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waiver, license, qualification or formal exemption from, nor any filing, declaration, qualification or registration with, any Governmental Authority or any other Person is required in connection with the execution, delivery or performance by Buyer of each of this Agreement and the Master Agreement.

(h) Except as has been disclosed to Seller and set forth on Schedules 6.1, 6.2 and 6.3, Buyer is the owner of all right, title and interest in and to the Gas Transportation Contracts and Gas Supply Contracts, free and clear of all Liens, and no person or entity has any claim to use of any portion of the Gas Transportation Contracts or Gas Supply Contracts during the Term. Except as set forth on Schedule 6.1, each of the Gas Transportation Contracts is in full force and effect and is valid, binding and enforceable in accordance with the terms thereof, with no material default, anticipated or threatened default or failure of performance or observance of any obligations or conditions contained therein, and no notice of default or no notice of intention to terminate any Gas Transportation Contracts and Gas Supply Contracts has been provided.

(i) Seller has not received copies of the Gas Transportation Contracts and Gas Supply Contracts (including any exhibits and schedules constituting part thereof) and amendments thereto, waivers relating thereto and other agreements that may affect the terms thereof during the Term. Seller has relied upon the information regarding the Gas Transportation Contracts and the Gas Supply Contracts set forth on Schedules 6.1, 6.2 and 6.3.

(j) The information provided in Schedules 6.1, 6.2 and 6.3 is true and correct in all material respects.

8.2 Seller. Seller represents and warrants as follows:

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Seller has all requisite corporate power and authority to own its respective properties and assets and to carry on its respective businesses as currently conducted and as proposed to be conducted as of the date of this Agreement.

(c) Seller has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and the Master Agreement.

(d) Each of this Agreement and the Master Agreement has been duly authorized, executed and delivered by Seller and constitutes a legal, valid and binding obligation of Seller enforceable against it in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws from time to time in effect relating to creditors' rights generally and by general equity principles.

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(e) The execution and delivery by Seller of each of this Agreement and the Master Agreement, and of all other agreements and instruments to be executed and delivered by Seller pursuant to this Agreement and the Master Agreement, do not, as of the Effective Date, and performance and compliance with the terms and provisions of each of this Agreement and the Master Agreement, shall not, as of the Effective Date, (i) violate any material provision of any law, statute, rule or regulation, order, writ, judgment, injunction, decree, governmental permit, determination or award having applicability to Seller or any of its properties or assets, (ii) conflict with or result in a breach or violation of or constitute a default under any provision of the charter documents, bylaws or other comparable documents of Seller, or (iii) require any consent, approval or notice under or result in a violation or breach of or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any note, bond, mortgage, license, contract, agreement or loan or credit agreement to which Seller is a party or by which Seller or any of its properties or assets may be bound or affected.

(f) There is no action or proceeding pending or, to the knowledge of Seller, contemplated or threatened against or affecting Seller or its properties or assets before or by any Governmental Authority that relates to or challenges the legality, validity or enforceability of this Agreement and the Master Agreement or the ability or obligation of Seller to perform fully on a timely basis any obligation that it has or shall have under this Agreement and the Master Agreement.

(g) Except for processes in the ordinary course of business such as entering into contracts with and satisfying credit and other requirements of Interstate Pipelines in connection with Capacity Releases, no authorization, consent, approval, waiver, license, qualification or formal exemption from, nor any filing, declaration, qualification or registration with, any Governmental Authority or any other Person is required in connection with the execution, delivery or performance by Seller of this Agreement and the Master Agreement.

8.3 Covenant. Other than its actions in executing and performing under this Agreement, Buyer hereby agrees not to take any action that would or might cause Seller to be regulated as a public utility subject to the Illinois Commerce Commission's jurisdiction as a result of this Agreement.

