

## **Addendum to the Base Contract for Sale and Purchase of Natural Gas**

Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid") and \_\_\_\_\_ ("Counterparty") hereby agree effective this \_\_\_ day of \_\_\_\_\_, 200\_\_, to amend, modify and supplement the NAESB Standard 6.3.1 Base Contract for the Sale and Purchase of Natural Gas dated April 19, 2002 ("Base Contract") with the following special provisions contained herein ("Special Provisions"). The Base Contract, as modified by the Special Provisions, shall apply to all confirmed transactions between the parties for the purchase and sale of Gas (each a "Transaction"). All capitalized terms not otherwise defined herein shall have the meaning set forth in the Base Contract.

### **SECTION 2. DEFINITIONS**

The following section shall be amended as follows:

2.23 Section 2.23 shall be revised to read as follows: "Payment Date' shall mean, for System Supply Transactions, the 25<sup>th</sup> Day of the Month following the Month of delivery, and for Retail Access Transactions, shall be governed by the Tariff."

2.26 Add the following at the end of Section 2.26: "For System Supply Transactions, the Spot Price publication shall be Gas Daily Midpoint (default). For Retail Access Supply Transactions, the Tariff shall govern."

Add the following to Section 2:

2.30: "Costs" means, with respect to the Non-Defaulting Party, (a) losses associated with transportation and (b) brokerage fees, commissions and other similar transaction costs and expenses (including attorneys' fees and court costs, if any) reasonably incurred by the Non-Defaulting Party either in (1) terminating any arrangement pursuant to which it has hedged its obligations or (2) entering into new arrangements which replace a Terminated Transaction.

2.31: "Credit Rating" means, with respect to any party (or its Guarantor,) as the case may be or entity, on any date of determination (1) the ratings assigned by Moody's and/or S&P with respect to such party's (or its Guarantor, as the case may be) or entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements), or (2) is such entity does not have a rating for its unsecured, senior long-term debt, then the rating assigned to such entity by Moody's and/or S&P as its corporate credit rating or issuer rating, or (3) if such entity is a financial institution, the rating assigned to such entity by Moody's and/or S&P for its long term unsecured unsubordinated deposits. In the event of inconsistency in ratings by the two rating agencies (a "split rating"), the lowest rating assigned shall control.

2.32 "Retail Access Supply" shall mean Gas purchased or sold for the purposes of meeting obligations incurred under National Grid's Daily Balancing or Monthly Balancing Program as further defined in the Tariff.

2.33 "System Supply" shall mean Gas purchased or sold for the purposes of meeting the needs of customers who purchase Gas directly from National Grid.

2.34 "Tariff" shall mean National Grid's PSC No. 219 Tariff currently in effect and as amended from time to time.

### SECTION 3. PERFORMANCE OBLIGATION

The following sections shall be amended as follows:

3.2 In the eleventh line of Section 3.2, insert "125% of" after "shall be."

3.4 The following shall be added to Section 3.4 Termination Option:

Subject to the notice provisions of this Section 3.4, either party shall have the option to terminate this Contract in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer on a total of three (3) or more Days, which need not be consecutive. For purposes of this Termination Option, the performing party shall provide written notice within two (2) days after the third default or any subsequent default and termination shall be effective on receipt of such notice by the non-performing party. The rights provided under this Section are in addition to any termination rights provided under any other provision of this Contract.

Add the following as Section 3.5:

"3.5 Notwithstanding anything to the contrary in this Contract, in the event:

- (i) a transaction has a Firm obligation,
- (ii) as a result of an event of Force Majeure Seller is unable to sell and deliver or Buyer is unable to purchase and receive the Contract Quantity for such transaction,
- (iii) the Delivery Period for such transaction is at least one Month, and
- (iv) the Contract Price is a Fixed Price (as defined below), then

(a) if the FOM Price (as defined below) is above the Fixed Price, Seller shall pay Buyer for each MMBtu of Gas not delivered and/or received the difference between the FOM Price and the Fixed Price, or

(b) if the FOM Price is below the Fixed Price, Buyer shall pay Seller for each MMBtu of Gas not delivered and/or received the difference between the Fixed Price and the FOM Price.

