Base Contract for Sale and Purchase of Natural Gas
Credit Support Addendum [1]

This Credit Support Addendum ("CSA") is entered into as of this _____ day of _____, 20__.

The parties to this CSA are the following:

Party A		Party B
_____	and	_____
_____		_____
Base Contract Date: _____		Base Contract Date: _____
Base Contract Number: _____		Base Contract Number: _____

Credit Related Notices:

Attn: _____	Attn: _____
Phone: _____ Fax: _____	Phone: _____ Fax: _____
E-mail Address: _____	E-mail Address: _____

Wire Transfer or ACH Numbers (if applicable):

BANK: _____	BANK: _____
ABA: _____	ABA: _____
ACCT: _____	ACCT: _____
Other Details: _____	Other Details: _____

This CSA is published by the North American Energy Standards Board, Inc. The parties hereby agree to the following provisions offered in said CSA Elections.

Credit Support Provider	Party A : _____ Party B : _____	Interest Rate	_____ _____ _____
Eligible Collateral	Valuation Percentage Party A: ? Cash 100% ? Letters of Credit 100%* ? Other _____ ___% Party B: ? Cash 100% ? Letters of Credit 100%* ? Other _____ ___% * - See Paragraph 7 for conditions.	Minimum Transfer Amount	Party A: _____ Party B: _____
		Letter of Credit Issuer Requirements	_____ _____ _____
Transfer Method for Other Eligible Collateral	Party A: _____ Party B: _____	Notification Time	? 1 p.m. Eastern Prevailing Time ? Other _____ Eastern Prevailing Time
Collateral Threshold	? See attached Rating Matrix Table ? Flats amounts Party A: _____ Party B: _____	Rounding Amount	Party A: _____ Party B: _____
Eligibility Requirements to Hold Cash	Party A: _____ Party B: _____	Custodian Requirements	_____ _____ _____
? **Special Provisions** Number of sheets attached:			

IN WITNESS WHEREOF, the parties hereto have executed the first page of this CSA in duplicate.

_____ _____

[1] ConEd suggests not to use CSA but adopt Collateral Annex to EEI Master Power Purchase and Sales Agreement. Further ConEd supports naming documents as "Model CSA" and do not include word "optional" in agreement.

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Party A Name	**Party B Name**
By _____	By _____
Name:	Name:
Title:	Title:

GENERAL TERMS AND CONDITIONS
To The
Base Contract for Purchase and Sale of Natural Gas
CREDIT SUPPORT ADDENDUM

Paragraph 1. Purpose

This CSA constitutes an Addendum to that certain Base Contract for Sale and Purchase of Natural Gas, as identified on the front page herein, between the parties ("Base Contract"), and supplements, forms part of, and amends the Base Contract affecting transactions thereunder. Capitalized terms used in this CSA that are not herein defined will have the meanings ascribed to them in the Base Contract. In the event of a conflict between the terms of this CSA and the Base Contract, the terms of this CSA shall apply for the purposes of this CSA.

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

Paragraph 2. Definitions.

As used in this CSA:

"Cash" shall mean United States Dollars.

"Collateral Requirement" shall have the meaning set forth in Paragraph 3 herein.

"Collateral Threshold" shall mean, with respect to a party, the amount, if any, set forth in the elections on Page 1 herein for such party; provided, however, that the Collateral Threshold for a party that is a Defaulting Party shall be zero (0) upon the occurrence and during the continuance of an Event of Default.

"Credit Rating" shall mean, with respect to a party or entity, on any date of determination, the higher of (a) the unsecured long-term debt rating (not supported by third party credit enhancements) or (b) general corporate credit rating or long-term issuer rating for such party; in all cases established by S&P, Moody's or any other specified rating agency. ~~respective rating then assigned to such entity's unsecured, senior long-term debt (not supported by third-party credit enhancement) by S&P, Moody's, or any other specified rating agency or agencies. If no rating is assigned to such entity's unsecured, senior long-term debt by such agency, then "Credit Rating" shall mean the general corporate credit rating or long-term issuer rating, as applicable, assigned by such rating agency to such entity.~~ VOTE ISSUE [2] **[Suggestion to make Credit Rating part of the elections page with options such as "a. secured debt rating of _____, b. unsecured debt rating, or c. general corporate or long term issuer rating of _____."**[3]]

"Credit Support Default" shall have the meaning set forth in Paragraph 10 herein.