**ARTICLE 9. BILLING AND PAYMENT**

9.1 Invoices. On the tenth day of each Month (or the next succeeding Business Day if the tenth day is not a Business Day) following a Month during the Term, Seller shall provide Buyer with a written statement, with detailed supporting documentation, setting forth amounts due hereunder with respect to Gas sales under this Agreement during the preceding Month, and

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other charges due Seller or credits due Buyer under this Agreement. If actual quantities of Gas sold under this Agreement during the preceding Month cannot be determined, billing and payment shall be based on Scheduled quantities, subject to reconciliation as soon as actual quantities are known. Detailed supporting documentation shall include quantity of Gas delivered at each receipt point with supporting Interstate Pipeline documentation if necessary, to support Seller's receipt of Gas from Buyer, Gas Price assessed by Seller and the associated quantity of Gas and copies of invoices from suppliers under the Gas Supply Contracts.

9.2 Payment Due Date. For all Interstate Pipeline charges, Buyer shall remit the amounts due by the twentieth day of the Month, otherwise Buyer shall remit all other amounts due by the twenty-fifth day of the Month in which the statement and detailed supporting documentation were received, or if the applicable payment due day is not a Business Day, the next Business Day. If presentation by Seller of the written statement is delayed until after the tenth day of the Month, the due date for Buyer's payment shall be extended for a like period, unless the delay in rendering such statement was due to Buyer's failure to provide information reasonably necessary for the preparation of such statement. Payment of all funds shall be made by wire transfer, in U.S. funds, on a same day basis or by automated clearinghouse (ACH) to the account designated in Section 17.1.

9.3 Interest. If Buyer or Seller should fail to remit any amounts in full when due as required hereunder, or if any adjustments are made under this Agreement, including but not limited to, adjustments as a result of the conclusion of any audits or as a result of the resolution of a billing dispute, interest on the unpaid portion shall accrue at the Interest Rate.

9.4 Suspension. If Buyer fails to make timely payment and such failure is not remedied within five (5) Business Days after Seller gives Buyer written notice of such failure, Seller, in addition to any other remedy it may have, may suspend further sale and delivery of Gas until such amount, including interest, is paid; provided, that if Buyer, in good faith, shall dispute the amount of any such billing or part thereof and shall pay to Seller such amounts as Buyer concedes to be correct, Seller shall continue to sell and deliver Gas as provided hereunder. Seller shall promptly investigate any such disputed amount and submit an adjusted bill, if necessary, to Buyer. Buyer shall remit any amount due plus interest within thirty (30) days after Buyer's receipt of an adjusted bill from Seller. Alternatively, Seller shall remit to Buyer any necessary refund plus interest within thirty (30) days after determination of such overpayment.

9.5 Audit Rights. Buyer or Seller or any third party representative thereof shall have the right, upon reasonable notice and at reasonable times, to examine the books and records of the other Party with respect to this Agreement and the Master Agreement to the extent reasonably necessary to verify the accuracy of any billing statement, payment or computation made under

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this Agreement, for a period extending until a final, non-appealable order is issued in the reconciliation proceeding initiated by the Illinois Commerce Commission under Section 9-220 of the Illinois Public Utilities Act pertaining to the transactions that are reflected in such books and records. The books and records of the Parties shall be maintained in accordance with Section 19.9.

9.6 Netting. In the event that Buyer and Seller are each required to pay an amount in the same Month pursuant to this Agreement and the Master Agreement, then such amount with respect to each Party may be aggregated and the Parties may discharge their obligations to pay through netting, in which case the Party, if any, owing the greater aggregate amount may pay to the other Party the difference between the amounts owed.

**ARTICLE 10. CONTROL, POSSESSION, RISK OF LOSS AND TITLE**

10.1 Seller's Risk of Loss. Except as otherwise provided in the Master Agreement, as between the Parties, Seller shall be deemed to be in exclusive control and possession of all Gas to be delivered under this Agreement prior to its delivery to Buyer at the Delivery Point(s), and Seller shall bear the risk of loss and be responsible for any damage or injury caused by such Gas prior to its delivery to Buyer at the Delivery Point(s). Seller shall indemnify Buyer and hold Buyer harmless from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising with respect to such Gas prior to its delivery to Buyer at the Delivery Point(s).

10.2 Buyer's Risk of Loss. Except as otherwise provided in the Master Agreement, as between the Parties, Buyer shall be deemed to be in exclusive control and possession of all Gas to be delivered under this Agreement after its delivery to Buyer at the Delivery Point(s), and Buyer shall bear the risk of loss and be responsible for any damage or injury caused by such Gas after its delivery to Buyer at the Delivery Point(s). Buyer shall indemnify Seller and hold Seller harmless from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising with respect to such Gas after its delivery to Buyer at the Delivery Point(s).

