STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

RE: ENERGYNORTH NATURAL GAS, INC.
D/B/A KEYSPAN ENERGY DELIVERY NEW ENGLAND

DOCKET NO. DG 07-101

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement") is jointly sponsored and presented to the New Hampshire Public Utilities Commission (the "Commission") this 8th day of February, 2008 by EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England ("KeySpan" or the "Company") and the Staff of the Commission ("Staff").

This Settlement is offered with the intent of resolving all issues in the above-captioned proceeding as specifically set forth below.

I. BACKGROUND

On September 14, 2007, KeySpan filed a Petition for Approval of a Firm Transportation Agreement with Tennessee Gas Pipeline (the "TGP Agreement") in which it requested that the Commission determine that the Company's decision to enter into the TGP Agreement is prudent and consistent with the public interest. The Petition was supported by pre-filed direct testimony of four Company witnesses: John S. Stavrakas, P.E., Theodore Poe, Jr., Paul M. DeRosa, and Elizabeth D. Arangio.

As set forth in the pre-filed testimony of the Company's witnesses, the Company, as part of its Integrated Resource Plan filed with the Commission in DG 06-105, identified a need for additional gas-supply deliverability to reliably serve its customers. Specifically, this additional need was identified as part of the Company's five-year forecast of customer requirements for the period November 1, 2006 through October 31, 2011 under design-weather planning conditions. The forecast considered a number of factors, including a projection of the amount of gas supplies necessary to meet customer needs under both "design or peak day" and "design year" weather conditions. To meet these needs, the Company must have in place sufficient capacity entitlements to ensure deliveries of pipeline gas and underground storage supplies to the citygate, and sufficient on-system gas inventories and vaporization capabilities to supplement those delivered pipeline supplies. As a result of this evaluation, the Company determined that it would experience a shortfall in gas-supply capacity for the design season beginning in 2008/2009 and a design/peak day need beginning in 2009/2010.

The Company considered four alternatives to meet this need: (a) the proposed TGP Agreement which would add 30,000 MMBtu/day of incremental capacity to the Company's citygates; (b) the addition of LNG facilities (with and without liquefaction) which would add 25,000 dth/day of vaporization capacity and 300,000 dth of storage capacity sited on the Company's existing LNG site in Concord, NH; (c) the addition of two propane facilities which would add a total of 25,200 dth/day of vaporization capacity and 300,000 dth of storage capacity with one unit sited on the distribution system in Concord and the other in Nashua; and (d) implementation of Demand Side Management options. The Company developed the costs associated with each of these alternatives and compared those costs, along with non-price factors such as reliability, flexibility and diversity, in determining the most cost-effective alternative to pursue. The Company conducted this comparative analysis based on a linear-programming model that allowed for a full assessment of the way in which project alternatives would be used over time to serve forecasted customer load given a range of possible demand and price scenarios. This model identified the proposed Concord Lateral upgrade (achieved through the TGP Agreement) as the least cost resource available. In addition, this option also meets the Company's additional non-price project selection criteria of reliability, flexibility and diversity to meet the identified need for incremental capacity resources.

As a result of the analysis, the Company proposed in the Petition and supporting testimony that the Commission approve the proposed TGP Agreement, a 20-year firm transportation contract that would provide the Company with up to 30,000 MMBtu/day of incremental pipeline capacity beginning November 1, 2009 and ending on October 31, 2029. Service would be provided at a negotiated, fixed rate for the 20 year term. This incremental capacity could be used by the Company to transport gas supplies from Dracut, Massachusetts where Tennessee interconnects with both the Maritimes & Northeast Pipeline and Portland Natural Gas Transmission System to the Company's New Hampshire citygates. This incremental transportation capacity would enable the Company to purchase gas supplies at Dracut from a number of sources including upstream suppliers or suppliers offering delivered service at Dracut.

On October 9, 2007, the Commission issued an order opening a docket to consider the Petition. The Order of Notice stated that the following issues, among others, would be investigated: (1) whether KeySpan's investigation and analysis of the alternatives for satisfying the resource need is reasonable; and (2) whether KeySpan's entry into the long term arrangement with TGP for additional pipeline capacity is prudent and in the public interest. The Office of Consumer Advocate ("OCA") and Staff conducted discovery on the Company's Petition and testimony and the Company, Staff and OCA met for technical sessions on December 3, 2007 and December 20, 2007.

On January 10, 2008, Staff filed the testimony of John B. Adger, Jr. and Yavuz Arik on its behalf. Their testimony evaluated the Company's proposal to enter into the TGP Agreement to provide additional firm natural gas transportation service on the Concord Lateral. Specifically, the Staff reviewed the Company's comparative analysis of the four options and made adjustments to the analysis based on its experience. Adjustments included reducing the cost of the LNG-with-liquefaction on-system alternative to eliminate double counting of certain capital and operating costs, increasing the economic life from 30 to 40 years, reducing the equity rate of return from 10.39 percent to 9.30 percent and increasing the period of the economic analysis of the Concord Lateral from 20 to 40 years and assuming years 21 – 40 would be priced at the current FERC tariff rate adjusted for inflation. The Staff concluded that the Concord Lateral provides access to sources of peak-period supplies that the Company needs, but recommended that the Company be required to show that those supplies would be available on a firm basis at the inlet to the Concord Lateral on terms that would be competitive with the Company's on-system options for peaking supplies. Staff further indicated that it believed such a showing could be made and recommended that the Company's proposal to enter into the TGP Agreement be approved once this showing had been made. The Company conducted discovery on the Staff's testimony and the Staff and parties met for a technical session on January 24, 2008.

