

VIA E-MAIL

January 6, 2006

TO: North American Energy Standards Board (NAESB) Office (naesb@naesb.org); NAESB Wholesale Gas Quadrant Contracts Subcommittee Chairs, Keith Sappenfield (EnCana) and Suzanne Calcagno (UBS Warburg)

CC: Rae McQuade, NAESB President and COO

FROM: Interested LDCs¹

RE: Comments of Interested LDCs Regarding Proposed Changes to date to the NAESB Base Contract for Purchase and Sale of Natural Gas

The Interested LDCs respectfully submit comments regarding the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ) proposed modifications to the existing NAESB Base Contract for Purchase and Sale of Natural Gas (Base Contract). They hereby offer general and specific comments that present concerns they have identified to date about the redlined version of the Base Contract, dated December 14, 2005.

The Interested LDCs request that these comments be considered thoroughly by the NAESB WGQ Contracts Subcommittee during its upcoming meeting. The comments provided herein are intended to articulate those significant positions that are shared by the Interested LDCs; however, each individual participant retains the right to advocate different or additional positions in further NAESB proceedings. Further, these comments by no means should be construed to represent an exhaustive set of comments or recommendations and do not preclude the Interested LDCs from submitting further comments.

Section 9.1: The Interested LDCs recommend changing the language of the revised section by moving the phrase "in writing by an authorized representative" to refer to changes in payment addresses and information rather than to all notices, as follows:

"All Transaction Confirmation, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made ~~in writing by an authorized representative~~ to the addresses specified by the respective parties from time to time; provided however that Notices for change in payment addresses or other payment information shall be made in writing by an authorized representative and the receiving party shall not be obligated to implement such change prior to passage of thirty (30) days after receipt of such Notice."

This edit will maintain the option for oral transaction procedures under Section 1.2 of the Base Contract.

Section 10.1: The Interested LDCs find that the language proposed in footnote 91 is redundant to the existing provision under Section 10.1, which adequately addresses the concept presented in

¹ Interested LDCs: Aquila, Baltimore Gas and Electric Co., Consolidated Edison Company of New York, Inc., Consumers Energy Company, Energy East, KeySpan Energy, National Fuel Gas Distribution Corporation, National Grid, New Jersey Natural Gas, Resources Corporation, NiSource Inc., NW Natural, PECO Energy, The Peoples Natural Gas Company (PA), PPL Energy Plus, LLC, Southern California Gas Company, UGI Utilities, Inc., Washington Gas Light Company, and Xcel Energy Inc.

the proposed addition. Further, the concept in footnote 91 would be better suited for inclusion in Special Provisions but not in the Base Contract. The Interested LDCs therefore disagree with the inclusion of this proposed language and recommend maintaining the original language under Section 10.1.

Section 10.2: The Interested LDCs find that the proposed language (footnote 93 and footnote 94) would be better suited for inclusion in Special Provisions but not in the Base Contract. The Interested LDCs therefore disagree with the inclusion of this proposed language and recommend maintaining the original language under Section 10.2.

Further, the Interested LDCs recommend striking the proposed language of the last sentence under Section 10.2 (footnote 95). We believe that such language is not appropriate, because the occurrence of the types of events specified with respect to the party's guarantor would be grounds, under Section 10.1, for a party to demand Adequate Assurance of Performance, which would provide adequate protection for both parties.

Section 10.3: The proposed additional language (footnote 96) would be better suited for inclusion in Special Provisions or in a separate Master Netting Agreement but not in the Base Contract. Thus we disagree with the inclusion of the proposed language in the Base Contract.

Section 10.3.1: The Interested LDCs oppose the addition of the proposed new language to Section 10.3.1 (footnote 96), because such language would introduce subjectivity into the cost calculation and would thus lead to delays in the process of determining early termination damages. Such language fails the objectivity test, which is the rationale for Section 10.3.1.

Section 10.6: The existing language under Section 10.6 protects both parties by minimizing the possibility of litigation. Thus the Interested LDCs disagree with the proposal to delete the existing language under Section 10.6.

Section 10.8: The proposed new section, numbered 10.8, is not necessary because it could be covered within the Credit Support Agreement. Therefore the Interested LDCs suggest deleting this revision to the Base Contract.

Section 10.9: The terms under proposed new Section 10.9 (footnote 105) could be addressed between the individual parties and the proposed language would be better suited for inclusion in Special Provisions or within a separate agreement but not in the Base Contract. Thus we disagree with the inclusion of the proposed language in the Base Contract.

Section 10.10: The Interested LDCs support the provision under proposed new Section 10.10 (footnote 106).

Section 11: The Base Contract is intended to cover generic procedures or transactions, and the inclusion of LNG-specific events under Force Majeure implies that local events qualify as a legitimate cause for claiming protections from liability under the Force Majeure provisions of the contract. We believe that Force Majeure language should cover LNG-specific events only when it can be sourced to LNG, and in such a case, it should be handled in Special Provisions. At the very least, we believe that it would be premature to include provisions tied specifically to LNG at this point, with the current state of transparency and liquidity within the energy market. And at the most, the Interested LDCs share a concern that inclusion of LNG under Force Majeure would allow the counterparty to expand the definition of Force Majeure and could be used to suspend performance, which would pose a reliability risk for LDCs serving their customers. Therefore, the Interested LDCs at this time oppose the inclusion of language specifying LNG-specific events under Force Majeure provisions.

Section 12: The Interested LDCs support the revisions proposed under Section 12 (footnote 115).

The companies comprising the Interested LDCs group are active participants in NAESB and appreciate the opportunity to comment on the proposed revision to the NAESB Base Contract.

Respectfully submitted,

Aquila	NiSource Inc.
Baltimore Gas and Electric Co.	NW Natural
Consolidated Edison Company of New York, Inc.	PECO Energy
Consumers Energy Company	The Peoples Natural Gas Company (PA)
Energy East	PPL Energy Plus, LLC
KeySpan Energy	Southern California Gas Company
National Fuel Gas Distribution Corporation	Washington Gas Light Company
National Grid	UGI Utilities, Inc.
New Jersey Natural Gas Resources Corporation	Xcel Energy Inc.