10.3 Transfer of Title. Title to all Gas sold and purchased under this Agreement shall pass from Seller to Buyer at the Delivery Point applicable to the sale and purchase of such Gas.

10.4 Seller's Warranty of Title. Seller warrants title to all Gas sold and all Gas delivered under this Agreement, free and clear of all liens, encumbrances, production burdens and other adverse claims whatsoever. Seller shall indemnify, defend and hold Buyer harmless from any and all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of liens, encumbrances, production burdens and other adverse claims of any or all persons to said Gas or to royalties, license fees or charges thereon that are applicable to said Gas at or prior to

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its delivery to Buyer at the Delivery Point(s). Buyer, in addition to all other available remedies, may refuse to accept all Gas failing to meet the foregoing title requirements.

**10.5 Buyer's Warranty of Title.** With respect to the Gas sold by Buyer to Seller pursuant to Section 2.11, Buyer warrants title to all Gas sold and all Gas delivered under this Agreement, free and clear of all liens, encumbrances, production burdens and other adverse claims whatsoever. Buyer shall indemnify, defend and hold Seller harmless from any and all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of liens, encumbrances, production burdens and other adverse claims of any or all persons to said Gas or to royalties, license fees or charges thereon that are applicable to said Gas at or prior to its delivery to Seller at the Delivery Point(s). Seller, in addition to all other available remedies, may refuse to accept all Gas failing to meet the foregoing title requirements.

**ARTICLE 11. DEFAULTS AND REMEDIES**

**11.1 Buyer's Cover.** To the extent Seller fails to provide the quantities of Gas specified in Sections 2.1 in accordance with the terms of this Agreement on any Day and such failure is not excused by Force Majeure or by non-performance or curtailment by Buyer of supply under the Transaction Agreements, Seller shall pay to Buyer an amount equal to the Replacement Price Differential multiplied by Seller's Deficiency Quantity. As to Seller's default, the "Replacement Price Differential" means the positive difference, if any, obtained by subtracting the Gas Price from the cost to Buyer in an incremental arms-length purchase from a third party per MMBtu at the Delivery Point(s) to replace Seller's Deficiency Quantity for such Day plus all scheduling, nomination, unauthorized overrun and balancing penalties incurred by Buyer as a result of Seller's failure. "Seller's Deficiency Quantity" means the (the quantities of Gas specified in Section 2.1) minus (the quantities of Gas Scheduled and delivered by Seller) on any Day. Additionally, if, on any Day, the quantity of Gas delivered by Seller is in excess of the quantities of Gas specified in Section 2.1 and causes Buyer to incur any scheduling, nomination, unauthorized overrun and balancing penalties, Seller shall pay to Buyer an amount equal to such penalties.

**11.2 Seller's Cover.** To the extent Buyer fails to Schedule the quantities specified in Section 2.1 or to receive such quantities in accordance with the terms of this Agreement on any Day and such failure is not excused by Force Majeure, Buyer shall pay to Seller an amount equal to the Replacement Price Differential multiplied by Buyer's Deficiency Quantity. As to Buyer's default, the "Replacement Price Differential" means the positive difference, if any, obtained by subtracting the price obtained by Seller in an incremental, arms-length sale(s) to a third party of a quantity equal to Buyer's Deficiency Quantity for such Day, from the applicable Gas Price for such quantities, plus all scheduling, nomination, unauthorized overrun and balancing penalties

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incurred by Seller as a result of Buyer's failure. "Buyer's Deficiency Quantity" means (the quantities of Gas that Buyer is required to purchase in Section 2.1) minus (the quantity of Gas Scheduled and taken by Buyer) on any Day. Additionally, if, on any Day, the quantity of Gas received by Buyer is in excess of the quantities of Gas specified in Section 2.1 and causes Seller to incur any scheduling, nomination, unauthorized overrun and balancing penalties, Buyer shall pay to Seller an amount equal to such penalties.

