



report

KeySpan Corporation
One MetroTech Center
Brooklyn, New York 11201-3850

March 19, 2004

VIA FEDERAL EXPRESS

Hon. Jaclyn Brilling, Secretary
New York State Board on Electric Generation
Siting and Environment
Three Empire State Plaza
Albany, New York 12223-1350

Subject: Case 99-F-1625, KeySpan Energy – Ravenswood Facility
Compliance Filing Associated with the Article X Certificate

Dear Secretary Brilling:

In accordance with Certificate Condition VII of the Opinion and Order granting a Certificate of Environmental Compatibility and Public Need for the Ravenswood Cogeneration Facility, issued on September 7, 2001, enclosed please find seven (7) copies of the supplemental filing on financial assurance requirements referred to in my letter dated February 17, 2004. This supplemental filing proposes the use of a financial test to be filed with the Siting Board annually on March 31.

Sincerely,

Donna L. Riccobono
Senior Counsel

Enclosure:

cc: P. Seidman, NYSDPS (w/5 copies)
J. Cole, NYSDEC (w/5copies)
S. Blow, NYSDPS (w/copy)

ORIG - FILES
C 99-F-1625
COPIES:
ALJ GARLIN
MR. D. DREXLER
MR. P. SEIDMAN
(w/EXTRA)

2004 MAR 22 AM 11:56

RECEIVED
PUBLIC SERVICE
COMMISSION
ALBANY, NY



KeySpan Corporation
One MetroTech Center
Brooklyn, New York 11201-3850

[SAMPLE ANNUAL SUBMISSION]

March __, 200__

FEDERAL EXPRESS

Hon. Jaclyn Brilling, Secretary
New York State Board on Electric Generation
Siting and the Environment
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 99-F-1625, KeySpan-Ravenswood, Inc.

Dear Secretary Brilling:

In compliance with the financial assurance requirements of Condition VII of the Opinion and Order granting a Certificate of Environmental Compatibility and Public Need for the Ravenswood Cogeneration Facility, issued on September 7, 2001, enclosed please find:

- (i) a letter from the Chief Financial Officer of KeySpan Corporation (the "Company");
- (ii) the Report of Independent Accountants; and
- (iii) a copy of the Company's 200__ Annual Report for the year ended December 31, 200__.

Should you have any questions or require additional information, please contact me at (718) 403-3044.

Sincerely,

Donna L. Riccobono
Senior Counsel

Enclosures

cc: P. Seidman, NYSDPS
S. Blow, NYSDPS
J. Cole, NYSDEC

#109432



KeySpan Corporation
One MetroTech Center
Brooklyn, New York 11201-3850

[SAMPLE ANNUAL SUBMISSION]

March __, 200__

Hon. Jaclyn Brilling, Secretary
New York State Board on Electric Generation
Siting and the Environment
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 99-F-1625
KeySpan-Ravenswood, Inc.

Dear Secretary Brilling:

I am the Chief Financial Officer of KeySpan Corporation (the "Company") located at One MetroTech Center, Brooklyn, New York 11201. This letter is prepared in support of this Company's use of the financial test to demonstrate financial assurance for closure and/or post-closure costs, as required by Condition VII of the Opinion and Order granting a Certificate of Environmental Compatibility and Public Need for the Ravenswood Cogeneration Facility, issued on September 7, 2001 (Case 99-F-1625).

This Company is the owner or operator of the following facilities for which financial assurance for closure and/or post-closure care is demonstrated through this financial test. The closure and/or post-closure costs estimates for this facility is the amount of \$18,530,000 in the aggregate.

KeySpan Corporation
Ravenswood Cogeneration Facility
Vernon Boulevard
Long Island City, New York 11101

This Company is required to file Form 10-K with the Securities and Exchange Commission ("SEC") for the latest fiscal year.

The fiscal year of this Company ends on December 31. The figures for the following items marked with an asterisk are derived from this Company's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 200_.

FINANCIAL TEST

- | | | |
|-----|---|--|
| 1. | Sum of closure and post-closure cost estimates | \$18,530,000 |
| 2. | Current bond rating of most recent issuance of this Company and name of rating service | [Rating]
"Standard & Poors"
or "Moody's" |
| 3. | Date of issuance of bond | [Date] |
| 4. | Date of maturity of bond | [Date] |
| *5. | Tangible net worth (if any portion of the closure cost estimates is included in "total liabilities" on your Company's financial statements, you may add the amount of that portion to this line | [\$] |
| *6. | Total assets in U.S. (required only if less than 90% of Company's assets are located in the U.S.) | |
| 7. | Is line 5 at least \$10 million? | Yes |
| 8. | Is line 5 at least 45 times line 1? | Yes |
| 9. | Are at least 90% of the Company's assets located in the U.S.? | Yes |

In the event that this Company (1) fails to satisfy the financial test set forth above at the time of its annual financial assurance submission, or (2) at any time, has received a current bond rating of most recent issuance by the rating service of Standard & Poor's of "BBB with a negative outlook" or Moody's of "Baa2 with a negative outlook", or lower, then the Company shall, within ten (10) business days, provide "Adequate Assurance" to the Siting Board.