"Credit Support Provider", if applicable, shall mean the entity specified herein that agrees to Transfer a "Credit Support Obligation(s)" pursuant to Section 2.11 of the Base Contract.[4]

"Custodian" shall mean an entity that meets the Custodian Requirements set forth in the elections on Page 1 herein.

"Defaulting Party" shall have the meaning set forth in Paragraph 10 herein.

"Eligible Collateral" shall have the meaning set forth in the elections on Page 1 herein.

[2] Consumers and Interested LDCs.
[3] Consumers Energy comments 6-20-2003.
[4] ConEd notes that "Credit Support Obligations" has no use or meaning in the CSA.

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"Exposure" shall mean the Net Settlement Amount as calculated by the Secured Party in good faith and in a commercially reasonable manner that the Pledging Party would owe to the Secured Party if an Early Termination Date had been designated as the date of such calculation as provided for in Section 10 of the Base Contract; provided that such calculations shall be at the mid point between the bid price and the offer price.

"Interest Amount" shall mean the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Cash held by the Secured Party on that day, determined for each such day as follows: (x) the amount of Cash on that day; multiplied by (y) the Interest Rate for that day: divided by (z) 360.

"Interest Period" shall mean the period from (and including) the last Business Day on which an Interest Amount was Transferred (or if no Interest Amount has yet been Transferred, the Business Day on which Cash was Transferred to the Secured Party) to (but excluding) the Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" shall have the meaning set forth in the elections on Page 1 herein.

"Letter of Credit" shall have the meaning set forth in Paragraph 7 (a) herein.

"Letter of Credit Default" shall have the meaning set forth in Paragraph 7(b) herein.

"Minimum Transfer Amount" shall mean the amount, if any, set forth in the elections on Page 1 herein for a party.

"Moody's" shall mean Moody's Investors Services, Inc. or its successor.

"Notification Time" shall have the meaning set forth in the elections on Page 1 herein.

"Pledging Party" shall have the meaning set forth in Paragraph 3 herein.

"Posted Collateral" shall mean (1) all Eligible Collateral and all proceeds thereof that have been Transferred to or received by the Secured Party hereunder and not Transferred to the Pledging Party pursuant to Paragraph 4 or released by the Secured Party (2) any Interest Amount or portion thereof held by the Secured Party and not Transferred pursuant to Paragraph 8(c) and (3) any Cash received and held by the Secured Party after drawing on any Letter of Credit.

"Reference Market Maker" shall mean a leading dealer in the relevant market that is not an affiliate of either party selected by a party determining any disputed calculations pursuant to Paragraph 6 herein in a commercially reasonable manner from among dealers which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit.

"Rounding Amount" shall mean the amount, if any, set forth in the elections on Page 1 herein for a party

"S&P" shall mean the Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.

"Secured Party" shall have the meaning set forth in Paragraph 3(b) herein.

"Letter of Credit Issuer Requirements" shall have the meaning set forth in the elections on Page 1 herein.

"Transfer" or "Transferred" shall mean, with respect to any Eligible Collateral, Posted Collateral, or Interest Amount, and in accordance with the instructions of the appropriate party:

(i) in the case of Cash, payment or delivery by wire transfer in immediately available federal funds into one or more bank accounts set forth on Page 1 herein;

(ii) in the case of Letters of Credit, delivery of the Letter of Credit by the Pledging Party to the Secured Party at the address specified in this CSA or delivery of an executed amendment to such Letter of Credit (extending the term or increasing the amount available to the Secured Party thereunder) by the Pledging Party to the Secured Party; and for purposes of Paragraph 5, return the Letter of Credit by the Secured Party to the Pledging Party or delivery of an executed amendment to the Letter of Credit in form and substance satisfactory to the Secured Party, reducing the amount available to the Secured Party thereunder by the Pledging Party to the

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Secured Party, in each case to the address specified in the applicable demand letter or this CSA; and

(iii) in the case of any other Eligible Collateral, the Transfer methodology specified by the parties in the elections on Page 1 herein.