11.3 Notice of Default. Each Party's authorized representative shall notify the other Party's authorized representative (which notification may be by telephone, provided it is confirmed in writing within two (2) Business Days) as soon as possible each day if the Party will not be able to fully perform under this Agreement at any time. In the event of Seller's non-performance under this Agreement, in addition to any other remedies available to Buyer, Buyer shall have the right, but not the obligation, to nominate, schedule and operate the Gas Supply Contracts and to recall the Gas Transportation Contracts without regard to Seller's request, and to require Seller, via notice to Seller's authorized representative (which notification may be by telephone, provided it is confirmed in writing within two (2) Business Days) to use, schedule and nominate under any Gas Supply Contract or Gas Transportation Contract to serve Buyer and mitigate Seller's non-performance under this Agreement. In the event of Buyer's non-performance of its delivery obligation under the Transaction Agreements, Seller shall have the right to reduce its obligation to deliver the quantities in Section 2.1 by the quantity of such delivery failure.

11.4 Termination. This Agreement may be terminated prior to the conclusion of the Term pursuant to Section 14.1. In addition, if for any reason (excluding Force Majeure) on more than two (2) Days during any Winter Period, but in no event more than six (6) Days during the Winter Periods during the Term, Seller's Deficiency Quantity under this Agreement and the Gas Purchase and Agency Agreement dated September 16, 1999, by and between North Shore Gas Company and Enron North America Corp. is greater than 45,000 MMBtu on any Day, Buyer shall be entitled to terminate this Agreement and any then currently effective Transaction Agreements upon ten (10) Days written notice to Seller. In such event, Buyer shall have no obligation to pay the Termination Payment.

**ARTICLE 12. FORCE MAJEURE**

12.1 Effect of Force Majeure. Except with regard to Buyer's or Seller's obligations to make payments due under this Agreement, in the event either Party (the "Affected Party") is rendered unable, wholly or in part, by Force Majeure to perform any or all of its obligations under this Agreement, and not due to the fault or negligence of the Affected Party or failure of the Affected Party to take actions within its control, upon the Affected Party's giving notice and full particulars of such Force Majeure to the other Party as soon as reasonably possible (such notice may be

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oral or by telephone provided it is confirmed in writing within two (2) Business Days), the obligations the Affected Party is unable to perform due to the Force Majeure shall be suspended during the continuance of such inability, provided that neither Party's obligations shall be suspended for any reason or reasons of Force Majeure for an aggregate period of greater than sixty (60) Days during any twelve (12) Month period. The Affected Party's obligations shall be suspended only for such time as, and only to the extent that, they are affected by such Force Majeure, and are not susceptible of cure or replacement as hereinafter provided. The cause of the Force Majeure shall as far as possible be remedied with all reasonable diligence and dispatch; provided, that no provision of this Agreement shall be interpreted to require Seller to deliver, or Buyer to receive, quantities of Gas at points other than the Delivery Point(s). Further, Seller shall not be excused from its obligations under this Agreement for reason of Force Majeure unless all the Gas Transportation Contracts and Gas Supply Contracts are then being used to deliver to Buyer the quantities of Gas specified in Sections 2.1.

12.2 Force Majeure Defined. The term "Force Majeure" shall mean acts of God, strikes, lockouts, or other industrial disturbances, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, inability of any Party to obtain necessary materials, supplies (other than Gas), or permits due to existing or future rules, orders, laws of governmental authorities (both Federal and state), civil disturbances, explosions, sabotage, breakage or accident to machinery or lines of pipe, freezing of lines of pipe, and any similar causes, that could not reasonably have been anticipated as of the Effective Date, that are not within the control of the Party claiming suspension and that by the exercise of due diligence such Party is unable to overcome. It is expressly agreed by the Parties that neither (i) Buyer's inability economically to use or resell Gas after it is purchased under this Agreement, nor (ii) Seller's loss of supply or ability to sell Gas to a market at a more advantageous price, nor (iii) depletion of Seller's reserves shall constitute an event of Force Majeure.

12.3 Third-Party Transporters. The term "Force Majeure" also shall include any event of Force Majeure occurring with respect to the facilities or service of a Party's third party transporters delivering or receiving Gas at a Delivery Point, but shall not include curtailment or interruption of either firm or interruptible service by such third-party transporter, unless such curtailment or interruption was a result of an event of Force Majeure.