For purposes of compliance with this requirement, Adequate Assurance shall mean the Company, or its agent on its behalf, shall issue an unconditional and irrevocable letter of credit, in form and substance similar to the letter attached as Exhibit A. The parties acknowledge that the actual letter of credit will be negotiated with the issuer at the time the Adequate Assurance requirement is triggered and, therefore, may differ in some respects from the form of Exhibit A. Notwithstanding this, the Company shall use good faith efforts to obtain a letter of credit in a form substantially similar to Exhibit A and

reasonably acceptable to the Siting Board. Such letter of credit shall be in the amount set forth above and shall satisfy the following criteria:

- (a) The letter of credit shall be issued by a major U.S. commercial bank with a New York office or foreign bank with a New York office.
- (b) The issuer shall have a long-term unsecured debt rating by Standard & Poor's or Moody's of at least A-, A3, respectively.
- (c) The issuer shall have a minimum tangible net worth of \$1 billion.
- (d) The issuer shall be insured by the Federal Deposit Insurance Corporation ("FDIC") and shall meet the minimum regulatory requirements of the insuring agency.
- (e) The issuer shall be a member of the National Association of Securities Dealers, Inc. and shall have a capitalization of at least \$1,000,000,000.

In lieu of a letter of credit as described herein, the parties alternatively may agree that the Company can satisfy its requirement to provide Adequate Assurance using any other form of financial security in a form and amount satisfactory to both the Siting Board and the Company.

At any time after the Adequate Assurance requirement is triggered, if the Company can demonstrate that it again satisfies the financial test set forth herein, then, at such time, the provision of such additional Adequate Assurance shall no longer be required.

Gerald Luterman
Executive Vice President and
Chief Financial Officer

**Deloitte
& Touche**

SAMPLE REPORT

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

KeySpan Corporation
One MetroTech Center
Brooklyn, NY 11201

Dear Sirs:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of KeySpan Corporation as of and for the year ended December 31, 2002, and have issued our report thereon dated February 10, 2003 (which report expresses an unqualified opinion and includes explanatory paragraphs related to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" and related revisions made to Note 1G and revisions made to Note 12 to the financial statements related to the 2001 and 2000 consolidated financial statements that were audited by other auditors who have ceased operations and for which we have expressed no opinion or other form of assurance other than with respect to such disclosures). We have not performed any auditing procedures since that date.

We have performed the procedures included in the Code of Federal Regulations (CFR) Title 40, Part 264, Section 143 (40 CFR 264.143), which were agreed to by the Environmental Protection Agency, the New York State Department of Environmental Conservation, and KeySpan Corporation, solely to assist the specified parties in evaluating KeySpan Corporation's compliance with the financial test specified in 6 NYCRR 373-2.8 and 373-3.8 as of December 31, 2002, included in the accompanying letter dated March 25, 2003 from Gerald Luterman, Executive Vice President and Chief Financial Officer, of KeySpan Corporation. Management is responsible for KeySpan Corporation's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and related findings are as follows:

1. We compared the amounts included in the Calculation of Net Worth schedule (identified as Exhibit A) to the corresponding amounts on the consolidated balance sheet of KeySpan Corporation as of December 31, 2002 and noted that such amounts were in agreement.
2. We recomputed from, or reconciled to, the financial statements referred to in procedure 1 the information included in the Company's calculation of tangible net worth included on the Calculation of Tangible Net Worth schedule (identified as Exhibit B) and noted no differences.
3. We compared the total tangible net worth on the Calculation of Tangible Net Worth schedule to tangible net worth appearing in item 5 page 3 of the letter to Commissioner Erin M. Crotty dated March 25, 2003 under the caption Alternative II and noted no difference.
4. We compared the total assets on the Calculation of Percentage of Assets in the U.S. schedule (identified as Exhibit C) to the corresponding amount on the consolidated balance sheet of KeySpan Corporation as of December 31, 2002 and noted no difference.

**Deloitte
Touche
Tohmatsu**

5. We recomputed the Company's calculation of percentage of assets located in the United States included on the Calculation of Percentage of Assets in the U.S. schedule and noted no difference.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying letter dated March 25, 2003. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of directors and management of KeySpan Corporation, the Environmental Protection Agency and the New York State Department of Environmental Conservation, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 25, 2003

KEYSPAN
 CALCULATION OF NET WORTH
 December 31, 2002
 (In Thousands of Dollars)

Exhibit A

	At 12/31/02
ASSETS	
Net Property	\$ 7,217,600
Equity Investments & Other	259,188
Current Assets	2,216,449
Deferred Charges	2,921,069
TOTAL ASSETS	12,614,306
LIABILITIES	
Long-Term Debt	5,224,081
Current Liabilities	2,220,228
Deferred Credits & Other Liabilities	1,911,135
TOTAL LIABILITIES	9,355,444
Minority Interest in Subsidiary Company	230,421
NET WORTH	\$ 3,028,441
Common Shareholders' Equity	\$ 2,944,592
Preferred Stock - No Redemption Required	83,849
NET WORTH	\$ 3,028,441

KEYSPAN
 CALCULATION OF TANGIBLE NET WORTH
 December 31, 2002
 (In Thousands of Dollars)

