

any, with respect to the long-term securities of a particular series, as well as any associated placement, underwriting or selling agent fees, commissions and discounts, if any, will be established by negotiation or competitive bidding, subject to the Financing Parameters. Applicants further state that borrowings from banks and other financial institutions will be *pari passu* with debt securities issued under the KeySpan Indenture and the short-term credit facilities. Specific terms of any borrowings will continue to be determined by KeySpan at the time of issuance and will comply in all regards with the Financing Parameters.

4. Short-Term Debt

Applicants request authority for KeySpan to have outstanding, at any one time during the Authorization Period, up to \$1.3 billion of short-term debt ("Short-Term Financing Limit"), which may include institutional borrowings, commercial paper ("Commercial Paper") or bid notes and short-term debt issued under the KeySpan Indenture or otherwise. Applicants state that the authorization for short-term debt is in addition to the Long-Term Financing Limit.

Short-term debt shall include any debt securities with a maturity term of one year or less. KeySpan may sell Commercial Paper, from time to time, in established domestic Commercial Paper markets. Applicants state that Commercial Paper would be sold to dealers at the discount rate or the coupon rate per annum prevailing at the date of issuance for Commercial Paper of comparable quality and maturities sold to Commercial Paper dealers generally. Applicants expect that the dealers acquiring Commercial Paper from KeySpan will re-offer it at a discount to corporate and institutional investors. Applicants expect Institutional investors to include commercial banks, insurance companies, pension funds, investment trusts, foundations, colleges and universities, and finance companies.

KeySpan may, without counting against the Short-Term Financing Limit set forth above, maintain back-up lines of credit (regardless of the maturation term for such back-up credit) in connection with a Commercial Paper program in an aggregate amount not to exceed the amount of authorized short term debt. In no event will the amount of borrowings under such lines of credit plus the amount of Commercial Paper outstanding exceed \$1.3 billion in the aggregate.

B. Utility Subsidiary and Nonutility Subsidiary Financing

1. Utility Subsidiaries

Applicants request authority for the Utility Subsidiaries to issue short-term debt, including Commercial Paper and credit lines, and to loan and borrow funds from the utility money pool⁶ during the Authorization Period, in the following aggregate principal⁷ amounts ("Utility Financing Limit"):

Utility subsidiary	Aggregate principal amount (\$ million) ⁷
KEDNY	350
KEDLI	450
KeySpan Generation	100
Boston Gas	500
Colonial Gas	225
Essex Gas	50
ENGI	125
.....	1,800

Applicants state that the Utility Financing Limit is in addition to the Long-Term Financing Limit and the Short-Term Financing Limit. Applicants also request authority for the Utility Subsidiaries to refund, refinance or replace outstanding securities; provided that in no event will the aggregate principal amount of outstanding securities for each Utility Subsidiary exceed the amounts requested above. Applicants request authority for the Utility Subsidiaries to sell Commercial Paper, from time to time, in established domestic commercial paper markets. Commercial Paper would be sold to dealers at the discount rate or the coupon rate per annum prevailing at the date of issuance for Commercial Paper of comparable quality and maturities sold to Commercial Paper dealers generally. Applicants expect that the dealers acquiring commercial paper from Utility Subsidiaries will re-offer it at a discount to corporate and institutional investors. Applicants expect Institutional investors to include commercial banks, insurance companies, pension funds, investment trusts, foundations, colleges and universities and finance companies. Applicants request that the Utility Subsidiaries may, without counting

⁶ The Commission authorized the Utility Money Pool in the 2000 Financing Order.

⁷ Applicants state that the dollar limitations set forth do not include certain presently outstanding push-down debt resulting from the Merger in the following amounts: \$700 million to Boston Gas, \$100 million to Colonial Gas, \$100 million to Essex Gas, and \$150 million to ENGI.

against the limits set forth above, further maintain back up lines of credit in an aggregate amount not to exceed the amount of authorized Commercial Paper. Applicants request authority for the Utility Subsidiaries to set up credit lines for general corporate purposes in addition to credit lines to support Commercial Paper. The Utility Subsidiaries would borrow and repay under these lines of credit, from time to time, as it is deemed appropriate or necessary. Subject to the Financing Parameters, Applicants propose that each Utility Subsidiary may engage in other types of unsecured short-term financing as it may deem appropriate in light of its needs and market conditions at the time of issuance.

2. Nonutility Subsidiaries

Applicants request authority for Nonutility Subsidiaries to borrow and lend funds through the operation of the KeySpan nonutility money pool, approved by order dated August 7, 2003 (HCAR No. 27709). Applicants state that short-term financings undertaken by Nonutility Subsidiaries that are not exempt under rule 52, but are otherwise authorized, will be included in the aggregate Short-Term Financing Limit.

C. Guarantees and Intra-System Advances

KeySpan requests authorization to enter into Guarantees, Performance Guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support with respect to the obligations of its Subsidiaries as may be appropriate or necessary to enable the Subsidiaries to carry on in the ordinary course of their respective businesses in an aggregate principal amount not to exceed \$4.0 billion outstanding at any one time (excluding obligations exempt under rule 45) ("Guarantee Financing Limit"). For example, Applicants contemplate that during the Authorization Period, KeySpan will enter into Guarantees, performance Guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support with respect to the obligations of its Subsidiaries in connection with transactions that are anticipated to involve generation expansion projects.

Applicants state that the Guarantee Limit is in addition to the Long-Term Financing Limit, the Short-Term Financing Limit and the Utility Financing Limit. Included in this amount are existing intra-system Guarantees and support provided by KeySpan as of June 30, 2003, which are expected to remain in place. Applicants request authority for KeySpan to charge