12.4 Labor Disputes. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Party having the difficulty, and that the above requirement of the use of diligence and dispatch in restoring normal operational conditions shall not require the settlement of strikes or lockouts.

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### ARTICLE 13. ARBITRATION

13.1 Disputes to be Arbitrated. Any and all claims, demands, causes of action, disputes, controversies, and other matters in question arising out of or relating to this Agreement, any of its provisions, or the relationship between the Parties created by this Agreement, whether sounding in contract, tort or otherwise, whether provided by statute or the common law, for damages or any other relief (all of which are referred to herein as "Disputes"), shall be resolved by binding arbitration pursuant to the Federal Arbitration Act. The arbitration may be initiated by either Party by providing to the other a written notice of arbitration specifying the Disputes to be arbitrated. If a Party refuses to honor its obligations to arbitrate, the other Party may seek to compel arbitration in either federal or state court. The arbitration proceeding shall be conducted in a neutral location mutually agreed upon by the Parties. Within thirty (30) days of the notice initiating the arbitration procedure, each Party shall designate an arbitrator, who need not be impartial. If a Party fails to designate an arbitrator, the other Party may have an arbitrator appointed by applying to the senior active United States District Judge for the district in which the arbitration is taking place. The two arbitrators shall select a third arbitrator. If the two arbitrators chosen by the Parties fail to agree upon the third arbitrator, both or either of the Parties may apply to the senior active United States District Judge for the district in which the arbitration is to take place for the appointment of a third arbitrator. The third arbitrator shall take an oath of neutrality.

13.2 Arbitration Procedures. The three arbitrators shall make all of their decisions by majority vote. The enforcement of this Agreement to arbitrate, the validity, construction, and interpretation of this Agreement to arbitrate, and all procedural aspects of the proceeding pursuant to this Agreement to arbitrate, including, without limitation, the issues subject to arbitration, the scope of the arbitrable issues, allegations of "fraud in the inducement" to enter into this entire Agreement or to arbitrate, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act. In deciding the substance of the parties' Disputes, the arbitrators shall apply the substantive laws of the State of Illinois (excluding Illinois choice-of-law principles that might call for the application of some other State's law). The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association except as modified in this Agreement. It is contemplated that, although the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, the arbitration proceeding shall be self-administered by the Parties; provided, if a Party believes the process shall be enhanced if it is administered by the

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American Arbitration Association, such Party shall have the right to cause the process to become administered by the American Arbitration Association by applying to the American Arbitration Association and, thereafter, the arbitration shall be conducted pursuant to the administration of the American Arbitration Association. In determining the extent of discovery, the number and length of depositions, and all other pre-hearing matters, the arbitrators shall endeavor to the extent possible to streamline the proceedings and minimize the time and cost of the proceedings. There shall be no transcript of the hearing. The final hearing shall be conducted within one hundred twenty (120) days of the selection of the third arbitrator. Each Party shall submit to the arbitrators and exchange with each other in advance of the final hearing their last, best calculation of the damages due under this Agreement. The final hearing shall not exceed ten (10) Business Days, with each Party to be granted one-half of the allocated time to present its case to the arbitrators. All proceedings conducted hereunder and the decision of the arbitrators shall be kept confidential by the Parties. At the conclusion of the final hearing, the arbitrators may allow a Party to resubmit its last, best calculation of the damages due under this Agreement to reflect any information, evidence or other factual material brought forth during the final hearing.

13.3 Arbitration Award. The arbitrators shall be limited to selecting either one of each Party's last, best damages calculations, choosing the proposal that the arbitrators find most reasonable and appropriate. Only damages allowed pursuant to this Agreement may be awarded. It is expressly agreed that the arbitrators shall have no authority to award treble, exemplary or punitive damages of any type under any circumstances regardless of whether such damages may be available under Illinois law, the Parties hereby waiving their right, if any, to recover treble, exemplary or punitive damages in connection with any Dispute, either in arbitration or in litigation, except as provided in Section 15.4. The arbitrators shall render their final decision within twenty (20) days of the completion of the final hearing fully resolving all of the Disputes that are the subject of the arbitration proceeding. The arbitrators' ultimate decision after final hearing shall be in writing. The arbitrators shall certify in their decision that no part of their award includes any amount for treble, exemplary or punitive damages not allowed hereunder except as provided in Section 15.4. The arbitrators' decision shall be final and non-appealable to the maximum extent permitted by law. Any and all of the arbitrators' orders and decisions may be enforceable in, and judgment upon any award rendered in the arbitration proceeding may be confirmed and entered by, any federal or state court having jurisdiction.