On February 1, 2008, the Company filed Surrebuttal Testimony of Elizabeth D. Arangio, in which Ms. Arangio provided information on the potential cost of supplies on a firm basis at the inlet of the Concord Lateral for the year 2009/2010 heating season, as well as overall market pricing information projecting the price of gas supplies over the short and long term. Staff is satisfied that the information provides the showing recommended by Staff.

II. SETTLEMENT TERMS

The Company and Staff agree as follows:

A. **The TGP Agreement:** The Company and Staff agree that the Company's decision to enter into the TGP Agreement, a copy of which is attached hereto as Exhibit A, is prudent and consistent with the public interest. Accordingly, the Company and Staff agree that the TGP Agreement should be approved.

B. **Planning Conference:** The Company, Staff and OCA shall participate in a planning conference in or around July 2009 in which the Company shall present to the OCA and the Staff its plans to meet its incremental gas supply need associated with the Concord Lateral upgrade for the 2009/2010 heating season. Particular questions to be addressed include the following:

- What the Company has done, and what it intends to do, to ensure the broadest possible array of alternatives for firm, peaking gas supplies delivered to Dracut for the ensuing winter season;
- How the Company expects to use all of the capacity available to it on the Concord Lateral for the ensuing winter season to minimize costs to its customers in New Hampshire.

The Company shall also describe its plans to issue a Request for Proposal to potential suppliers to meet its overall portfolio needs for the 2009/10 heating season. Review by the Staff and OCA of the Company's plans does not relieve the Company of its obligation to prudently operate its business and obtain gas supplies on a least cost basis nor does it bind Staff or OCA to a particular position regarding the adequacy and/or effectiveness of the Company's plans.

III. MISCELLANEOUS PROVISIONS

A. This Settlement shall not be deemed in any respect to constitute an admission by the Company or Staff that (other than as expressly stated above) any allegation or contention in this proceeding is true or false, or that any particular agreement herein creates a precedent for future decisions.

B. Other than as expressly stated above, the acceptance of this Settlement by the Commission shall not in any respect constitute a determination by the Commission as to the merits of any allegations, contentions, or issues made in this or any subsequent proceeding.

C. This Settlement is expressly conditioned upon the Commission's approval of all provisions herein, without change or condition. If the Commission does not approve of the Settlement in its entirety, it shall be deemed withdrawn and void.

D. The Company and Staff acknowledge that this Settlement is a product of settlement negotiations and that the content of such negotiations shall be privileged and all offers of settlement are without prejudice to the position of any party or participant presenting such offer.

E. This Settlement constitutes the entire agreement between the Company and Staff regarding the subject matter hereof and supersedes any previous agreements. The Company and Staff may modify this Settlement and the exhibit attached hereto upon written consent of each other, and approval of the Commission, where required.

F. The Commission shall have continuing jurisdiction to enforce the terms of this Settlement.

IV. CONCLUSION

Wherefore, the Settling Parties and Staff jointly recommend that the Commission approve this Settlement.

Respectfully submitted,

ENERGYNORTH NATURAL GAS, INC. D/B/A KEYSPAN ENERGY DELIVERY NEW ENGLAND

By: Sarah B. Knowlton

Sarah B. Knowlton, Esq.

2/8/08

STAFF OF THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

By: F. Anker for

Edward N. Damon, Esq.
Staff Attorney

2/8/08

PRECEDENT AGREEMENT

This Precedent Agreement ("Agreement") is made and entered into effective as of the 29 day of August, 2007 by and between TENNESSEE GAS PIPELINE COMPANY, a Delaware corporation, herein called "Transporter," and Energy North Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England, a New Hampshire corporation, herein called "Shipper."

WHEREAS, Transporter owns and operates an interstate natural gas transmission pipeline system that extends in a northeasterly direction from the gas supply area in Texas, Louisiana, and the offshore Gulf of Mexico; through the States of Texas, Louisiana, Arkansas, Mississippi, Alabama, Tennessee, Kentucky, West Virginia, Ohio, Pennsylvania, New York, New Jersey, Massachusetts, New Hampshire, Rhode Island, and Connecticut ("Transporter's System"); and

WHEREAS, on February 15, 2007, Transporter initiated an open season for additional firm transportation service from the interconnection of Tennessee's system with the Maritimes and Northeast Pipeline system at Dracut, Massachusetts ("Dracut Interconnect") to delivery points on Transporter's Concord Lateral ("Concord Open Season") in connection with the proposed Concord Lateral Expansion Project (the "Project"); and

WHEREAS, Shipper participated in Transporter's Concord Open Season for additional firm capacity and requested Transporter to provide it long-term firm natural gas transportation service; and

WHEREAS, Shipper acknowledges that the rendition by Transporter of the firm natural gas transportation service requested by Shipper may require Transporter to construct certain facilities (the "Project Facilities") on Transporter's System.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, Transporter and Shipper agree as follows:

1. Transporter agrees, subject to the satisfaction of the conditions set forth herein, to construct the necessary Project Facilities to render firm transportation service for Shipper at the applicable rate selected by Shipper below and pursuant to a firm transportation agreement ("Firm Agreement") between Transporter and Shipper, which Firm Agreement shall be in a form substantially similar to Exhibit A hereto.