(iv) in any case in which Eligible Collateral or Posted Collateral is in the form of a Letter of Credit, the deadlines set forth for providing such collateral to the other party may be met by providing a facsimile copy of the Letter of Credit with an original transmitted by overnight courier for delivery on the next Business Day.

(v) in connection with each Transfer of any Eligible Collateral to the Secured Party pursuant to Paragraph 4 herein, the Secured Party will, upon request of the Pledging Party, provide a receipt in form and substance reasonably satisfactory to the Pledging Party showing the Eligible Collateral Transferred to it. In connection with each Transfer of any Posted Collateral to the Pledging Party pursuant to Paragraph 5 herein, the Pledging Party will, upon request of the Secured Party, provide a receipt in form and substance reasonably satisfactory to the Secured Party showing the Posted Collateral Transferred to it.

"Valuation Percentage" shall mean the percentage set forth in the elections on Page 1 herein for each form of Eligible Collateral; provided with respect to Letters of Credit the Valuation Percentage shall be 100% unless either (i) a Letter of Credit Default shall apply with respect to such Letter of Credit or (ii) 20 or fewer Business Days remain prior to the expiration of such Letter of Credit, in which case the Valuation Percentage shall be zero (0).

"Value" shall mean the Valuation Percentage multiplied by the amount of Posted Collateral; provided with respect to Letters of Credit, such amount shall be the amount then available to be unconditionally drawn under the Letter of Credit held by the Secured Party.

Paragraph 3. Calculation of Collateral Requirement.

On any Business Day, the "Collateral Requirement" for a party (the "Pledging Party") means the Secured Party's Exposure minus the sum of:

(a) the Pledging Party's Collateral Threshold; plus

(b) the Value of all Posted Collateral then held by the party other than the Pledging Party (the "Secured Party"), and any accrued Interest Amount that has not yet been Transferred to the Pledging Party;

provided, however, that, the Collateral Requirement of the Pledging Party will be deemed to be zero (0) whenever the calculation of such Pledging Party's Collateral Requirement yields a number less than zero (0).

Paragraph 4. Transfer of Eligible Collateral. [5]

On any Business Day on which (i) no Credit Support Default with respect to the Secured Party has occurred and is continuing, (ii) no Event of Default with respect to the Secured Party has occurred and is continuing, (iii) no Early Termination Date has occurred or been designated by the Pledging Party for which there exist any unsatisfied payment obligations under the Base Contract, and (iv) the Pledging Party's Collateral Requirement equals or exceeds its Minimum Transfer Amount, the Secured Party may demand, by Notice to the Pledging Party, that the Pledging Party Transfer to the Secured Party, and the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement. The amount of Eligible Collateral required to be Transferred hereunder shall be rounded up to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed to in writing by the parties, (A) Eligible Collateral demanded of a Pledging Party on or before the Notification Time on a Business Day shall be provided to the Secured Party and/or its Custodian by 5:00 p.m. Eastern Prevailing Time on the next[6] Business Day and (B) Eligible Collateral demanded of a Pledging Party after the Notification Time on a Business Day shall be provided to the Secured Party and/or its Custodian by 5:00 p.m. Eastern Prevailing Time on the second Business Day thereafter. Any Letter of Credit or other type of Eligible Collateral (other than Cash) shall be

[5] **PARAGRAPHS 4, 5 & 6 TO BE REWRITTEN TO CONFORM TO COLLATERAL TRANSFER, REDUCTION & SUBSTITUTION TIMELINES AGREED TO BY THE GROUP ON JUNE 24, 2003.**

[6] ConEd suggests various deadlines within the CSA be left blank subject to negotiation by the parties.

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Transferred to such address as the Secured Party shall specify in its demand pursuant to this Paragraph 4, and any such demand made by the Secured Party pursuant to this Paragraph 4 shall specify wire transfer information for the account(s) to which Eligible Collateral in the form of Cash shall be Transferred. Notwithstanding anything to the contrary in this CSA, in the event of a Credit Support Default or an Event of Default, with respect to the Pledging Party which gives rise to an obligation to Transfer Eligible Collateral, the Pledging Party shall have no obligation to Transfer such Eligible Collateral if such event is cured or otherwise no longer exists prior to the time that such Eligible Collateral is required to be provided hereunder.