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#### ARTICLE 14. DEFAULT AND TERMINATION OF AGREEMENT

14.1 Early Termination. The following shall be grounds for termination of this Agreement prior to the conclusion of the Term, including, without limitation, prior to the Effective Date, and all of the currently effective Transaction Agreements then currently effective:

(a) Either Party may terminate this Agreement and the then currently effective Transaction Agreements if the other Party fails to make payment of any undisputed amounts due under any provision of this Agreement and currently effective Transaction Agreements, which failure continues for a period of five (5) Business Days after receipt of written notice of such nonpayment.

(b) Either Party may terminate this Agreement and the then currently effective Transaction Agreements if any representation or warranty made by the other Party in this Agreement shall prove to have been false or misleading in any material respect when made or deemed to be repeated.

(c) Either Party may terminate this Agreement and the then currently effective Transaction Agreements if the other Party fails to comply substantially with any material provision of this Agreement or any then currently effective Transaction Agreements, which failure continues for a period of five (5) Business Days after delivery of written notice of such noncompliance.

(d) Either Party may terminate this Agreement and the then currently effective Transaction Agreements if the other Party shall: (i) make an assignment or any general arrangement for the benefit of creditors, (ii) file a petition or otherwise commence, authorize or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors, or have such petition filed against it and such proceeding remains undismissed for sixty (60) days, (iii) otherwise become bankrupt or insolvent (however evidenced), or (iv) be unable to pay its debts as they fall due.

(e) Either Party (the "Notifying Party"), upon the occurrence of a Material Adverse Change of the other Party (the "Affected Party"), may terminate this Agreement and the then currently effective Transaction Agreements. For purposes of this section, a "Material Adverse Change" means (i) if the Affected Party or its parent corporation shall have long-term debt unsupported by third party credit enhancement that is rated by Standard & Poor's Corporation at BB+ or below or by Moody's at Ba1 or below or (ii) if the Affected Party or its parent corporation shall have defaulted on any debt obligations in aggregate of more than \$50 million; provided, such Material Adverse Change shall not be considered if the Affected Party establishes and maintains throughout the Term hereof a Letter of Credit (naming the other Party

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as the beneficiary) ("Letter of Credit") in an amount equal to the sum (in each case rounding upwards for any fractional amount to the next \$100,000) of (a) the Notifying Party's Termination Payment plus (b) if the Notifying Party is the Seller, the aggregate of the amounts Seller is entitled to receive under this Agreement for Gas Scheduled during the sixty (60) day period preceding the Material Adverse Change (the amount of said Letter of Credit to be adjusted quarterly to reflect amounts owing at that point in time.

(f) Buyer may terminate this Agreement and the then currently effective Transaction Agreements upon a breach of the Parent Guaranty.

(g) Buyer may terminate this Agreement and any of the then currently effective Transaction Agreements if any regulatory body or Governmental Authority having jurisdiction prohibits any of the transactions described in this Agreement or any of the currently effective Transaction Agreements or otherwise materially conditions such transactions, including pursuant to Section 9-220 of the Illinois Public Utilities Act, in a form that is unacceptable in the sole judgment of Buyer. Buyer shall be obligated to pay Seller the Termination Payment. For purposes of calculating any Termination Payment required by this Section 14.1(g), Seller shall be deemed to be the "terminating Party" as such term is used in Section 14.3.

(h) Buyer may terminate this Agreement and any of the then currently effective Transaction Agreements if Seller fails to take the steps necessary to become a replacement shipper under the Gas Transportation Contracts, as required by Section 6.1. There shall be no Termination Payment associated with termination pursuant to this Section 14.1(h).