2. Subject to the terms and conditions of this Agreement, Transporter and Shipper agree to execute and deliver the Firm Agreement, in accordance with the provisions of Section 11 of this Agreement, pursuant to which Transporter shall transport and deliver for Shipper on a firm basis up to 30,000 dekatherms ("Dth") of natural gas per day. Service thereunder shall commence on the latter of November 1, 2009, or the date on which Transporter is able to render service to Shipper under the Project (the "Commencement Date"), for a primary term ending twenty years from the Commencement Date, from the receipt point as specified in Section 3 below ("Receipt Point") to the delivery point as specified in Section 3 below ("Delivery Point").

3. The Receipt Point shall be Dracut, Massachusetts; meter #12538. The Delivery Point shall be Laconia, New Hampshire ; meter #20426.

4. Transporter shall have the right to reduce the transportation quantity specified in Section 2 above if that reduction is necessary, in Transporter's sole discretion, to render the overall Project or any applicable portion of the Project economic. Transporter shall have the right to either terminate this Agreement or reduce the transportation quantity specified in Section 2 if, in Transporter's sole discretion, such termination or reduction is necessary to comply with any Federal Energy Regulatory Commission ("FERC") regulation, requirement, directive, or order, or with Transporter's FERC Gas Tariff.

5. Upon execution of this Agreement, Shipper must select one of the following rate options:

X Shipper selects for the primary term of the Firm Agreement the negotiated rate for its service as reflected in Exhibit B hereto.

____ Shipper selects the recourse rate for its service, which shall be the applicable rate, surcharges, and fuel and loss percentage under Transporter's Rate Schedule FT-A, as may be revised from time-to-time.

6. Shipper shall use reasonable efforts to obtain before October 1, 2007, the approval of its executive management and board of directors to execute the Firm Agreement pursuant to the terms of this Agreement. Shipper shall have the right, upon thirty days prior written notice provided to Transporter no later than October 1, 2007, to terminate this Agreement if Shipper's executive management or board of directors does not approve the execution of the Firm Agreement pursuant to the terms of this Agreement.

7. Transporter shall use reasonable efforts to obtain before October 26, 2007, the approval of its executive management and board of directors for the construction of the Project Facilities and the execution of the Firm Agreement pursuant to the terms of this Agreement. Transporter shall have the right, upon thirty days prior written notice provided to Shipper no later than October 26, 2007, to terminate this Agreement if Transporter's executive management or board of directors does not approve the construction of the Project Facilities and the execution of the Firm Agreement pursuant to the terms of this Agreement.

8. If Shipper or Transporter exercises the right to terminate this Agreement pursuant to Section 6 or 7, respectively, the parties shall attempt in good faith to negotiate within the thirty day period an amendment to this Agreement to accomplish the business objectives of this Agreement in light of such executive management's or board of

ay

directors' disapproval. This Agreement shall terminate upon the expiration of the foregoing thirty day period unless within such period (a) both parties' respective executive management and board of directors provide the necessary approvals, (b) the parties mutually agree to an amendment of this Agreement, or (c) the parties agree in writing to extend the thirty day period.

9. Transporter shall use commercially reasonable efforts to obtain all necessary authorizations, including any necessary authorizations from the FERC (collectively, "Transporter's Authorizations"), to construct the Project Facilities, sign the Firm Agreement, and to render the proposed firm transportation service for Shipper pursuant to the terms and conditions specified herein, in the Firm Agreement, and in Transporter's FERC Gas Tariff. Shipper agrees to support Transporter's filing(s) to implement the Project Facilities, service, and rates, as proposed by Transporter.

10. If the Transporter's Authorizations referenced in Section 9 are not satisfactory to Transporter, in Transporter's sole discretion, then Transporter shall have the right to terminate this Agreement upon ninety days prior written notice to Shipper. The authorizations that must be satisfactory to Transporter include, but are not limited to, rates, facilities, terms and conditions of service, and environmental conditions. If notice is given by Transporter that the Transporter's Authorizations are not satisfactory, the parties shall attempt in good faith to negotiate within the ninety day period an amendment to this Agreement to accomplish the business objectives of this Agreement in light of the lack of satisfactory Transporter's Authorizations. This Agreement shall terminate upon the expiration of the foregoing ninety day period unless within such period (a) a change to the Transporter's Authorizations renders them satisfactory to Transporter, (b) the parties otherwise mutually agree to an amendment of this Agreement, or (c) the parties agree in writing to extend the ninety day period.

11. If the Transporter's Authorizations are satisfactory to Transporter, in Transporter's sole discretion, Transporter shall so notify Shipper. Within ten days after such notice, Transporter and Shipper shall execute and deliver the Firm Agreement.

