

I apologize for the delay. We will not discuss this in tomorrow's conference call. But we will set up a time to discuss this among the recipients and add any recipients in tomorrow's conference call. Please direct any revisions to my attention. Also, consider the Canadian GasEDI contract, which also addresses this concept of liquidation. There would be contractual benefits to having similar provisions for those entities that are multi-national in their natural gas transactions.

This is AEP's proposal for addition to the GISB contract to address "Events of Default" and "Early Termination." The normal text is existing language in the GISB contract, **bold text** is added text and text shown with a strike-through is existing language proposed to be dropped. Much of the language was taken from the article "How and When to Use the GISB Short Form Contract" by Carolyn Hazel, but I have added concepts submitted from Dynegy, Koch, and PPL. I did not add a provision for the posting and/or return of collateral posted if reasonable grounds for insecurity is based on a "mark-to-market" analysis due to the ambiguity in determining mark-to-market exposure. Please review and comment by showing your proposed changes and circulating same to myself and the above recipients.

10.1 When reasonable grounds for insecurity of payment or title to the Gas arise, either party may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by the party demanding assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or a performance bond or guarantee by a creditworthy entity. In the event either party shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) default in the payment obligation to the other party; (iii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iv) otherwise become bankrupt or insolvent (however evidenced); ~~(v) be unable to pay its debts as they fall due;~~ **(vi) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets;** (vii) fail to give adequate security for or assurance of its ability to perform its further obligations within forty-eight (48) hours but at least one (1) Business Day of a reasonable written request by the Non-Defaulting party; (viii) not have paid any amount due the other party hereunder on or before the second day following written notice that such payment is due; (ix) have a Material Adverse Change, which shall mean with respect to a party, long-term, senior, unsecured debt not supported by third party's standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or a performance bond or guarantee by a creditworthy entity is rated below "BBB-" by Standard and Poor or below "Baa" by Moody's Investor Service such that (each such event in (i) through (vi) being an "Event of Default"); then the other party shall have the right to either withhold and/or suspend deliveries or payment, or terminate the Contract without prior notice, in addition to any and all other remedies available hereunder. ~~Seller may immediately suspend deliveries to Buyer hereunder in the event~~

~~Buyer has not paid any amount due Seller hereunder on or before the second day following the date such payment is due.~~

10.2. Each party reserves to itself all rights, set-offs, counterclaims, and other defences which it is or may be entitled to arising from the Contract.

Section 10.3 In the event that the Non-Defaulting party terminates the contract as the result of an Event of Default under Section 10.1, hereto, the Non-Defaulting party shall have the right to designate an early termination date ("Early Termination Date") as any date within twenty (20) days of the Event of Default under Section 10.1 so long as the Event of Default is continuing. Upon the Early Termination Date, the Non-Defaulting party shall have the right to liquidate any and all Transaction(s) under this Contract (including any portion of a Transaction(s) not yet fully delivered) then outstanding by:

(i) Closing out each Transaction(s) being liquidated at its Market Value, as defined below, so that each such amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Transaction(s) shall be due to the Buyer under the Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and

(ii) Discounting each amount then due under clause (i) 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 Transactions); and

(iii) Setting off or aggregating, as appropriate, any or all settlement payments (discounted as appropriate) and (at the election of the Non-Defaulting party) any or all other amounts owing between the parties under this Contract so that all such amounts are aggregated and/or netted to a single liquidated amount payable by one party to the other. The Non-Defaulting party shall give notice that a liquidation pursuant to this Section 10.3 has occurred to the Defaulting party no later than the Business Day following such liquidation, 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 amount due to any such liquidation shall be paid by the close of business on the fifth (5th) Business Day following notice of the Early Termination Date.

For purposes of this Section 10.3, "Contract Value" means the amount of Gas remaining to be delivered or purchased on a firm basis under a Transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased on a firm basis under a Transaction multiplied by the market price 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 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 replacement Transactions in order to determine the Market Value. Any extension(s) of the term of a Transaction to which the Parties are not bound as of the Early Termination Date (including but not limited to "Evergreen" provisions and options to extend) shall not 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. The parties agree that a Transaction under this Section 10.3 shall constitute a "forward contract" within the meaning of the United States Bankruptcy Code and agree that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

Section 10.4 The Non-Defaulting party's remedies under Section 10.3 and the non-breaching party's rights to those payments accrued prior to the Early Termination Date pursuant to Sections 3.2 are the sole and exclusive remedy. Unless the Party benefiting from a security arrangement notifies the other Party in writing, all amounts netted and/or liquidated shall not take into account or include any security arrangements, including but not limited to guarantees, letters of credit, and escrow accounts, which may be in effect to secure a Party's performance."