The "**Fixed Price**" means the Contract Price for a transaction that is expressed as a set amount. Fixed Price includes prices that have either the NYMEX and basis set or floating NYMEX plus set basis upon the agreement of the parties or as a result of a party exercising a price option that resulted in a maximum price or a minimum price.

The "**FOM Price**" means the price per MMBtu, stated in the same currency as the transaction subject to such Force Majeure event, for the first of the month of delivery as published in Inside FERC's Gas Market Report."

### SECTION 7. BILLING, PAYMENT, AND AUDIT

7.7 Add the following at the end of Section 7.7: "For Retail Access Supply Transactions, Netting between Daily Balancing Program and Monthly Balancing Program shall apply within the Month of delivery."

## **SECTION 10. FINANCIAL RESPONSIBILITY**

10.1 Section 10.1 is deleted in its entirety and replaced with the following:

If a Party (a "Reviewing Party") has commercially reasonable grounds to believe that the other Party's ("Debtor Party") creditworthiness or performance under this Agreement has become unsatisfactory ("Grounds"), the Reviewing Party may provide the Debtor Party with written notice requesting Adequate Assurance as defined below. For purposes of this Section 10.1, Grounds shall include, but not be limited to, a decrease in the Credit Rating of a Debtor Party or its Guarantor to below BBB by S&P, or any successor rating agency thereto, or to below Baa2 by Moody's, or any successor rating agency thereto. For purposes of this section, "Adequate Assurance" shall mean (i) cash; (ii) a cash prepayment; (ii) a standby irrevocable letter of credit issued by a United States commercial bank with at least ten (10) billion dollars in assets, and a Credit Rating of at least A3 by Moody's and A- by S&P; or (iii) any financial security in a form satisfactory to the Requesting Party, in all cases in any amount reasonably requested by the Requesting Party, provided that such amount shall not exceed the amount that would be computed under Section 10.3.1 in the event the date of demand of Adequate Assurance was designated as an Early Termination Date exclusive of any Costs.

10.2 Revise Section 10.2 as follows:

In the ninth line, replace the word "second" with the word "tenth" and, after the word "is" insert the word "past".

10.3.1 Add the following sentence at the end of Section 10.3.1: "In calculating early termination damages pursuant to Section 10.3.1, the Non-Defaulting Party may take into account its Costs related to any Terminated Transactions."

## **SECTION 11. FORCE MAJEURE**

Revise the second sentence of Section 11.5 as follows:

Delete the phrase "as soon as reasonably possible." and insert the phrase "within five (5) days."

## **SECTION 14. MISCELLANEOUS**

14.1 Revise second sentence of Section 14.1 as follows: Delete the phrase "; provided, either party may (i) transfer, sell, pledge, encumber, or assign this contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger, or otherwise without the prior approval of the other party."

14.10 Add the following to the end of the second paragraph of Section 14.10: "Notwithstanding anything to the contrary herein, Counterparty understands and agrees that National Grid will be required to file this Contract with its state utility commission, and further, that from time to time, the state utility commission may request or require that National Grid disclose to it information concerning the parties' performance under the Contract. Subject to the foregoing, disclosure of such information and the extent of such disclosure will be at the sole discretion of National Grid."

## **SECTION 15. RETAIL ACCESS TRANSACTIONS**

The Base Contract and the Tariff where applicable, shall govern all Retail Access Supply Transactions. In the event of a conflict between the Base Contract and the Tariff as it pertains to a Retail Access Supply Transaction, the Tariff shall govern.

In Witness whereof, the parties hereto, through their duly authorized officers, have executed these Special Provisions to the Base Contract in duplicate, as of the date of the Base Contract.

**Niagara Mohawk Power Corporation  
d/b/a National Grid**

**Counterparty**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_