12. If Transporter determines at any time that all or any applicable portion of the Project would not be economic, in Transporter's sole discretion, Transporter shall have the right to terminate this Agreement upon thirty days prior written notice to Shipper ("Notice of Termination"). This Agreement shall terminate upon the expiration of the thirty day period unless within such period (a) Transporter, in writing, withdraws such Notice of Termination or (b) the parties, in writing, enter into a mutually acceptable amendment to this Agreement.

13. Shipper shall use commercially reasonable efforts to obtain before March 1, 2008, all necessary authorizations from the New Hampshire Public Utility Commission ("NHPUC") to sign the Firm Agreement pursuant to this Agreement. If such authorizations are not satisfactory to Shipper, in Shipper's sole discretion, then Shipper shall have the right to terminate this Agreement upon thirty days prior written notice to Transporter given before March 1, 2008. If such notice is given by Shipper, the parties shall attempt in good faith to negotiate within the thirty day period an amendment to this Agreement to accomplish the business objectives of this Agreement in light of the lack of satisfactory authorizations. This Agreement shall terminate upon the expiration of the foregoing thirty day period unless within such period (a) a change to the NHPUC authorizations render them satisfactory to Shipper, (b) the parties otherwise mutually agree to an amendment of this Agreement, or (c) the parties agree in writing to extend the thirty day period.

14. Notwithstanding anything contained in this Agreement to the contrary, Transporter shall be under no obligation to commence or continue at any time the acquisition of pipe and materials, the acquisition of rights-of-way, the construction of the Project Facilities, or any other activity involving either the commitment or actual

expenditure of funds by Transporter that may be required to construct the Project Facilities or to provide the proposed transportation service for Shipper unless (a) Transporter has received all Transporter's Authorizations on terms satisfactory to Transporter, in Transporter's sole discretion; (b) Transporter has determined, in its sole discretion, that construction of the Project Facilities and the rendition of firm transportation service to Shipper is economic; and (c) Shipper and Transporter have executed the Firm Agreement.

15. Shipper shall satisfy the credit assurance provisions outlined in Transporter's FERC Gas Tariff by October 1, 2007, and shall have a continuing obligation to maintain such credit assurance. In the event Shipper fails to establish itself as creditworthy by October 1, 2007, and/or maintain such creditworthiness thereafter, Transporter shall have the right to terminate this Agreement upon thirty days written notice.

16(a). If Transporter exercises its termination right under Section 15, then Shipper shall reimburse Transporter for Shipper's pro rata share, based upon Shipper's contracted volume divided by the total Project contracted volume, of all of Transporter's costs incurred, accrued, allocated to, or for which Transporter is contractually obligated to pay in conjunction with its efforts to satisfy its obligations under this Agreement ("Pre-Service Costs"). Shipper's reimbursement for such Pre-Service Costs shall constitute Transporter's sole and exclusive remedy for the actions described this Section 16(a).

(b) If Shipper (i) fails to perform, in whole or in part, its material duties and obligations hereunder; (ii) during the term of this Agreement, interferes with or obstructs the receipt by Transporter of any Transporter's Authorizations and, as a result of such actions by Shipper, Transporter does not receive any of Transporter's Authorizations in form and substance as requested by Transporter or does not receive such Transporter's Authorizations at all; or (iii) otherwise breaches this Agreement, Transporter shall, without limiting its ability to collect any and all other damages related to such breach by

Shipper, be entitled to collect from Shipper all of the Pre-Service Costs incurred or accrued as of the date of such breach.

(c) Pre-Service Costs shall include, but not be limited to, costs and/or out-of-pocket expenditures incurred, accrued, allocated to, or for which Transporter is contractually obligated to pay to third parties, as well as all internal overhead and administration and any other internal costs incurred or accrued, from the effective date of this Agreement through and including the effective date of any termination, associated with engineering, construction, materials and equipment, environmental, regulatory, and/or legal activities incurred in furtherance of Transporter's efforts to satisfy its obligations under this Agreement.

17. Any notice and/or request provided for in this Agreement or any notice either party may desire to give to the other shall be in writing transmitted by facsimile before 5 p.m. Central time and then by overnight courier to the post office address of the party intended to receive the same, as the case may be, as follows:

<u>Transporter</u>: Tennessee Gas Pipeline Company
1001 Louisiana Street
Houston, TX 77002
Attn: Director, Marketing and Business Development
FAX: (713) 420-4343

<u>Shipper</u>:
EnergyNorth Natural Gas, Inc.
d/b/a KeySpan Energy Delivery New England
52 Second Avenue, 4th Floor
Waltham, MA 02451
Attn: Elizabeth Arangio
FAX: (781-290-0186)

Notice is effective as of the date of the facsimile.

18. Any entity that shall succeed by purchase, merger, consolidation, or other transfer to the properties of either Transporter or Shipper, either substantially or as an entirety, shall be entitled to the rights and shall be subject to the obligations of its

predecessor in interest under this Agreement. Either party may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to a company with which it is affiliated, but otherwise no assignment of this Agreement or of any of the rights or obligations hereunder shall be made, unless there first shall have been obtained the written consent thereto of the other party to this Agreement, which consent shall not be unreasonably withheld. It is agreed, however, that the restrictions on assignment contained in this section shall not in any way prevent either party to this Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness. Once the Firm Agreement is executed, any assignment of such Firm Agreement is subject to the terms and conditions of Transporter's FERC Gas Tariff and the terms of this Agreement shall no longer control.