Exhibit B

	At 12/31/02
ASSETS	
Net Property	\$ 7,217,600
Equity Investments & Other	259,188
Current Assets	2,216,449
Deferred Charges (less intangible assets)	1,062,839
TOTAL ASSETS	<u>10,756,076</u>
LIABILITIES	
Long-Term Debt	5,224,081
Current Liabilities	2,220,228
Deferred Credits & Other Liabilities	1,911,135
TOTAL LIABILITIES	<u>9,355,444</u>
Minority Interest in Subsidiary Company	230,421
TANGIBLE NET WORTH	<u><u>\$ 1,170,211</u></u>

KEYSPAN
CALCULATION OF PERCENTAGE OF ASSETS IN THE U.S.
December 31, 2002
(In Thousands of Dollars)

Exhibit C

Total Assets - Per December 31, 2002 Consolidated Balance Sheet		\$ 12,614,306
Less - Assets Outside the U.S. at December 31, 2002		<u>329,895</u>
Total Assets in the United States at December 31, 2002		<u>\$ 12,284,411</u>
<u>Total Assets in the U.S. at December 31, 2002</u>	=	<u>\$ 12,284,411</u>
<u>Total Assets per Consolidated Balance Sheet at December 31, 2002</u>		<u>\$ 12,614,306</u>
	=	97%

Exhibit A

AGREEMENT FOR STANDBY LETTER OF CREDIT

In consideration of your issuance of an irrevocable letter of credit (the "Credit") substantially in accordance with the terms and conditions provided by the undersigned (the "Applicant") on the Application attached hereto or as otherwise requested by Applicant in writing, Applicant unconditionally agrees with you ("Bank") as follows:

1. **Reimbursement.** Applicant will pay Bank the amount of each draft or other request for payment (each, a "Draft") drawn under the Credit, whether drawn before, on or, if in accordance with applicable law, after the expiry date stated in the Credit. Each such payment shall be made, (a) in the case of a time Draft or deferred payment obligation, without demand and sufficiently in advance of its maturity to enable Bank to arrange for its cover in same day funds to reach the place where it is payable no later than the date of its maturity, and (b) in the case of a sight Draft, on demand.
2. **Commissions, Fees, Charges and Expenses.** Applicant will pay Bank (a) commissions, fees and other charges on the Credit (for so long as Bank shall be obligated under the Credit in accordance with applicable law) at such rates and times as Applicant and Bank may agree in writing or, in the absence of such an agreement, in accordance with Bank's commissions, fees and other charges then in effect, payable on demand, and (b) on demand, all expenses which Bank may pay or incur in connection with the Credit.
3. **Payments; Interest on Past due Amounts; Computations.** All amounts due from Applicant shall be paid to Bank at _____, (or such other address notified to Applicant in writing), without defense, set-off, cross-claim, or counterclaim of any kind, in United States Dollars and in same day funds, provided, however, that if any such amount is denominated in a currency other than United States Dollars, Applicant will pay the equivalent of such amount in United States Dollars computed at Bank's selling rate for cable transfers to the place where and in the currency in which such amount is payable, or such other currency, place, form and manner acceptable to Bank in its sole discretion. Any amount not paid when due shall bear interest until paid in full at a daily fluctuating interest rate per annum equal to two percent per annum above the rate of interest announced publicly from time to time by Bank in New York as Bank's Base Rate. Unless otherwise agreed in writing as to the Credit, all computations of commissions, fees and interest shall be based on a 360-day year and actual days elapsed.
4. **Additional Costs.** If Bank determines that the introduction or effectiveness of, or any change in, any law or regulation or compliance with any guideline or request from any central bank or other governmental or quasi-governmental authority (whether or not having the force of law) affects or would affect the amount of capital or reserves required or expected to be maintained by Bank or any corporation controlling Bank and Bank determines that the amount of such capital or reserve is increased by or based upon the

existence of the Credit, then Applicant shall pay Bank on demand from time to time additional amounts sufficient in Bank's judgment to compensate for the increase. Bank's certificate as to amounts due shall be conclusive, in the absence of manifest error.

5. Taxes. All payments made to Bank shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, or withholdings, and all related liabilities, excluding income and franchise taxes imposed by the jurisdiction of Bank's head office or the office issuing the Credit or any of its political subdivisions (all non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities are called "Taxes"). If any Taxes shall be required by law to be deducted from or in respect of any sum payable under this Agreement, (a) the sum payable under this Agreement shall be increased as may be necessary so that after making all required deductions Bank receives an amount equal to the sum Bank would have received had no such deductions been required, (b) Applicant shall be responsible for payment of the amount to the relevant taxing authority, (c) Applicant shall indemnify Bank on demand for any Taxes paid by Bank and any liability (including penalties, interest and expenses) arising from its payment or in respect of such Taxes, whether or not such Taxes were correctly or legally asserted, and (d) Applicant shall provide Bank with the original or a certified copy of the receipt evidencing each Tax payment within 30 days of the tax payment date.