Paragraph 5. Reduction and Substitution of Posted Collateral.

(a) On any Business Day a Pledging Party may demand, by Notice to the Secured Party, a reduction in the amount of Posted Collateral previously provided by the Pledging Party for the benefit of the Secured Party, and the Secured Party shall comply with said demand, provided that after giving effect to the demanded reduction in Posted Collateral, (i) the Pledging Party shall have a Collateral Requirement of zero (0) as of the date the Secured Party would be required to return the requested Posted Collateral; (ii) no Credit Support Default with respect to the Pledging Party has occurred and is continuing; (iii) no Event of Default with respect to the Pledging Party has occurred and is continuing; and (iv) no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligations under the Base Contract. The amount of the Posted Collateral reduction shall be made by the Secured Party if such amount equals or exceeds the Secured Party's Minimum Transfer Amount; provided however, such amount actually returned by the Secured Party shall be rounded down to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed in writing by the parties, (x) if the Pledging Party's reduction demand is made on or before the Notification Time on a Business Day, then the Secured Party shall effect a permitted reduction in Posted Collateral by 5:00 p.m. Eastern Prevailing Time on the NEXT Business Day thereafter and (y) if the Pledging Party's reduction demand is made after the Notification Time on a Business Day, then the Secured Party shall effect a permitted reduction in Posted Collateral by 5:00 p.m. Eastern Prevailing Time on the SECOND Business Day thereafter. If a permitted reduction in Posted Collateral is to be effected by a reduction in the amount that may be drawn under an outstanding Letter of Credit previously issued for the benefit of the Secured Party, the Secured Party shall promptly take such action as is reasonably necessary to cooperate with the Pledging Party to effectuate such reduction.

(b) Except when (i) a Credit Support Default with respect to the Pledging Party has occurred and is continuing, or (ii) an Event of Default with respect to the Pledging Party has occurred and is continuing or (iii) no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligation under the Base Contract, the Pledging Party may substitute new Eligible Collateral for existing Posted Collateral of equal Value on the Business Day following the Secured Party's receipt of written Notice thereof (provided that, if such Notice is made after the Notification Time, the Pledging Party may not substitute Eligible Collateral until the second Business Day thereafter; and provided further that if such substitute Eligible Collateral is of a type not designated as Eligible Collateral in the elections on Page 1 herein, then the substitution may not occur unless the Secured Party consents to such substitution). Upon the Transfer to the Secured Party and/or its Custodian of the substitute Eligible Collateral, the Secured Party and/or its Custodian shall Transfer the relevant replaced Posted Collateral (as specified by the Pledging Party) to the Pledging Party by 5:00 p.m. Eastern Prevailing Time on the second Business Day after such Transfer has been effected. Notwithstanding anything herein to the contrary, no such substitution shall be permitted unless (x) the substitute Eligible Collateral is Transferred to the Secured Party and/or its Custodian simultaneously with, or has been Transferred to the Secured Party and/or its Custodian prior to, the release of the Eligible Collateral to be returned to the Pledging Party and, if applicable, the security interest in, and lien upon, such substituted Eligible Collateral granted pursuant hereto in favor of the Secured Party shall have been perfected as required by applicable law and shall constitute a first priority perfected security interest therein and general first lien thereon, and (y) after giving effect to such substitution, the Value of such substitute Eligible Collateral, together will all other Posted Collateral held by the Secured Party, shall equal the Pledging Party's Collateral Requirement. Each substitution of Eligible Collateral shall constitute a representation, warranty and agreement by the Pledging Party that the substituted Eligible Collateral shall be subject to and governed by the terms and conditions of this CSA, including without limitation and if applicable, the security interest in, general first lien on and right of offset against, such substituted Eligible Collateral granted pursuant to Paragraph 12(a) in favor of the Secured Party.

(c) The Transfer of any Eligible Collateral by the Secured Party and/or its Custodian to the Pledging Party in accordance with this Paragraph 5 shall be deemed a release by the Secured Party of its security interest, general first lien and right of offset granted pursuant to Paragraph 12(a) hereof only with respect to such returned Eligible Collateral.

Paragraph 6. Disputed Calculations.