19.Shipper agrees to cooperate in the preparation and filing of all necessary applications for authorizations and, subject to the terms and conditions herein, agrees to proceed with due diligence to prosecute such application(s), if necessary.

20. No modification of the terms and provisions of this Agreement shall be made except by the execution by both parties of a written agreement.

21. THE INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF TEXAS, EXCEPT THAT ANY CONFLICT OF LAWS RULE OF THE STATE OF TEXAS THAT WOULD REQUIRE REFERENCE TO THE LAWS OF SOME OTHER STATE OR JURISDICTION SHALL BE DISREGARDED.

22. Unless terminated sooner pursuant to the terms herein, this Agreement shall terminate upon the execution of the Firm Agreement. Upon termination of this

Agreement for any reason provided for herein, neither party shall have any further rights or obligations under this Agreement.

23. No waiver by a party of any default(s) by the other party in the performance of any provision, condition, or requirement of this Agreement shall operate or be construed as a waiver of any future default(s), whether of a like or of a different character, nor in any manner release the defaulting party from performance of any other provision, condition, or requirement herein.

24. This Agreement, and all of the terms and provisions contained herein, and the respective obligations of the parties hereunder, are subject to Transporter's FERC Gas Tariff and to all valid laws, orders, rules, and regulations of duly constituted governmental authorities having jurisdiction.

25. If any provision of this Agreement is declared null and void or voidable by a court of competent jurisdiction, such declaration shall in no way affect the validity or effectiveness of the other provisions of this Agreement, which shall remain in full force and effect, and the parties shall thereafter undertake commercially reasonable efforts to agree upon an equitable adjustment of the provisions of this Agreement with a view to effecting its purpose.

26. No presumption shall operate in favor of or against any party as a result of any responsibility or role that any party may have had in the drafting of this Agreement.

27. This Agreement sets forth all understandings and agreements between the parties respecting the subject matter hereof, and all prior agreements, understandings, and representations, whether written or oral, respecting the subject matter hereof are merged into and superseded by this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first hereinabove written.

TENNESSEE GAS PIPELINE COMPANY

By:
Name: JAMES BUSNACT
Title: AGENT & ATTORNEY-IN-FACT

ENERGY NORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England

By:
Name: RICHARD RAPP, JR
Title: Vice President

EXHIBIT A

Service Package No: _______
Amendment No: _______

GAS TRANSPORTATION AGREEMENT
(For Use under FT-A Rate Schedule)

THIS AGREEMENT is made and entered into as of the _______ day of _______, _______, by and between TENNESSEE GAS PIPELINE COMPANY, a Delaware Corporation, hereinafter referred to as "Transporter" and EnergyNorth Natural Gas, Inc., d/b/a KeySpan Energy Delivery New England, a New Hampshire Corporation, hereinafter referred to as "Shipper." Transporter and Shipper shall collectively be referred to herein as the "Parties."

WHEREAS, Shipper and Transporter have entered into a Precedent Agreement dated [DATE] (the "Precedent Agreement"), pursuant to which Transporter agreed to file an application with the Federal Energy Regulatory Commission ("FERC") for the necessary authorizations to (i) provide certain natural gas transportation service and (ii) construct and operate the facilities necessary to provide such service; and

WHEREAS, Transporter has now been authorized by the FERC order issued on [DATE] in [DOCKET] to render the firm transportation service described herein and to construct and operate the necessary facilities;

THEREFORE, the Parties agree to the following:

ARTICLE I - DEFINITIONS

1.1 TRANSPORTATION QUANTITY - shall mean the maximum daily quantity of gas which Transporter agrees to receive and transport on a firm basis, subject to Article II herein, for the account of Shipper hereunder on each day during each year during the term hereof, which shall be 30,000 dekatherms. Any limitations on the quantities to be received from each Point of Receipt and/or delivered to each Point of Delivery shall be as specified on Exhibit "A" attached hereto.

1.2 EQUIVALENT QUANTITY - shall be as defined in Article I of the General Terms and Conditions of Transporter's FERC Gas Tariff.

ARTICLE II – TRANSPORTATION

2.1 TRANSPORTATION SERVICE – After receipt and acceptance by Transporter, in its sole determination, of all FERC and other authorizations necessary to provide service hereunder and the satisfactory completion by Transporter, in Transporter's sole determination, of the facilities required to provide such service, beginning on the Commencement Date (as defined in Section 2.2 below), Transporter agrees to accept and receive daily on a firm basis, at the Point(s) of Receipt from Shipper or for Shipper's account such quantity of gas as Shipper makes available up to the Transportation Quantity, and to deliver to or for the account of Shipper to the Point(s) of Delivery an Equivalent Quantity of gas.

