereto.

"Released Storage Assets" means Storage Agreements included in Released Assets.

"Released Storage WACOG" means the weighted average of (a) the Initial Released Inventory (if any) multiplied by the Initial WACOG and (b) 97% of the maximum storage quantity minus the Initial Released Inventory multiplied by the average of the seven (7) applicable FOM prices during the period April 1, 2008 through October 31, 2008. The indices are set forth in the Storage Tier of Exhibit B hereto.

"Paper Balance" means for each Storage Asset, the initial inventory as of April 1, 2008 plus the quantity deemed to have been injected ratably during the injection period minus the quantity designated by Buyer pursuant to Section 2.8.1 above.

"Storage Agreements" means those certain storage agreements between Buyer and Transporters identified in the Schedules attached hereto, which are subject to the Storage Management provisions of Section 4.6 below.

"Swing Nomination Deadline" has the meaning set forth in Section 4.4.2 below.

"TCO" means Columbia Gas Transmission Corp.

"TCO Receipt Point(s)" means the interconnection of TCO's pipeline facilities with the pipeline facilities of (1) Tennessee near Broad Run, West Virginia, TETCO near Eagle, Pennsylvania, Panhandle Eastern Pipeline Company near Maumee, Ohio, and/or Transco

near Downingtown, Pennsylvania.

"Tennessee" means Tennessee Gas Pipeline Company.

"Texas Gas" means Texas Gas Transmission Corp.

"TETCO" means Texas Eastern Transmission Company.

"Transport Costs" means all applicable transportation commodity and effective fuel charges, storage injection and withdrawal fuel charges, and any other variable charges applicable under the relevant Transport Agreements and Storage Agreements listed in the Floating Price Schedule and the Schedule of Storage Agreements.

"Transco" means Transcontinental Gas Pipe Line Corporation.

"Wharton" means the interconnection between the pipeline facilities of Transco and National Fuel at Wharton, New York.

"Wright" means the interconnection of the pipeline facilities of Iroquois and Tennessee at Wright, New York.

4.4 Nominations of Baseload and Swing Quantities.

4.4.1 Buyer shall provide Seller with its nomination for each Day in the delivery month ("Baseload Quantity") by no later than 10 A.M. Eastern Prevailing Time three (3) Business Days prior to the final NYMEX close date applicable to such month ("Baseload Nomination Deadline"). A schedule of these dates shall be prepared to resolve any conflicts in company holiday schedules. Nomination of the Baseload Quantity shall not change once the Baseload Nomination Deadline has passed except as specifically provided herein.

4.4.2 Buyer shall have the right to nominate Swing Quantities by no later than 8:45 A.M. Eastern Prevailing Time on the Business Day preceding the Day of Gas flow ("Swing Nomination Deadline"). Buyer may establish nominations of Swing Quantities for multiple Days. A nomination shall be deemed continuing for all subsequent Days until Buyer provides a different Swing Quantity Nomination to the Seller by the Swing Nomination Deadline.

4.4.3 Buyer may request the delivery of additional quantities of gas which the Seller shall use commercially reasonable efforts to accommodate in the event the parties reach agreement as to the price of such quantities by no later than three (3) hours prior to the applicable pipeline's intra-day nomination. If the Seller is unable to accommodate such a request, Buyer shall be able to purchase gas from another supplier.

4.5 Firm Transportation Capacity Release and Agency Appointments.

4.5.1 Buyer will release to Seller at maximum rates on a monthly basis the Released Assets designated as such on Exhibit A hereto. Buyer will appoint Seller as its agent to manage all of Buyer's rights and obligations under the Transportation Agreements designated as Agent Assets on Exhibit A hereto.

4.5.2 If the total amount of Buyer's capacity on any of the Transporters increases or decreases during the Delivery Period due to changes in the status of releases to third party marketers, the amount of capacity released to Seller or for which Seller is named Buyer's Agent hereunder will increase or decrease proportionally with the change in Buyer's retained capacity.

