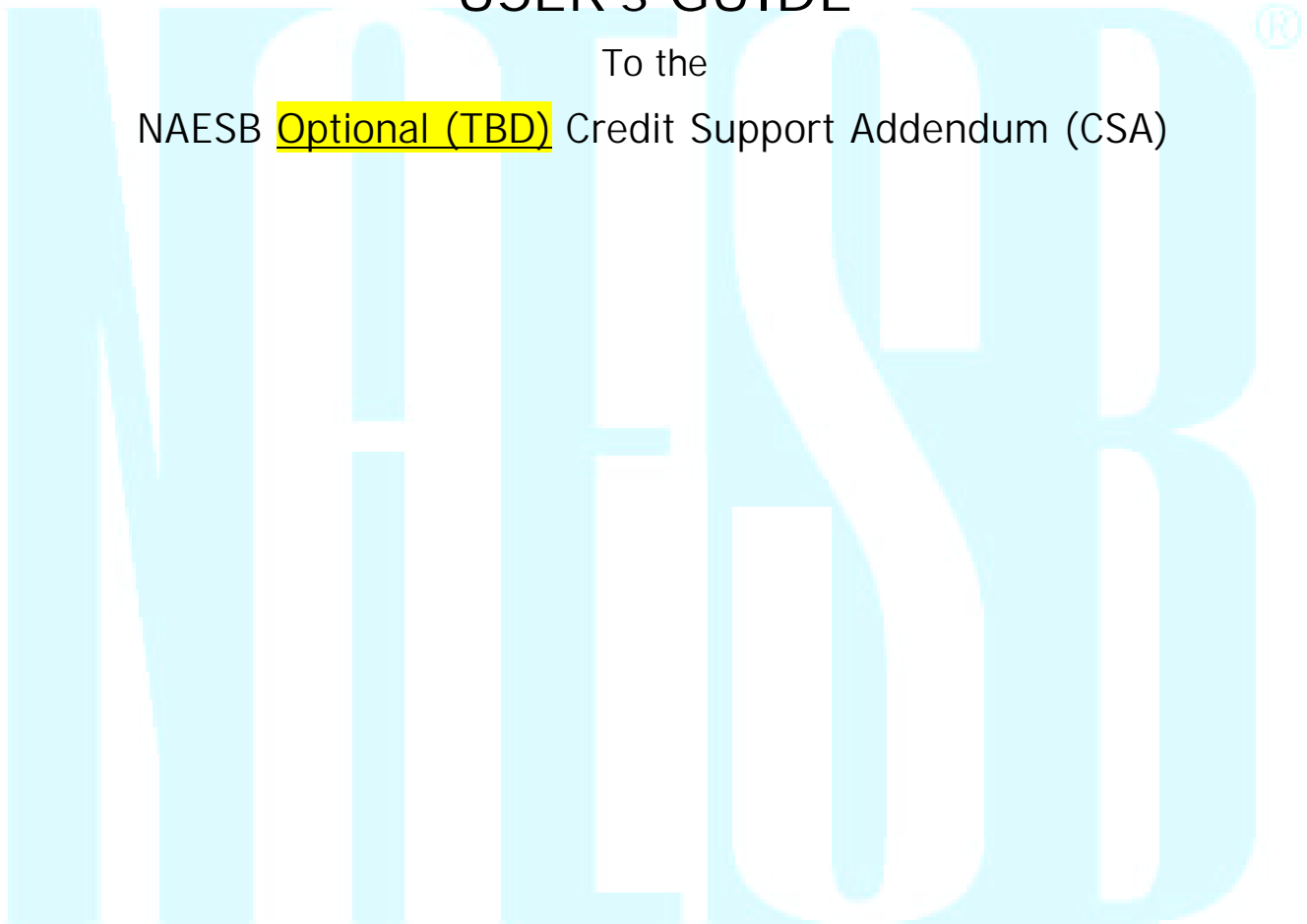




USER'S GUIDE

To the

NAESB Optional (TBD) Credit Support Addendum (CSA)



April 2003

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Introduction and DISCLAIMER

This Credit Support Addendum was completed using the North American Energy Standards Board, Inc.'s (NAESB) processes for standards development. The NAESB standards development process is open to all participants, members and non-members.