2.2 COMMENCEMENT OF SERVICE – Upon completion of construction of the pipeline facilities required to enable Transporter to render the transportation service described herein and after receipt and acceptance by Transporter of all FERC and other necessary authorizations, as further described in Section 2.1 above, Transporter will notify Shipper, in writing, of the date on which transporter will be ready to commence transportation service under this Agreement (the "Commencement Date").

ARTICLE III - POINT(S) OF RECEIPT AND DELIVERY

The Primary Point(s) of Receipt and Delivery shall be those points specified on Exhibit "A" attached hereto.

ARTICLE IV

Transporter shall construct, install, own, and operate the facilities necessary for Transporter to receive and deliver the gas as contemplated herein for Shipper's account at the Point(s) of Receipt and the Point(s) of Delivery.

ARTICLE V - QUALITY SPECIFICATIONS AND STANDARDS FOR MEASUREMENT

For all gas received, transported and delivered hereunder the Parties agree to the Quality Specifications and Standards for Measurement as specified in the General Terms and Conditions of Transporter's FERC Gas Tariff Volume No. 1. To the extent that no new measurement facilities are installed to provide service hereunder, measurement operations will continue in the manner in which they have previously been handled. In the event that such facilities are not operated by Transporter or a downstream pipeline, then responsibility for operations shall be deemed to be Shipper's.

ARTICLE VI - RATES AND CHARGES FOR GAS TRANSPORTATION

6.1 TRANSPORTATION RATES - Commencing upon the Commencement Date, the rates, charges, and surcharges to be paid by Shipper to Transporter for the transportation service provided herein shall be in accordance with Transporter's Rate Schedule FT-A and the General Terms and Conditions of Transporter's FERC Gas Tariff. Except as provided to the contrary in any written or electronic agreement(s) between Transporter and Shipper in effect during the term of this Agreement, Shipper shall pay Transporter the applicable maximum rate(s) and all other applicable charges and surcharges specified in the Summary of Rates in Transporter's FERC Gas Tariff and in this Rate Schedule. Transporter and Shipper may agree that a specific discounted rate will apply only to certain volumes under the agreement. Transporter and Shipper may agree that a specified discounted rate will apply only to specified volumes (MDQ, TQ, commodity volumes, Extended Receipt and Delivery Service Volumes or Authorized Overrun volumes) under the Agreement; that a specified discounted rate will apply only if specified volumes are achieved (with the maximum rates applicable to volumes above the specified volumes or to all volumes if the specified volumes are never achieved); that a specified discounted rate will apply only during specified periods of the year or over a specifically defined period of time; that a specified discounted rate will apply only to specified points, zones, markets or other defined geographical area; and/or that a specified discounted rate will apply only to production or reserves committed or dedicated to Transporter. Transporter and Shipper may agree to a specified discounted rate pursuant to the provisions of this Section 6.1 provided that the discounted rate is between the applicable maximum and minimum rates for this service.

In addition, a discount agreement may include a provision that if one rate component which was at or below the applicable Maximum Rate at the time the discount agreement was executed subsequently exceeds the applicable Maximum Rate due to a change in Transporter's Maximum Rates so that such rate component must be adjusted downward to equal the new applicable Maximum Rate, then other rate components may be adjusted upward to achieve the agreed overall rate, as long as none of the resulting rate components exceed the Maximum Rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission Order accepts revised tariff sheet rates. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates that had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable.

6.2 INCIDENTAL CHARGES - Shipper agrees to reimburse Transporter for any filing or similar fees, which have not been previously paid for by Shipper, which Transporter incurs in rendering service hereunder.

6.3 CHANGES IN RATES AND CHARGES - Shipper agrees that Transporter shall have the unilateral right to file with the appropriate regulatory authority and make effective changes in (a) the rates and charges applicable to service pursuant to Transporter's Rate Schedule FT-A, (b) the rate schedule(s) pursuant to which service hereunder is rendered, or (c) any provision of the General Terms and Conditions applicable to those rate schedules. Transporter agrees that Shipper may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Transporter's existing FERC Gas Tariff as may be found necessary to assure Transporter just and reasonable rates.

ARTICLE VII - BILLINGS AND PAYMENTS

Transporter shall bill and Shipper shall pay all rates and charges in accordance with Articles V and VI, respectively, of the General Terms and Conditions of the FERC Gas Tariff.

ARTICLE VIII - GENERAL TERMS AND CONDITIONS

This Agreement shall be subject to the effective provisions of Transporter's Rate Schedule FT-A and to the General Terms and Conditions incorporated therein, as the same may be changed or superseded from time to time in accordance with the rules and regulations of the FERC.

ARTICLE IX - REGULATION

9.1 This Agreement shall be subject to all applicable and lawful governmental statutes, orders, rules and regulations and is contingent upon the receipt and continuation of all necessary regulatory approvals or authorizations upon terms acceptable to Transporter. This Agreement shall be void and of no force and effect if any necessary regulatory approval is not so obtained or continued. All Parties hereto shall cooperate to obtain or continue all necessary approvals or authorizations, but no Party shall be liable to any other Party for failure to obtain or continue such approvals or authorizations.

9.2 The transportation service described herein shall be provided subject to Subpart G, Part 284 of the FERC Regulations.