6. Indemnification. Applicant will indemnify and hold Bank and its officers, directors, affiliates, employees attorneys and agents (each, an "Indemnified Party") harmless from and against any and all claims, liabilities, losses, damages, costs and expenses including, without limitation, reasonable attorneys' fees and disbursements, other dispute resolution expenses (including fees and expenses in preparation for a defense of, any investigation, litigation or proceeding) and costs of collection that arise out of or in connection with or by reason of: (a) the issuance of the Credit, (b) any payment or action taken or omitted to be taken in connection with the Credit (including any action or proceeding seeking (i) to restrain any drawing under the Credit, (ii) to compel or restrain the payment of any amount or the taking of any other action under the Credit, (iii) to compel or restrain the taking of any action under this Agreement, or (iv) to obtain similar relief (including by way of interpleader, declaratory judgment, attachment, or otherwise), regardless of who the prevailing party is in any such action or proceeding) (c) the enforcement of this Agreement, or (d) any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority or any other cause beyond Bank's control, except to the extent such claim, liability, loss damage, cost or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. Applicant will pay on demand from time to time all amounts owing under this section. Notwithstanding anything to the contrary contained herein, the Applicant shall not, under any circumstances whatsoever, be liable under this Section 6 for any punitive, consequential, indirect or special damages or losses of Bank or any other Indemnified Party shall regardless of whether Bank or any other Indemnified Party shall have been advised of the possibility thereof or of the form of action in which such damages or losses may be claimed; provided, that the foregoing limitation shall not

apply to the Applicant's obligation under the first sentence of this Section 6 to indemnify Bank and the other Indemnified Parties for the actual liabilities or costs incurred by Bank or any other Indemnified Party to resolve or satisfy a claim against it in which punitive, consequential, indirect or special damages or losses are asserted.

7. **Obligations Absolute: Limitations of Liability.** (a) Applicant's obligations under this Agreement (the "Obligations") shall be unqualified, irrevocable and payable in the manner and method provided for under this Agreement irrespective of any one or more of the following circumstances: (i) any lack of validity or enforceability of this Agreement, the Credit, or any other agreement, application, amendment, guaranty, document, or instrument relating thereto, (ii) any change in the time, manner or place of payment of or in any other term of all or any of the Obligations of Applicant or the obligations of any person or entity that guarantees the Obligations, (iii) the existence of any claim, set-off, defense or other right that Applicant may have at any time against any beneficiary or any transferee of the Credit (or any person or entity for whom any such beneficiary or transferee may be acting), Bank or any other person or entity, whether in connection with any transaction, contemplated by this Agreement or any unrelated transaction, or any claim by Bank or Applicant against the beneficiary of the Credit for breach of warranty, (iv) any exchange, release or non-perfection of any Property (as hereafter defined) or other collateral, or release or amendment or waiver of or consent to departure from the terms of any guarantee or security agreement, for all or any of the Obligations, (v) any Draft, or other document presented under the Credit being forged, fraudulent, invalid, or insufficient or any statement therein being untrue or inaccurate, (vi) any failure by Bank to issue the Credit (or any amendment) as requested, unless Bank receives written notice from Applicant of such error within three business days after applicant shall have received a copy of the Credit (or such amendment) and such error is material and consequential, (vii) any previous Obligation, whether or not paid, arising from Bank's payment against any Draft, certificate or other document which appeared on its face to be signed or presented by the proper party but was in fact signed or presented by a party posing as the proper party, (viii) payment by Bank under the Credit against presentation of a Draft or other document that does not comply with the terms and conditions of the Credit unless Bank receives written notice from Applicant of such discrepancy within three business days following Applicant's receipt of such Draft or other document, and (ix) any action or inaction taken or suffered by Bank or any of its correspondents in connection with the Credit or any relevant Draft, certificate, other document or Property, if taken in good faith (i.e. honesty in fact in the conduct or transaction concerned, "Good Faith") and in conformity with applicable U.S. or foreign law or letter of credit practices.

(b) Without limiting any other provision of this Agreement, Bank and any of its correspondents: (i) may rely upon any telegraphic, facsimile, electronic, written or other communication believed in Good Faith to have been authorized by Applicant, whether or not given or signed by an authorized person, (ii) shall not be responsible for errors, omissions, interruptions or delays in transmission or delivery of any message, advice or document in connection with the Credit, whether transmitted by courier, mail, telex, any other telecommunication, or otherwise (whether or not they be in cipher), or for errors in interpretation of technical terms or in translation (and Bank and its correspondents may

