

competitive market rates available at the time of issuance for securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality; provided that in no event will the effective cost of capital on (i) long-term debt borrowings exceed 500 basis points over the comparable term U.S. Treasury securities and on (ii) short-term debt borrowings exceed 500 basis points over the comparable term London Interbank Offered Rate ("LIBOR").

B. Maturity

Applicants state that the maturity of indebtedness will not exceed 50 years and that preferred stock or preferred or equity-linked securities (other than perpetual preferred stock) will be redeemed no later than 50 years after its issuance, unless converted into common stock.

C. Issuance Expenses

Applicants state that the underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of securities would not exceed the greater of (i) 7% of the principal or total amount of the security being issued or (ii) issuance expenses that are generally paid at the time of the pricing for sales of the particular issuance, having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality.

D. Use of Proceeds

Applicants state that the proceeds from the sale of securities in external financing transactions will be used for general corporate purposes including (i) the financing of the capital expenditures of the KeySpan system; (ii) the financing of working capital requirements of the KeySpan system; (iii) the acquisition, retirement or redemption under rule 42 of securities previously issued by KeySpan or its Subsidiaries or as otherwise authorized by Commission; (iv) direct or indirect investment in companies authorized under the Act or Commission rule, or by Commission order (including EWGs or FUCOs) or in a separate proceeding; and (v) other lawful purposes. Applicants represent that no financing proceeds will be used to acquire a new subsidiary unless the financing is consummated in accordance with a Commission order or an available exemption under the Act.

E. Common Equity Ratio

Applicants state that KeySpan and each Utility Subsidiary will each

maintain common equity (as reflected in the most recent annual or quarterly financial statement of each entity, as the case may be, adjusted to reflect changes in capitalization since the included balance sheet date) of at least 30% of its consolidated capitalization by considering common equity, preferred stock, long-term debt and short-term debt ("30% Test") at all times during the Authorization Period.

As of June 30, 2003, the common equity of each Utility Subsidiary and of KeySpan on a consolidated basis is as follows:

	Percent
Essex Gas Company	37.44
Colonial Gas Company	42.85
Boston Gas Company	35.58
KeySpan Generation LLC	42.15
EnergyNorth Natural Gas, Inc	65.00
The Brooklyn Union Gas Company	58.61
KeySpan Gas East Corporation ...	46.89
Consolidated	39.78

F. Investment Grade Ratings

Applicants state that apart from securities issued for the purpose of funding money pool operations, KeySpan and the Utility Subsidiaries will not issue any other securities in reliance upon this Order, unless (i) the security to be issued, if rated, is rated investment grade; (ii) all outstanding securities of the issuer, that are rated,² are rated investment grade; and (iii) all outstanding securities of KeySpan, the top-level registered holding company, that are rated, are rated investment grade ("Investment Grade Condition"). For purposes of this provision, a security will be deemed to be rated "investment grade" if it is rated investment grade by at least one nationally recognized statistical rating organization, as that term is used in paragraphs (c)(2)(vi)(E), (F) and (H) of rule 15c3-1 under the Securities Exchange Act of 1934. Applicants request that the Commission reserve jurisdiction over the issuance by KeySpan and the Utility Subsidiaries of any securities that are not able to meet the Investment Grade Condition.

IV. Current Financial Condition

Applicants state that all outstanding long-term debt securities of KeySpan and each of the Utility Subsidiaries that are rated, are rated investment grade. For purposes of this provision, Applicants state that a security will be

deemed to be rated "investment grade" if it is rated investment grade by at least one nationally recognized statistical rating organization, as that term is used in paragraphs (c)(2)(vi)(E), (F) and (H) of rule 15c3-1 under the Securities Exchange Act of 1934. The ratings are as follows:

	Moody's	Standard and Poor's
KeySpan	A3	A
KEDLI	A2	A+
KEDNY	A2	A+
KeySpan Generation.	A3	A
Boston Gas	A2	A
Colonial Gas	A2	A

V. Description of Specific Financings

A. KeySpan External Financing

Applicants request that KeySpan increase its total consolidated capitalization through sales of common stock, preferred stock, preferred and equity-linked securities, long-term debt and short-term debt securities. Applicants also request that KeySpan be authorized to issue common stock to third parties in consideration for the acquisition by KeySpan or a Nonutility Subsidiary of equity or debt securities of a company being acquired through a Commission order, applicable rule, or exemption under the Act. Applicants request that the aggregate amount of common stock, preferred stock, preferred and equity-linked securities, and/or long-term debt to be issued by KeySpan during the Authorization Period, other than for refinancing, refunding or replacement of outstanding securities, shall not exceed \$3.0 billion ("Long-Term Financing Limit").

In addition to the \$3.0 billion authorization under the Long-Term Financing Limit, Applicants propose that KeySpan issue up to \$1.3 billion of short-term debt during the Authorization Period ("Short-Term Financing Limit").

1. Common Stock

(a) General

Applicants request that KeySpan sell or otherwise issue³ common stock in any one of the following ways: (i) Through underwriters or dealers; (ii) through agents; (iii) directly to a limited number of purchasers or a single

³ Applicants request that the authority to issue common stock also includes authorization to contribute common stock to current or future employee benefit plans to satisfy current or future capital funding obligations.

² Applicants state that ENGI and Essex Gas are not rated.