DISCLAIMER:

THIS CREDIT SUPPORT ADDENDUM (CSA) AND THIS USER'S GUIDE WERE DEVELOPED BY THE WHOLESALE GAS QUADRANT (WGO) OF THE NORTH AMERICAN ENERGY STANDARDS BOARD, INC. (NAESB) AND ITS SUBCOMMITTEES AND ARE PROVIDED FOR THE CONVENIENCE OF NAESB MEMBERS AND ANY OTHER THIRD PARTIES. THE CSA AND THE USER'S GUIDE DO NOT REFLECT ANY POLICY ADOPTED BY NAESB OR ITS MEMBERS AND ARE **INTENDED TO PROVIDE AN OPTIONAL STARTING POINT** FOR PARTIES' NEGOTIATIONS. PARTIES MAY USE OTHER FORMS OF CREDIT ARRANGMENTS IN CONNECTION WITH NAESB'S *BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS* AND ARE **NOT REQUIRED TO USE THIS FORM**. PARTIES ARE FREE TO MODIFY THE CSA FORM FOR THEIR OWN USE. NAESB DOES NOT WARRANT THE LEGAL EFFICACY OF THE CSA OR THE USER'S GUIDE; NOR SHALL THE PROVISIONS OF THESE FORMS CONSTITUTE THE GIVING OF LEGAL ADVICE. PARTIES ARE ADVISED TO CONSULT WITH THEIR OWN LEGAL COUNSEL TO OBTAIN ADVICE CONCERNING USE OF THESE FORMS AND OTHERWISE TO ASSURE THE EFFICACY OF ANY CREDIT ARRANGMENTS THEY MAY MAKE.

Purpose

The CSA is an optional special provision to the North American Energy Standards Board, Inc.'s (NAESB) Base Contract for Sale and Purchase of Natural Gas (Base Contract). Parties that desire to have a credit support document to administer The NAESB standards development process is open to all participants, members and non-members.

Credit Support Addendum (CSA) structure

This Credit Support Addendum was completed using the North American Energy Standards Board, Inc.'s (NAESB) processes for standards development. The structure of the CSA is set up as a "Special Provision" to the Base Contract. The CSA is designed to be completed and execute concurrently with the underlying Base Contract. If parties would like to add the CSA to an existing Base Contract they should consider using the pro forma special provision noted below for adding the CSA to an existing Base Contract.

Recitals

CSA Party Information

Identification of Party A and Party B

Party A and Party B should be the same Party A and Party B as set forth in the Base Contract.

Base Contract Date

Base Contract Date is the date of the underlying Base Contract that the CSA is added to as a

special provision.

Base Contract Number

Base Contact Number is the contract number for the Base Contract that the CSA is added to as a special provision.

Credit Related Notices

Party A and Party B should identify persons in their respective companies that are authorized to receive notices pursuant to the CSA. These persons are typically credit managers or their equivalent.

Credit Related Invoices and Payments

Party A and Party B should identify persons or departments in their respective companies that are authorized to receive invoices or payments made pursuant to the CSA. These are typically credit managers or credit accounting personnel.

Wire Transfer or ACH Numbers

Party A and Party B should identify the specific accounts for receipt of funds transfer made by the counter party pursuant to the CSA.

Completing the "Elections"

General

All the blank election spaces for each party to the CSA should be completed or noted as "not applicable (N/A)". Some election spaces are required to be completed as noted below.

Credit Support Provider

Eligible Collateral

Collateral Threshold

Eligibility to Hold Collateral

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Minimum Transfer Amount

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Custodian Requirements

Special Provisions

The special provision election blank should be completed when the parties agree to amend the CSA. Since the CSA will usually be the starting point for negotiation of a document for credit support, it is highly probable that there will be a special provision added to the CSA.

CSA Special Provisions

The pro forma documents under this section are typical special provision language that members of the NAESB WGQ Contracts Subcommittee have found in their experience to be acceptable to counter parties. These are offered for information only as starting points for negotiation between the parties for the specific special provision noted below.

Pro Forma amendment to add Special Provisions

Pro Forma Special Provisions

Guaranty

Collateral Threshold using "Rating Table Matrix"

Independent Amount

Rating Agency and Rating Agency Definition

Specified Letter of Credit Issuers

Pro Forma amendment to existing NAESB Purchase and Sale of Natural Gas Contract

Listing of references for other credit support documents

The NAESB WGQ Contracts Subcommittee used several documents or sections of documents as reference materials in development of the CSA. List below are the principal documents:

- Credit Support Annex to the International Derivatives and Swaps Association, Inc.'s (ISDA) Master Agreement
- Collateral annex to the Electric Edison Institute's (EEI) Master Power Purchase and Sale Agreement, version _____ dated _____.
- Collateral Annex to EEI's Master Netting, Setoff, and Security Agreement, version ____, dated _____
- Collateral Annex to the Western Systems Power Pool Agreement