transmit Credit terms without translating them) (iii) shall not be responsible for the identity or authority of any signer or the form, accuracy, genuineness, falsification or legal effect of any Draft, certificate or other document presented under the Credit if such Draft, certificate or other document on its face appears to be in accordance with the terms and conditions of the Credit, (iv) shall not be responsible for any acts or omissions by or the solvency of the beneficiary of the Credit or any other person or entity having any role in any transaction underlying the Credit, (v) may accept or pay as complying with the terms and conditions of the Credit any Draft, certificate or other document appearing on its face (A) substantially to comply with the terms and conditions of the Credit, (B) to be signed or presented by or issued to any successor of the beneficiary or any other person in whose name the Credit requires or authorizes that any Draft, certificate or other document be signed, presented or issued, including any administrator, executor, personal representative, trustee in bankruptcy, debtor in possession, liquidator, receiver, or successor by merger or consolidation, or any other person or entity purporting to act as the representative of or in place of any of the foregoing, or (C) to have been signed, presented or issued after a change of name of the beneficiary, (vi) may disregard (A) any requirement stated in the Credit that any Draft, certificate or other document be presented to it at a particular hour or place and (B) any discrepancies that do not reduce the value of the beneficiary's performance to Applicant in any transaction underlying the Credit, (vii) may accept as a Draft any written or electronic demand or other request for payment under the Credit, even if such demand or other request is not in the form of a negotiable draft, (viii) shall not be responsible for the effectiveness or suitability of the Credit for Applicant's purpose, or be regarded as the drafter of the Credit regardless of any assistance that Bank may, in its discretion, provide to Applicant in preparing the text of the Credit or amendments thereto, (ix) shall not be liable to Applicant for any consequential or special damages, or for any damages resulting from any change in the value of any foreign currency, services or goods or other property covered by the Credit, (x) may assert or waive application of UCP (as defined below) Articles 17 (force majeure) and 45 (hours of presentation) and all other UCP articles primarily benefiting bank issuers, (xi) may honor a previously dishonored presentation under the Credit, whether pursuant to court order, to settle or compromise any claim that it wrongfully dishonored, or otherwise, and shall be entitled to reimbursement to the same extent as if it had initially honored plus reimbursement of any interest paid by it, (xii) may honor, upon receipt, any drawing that is payable upon presentation of a statement advising negotiation or payment (even if such statement indicates that a Draft, certificate or other document is being separately delivered) and shall not be liable for any failure of any Draft, certificate or document to arrive or to conform in any way with the Draft, certificate or other document referred to in the statement or any underlying contract, and (xiii) may pay any paying or negotiating bank (designated or permitted by the terms of the Credit) claiming that it rightfully honored under the laws or practices of the place where it is located. None of the circumstances described in this section shall place Bank or any of its correspondents under any resulting liability to Applicant.

8. Independence. Applicant acknowledges that the rights and obligations of Bank under the Credit are independent of the existence, performance or nonperformance of any contract or arrangement underlying the Credit, including contracts or arrangements

between Bank and Applicant and between Applicant and the beneficiary of the Credit. Bank shall have no duty to notify Applicant of its receipt of a Draft, certificate or other document presented under the Credit or of its decision to honor the Credit. Bank may, without incurring any liability to Applicant or impairing its entitlement to reimbursement under this Agreement, honor the Credit despite notice from Applicant of, and without any duty to inquire into, any defense to payment or any adverse claims or other rights against the beneficiary of the Credit or any other person. Bank shall have no duty to request or require the presentation of any document, including any default certificate, not required to be presented under the terms and conditions of the Credit. Bank shall have no duty to seek any waiver of discrepancies from Applicant, nor any duty to grant any waiver of discrepancies which Applicant approves or requests. Bank shall have no duty to extend the expiration date or term of the Credit or to issue a replacement letter of credit on or before the expiration date of the Credit or the end of such term.

9. Non-Documentary Conditions. Bank is authorized (but shall not be required) to disregard any non-documentary conditions stated in the Credit.

10. Transfers. If, at Applicant's request, the Credit is issued in transferable form, Bank shall have no duty to determine the proper identity of anyone appearing in any transfer request, Draft, or other document as transferee, nor shall Bank be responsible for the validity or correctness of any transfer.

11. Extensions and Modifications of the Credit. This Agreement shall be binding upon Applicant with respect to any extension or modification of the Credit made at Applicant's request or with Applicant's consent. Applicant's Obligations shall not be reduced or impaired in any way by any agreement by Bank and the beneficiary of the Credit extending Bank's time to honor or to give notice of discrepancies and any such agreement shall be binding upon Applicant.

12. Additional Bond or Collateral. Upon occurrence of an Event of Default, Applicant will on demand assign and deliver to Bank as security for the Obligations, collateral of a type and value satisfactory to Bank or make such cash payment as Bank may require.

13. Covenants of Applicant. Applicant will (a) comply with all U.S. and foreign laws, regulations and rules (including foreign exchange control regulations, U.S. foreign assets control regulations and other trade-related regulations) now or later applicable to the Credit, transactions related to the Credit, or Applicant's execution, delivery and performance under this Agreement, and deliver to Bank, upon reasonable request, satisfactory evidence of such compliance, (b) deliver to Bank, upon reasonable request, financial statements and other information concerning Applicant's financial condition and business operations, (c) permit Bank to inspect its books and records and audit any Property on reasonable notice, (d) inform Bank immediately upon Applicant becoming aware of the occurrence of an Event of Default (as defined below) and (e) cause all goods constituting Property to be insured against fire, theft and other usual risks and any other risks which Bank may reasonably request.

14. Representations and Warranties of Applicant. Applicant represents and warrants that (a) it is validly existing and in good standing under the laws of the jurisdiction in which it is organized; (b) its execution, delivery and performance of this Agreement are within its powers, have been duly authorized, do not contravene any contract binding on or affecting it or any of its properties, do not violate any applicable law or regulation, and do not require any notice, filing or other action to or by any governmental authority; (c) this Agreement is valid and binding upon Applicant; (d) the financial statements most recently received by Bank from Applicant fairly present its financial condition in accordance with generally accepted accounting principles, and there has been no material adverse change in Applicant's business, condition (financial or otherwise) or results of operation since the date of such financial statements; (e) there is no pending or threatened action which may materially adversely affect its financial condition or business or which purports to affect the validity or enforceability of this Agreement, the Credit or any transaction related to the Credit, and (f) neither the granting of any collateral security for the Obligations, nor the issuance of the Credit, nor the making of any payment thereunder or the use of any proceeds thereof, constitutes or will constitute, or be part of, a preferential or fraudulent transfer or conveyance to any one (including Bank and the beneficiary of the Credit) under any applicable law, including Section 544, 547, 548 or 550 of the United States Bankruptcy Code. Each request by Applicant for a Credit shall constitute its representation and warranty that the foregoing statements are true and correct as if made on the date of such request.