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(a) If the Pledging Party disputes the amount of Eligible Collateral requested by the Secured Party and such dispute relates to the amount of the Exposure as determined by the Secured Party, then the Pledging Party shall (i) notify the Secured Party of the existence and nature of the dispute not later than the Notification Time on the first Business Day following the date that the demand for Eligible Collateral is made by the Secured Party pursuant to Paragraph 4, and (ii) Transfer Eligible Collateral to or for the benefit of the Secured Party in an amount equal to the Pledging Party's own determinations, made in good faith and consistent with Base Contract Section 10 in a commercially reasonable manner, of the Pledging Party's Collateral Requirement in accordance with Paragraph 3. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting determinations. If the parties have not been able to resolve their dispute on or before the second Business Day following the date that the Pledging Party notifies the Secured Party that it disputes the Secured Party's calculation, then the amount of the Exposure shall be recalculated with each party requesting quotations from one (1) Reference Market-Maker ~~within two (2) Business Days after the demand by the Secured Party~~ (taking the arithmetic average of those quotations obtained to obtain the average Exposure, provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Secured Party's calculation shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The Secured Party shall inform the Pledging Party of the results of such recalculation in reasonable detail not later than ___ Business Days after the initial demand by the Secured Party. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, on the next Business Day after the Secured Party provides its notice unless the Notice is provided after the Notification Time in which case the Eligible Collateral shall be provided on the second Business Day after the Secured Party provides Notice of its recalculations thereafter in accordance with the results of such recalculation.

(b) If the Secured Party disputes the amount of Eligible Collateral to be reduced by the Secured Party and such dispute relates to the amount of the Exposure claimed by the Pledging Party, then the Secured Party shall (i) notify the Pledging Party of the existence and nature of the dispute not later than the Notification Time on the first Business Day following the date that the demand to reduce Eligible Collateral is made by the Pledging Party pursuant to Paragraph 5, and (ii) effect the reduction of Eligible Collateral to or for the benefit of the Pledging Party in an amount equal to the Secured Party's own estimate, made in a commercially reasonable manner, of the Pledging Party's Collateral Requirement in accordance with Paragraph 3. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting amounts. If the parties have not been able to resolve their dispute on or before the second Business Day following the date that the Secured Party notifies the Pledging Party that it disputes the Pledging Party's calculation, then the Secured Party's Exposure shall be recalculated by each party requesting quotations from one (1) Reference Market-Maker within two (2) Business Days after the demand by the Pledging Party (taking the arithmetic average of those quotations obtained to obtain the average Exposure; provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Secured Party's calculations shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The Secured Party shall inform the Pledging Party of the results of such recalculation in reasonable detail not later than ____ Business Days after the initial demand by the Secured Party. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, on the next Business Day after the Secured Party provides its notice unless the Notice is provided after the Notification Timer in which case the Eligible Collateral shall be provided on the second Business Day after the Secured Party provides Notice of its recalculations) thereafter in accordance with the results of such recalculation.

Paragraph 7. Letters of Credit.

Eligible Collateral provided in the form of a Letter of Credit shall be subject to the following provisions.

(a) Each "Letter of Credit" shall be an irrevocable, transferable, standby letter of credit, issued by an entity that meets the requirements of a Letter of Credit Issuer set forth in the elections on Page 1 herein in a form reasonably acceptable to the Secured Party.

(b) "Letter of Credit Default" shall mean with respect to an outstanding Letter of Credit that is held by the Secured Party as Posted Collateral the occurrence of any of the following events: (i) the issuer of such Letter of Credit shall fail to maintain meet the Letter of Credit Issuer requirements set forth in the elections on Page 1 herein, (ii) the issuer of such Letter of Credit goes bankrupt; (iii) the issuer of the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit if such failure shall be continuing after the lapse of any applicable grace period; (iv) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; or (v) such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect (other than in accordance with its terms) prior to the satisfaction of all obligations of the Pledging Party under each transaction to which such Letter of Credit shall relate without the written consent of the other party; provided,

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however, that no Letter of Credit Default shall occur in any event with respect to a Letter of Credit after the time such Letter of Credit is required to be canceled or returned to the Pledging Party in accordance with the terms of this CSA. Upon the occurrence of a Letter of Credit Default, the Pledging Party agrees to Transfer to the Secured Party either a substitute Letter of Credit or other Eligible Collateral, in each case on or before the second Business Day after the occurrence thereof (or the fifth (5) Business Day after the occurrence thereof if and only if clause (i) under the definition of Letter of Credit Default applies).