ARTICLE X - RESPONSIBILITY DURING TRANSPORTATION

Except as herein specified, the responsibility for gas during transportation shall be as stated in the General Terms and Conditions of Transporter's FERC Gas Tariff Volume No. 1.

ARTICLE XI - WARRANTIES

11.1 In addition to the warranties set forth in Article IX of the General Terms and Conditions of Transporter's FERC Gas Tariff, Shipper warrants the following:

(a) Shipper warrants that all upstream and downstream transportation arrangements are in place, or will be in place as of the requested effective date of service, and that it has advised the upstream and downstream transporters of the receipt and delivery points under this Agreement and any quantity limitations for each point as specified on Exhibit "A" attached hereto. Shipper agrees to indemnify and hold Transporter harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.

(b) Shipper agrees to indemnify and hold Transporter harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses (including reasonable attorneys fees) arising from or out of breach of any warranty by Shipper herein.

11.2 Transporter shall not be obligated to provide or continue service hereunder in the event of any breach of warranty.

ARTICLE XII - TERM

12.1 This contract shall be effective as of the date hereof; provided, however, that Transporter shall be under no obligation to receive or to deliver any quantities of natural gas hereunder prior to the Commencement Date. This Agreement shall remain in force and effect, unless modified as per Exhibit B, until the expiration of twenty years following the Commencement Date ("Primary Term") and on a month to month basis thereafter unless terminated by either Party upon at least thirty (30) days prior written notice to the other Party; provided, however, that if the Primary Term is less than one year, then notice of termination may be provided via PASSKEY; provided further, that if the Primary Term is one year or more, then any rights to Shipper's extension of this Agreement after the Primary Term shall be governed by Article III, Section 10.4 of the General Terms and Conditions of Transporter's FERC Gas Tariff; and provided further, that if the FERC or other governmental body having jurisdiction over the service rendered pursuant to this Agreement authorizes abandonment of such service, this Agreement shall terminate on the abandonment date permitted by the FERC or such other governmental body.

12.2 Any portions of this Agreement necessary to resolve or cash out imbalances under this Agreement as required by the General Terms and Conditions of Transporter's Tariff shall survive the other parts of this Agreement until such time as such balancing has been accomplished; provided, however, that Transporter notifies Shipper of such imbalance not later than twelve months after the termination of this Agreement.

12.3 This Agreement will terminate automatically upon written notice from Transporter in the event Shipper fails to pay all of the amount of any bill for service rendered by Transporter hereunder in accord with the terms and conditions of Article VI of the General Terms and Conditions of Transporter's FERC Gas Tariff.

ARTICLE XIII - NOTICE

Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice under this Agreement shall be in writing and mailed to the post office address of the Party intended to receive the same, as follows:

TRANSPORTER: Tennessee Gas Pipeline Company
P. O. Box 2511
Houston, Texas 77252-2511

Attention: Director, Transportation Control

SHIPPER:
NOTICES: EnergyNorth Natural Gas, Inc.
d/b/a KeySpan Energy Delivery New England
52 Second Avenue, 4th Floor
Waltham, MA 02451

Attention: Elizabeth Arangio

BILLING: EnergyNorth Natural Gas, Inc.
d/b/a KeySpan Energy Delivery New England
52 Second Avenue, 4th Floor
Waltham, MA 02451

Attention: Elizabeth Arangio

or to such other address as either Party shall designate by formal written notice to the other

ARTICLE XIV - ASSIGNMENTS

14.1 Either Party may assign or pledge this Agreement and all rights and obligations hereunder under the provisions of any mortgage, deed of trust, indenture, or other instrument which it has executed or may execute hereafter as security for indebtedness. Either Party may, without relieving itself of its obligation under this Agreement, assign any of its rights hereunder to a company with which it is affiliated. Otherwise, Shipper shall not assign this Agreement or any of its rights hereunder, except in accord with Article III, Section 11 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

14.2 Any person which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of either Party hereto shall be entitled to the rights and shall be subject to the obligations of its predecessor in interest under this Agreement.

ARTICLE XV - MISCELLANEOUS

15.1 THE INTERPRETATION AND PERFORMANCE OF THIS CONTRACT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO THE DOCTRINES GOVERNING CHOICE OF LAW.

15.2 If any provision of this Agreement is declared null and void, or voidable, by a court of competent jurisdiction, then that provision will be considered severable at either Party's option; and if the severability option is exercised, the remaining provisions of the Agreement shall remain in full force and effect.

15.3 Unless otherwise expressly provided in this Agreement or Transporter's Gas Tariff, no modification of or supplement to the terms and provisions stated in this Agreement shall be or become effective until Shipper has submitted a request for change through PASSKEY and Shipper has been notified through PASSKEY of Transporter's agreement to such change.

15.4 Exhibit "A" attached hereto is incorporated herein by reference and made a part hereof for all purposes.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first hereinabove written.