15. Default. Each of the following shall be an "Event of Default" under this Agreement: (a) Applicant's failure to pay when due any obligation to Bank or any of its subsidiaries and affiliates (under this Agreement or otherwise), (b) Applicant's failure to perform or observe any other term or covenant of this Agreement, (c) Applicant's breach of any representation or warranty made in this Agreement or any document delivered by it under this Agreement, (d) Applicant's dissolution or termination, (e) institution by or against Applicant of any proceeding under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or seeking the appointment of a receiver, trustee, or other similar official for Applicant or for any substantial part of its property, (f) any actual or threatened seizure, vesting or intervention by or under authority of a government by which Applicant's management is displaced or its authority or control of its business is curtailed, (g) attachment or restraint of any Property, any funds or other property which may be in, or come into, the possession or control of Bank or of any third party acting on Bank's behalf, for the account or benefit of Applicant, or the issuance of any order of any court or other legal process against the same, (h) a material adverse change in Applicant's business or condition (financial or otherwise), (i) if Applicant is an individual, Applicant's death or incompetency, or (j) the occurrence of any of the above events with respect to any person or entity which has heretofore or hereafter guaranteed or provided any collateral security for any of the Obligations.

16. Remedies. If any Event of Default shall have occurred and be continuing, the amount of the Credit as well as any or all Obligations shall, at Bank's option, become due and payable immediately without presentment, demand, protest, or notice of any kind, all

of which are hereby expressly waived by Applicant; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to Applicant under the U.S. Federal Bankruptcy Code, the amount of the Credit and all Obligations shall automatically become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Applicant.

17. **Waiver of Immunity.** Applicant acknowledges that this Agreement is, and the Credit will be, entered into for commercial purposes and, to the extent that Applicant now or later acquires any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, Applicant now irrevocably waives its immunity with respect to the Obligations.

18. **Notices; Interpretation; Severability.** Notices shall be effective, if to Applicant, when hand delivered to its address indicated below the signature line and, if to Bank, when received at _____, or as to either, such other address as either may notify the other in writing. If this Agreement is signed by two or more persons or entities, (i) each such person or entity shall be deemed an "Applicant" hereunder, (ii) each Applicant shall be jointly and severally liable for all the Obligations hereunder, and (iii) notices from Bank in connection with this Agreement or the Credit to either Applicant and notices from, or the consent of, either Applicant in connection with this Agreement or the Credit shall be sufficient to bind all Applicants. Headings are included only for convenience and are not interpretative. The term "including" means "including without limitation." If any provision of this Agreement is held illegal or unenforceable, the validity of the remaining provisions shall not be affected.

19. **Successors and Assigns.** This Agreement shall be binding upon Applicant and its successors and permitted assigns, and shall inure to the benefit of and be enforceable by Bank, its successors and assigns. Applicant shall not voluntarily transfer or otherwise assign any of its obligations under this Agreement. Bank may transfer or otherwise assign its rights and obligations under this Agreement, in whole or in part, and shall be forever relieved from any liability with respect to the portion of Bank's rights or obligations transferred or assigned. Applicant acknowledges that information pertaining to Applicant as it relates to this Agreement or the Credit may be disclosed to (actual or potential) transferees or assignees. This Agreement shall not be construed to confer any right or benefit upon any person or entity other than Applicant and Bank and their respective successors and permitted assigns.

20. **Modification; No Waiver.** None of the terms of this Agreement may be waived or amended except in a writing signed by the party against whose interest the term is waived or amended. Forbearance, failure or delay by Bank in the exercise or partial exercise of any remedy preclude any further exercise of that or any other remedy. Any waiver or consent by Bank shall be effective only in the specific instance and for the specific purpose for which it is given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent.

21. Multiple Role Disclosure. Bank and its affiliates offer a wide range of financial services, including back-office letter of credit processing services on behalf of financial institutions and letter of credit beneficiaries. Our services are provided internationally to a wide range of customers, some of whom may be Applicant's counter-parties or competitors. Applicant acknowledges and accepts that Bank and its affiliates may perform more than one role in relation to a particular Credit.

22. Other Agreements; Remedies Cumulative; Delivery by Facsimile. To the extent this Agreement conflicts with a Continuing Agreement for Letters of Credit made between Applicant and Bank, less than three years prior to the date hereof, the prior agreement shall control. This Agreement (and any controlling agreement described in the preceding sentence) constitutes the entire agreement between the parties concerning Bank's issuance of a letter or letters of credit for Applicant's account and supersedes all prior or simultaneous agreements, written or oral. All rights and remedies of Bank under this Agreement and other documents delivered in connection with this Agreement are cumulative and in addition to any other right or remedy under this Agreement, the Credit or applicable law. Delivery of a signed signature page to this Agreement by facsimile transmission shall be effective as, and shall constitute physical delivery of, a signed original counterpart of this Agreement.