(i) Buyer may terminate this Agreement or any of the then currently effective Transaction Agreements in accordance with Section 11.4. There shall be no Termination Payment associated with termination pursuant to this Section 14.1(i).

(j) Seller may terminate this Agreement and the then currently effective Transaction Agreements if a court or agency of any Governmental Authority with jurisdiction determines that Seller is subject to the jurisdiction of the Illinois Commerce Commission during the Term as a result of the execution, delivery or performance of this Agreement. Seller shall be obligated to pay Buyer the Termination Payment. For purposes of calculating any Termination Payment required by this Section 14.1(j), Buyer shall be deemed to be the "terminating Party as such term is used in Section 14.3.

(k) Either Party may terminate this Agreement and any then currently effective Transaction Agreements if the Gas Purchase and Agency Agreement dated September 16, 1999, by and between North Shore Gas Company and Enron North America Corp. is terminated for any reason. The Party causing the default under such terminated contract will be responsible for paying the Termination Payment under this Agreement.

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**14.2 Remedies for Breach.**

(a) A Party that may and desires to terminate the Agreement or any of the then currently effective Transaction Agreements pursuant to Section 14.1 shall give written notice of its intention to terminate, specifying the grounds therefor to the other Party and the effective date of such termination (the "Termination Date"), which Termination Date shall be effective no earlier than the thirtieth (30th) day following the receipt of said notice, whereupon (unless during such thirty (30) day period such grounds for termination shall have been cured) the terminating Party shall be excused and relieved of all obligations and liabilities under this Agreement or any of the currently effective Transaction Agreements and except for those liabilities incurred before the effective date of termination or as a result of the termination. Notwithstanding the foregoing, termination pursuant to Section 14.1(i) shall be effective on the tenth (10th) day following the receipt of said notice.

(b) Each Party shall use every reasonable effort to mitigate any damages resulting from a breach and/or termination of this Agreement or any of the then currently effective Transaction Agreements. Provided, however, that Seller's responsibility to mitigate damages shall be reduced to the extent that such mitigation requires use of the Gas Supply Contracts and Gas Transportation Contracts pursuant to this Agreement, and such use is unavailable pursuant to Section 14.2(c).

(c) Upon termination of this Agreement, Seller's, agency, authority or other rights with respect to the Gas Supply Contracts and Gas Transportation Contracts shall immediately terminate and the Released Capacity shall be recalled as soon as possible pursuant to 18 C.F.R. Part 284.

(d) In the event that this Agreement is terminated by either Party pursuant to the provisions of Section 14.1 as the result of the acts or omissions of the other Party, the non-terminating Party shall be obligated, except as otherwise provided in Section 14.1, to pay the Termination Payment to the terminating Party.

**14.3 Termination Payment.** "Termination Payment" shall mean the aggregate of Gains, Losses, and Costs as determined under this Agreement. The Gains, Losses and Costs shall be calculated in good faith by the terminating Party as such Gains, Losses and Costs result from the termination of this Agreement and any currently effective Transaction Agreements. The Gains, Losses and Costs shall be determined by comparing the value of the remaining Term and amount of Gas and transportation capacity that would have been provided under this Agreement had it not been terminated to the equivalent quantities and relevant market prices for the remaining Term for this Agreement, either quoted by a bona fide third-party offer or which are reasonably expected to be available in the market under replacement agreements for this

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Agreement individually. To ascertain the market prices of a replacement contract, the terminating Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts and other bona fide third-party offers, all adjusted for the length of the remaining Term and differences in transportation. A Party shall not be required to enter into a replacement transaction to determine a Termination Payment. If the terminating Party's aggregate Losses and Costs exceed its aggregate Gains, the net amount shall be the Termination Payment. If the terminating Party's aggregate Gains exceed its aggregate Losses and Costs, if any, resulting from the termination of this Agreement and any currently effective Transaction Agreements, the Termination Payment shall be zero.