4.5.3 Buyer shall have the right to recall capacity in the event of a default by Seller.

4.6. Storage Management.

4.6.1 Released Storage Assets – As of April 1, 2008, Buyer shall release to Seller the Released Storage Assets. In the event that Seller has previously elected not to purchase Buyer's Initial Released Inventory, then Buyer will release only the portion of the Released Storage Assets that does not have any associated inventory. As of that date, if Seller has previously requested the right to purchase Buyer's Initial Released Inventory, Buyer shall sell and convey title to Seller of the Initial Released Inventory. Such Gas will be sold at the Initial WACOG. During the Term, Seller will have discretion with respect to utilization of the Released Storage Assets. As of April 1, 2009, the Released Storage Assets shall revert to Buyer and the Paper Balance associated with the Released Storage Assets will be purchased at the Released Storage WACOG. Buyer shall have the right to view storage balances in the Released Storage Assets during the Term. Seller shall execute any documents necessary to confer such right. In the event that the actual balances in the Released Storage Assets or the Agent Storage Assets fall below the Paper Balance, then at Buyer's request, Seller shall be required to post collateral in an amount equal to such deficiency multiplied by the difference between the forward price minus the applicable Storage WACOG. Forward prices shall be based upon NYMEX futures plus applicable locational basis value for each storage asset for the months of November 2008 through March 2009 and shall be allocated from the highest price to the lowest price month based upon Buyer's reasonable dispatch estimation.

Sales Obligation – Seller shall manage the Assets such that the Paper Balance is equal to the actual balance as of April 1, 2009. If the Paper Balance is greater than the actual balance, Seller shall pay Buyer for such difference at 125% of the 2009 Injection Proxy Sell Index. If the Paper Balance is less than the actual balance, Buyer shall pay Seller for the difference at 75% of the 2009 Injection Proxy Buy Index. Both indices will be calculated on the straight average of applicable FOM indices for April 1, 2009 through October

31, 2009 as set forth in Exhibit _B_ hereto.

Agent Storage Assets – As of April 1, 2008, Seller shall be designated as agent with respect to the Agent Storage Assets. Buyer shall identify the Initial Agent Inventory for each field. During the Term Seller shall sell to Buyer, and acting as Buyer's agent, Seller shall cause such Gas to be delivered and injected into the Agent Storage Assets. Seller will have discretion with respect to the timing of such sales, provided however, that Seller shall ensure that each Agent Storage Asset is 97% full by November 1, 2008. Storage Gas shall be paid for upon withdrawal and delivery to Buyer's citygate. The price for Gas shall be either the Released Storage WACOG or the Agent Storage WACOG plus all applicable variable withdrawal and transportation costs.

4.6.2 Regardless of the timing in which funds are transferred for payment for the Gas that is delivered to the Agent Storage, both Seller and Buyer acknowledge that title to the Gas is transferred from Seller to upon delivery of the Gas to either the Agent Storage or associated Agent Transportation, whichever asset the Gas is delivered to first.

4.6.3 If the total amount of Buyer's storage capacity on any of the Transporters increases or decreases during the Delivery Period due to changes in the status of releases to third party marketers, the amount of storage capacity subject to Seller's management hereunder will increase or decrease proportionally with the change in Buyer's retained capacity.

4.6.4 Either Party will have the right to terminate the agency appointment for the Storage Agreements to Seller hereunder in the event of an Event of Default by the other Party, as provided in Section 10.3, and to include in the calculation of the Net Settlement Amount any gain or loss accruing to the Non-defaulting Party as a result of such early termination.

Seller: Merrill Lynch Commodities, Inc.

By: _____
Name: Chris Beggins
Title: Managing Director

Buyer: The Narragansett Electric Company dba
National Grid by and through its Agent
KeySpan Corporate Services LLC

By: 
Name: Richard A. Rapp, Jr.
Title: Vice President