

direct and indirect utility subsidiaries, together, "Utility Subsidiaries"); KeySpan's nonutility subsidiaries ("Nonutility Subsidiaries"): KeySpan Energy Corporation ("KEC") and its subsidiaries; KeySpan Insurance Company; KeySpan Electric Services LLC; KeySpan Engineering and Survey, Inc.; KeySpan Exploration & Production LLC; KeySpan Corporate Services LLC ("KCS"); KeySpan Utility Services LLC; KSNE LLC; KeySpan-Ravenswood LLC ("Ravenswood"); KeySpan Services, Inc. and its nonutility subsidiaries; KeySpan Energy Trading Services LLC, and KeySpan Energy Development Corporation and its nonutility subsidiaries, all located at One MetroTech Center, Brooklyn, New York 11201, except for KeySpan New England, Boston Gas, Essex Gas, Colonial Gas and ENGI, which are located at 52 Second Avenue, Waltham, MA 02451, (KeySpan, the Utility Subsidiaries and the Nonutility Subsidiaries are collectively referred to as "Applicants") have filed with the Commission an application-declaration ("Application") under sections 6(a), 7, 9(a), 10, 11, 12(b), 12(f), and 13(b) of the Act, and rules 42, 43, 44, 45, 46, 52, 53, 54, 58, 62, 90, and 91 under the Act.

### *I. Introduction*

By order dated November 7, 2000 (HCAR No. 27269), as corrected by order issued on December 1, 2000 (HCAR No. 27281) (together, "Merger Order"), KeySpan was authorized to acquire all of the issued and outstanding common stock of Eastern Enterprises ("Eastern" now known as KeySpan New England)<sup>1</sup> and EnergyNorth Inc. ("Mergers"). KeySpan now directly or indirectly owns the following seven public utility companies: (i) KEDNY, which distributes natural gas at retail to residential, commercial and industrial customers in the New York City boroughs of Brooklyn, Staten Island and Queens; (ii) KEDLI, which distributes natural gas at retail to customers in New York State located in the counties of Nassau and Suffolk on Long Island and the Rockaway Peninsula in Queens County; (iii) KeySpan Generation, which owns and operates electric generation capacity located on Long Island all of which is sold at wholesale

to the Long Island Power Authority ("LIPA") for resale by LIPA to its approximately 1.1 million customers; (iv) Boston Gas, which distributes natural gas to customers located in Boston and other cities and towns in eastern and central Massachusetts; (v) Essex Gas, which distributes natural gas to customers in eastern Massachusetts to customers; (vi) Colonial Gas, which distributes natural gas to customers located in northeastern Massachusetts and on Cape Cod; and (vii) ENGI, which distributes natural gas to customers located in southern and central New Hampshire, and the City of Berlin located in northern New Hampshire. Together, KEDNY and KEDLI serve approximately 1.66 million customers. Together, Boston Gas, Colonial Gas and Essex Gas serve approximately 768,000 customers. ENGI serves approximately 75,000 customers.

### *II. General Request*

Applicants request authorization to engage in the financing transactions set forth below through December 31, 2006 ("Authorization Period").

(i) Issuance by KeySpan of common stock, long-term debt; Preferred Stock, Preferred or equity-linked securities (including units with incorporated options, warrants and/or forward equity purchase contracts or provisions that are exercisable or exchangeable for or convertible into common stock);

(ii) Issuance by KeySpan of short-term debt;

(iii) Issuance of up to 13 million shares of KeySpan common stock under KeySpan's direct stock purchase and dividend reinvestment plan, certain incentive compensation plans and certain other employee benefit plans;

(iv) The entering into by KeySpan and its Subsidiaries of hedging transactions;

(v) The issuance of intra-system advances and guarantees ("Guarantees"), and performance guarantees ("Performance Guarantees") by KeySpan to or on behalf of Subsidiaries of KeySpan;

(vi) The issuance of intra-system advances, Guarantees, Performance Guarantees and, to the extent not exempt under rule 52, by the Nonutility Subsidiaries to or on behalf of other Nonutility Subsidiaries;

(vii) Issuances of short-term debt securities by the Utility Subsidiaries, to the extent not exempt under rule 52;

(viii) Issuances of debt securities in foreign jurisdictions;

(ix) The ability of the Nonutility Subsidiaries to pay dividends out of capital or unearned surplus;

(x) The right of KeySpan to acquire directly or through Subsidiaries the

securities of one or more corporations, trust, partnerships, limited liability companies or other entities ("Intermediate Subsidiaries") in order to, among other things, facilitate the acquisition, holding and/or financing of KeySpan's nonutility investments;

(xi) The authority for KeySpan to engage, directly or through Subsidiaries, in preliminary development activities ("Development Activities") and administrative and management activities ("Administrative Activities") in each case related to KeySpan's permitted nonutility investments;

(xii) The authority for KeySpan and its Nonutility Subsidiaries to undertake internal reorganizations of then existing and permitted Nonutility Subsidiaries and businesses;

(xiii) The authority for KeySpan and its Nonutility Subsidiaries to undertake internal reorganizations of then existing and permitted Nonutility Subsidiaries and businesses;

(xiv) The authority for KeySpan and the Subsidiaries to make investments in EWGs and FUCOs up to an aggregate amount not to exceed \$3.0 billion;

(xv) The authority for KeySpan and the Subsidiaries to organize and/or acquire the equity securities of one or more additional corporations, trusts, partnerships or other entities organized to serve the purpose of facilitating financings ("Financing Subsidiaries");

(xvi) The authority for the Nonutility Subsidiaries to provide services and sell goods to each other at fair market prices determined without regard to cost in exemption from section 13(b) and rules 90 and 91; and

(xvii) Issuances by KeySpan and its Subsidiaries of common stock, preferred stock, preferred and equity-linked securities, long-term debt and short-term debt to refund, replace, repurchase or refinance existing securities, to the extent not exempt under rule 52.

### *III. Financing Parameters*

Applicants request authorization to engage in a variety of financing transactions, credit support arrangements and other related transactions, as more fully discussed below, during the Authorization Period for which the specific terms and conditions are not at this time known. Applicants state that the following general terms ("Financing Parameters") would be applicable, where appropriate, to the financing transactions requested:

#### *A. Effective Cost of Money on Financings*

Applicants state that the effective cost of capital on debt and preferred or equity-linked financings will not exceed

<sup>1</sup> KeySpan New England has succeeded to Eastern's ownership interests in Boston Gas, Essex Gas, Colonial Gas and ENGI and the nonutility subsidiaries owned by Eastern, (i) is successor of Eastern with respect to its commitments and authorizations set forth by order dated November 8, 2000 (HCAR No. 27272) as corrected by order dated December 1, 2000 (HCAR No. 27286) (together, "2000 Financing Order") and (ii) is an exempt holding company under section 3(a)(1) of the Act as stated in the Merger Order.