

Subsidiaries, each of which is wholly owned by companies within the Energy East system:

- New York State Electric & Gas Corporation, a New York corporation and a wholly-owned direct subsidiary of RGS Energy Group, Inc., which purchases, transmits and distributes electricity and purchases, transports and distributes natural gas in parts of New York;

- RG&E, a New York corporation and a wholly-owned subsidiary of RGS, which generates, purchases, transmits and distributes electricity and purchases, transports and distributes natural gas in parts of New York;

- The Southern Connecticut Gas Company, a Connecticut corporation and a wholly-owned subsidiary of Connecticut Energy, which is engaged in the retail distribution and transportation of natural gas in parts of Connecticut;

- Central Maine Power Company, a Maine corporation and a public utility holding company exempt from all provisions of the Act except Section 9(a)(2), by order issued under Section 3(a)(2), the common stock of which is wholly-owned by CMP Group, which is primarily engaged in purchasing, transmitting and distributing electricity in Maine;

- Connecticut Natural Gas Corporation, a Connecticut corporation and a wholly-owned subsidiary of CTG Resources, which is primarily engaged in the retail distribution and transportation of natural gas to parts of Connecticut; and

- The Berkshire Gas Company, a Massachusetts corporation and a wholly-owned subsidiary of Berkshire Energy, which is engaged in the sale and distribution of natural gas in western Massachusetts;

- Maine Natural Gas Corporation, a Maine corporation which distributes gas in Maine and which is a wholly-owned subsidiary of Energy East Enterprises, Inc., a Maine corporation, a wholly-owned subsidiary of Energy East and a public utility holding company exempt from all provisions of the Act except Section 9(a)(2), by order issued under section 3(a)(1) of the Act.

Energy East also owns indirect interests in the following public utility companies: MEPCo, a Maine corporation, which owns and operates a 345kV transmission interconnection between Maine and New Brunswick, Canada international border at Orient, Maine. Central Maine Power presently owns a 78.3% voting interest in MEPCo with the remaining interests owned by two other Maine utilities; NORVARCO, a Maine corporation, which holds a

50% general partnership interest in Chester SVC Partnership, a general partnership which owns a static var compensator located in Chester, Maine, adjacent to MEPCo's transmission interconnection. NORVARCO is presently a wholly-owned subsidiary of Central Maine Power.

Shared Services will be a wholly-owned direct subsidiary of Energy East. Shared Services capitalization will consist of 200 shares of common stock, par value \$.01 per share. Initially, Shared Services working capital needs will be met through intercompany borrowings from Energy East pursuant to rule 52(b). Shared Services proposes to provide the companies in the Energy East system with a variety of administrative and operations services. Shared Services' activities would be conducted in accordance with service agreements ("Service Agreements") that Shared Services will enter into with each of the companies that it serves.

The presidents of each of the Utility Subsidiaries will serve on the Board of Directors of Shared Services, in addition to other persons as may be elected from time to time. Shared Services will be staffed by employees who will be transferred over time from other Energy East system companies or who will be hired externally. The decision to move positions from the Utility Subsidiaries to Shared Services will be made function by function and position by position with a view towards maximizing system wide efficiency. Energy East, states the determinative factor whether a position is moved to the Shared Services payroll will be whether the employee in that position would spend the majority of his or her time on group-wide activities (and allocate his/her time between a number of companies) or company-specific activities (and allocate virtually all of his/her time to a single company). If the former, that position would generally be transferred to Shared Services. As a general rule, the individual system companies will continue to perform services that can benefit from individualized application at the company level, with Shared Services performing functions that can be more economically and efficiently performed in a centralized manner. To the extent that employees of system companies other than Shared Services are collecting data or information for use by Shared Services, management will provide the necessary direction to other system company employees and oversight as to the functions they perform to ensure proper coordination and efficient integration of the Energy East system.

The Service Agreements will provide methodologies to ensure that all client companies pay to Shared Services the cost of all services, computed in accordance with the applicable rules and regulations (including, but not limited to rules 90 and 91) under the Act and appropriate accounting standards. Where more than one client company is involved in, or has received benefits from, a service performed by Shared Services, the Service Agreements will provide that client companies will pay their fairly allocated pro rata share in accordance with the methods set out in appendices to the Service Agreements. Thus, charges for all services provided by Shared Services to Energy East system companies will be on an "at cost" basis as determined under rules 90 and 91 under the Act.

Shared Services will maintain its accounts, cost-accounting procedures and other records in accordance with the requirements of the Commission's Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies utilizing, however, the chart of accounts specified in the FERC Uniform System of Accounts for Public Utilities and Licensees (18 CFR part 101). Shared Services will file annual reports on Form U-13-60 in accordance with rule 94, commencing with the report for calendar year 2003.

No material change in the organization of Shared Services, the methods of allocating cost to associate companies, or in the scope or character of the services to be rendered by Shared Services, subject to section 13 of the Act, or any rule, regulation or order, shall be made unless and until Shared Services shall first have given the Commission written notice of the proposed change not less than 60 days prior to the proposed effectiveness of any such change. If, upon the receipt of any such notice, the Commission shall notify Shared Services within the 60-day period that a question exists as to whether the proposed change is consistent with the provisions of section 13 of the Act, or of any rule, regulation or order, then the proposed change shall not become effective unless and until Shared Services shall have filed with the Commission an appropriate declaration regarding such proposed change and the Commission shall have permitted such declaration to become effective.