23. Termination; Surviving Provisions. This Agreement shall be terminated only upon payment in full to Bank of all Obligations hereunder. Restrictive provisions in this Agreement, such as indemnity, tax, immunity, and jurisdiction provisions shall survive termination of this Agreement. If the Credit is issued in favor of any bank or other financial or commercial entity on behalf of Applicant or Bank, Applicant shall remain liable under this Agreement (even after expiry of the Credit) for amounts paid and expenses incurred by Bank with respect to the Credit or the undertaking until Bank is released by such other bank or entity.

24. Governing Law; Governing Guidelines. (a) This Agreement and the rights and obligations of Applicant and Bank hereunder shall be governed by and subject to the laws of the State of New York and applicable U.S. Federal laws. (b) Applicant agrees that Bank may issue any Credit subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500 (the "UCP") or the International Standby Practices, International Chamber of Commerce No. 590 (the "ISP") or, at Bank's option, such later revision thereof in effect at the time of issuance of the Credit. The UCP or the ISP, as applicable, shall serve, in the absence of proof to the contrary, as evidence of general banking usage with respect to the subject matter thereof, (c) Applicant agrees that for matters not addressed by the UCP or the ISP, each Credit shall be subject to and governed by the laws of the State of New York and applicable U.S. Federal laws. If, at Applicant's request, a Credit expressly chooses a state or country law other than New York, U.S.A., or is silent with respect to UCP, ISP or governing law, Bank shall not be liable for any payment, cost, expense or loss resulting from any action or inaction taken by Bank if such action or inaction is justified under UCP, ISP, New York law or the law governing the Credit.

25. Jurisdiction; Service of Process. Applicant now irrevocably submits to the non-exclusive jurisdiction of any state or federal court sitting in New York, New York, for itself, and in respect of any of its property and, if a law other than New York, U.S.A. has been chosen to govern the Credit, Applicant also not irrevocably submits to the non-exclusive jurisdiction of any state or federal court sitting in such jurisdiction. Applicant agrees not to bring any action or proceeding against Bank in any jurisdiction not described in the immediately preceding sentence. Applicant irrevocably waives any objection to venue or any claim of inconvenience. Applicant agrees that any service of process or other notice of legal process may be served upon it by mail or hand delivery if sent to, at New One MetroTech Center; Attn: Treasurer 22nd Floor; Brooklyn, York 11201 which applicant now designates its authorized agent for the service of process in the courts in the State of New York. Applicant agrees that nothing in this Agreement shall affect Bank's right to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against Applicant in any other jurisdiction. Applicant agrees that final judgment against it in any action or proceeding shall be enforceable in any other jurisdiction within or outside the United States of America by suit on the judgment, a certified copy of which shall be conclusive evidence of the judgment.

26. JURY TRIAL WAIVER. APPLICANT AND BANK EACH IRREVOCABLY WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM, COUNTERCLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE CREDIT, OR ANY DEALINGS WITH ONE ANOTHER RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT.

Relationship Manager (Signature & Stamp)

(Other required Signature & Stamp)

Very truly yours,

Applicant: _____
(Company Name)

By: _____
(Signature)

(Print Name)

(Title)

Address: _____

Co-Applicant (if any):

By (Authorized Signer):

(Signature)

(Print Name)

(Title)

Address: _____

STANDBY TRUST AGREEMENT

THIS STANDBY TRUST AGREEMENT ("Agreement") entered into this ___ day of March 2004, by and between KeySpan-Ravenswood LLC, a New York limited liability company having a business address at One MetroTech Center, Brooklyn, New York 11201 ("Grantor") and Trustco Bank, a Federal Savings bank organized under the laws of the United States of America, having a place of business at 3 Sarnowski Drive, Glenville, New York 12302 ("Trustee").

WHEREAS, the Grantor is required under Article X of the New York Public Service Law to have a certificate of environmental compatibility and public need in order to build, maintain or operate a major electric generating facility; and

WHEREAS, the Grantor has been granted a certificate of environmental compatibility and public need for the construction and operation of a 250 megawatt natural gas-fired combined cycle combustion turbine generating facility in Long Island City, Queens County, at a site located at Vernon Boulevard, Ravenswood (the "Facility"), as further described in the application in Case 99-F-1625 for said certificate; and

WHEREAS, the Grantor is required to provide financial assurance for site restoration after decommissioning of the Facility, pursuant to 16 NYCRR § 1001.7(b)(2)(ii) and as a condition of the certificate of environmental compatibility and public need; and

WHEREAS, the New York State Public Service Commission ("Commission"), having a business address at 3 Empire State Plaza, Albany, New York, pursuant to § 168(2) of the New York Public Service Law shall monitor, enforce and administer compliance with any terms and conditions of the certificate of environmental compatibility and public need; and

WHEREAS, the Grantor has elected to establish a standby trust into which funds or the proceeds from a surety bond or letter of credit may be deposited to assure all or part of such financial responsibility for the Facility; and

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee.

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

Section 1. *Definitions.* As used in this Agreement:

(a) The term "Grantor" means the owner or operator of the Facility who enters into this Agreement and any successors or assigns of the Grantor.

(b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

(c) The Term "Commission" means the New York State Public Service Commission or its duly authorized designee.

Section 2. *Cost Estimates.* This Agreement pertains to site restoration after decommissioning of the Facility, as established or approved by the Commission for which financial assurance is demonstrated by this Agreement.

