

Further to the discussions about Liquidation under Section 10, ExxonMobil Gas Marketing Company, a division of Exxon Mobil Corporation, submits the following proposed changes to the Short Term Base Contract for consideration of the GISB Contracts Subcommittee:

The underlines show ExxonMobil's changes or revisions to AEP's version (dated November 27, 2000). Deleted text is not shown.

" A check box to be added on to the front page (i.e., the Base Contract) to be located below the Section 7.2 Method Of Payment box and above the Section 13.5 Choice of Law box. This new Check Box would be titled Section 10.3 Liquidation of Contract. The choices under the boxes would be:

Until Early Termination Date (Termination)

Entire Contract (Cancellation)

Proposed New Section 10

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 other 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 or its guarantor, if any, a reduction in the rating of its long-term, senior, unsecured debt (not supported by third party credit enhancements) by Standard and Poor to below "BBB-" or by Moody's Investor Service, Inc. to below "Baa"; provided, however, such Material Adverse Change shall not be

considered if said party establishes and maintains throughout the remaining term of this Agreement, a standby irrevocable letter of credit, in a form and amount acceptable to the other party and issued by an institution acceptable to the other party (each such event in (i) through (ix) being an "Event of Default" and the other party being the "Non-Defaulting Party"), then the Non-Defaulting Party shall have the right to either withhold and/or suspend deliveries or payment, or to cancel or terminate the Contract, as specified by the parties in the Base Contract, in the manner provided in Section 10.3, without prior notice, in addition to any and all other remedies available hereunder.

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.

The parties have selected the "Until Early Termination Date (Termination)" version or the "Entire Contract (Cancellation)" version as indicated on the Base Contract.

Until Early Termination Date (Termination)

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, at its sole election, 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, at its sole election, to terminate any and all transaction(s) under this Contract (including any portion of a transaction(s) not yet fully delivered) then outstanding and to set off or aggregate, as appropriate, any or all other amounts owing, as of the Early Termination Date, between the parties under this Contract, or any other agreement or arrangement between or among the parties to this Contract, so that all such amounts are aggregated and/or netted to a single liquidated amount payable by one party to the other. If any amount owed is unliquidated or unascertainable, a party may setoff an amount estimated by it in good faith to be the amount owed. 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.

The Non-Defaulting Party's remedies under this Section 10.3 and rights to those payments accrued prior to the Early Termination Date pursuant to Sections 3.2 are the exclusive and sole remedy(ies) of the Non-Defaulting Party for i) the defaulting party's breach of a Firm obligation as provided in Section 3, or ii) the occurrence of one (1) or more of the nine (9) conditions enumerated in Section 10.1. 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, security interests and escrow accounts, which may be in effect to secure a party's performance.

Entire Contract (Cancellation)

10.3 In the event that the Non-Defaulting Party cancels the contract as the result of an Event of Default under Section 10.1, hereto, the Non-Defaulting Party shall have the right, at its sole election, to designate an early cancellation date ("Early Cancellation 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 Cancellation Date, the Non-Defaulting Party shall have the right, at its sole election, 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 Cancellation 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 amounts owing between the parties under this Contract, or any other agreement or arrangement between or among the parties to this Contract, so that all such amounts are aggregated and/or netted to a single liquidated amount payable by one party to the other. If any amount owed is unliquidated or unascertainable, a party may setoff an amount estimated by it in good faith to be the amount owed. 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 Cancellation 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, 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 the parties are not bound as of the Early Cancellation 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.

The Non-Defaulting Party's remedies under Section 10.3 and rights to those payments accrued prior to the Early Cancellation Date pursuant to Sections 3.2 are the exclusive and sole remedy(ies) of the Non-Defaulting Party for i) the defaulting party's breach of a Firm obligation as provided in Section 3, or ii) the occurrence of one (1) or more of the nine (9) conditions enumerated in Section 10.1. 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."