(c) Unless otherwise agreed in writing by the parties, each Letter of Credit shall be provided in accordance with this Paragraph 7 and each Letter of Credit shall be maintained for the benefit of the Secured Party. The Pledging Party shall (i) renew or cause the renewal of each outstanding Letter of Credit on a timely basis as provided in the relevant Letter of Credit, (ii) Transfer either a substitute Letter of Credit or other Eligible Collateral, in each case at least twenty (20) Business Days prior to the expiration of the outstanding Letter of Credit, if the bank that issued an outstanding Letter of Credit has indicated its intent not to renew such Letter of Credit, and (iii) Transfer for the benefit fo the Secured Party either a substitute Letter of Credit that is issued by a bank acceptable to the Secured Party or other Eligible Collateral, in each case within three (3) Business Days after such refusal, if a bank issuing a Letter of Credit shall fail to honor the Secured Party's properly documented request to draw on an outstanding Letter of Credit, provided that, as a result of the Pledging Party's failure to perform in accordance with (i), (ii), or (iii) above, the Pledging Party's Collateral Requirement would be greater than zero (0).

(d) As one method of providing Posted Collateral, the Pledging Party may increase the amount of an outstanding Letter of Credit or establish one or more additional Letters of Credit.

(e) Upon or at any time after the occurrence of an Event of Default with respect to the Pledging Party and/or the designation of an Early Termination Date by the Secured Party, the Secured Party may draw on any outstanding Letter(s) of Credit upon submission to the bank issuing such Letter of Credit in accordance with the specific requirements of the Letter of Credit. Cash proceeds received from drawing upon the Letter of Credit shall be deemed Posted Collateral as security for the Pledging Party's obligations to the Secured Party and the Secured Party shall have the rights and remedies set forth in this CSA with respect to such Cash proceeds. Notwithstanding the Secured Party's receipt of Cash under the Letter of Credit, the Pledging Party shall remain liable (i) for any failure to Transfer sufficient Posted Collateral or (ii) for any amounts owing to the Secured Party and remaining unpaid after the application of the amounts so drawn by the Secured Party.

(f) A Pledging Party may substitute a Letter of Credit for one or more other outstanding Letter(s) of Credit issued for the benefit of the Secured Party, provided that the Value of such substitute Letter of Credit shall be at least equal to the Value of the Letter(s) of Credit being replaced, and provided further that no Letter of Credit shall be canceled unless and until the Letter of Credit to be substituted therefor shall have been validly executed, issued and Transferred for the benefit of the Secured Party in accordance with applicable law.

~~(h)~~(g) In all cases, the costs and expenses incurred by the Pledging Party to~~of~~ establish~~ing~~, renew~~ing~~, substitut~~e~~ing~~ing~~, cancel~~ing~~ing~~ing~~, and/or increas~~e~~ing~~ing~~ the amount of (as the case may be) a Letter of Credit shall be borne by the Pledging Party. **MOVE TO UG.??**

Paragraph 8. Care and Use of Cash.

Posted Collateral provided in the form of Cash shall be subject to the following provisions.

(a) Eligibility to Hold Cash.

(i) The Secured Party will be entitled to hold Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party, (2) it or its Credit Support Provider, if applicable, meets the Eligibility Requirements to Hold Cash requirements set forth in the elections on Page 1 herein; and (3) Cash shall be held only in any jurisdiction within the United States. A party shall appoint a Custodian within one/five Business Day of the date on which it ~~in the event such party is not eligible or~~ bec~~o~~ame~~s~~[7] ineligible to hold Cash in accordance with this Paragraph 8(a)(i).

(ii) Upon Notice by the Secured Party to the Pledging Party of the appointment of a Custodian, the Pledging Party's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Cash by a Custodian will be deemed to be the holding of Cash by the Secured

[7] UBSW

Party for which the Custodian is acting. The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(b) Use of Cash. Notwithstanding the provisions of applicable law, if the Secured Party eligible to hold cash, is not a Defaulting Party and no Early Termination Date has occurred or been designated by the Pledging Party as a result of an Event of Default with respect to the Secured Party, then the Secured Party shall have the right to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Cash it holds, free from any claim or right of any nature whatsoever of the Pledging Party, including any equity or right of redemption by the Pledging Party.