Section 3. *Establishment of Fund.* The Grantor and the Trustee hereby establish a standby trust fund ("Fund") for the benefit of the Commission. The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. The Fund is established initially as consisting of funds, or the proceeds of a surety bond or letter of credit, deposited into the Fund as follows:

(a) In the event construction of the Facility is completed pursuant to the terms and conditions of the certificate of environmental compatibility and public need such that the Grantor is allowed to commence commercial operation and an order that site restoration of the Facility site after decommissioning of the Facility be undertaken has been issued by the Commission or a court of competent jurisdiction and the Grantor has failed or refused to undertake or complete site restoration of the Facility site after decommissioning of the Facility to the satisfaction of the Commission, a deposit by the Grantor into the Fund;

(b) In the event the Grantor has failed to fulfill its obligations described in "(a)" above, a deposit by the Grantor's surety, or letter of credit provider into the Fund; and

(c) In the event the Grantor has failed to fulfill its obligation to provide the Commission with a replacement surety bond, letter of credit or any other replacement security in a form acceptable to the Commission at least thirty (30) days prior to the date of expiration or cancellation of any previously posted and accepted surety bond or letter of credit as security to ensure site restoration of the Facility site after decommissioning of the Facility, a deposit by the Grantor's surety or letter of credit provider into the Fund.

Such proceeds and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, in trust, as hereinafter provided. The Trustee shall not be responsible, nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the Commission.

Section 4. *Payment for Site Restoration.* The Trustee shall make payment from the Fund as the Commission shall direct, in writing with a copy to the Grantor, to provide for the payment of the costs of site restoration of the Facility site. The Trustee shall reimburse the Grantor or other persons as specified by the Commission from the Fund for expenditures for such site restoration activities in such amounts as the Commission shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the Commission specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. *Payments Comprising the Fund.* Payments made to the Trustee for the Fund shall consist of the initial deposit of cash or the proceeds of a surety bond or letter of credit and any other property subsequently transferred to the Trustee.

Section 6. *Trustee Management.* The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this Section. In investing, reinvesting, exchanging, selling and managing the Fund, the Trustee shall discharge his or her duties with respect to the trust fund solely in the interest of the beneficiary and with the care skill, prudence and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims, except that:

(a) Securities or other obligations of the Grantor, or any other owner or operator of the Facility, or any of their affiliates as defined in the Investment Company Act of 1940, 15 USCA 80a-2(a), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;

(b) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee to the extent insured by an agency of the Federal or State government; and

(c) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. *Commingling and Investment.* The trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 USCA 90a-1 *et seq.*, including one which may be

created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. *Express Powers of Trustee.* Without in any way limiting the powers and discretion conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it by public or private sale. No person dealing with the Trustee shall be bound to see the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve Bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To accept additions to the Fund from sources other than the Grantor of the Trust; and

(f) To contest, compromise, or otherwise settle any claim in favor of the Fund or Trustee, or in favor of third persons and against the Fund or Trustee.

Section 9. *Taxes and Expenses.* All taxes of any kind that may be assessed or levied against or in respect to the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. *Annual Valuation.* The Trustee shall annually, at least 30 days prior to the anniversary date of the first deposit into the Fund, furnish, to the Grantor and to the Commission, a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days prior to the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and to the Commission shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to matters disclosed in the statement.

Section 11. *Advice of Counsel.* The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. *Trustee Compensation.* The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. *Successor Trustee.* The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instruction. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the Commission, and the present Trustee by certified mail, return receipt requested, 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 14. *Instructions to the Trustee.* All orders, requests and instructions by the Grantor to the Trustee shall be in writing, signed by a designee of the Grantor. The Trustee shall be fully protected in acting without inquiry, in accordance with the Grantor's orders, requests and instructions. All orders, requests and instructions by the Commission to the Trustee shall be in writing, signed by the Commission, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event consisting a change or a termination of the authority of any person to act on behalf of the Grantor or the Commission hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests and instructions from the Grantor and/or the Commission except as provided for herein. In the event that Grantor and the Commission provide the Trustee with conflicting orders, requests or

instructions, Trustee shall follow the order, request or instruction of the Commission and shall ignore the order, request or instruction of Grantor.

Section 15. *Amendment of Agreement.* Upon prior approval of the Commission, this Agreement may be amended by an instrument in writing executed by the Grantor and the Trustee, or executed solely by the Trustee if the Grantor ceases to exist.

Section 16. *Irrevocability and Termination.* Subject to the right of the parties to amend this Agreement as provided in Section 15, this Trust shall be irrevocable regardless of when the first deposit, if any, is made into the Fund and shall continue until upon prior approval of the Commission it is terminated by an instrument in writing executed by the Grantor and the Trustee, or executed solely by the Trustee if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 17. *Immunity and Indemnification.* The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in the carrying out of any directions by the Grantor or the Commission issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 18. *Choice of Law.* This Agreement shall be administered, construed and enforced according to the laws of the State of New York.

Section 19. *Interpretation.* As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation or legal efficacy of this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their respective officers duly authorized as of the date first written.

GRANTOR

TRUSTEE

ACKNOWLEDGMENT OF TRUSTEE

STATE OF _____
COUNTY OF _____

SS.:

On this ____ day of _____, 2004, before me personally came _____, to me known and known to me to be the person described in and who executed the foregoing instrument and acknowledged that (s)he executed the same.

Notary Public

#111647