TENNESSEE GAS PIPELINE COMPANY

BY: ____________________________
Agent and Attorney-in-Fact

SHIPPER: ENERGYNORTH NATURAL GAS, INC.
d/b/a KEYSPAN ENERGY DELIVERY NEW ENGLAND

BY: ____________________________

TITLE: __________________________

DATE: _______________________

EXHIBIT "A"
TO GAS TRANSPORTATION AGREEMENT
DATED ________
BETWEEN
TENNESSEE GAS PIPELINE COMPANY
AND
EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England

EFFECTIVE DATE OF AMENDMENT: Commencement Date
RATE SCHEDULE: FTA
SERVICE PACKAGE: _______
SERVICE PACKAGE TQ: 30,000 Dth

METER	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE	R/D	LEG	TOTAL-TQ	BILLABLE-TQ
012538	Dracut Receipt				06	R	200	30,000	30,000
020426	Laconia, New Hampshire				06	D	200	30,000	30,000
						Total TQ		30,000	30,000

NUMBER OF RECEIPT POINTS: 1________________
NUMBER OF DELIVERY POINTS: 1________________

Note: Exhibit "A" is a reflection of the contract and all amendments as of the amendment effective date.

GAS TRANSPORTATION AGREEMENT
(For Use under FT-A Rate Schedule)

EXHIBIT B

TO GAS TRANSPORTATION AGREEMENT
DATED____________________
BETWEEN
TENNESSEE GAS PIPELINE COMPANY
AND

____

BUYOUT/EARLY TERMINATION PROVISIONS*

SERVICE PACKAGE: ______________________________

BUYOUT PERIOD(S) ____

____

____

AMOUNT OF TQ REDUCED ____
FOR PERIOD(S)

____

____

AMOUNT OF ____
BUYOUT PAYMENT
FOR PERIOD(S) ____

____

ANY LIMITATIONS ON
THE EXERCISE OF THE
BUYOUT/TERMINATION
OPTION AS BID BY
THE SHIPPER:

* NOTICE MUST BE GIVEN AS PROVIDED FOR IN THE NET PRESENT VALUE STANDARD OF THE GENERAL TERMS AND CONDITIONS.

EXHIBIT B

DATE

EnergyNorth Natural Gas, Inc.
d/b/a KeySpan Energy Delivery New England
52 Second Avenue, 4th Floor
Waltham, MA 02451
Attention: Ms. Elizabeth Arangio

RE: Firm Transportation Negotiated Rate Letter Agreement
Tennessee FT-A Service Package No. ______

Dear Ms. Arangio:

Tennessee Gas Pipeline Company ("Transporter") held an open season in accordance with applicable provisions of its FERC Gas Tariff entitled "Concord Open Season" ("Open Season"). EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England ("Shipper") was a successful bidder in the Open Season and elected the negotiated rate option as offered by Transporter.

In response to the request of Shipper, and pursuant to Section 5.6 of Transporter's FT-A Rate Schedule, and upon the completion of the construction and placing in-service of the necessary facilities, Transporter hereby agrees to adjust its then applicable FT-A transportation rate for FT-A service provided under the above referenced Service Package as follows:

1. a) If Shipper, its assignee(s) or its agent(s) (hereinafter collectively referred to as "Shipper") violates the terms of this Negotiated Rate Agreement or the terms of the above-referenced Service Package, Transporter shall have the right, in its sole discretion, to immediately terminate this Negotiated Rate Agreement and/or assess, from the date of the violation, the applicable maximum monthly reservation rate for the entire contract quantity and the maximum applicable daily commodity rates on all transactions occurring under this Negotiated Rate Agreement.

   b) For the period commencing on the Commencement Date and extending through the Primary Term (as defined in Sections 2.2 and 12.1 of the above referenced Service Package) for gas delivered by Transporter on behalf of Shipper under the above referenced service package, the applicable FT-A rates shall be a monthly reservation rate of $12.17 per Dth and the maximum applicable commodity rates under Rate Schedule FT-A. These rates are not inclusive of surcharges.

   In addition, Shipper shall pay applicable fuel and lost and unaccounted for charges.

2. This Negotiated Rate Agreement shall be filed with the Federal Energy Regulatory Commission ("FERC") and is subject to approval by the FERC. In addition, the effectiveness of this Negotiated Rate Agreement is contingent upon a) the Parties executing the above-referenced Service Package and b) service commencing thereunder.

3. If any terms of this Negotiated Rate Agreement are disallowed by any order, rulemaking, regulation or policy of the FERC, Transporter may immediately terminate this Negotiated Rate Agreement. If any terms of this Negotiated Rate Agreement are in any way modified by order, rulemaking, regulation or policy of the FERC, Transporter and Shipper may mutually agree in good faith to amend this Negotiated Rate Agreement in order to ensure that the original commercial intent of the

parties is preserved. In the event that the parties cannot achieve mutual agreement, Transporter reserves the right to immediately terminate this Negotiated Rate Agreement.

Please acknowledge your acceptance of this proposal by signing and returning via mail or facsimile to the undersigned at (713) 420-4343. One fully executed copy will be returned for your records.

Sincerely,

Dodson Skipworth
Manager, Marketing
Tennessee Gas Pipeline Company

TENNESSEE GAS PIPELINE COMPANY

By:______________________________

Date:______________________________

J. Heath Deneke
Agent and Attorney-In-Fact

ENERGYNORTH NATURAL GAS INC.
d/b/a KeySpan Energy Delivery New England

By:______________________________

Date: ______________________________