(c) Interest Payments on Cash. So long as no Event of Default, with respect to the Pledging Party has occurred and is continuing, and no Early Termination Date (for which any unsatisfied payment obligations of the Pledging Party exist) has occurred or been designated as the result of an Event of Default with respect to the Pledging Party and to the extent that an obligation to Transfer Posted Collateral would not be created or increased by the Transfer, the Secured Party will upon written request Transfer to the Pledging Party, in lieu of any interest or other amounts paid or deemed to have been paid with respect to the Cash (all of which may be retained by the Secured Party), the Interest Amount on the third Business Day of each calendar month. On or after the occurrence of an Event of Default with respect to the Pledging Party or an Early Termination Date as a result of an Event of Default with respect to the Pledging Party, the Secured Party shall retain any such Interest Amount as additional Eligible Collateral hereunder until the obligations of the Pledging Party under the Base Contract have been satisfied.

(d) Care of Cash. Without limiting the Secured Party's rights under Paragraph 8(b), the Secured Party will exercise reasonable care to assure the safe custody of all Cash held by it as Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Cash, including, without limitation, any duty to enforce or preserve any rights pertaining thereto.

UBSW – What happens to cash held in a custodial account – investment of funds and interest payments? What happens if Custodian ceases to be qualified? **CUSTODIAN LANGUAGE TO BE EXPANDED IN ACCORDANCE WITH GROUP DISCUSSIONS ON JUNE 24, 2003.**

Paragraph 9. Notices

(a) "Notice" shall mean a notice or other communication in respect of this CSA. Notice may be given in any manner set forth below to the address or number or in accordance with the electronic messaging system details provided on Page 1 of this CSA and will be deemed effective as indicated:

(i) if in writing and delivered in person or by courier, on the Business Day it is delivered;

(ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form (which may be evidenced by a transmission report generated by the sender's facsimile machine); unless the date of that receipt, is not a Business Day or that communication is received, after the Notification Time on a Business Day, in which case that communication shall be deemed given and effective on the first following Business Day:

(iii) if sent by certified or registered mail or the equivalent (return receipt requested), on the Business Day that mail is delivered or its delivery is attempted; or

(iv) if sent by electronic messaging system, on the date that electronic message is received; unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Business Day or that communication is delivered (or attempted) or received, as applicable, after the Notification Time on a Business Day, in which case that communication shall be deemed given and effective on the first following Business Day.

(b) Any other Notice, including but not limited to, Notice of an Event of Default, must be given pursuant to Section 9 of the Base Contract.

Paragraph 10. Credit Support Default

(a) "Credit Support Default" shall exist with respect to a party (the "Defaulting Party") if:

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(i) a party fails (or fails to cause its Custodian, as applicable) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it, and such failure continues for one (1) Business Day after Notice of that failure is provided to that party; or

(ii) a party fails to comply with or perform any material agreement or obligation provided for in this CSA, and such failure continues for one (1) Business Day after Notice of that failure is provided to that party; or

(iii) a Letter of Credit Default shall apply with respect to such Defaulting Party;

(b) Credit Support Default shall constitute and have the effect of an Event of Default set forth in Section 10.2 (vi) of the Base Contract.

Paragraph 11. Representations and Warranties.

Each party continuously represents and warrants to the other party that: (a) it has the power and authority under the law of the jurisdiction of its organization or incorporation and under its organizational and constituent documents to grant to the Secured Party a valid, enforceable, first-priority security interest in, and lien on, all Posted Collateral (other than Letters of Credit) that it Transfers as the Pledging Party, and has taken all necessary actions to authorize the granting and perfection of that security interest and lien; (b) as of each date on which it, as the Pledging Party, Transfers Eligible Collateral to the Secured Party or to any agent of the Secured Party for the benefit of the Secured Party (or, in the case of after-acquired Posted Collateral, at the time the Secured Party or its agent acquires rights therein), it has title to, and will be the sole owner of such Eligible Collateral, free and clear of any security interest, lien, pledge, charge, encumbrance, or other interests or restrictions other than the security interest granted to the Secured Party hereby; (c) the Secured Party will have a valid and perfected first-priority security interest in, and lien on, all Posted Collateral (other than Letters of Credit) upon receipt thereof; (d) the performance by it of its obligations under this CSA will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted pursuant to this CSA; and (e) in connection with the delivery, issuance, renewal, substitution, or increase (as the case may be) which constitutes a Transfer of a Letter of Credit, such Letter of Credit is the legal, valid and binding obligation of the Issuer thereof, enforceable in accordance with its terms.

Paragraph 12. Certain Rights and Remedies.

(a) Secured Party's Rights and Remedies. If at any time (i) an Event of Default with respect to the Pledging Party has occurred and is continuing or (ii) an Early Termination Date has occurred or been designated as a result of an Event of Default with respect to the Pledging Party, then the Secured Party may do any one or more of the following: (x) exercise any of the rights and remedies of a secured party with respect to the Posted Collateral, including any such rights and remedies under law then in effect; (y) exercise its rights of setoff against any and all property of the Pledging Party in the possession of the Secured Party or its agent; and (z) draw on any outstanding Letter of Credit issued for its benefit under its terms and this CSA. The Secured Party shall either (y) apply the proceeds of the Posted Collateral realized upon the exercise of any such rights or remedies to reduce the Pledging Party's obligations under the Contract or this CSA (the Pledging Party remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full and/or (z) hold such proceeds as collateral security for the Pledging Party's obligations under the Base Contract or this CSA, subject to the Secured Party's obligation to return the proceeds after such obligations are satisfied in full.

(b) Pledging Party's Rights and Remedies. If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default with respect to the Secured Party, then: (i) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount, if any, to the Pledging Party; and (ii) the Pledging Party may do any one or more of the following: (x) exercise any of the rights and remedies of a pledgor with respect to the Posted Collateral, including any such rights and remedies under law then in effect; (y) to the extent that the Posted Collateral or the Interest Amount is not Transferred to the Pledging Party as required in (i) above, setoff amounts payable by the Pledging Party to the Secured Party against the Posted Collateral held by the Secured Party or to the extent its rights to setoff are not exercised, withhold payment of any remaining amounts payable by the Pledging Party, up to the value of any remaining Posted Collateral held by the Secured Party, until the Posted Collateral is Transferred to the Pledging Party; and/or (z) exercise rights and remedies available to the Pledging Party under the terms of any Letter of Credit.

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Paragraph 13. General.

(a) Security Interest. To secure its obligations under the Base Contract and all outstanding transactions, each party, as the Pledging Party, hereby grants to the other party, as the Secured Party, a present and continuing first-priority security interest in, and lien on (and right of setoff against), all Posted Collateral (other than Letters of Credit) Transferred to the Secured Party hereunder. Each party agrees to take such action as the other party reasonably requires in order to perfect or maintain the other party's first-priority continuing security interest in, and lien on (and right of setoff against), such Posted Collateral.

(b) Each party will pay its own costs and expenses in connection with performing its obligations under this CSA and neither party will be liable for any costs or expenses incurred by the other party in connection herewith.

(c) This CSA has been and is made solely for the benefit of the parties and their permitted successors and assigns, and no other entity shall acquire or have any right under or by virtue of this CSA.

(d) No failure or delay by either party hereto in exercising any right, power, privilege, or remedy hereunder shall operate as a waiver thereof.

(e) The headings in this CSA are for convenience of reference only, and shall not affect the meaning or construction of any provision thereof.

(f) Unless otherwise agreed in writing, the parties agree that this CSA is the sole and exclusive method for Transfer of Eligible Collateral, return of Posted Collateral and any transactions related thereto.

(g) The parties acknowledge and agree that all transactions secured by this CSA constitute "forward contracts" within the meaning of Section 556 of the United States Bankruptcy Code. Further, as of the date of this CSA and the date of entering into any transaction entered into under the Base Contract, each party represents and warrants to the other that it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code.

DISCLAIMER: The purposes of this CSA are to facilitate trade, avoid misunderstandings and make more definite the terms of margining arrangements related to contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this CSA by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CSA 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 CSA 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 CSA 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 CSA.**

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