14.4 Winding Up. At the end of the Term or earlier termination thereof (a) Seller immediately shall cease to be Buyer's agent for the Gas Supply Contracts and Gas Transportation Contracts and replacement shipper for the Released Capacity, and (b) any amounts due and owing either Party under this Agreement and the Master Agreement shall be paid pursuant to the terms of such agreement and any corrections or adjustments to payments previously made shall be determined and any refunds due to either Party shall be made at the earliest possible time and in any event no later than thirty (30) days. In addition, upon conclusion of the Term, Seller shall cooperate in the transfer of records to Buyer or its designee in order to facilitate proper transfer of Seller's functions under this Agreement to Buyer or its designee, provided that such cooperation shall give rise to no rights that shall survive the termination of this Agreement.

**ARTICLE 15. INDEMNIFICATION**

15.1 Indemnification Obligations of Buyer. Subject to Section 15.4, Buyer shall indemnify and hold harmless Seller and its Affiliates and each of their respective Representatives from and against any claim, liability, loss, cost, damage or expense (including, without limitation, reasonable attorneys' fees, charges and disbursements) made against such indemnified party by third parties arising out of, or resulting from or in any way related to the breach of or failure to perform or satisfy any of the representations, warranties or covenants made by Buyer in this Agreement or the Master Agreement.

15.2 Indemnification Obligations of Seller. Subject to Section 15.4, Seller shall indemnify and hold harmless Buyer and its Affiliates and each of their respective Representatives from and against any claim, liability, loss, cost, damage or expense (including, without limitation, reasonable attorneys' fees, charges and disbursements) made against such indemnified party by third parties arising out of, resulting from or in any way related to the breach of or failure to perform or satisfy any of the representations, warranties or covenants made by Seller in this Agreement or the Master Agreement.

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15.3 Third Party Claims. With respect to claims made by third parties, the indemnifying party shall have the right to assume, at its sole cost and expense, the defense of any such claim or action with counsel designated by the indemnifying party and reasonably satisfactory to the indemnified party. No indemnified party shall settle any claim or action with respect to which it has sought or intends to seek indemnification pursuant to this Article 15 without the prior written consent of the indemnifying party, which consent shall not be unreasonably withheld.

15.4 No Consequential Damages. Neither Party shall be liable to the other Party or its Affiliates for consequential, incidental, indirect, punitive or special damages (collectively, "Consequential Damages") resulting from any cause whatsoever, including without limitation, any loss of profits, sales or goodwill, or any other claim whether arising in contract, warranty, tort (including negligence), strict liability, indemnity or otherwise arising out of or relating to this Agreement, and each Party hereby releases the other Party from any liability for all such losses and damages. No failure by either Party to this Agreement to fulfill any condition hereof shall constitute a failure of essential purpose entitling any party to seek Consequential Damages. Notwithstanding the foregoing, if, as a consequence of Seller's gross negligence or willful failure to perform its obligations pursuant to this Agreement, Buyer's customers file an action for and obtain a final judgment for Consequential Damages against Buyer in a court of competent jurisdiction (after any and all appeals thereof shall have been exhausted), Seller shall indemnify Buyer for the amount of such Consequential Damages; provided, however, that Seller's liability herein shall be limited to Buyer's liability to its customers as set forth in Buyer's tariffs as such tariffs may be amended from time to time. Seller shall receive notice of the pendency of any such action and shall have the right to participate in and defend against such action and to prosecute any appeals thereof at Seller's sole expense.

15.5 Survival. The provisions of this Article 15 shall survive the termination of this Agreement indefinitely.

**ARTICLE 16. CONFIDENTIALITY**

16.1 Confidentiality; Public Statements. Except as provided in Section 16.2, each Party agrees that, during the Term, it shall hold in strict confidence and shall not without the prior written consent of the other Party disclose to any Person (a) any Confidential Information with respect to the other Party (and its Affiliates) or (b) the terms and conditions and other information contained in any Transaction Agreement. The Parties shall consult with each other and, subject to Section 16.2, no Party shall issue any public announcement or statement with respect to the existence of this Agreement or the Master Agreement, or any transaction contemplated hereby or thereby without the consent of the other Party.

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16.2 Actions Prior to Disclosure. In the event either Party determines that it is required by applicable law, rule, regulation or order of any Governmental Authority to disclose, file or otherwise make public the terms of this Agreement, the Master Agreement, the Parent Guaranty or any Confidential Information, it shall, prior to making any such disclosure, (a) notify the other Party of its determination that such disclosure is required and the basis for such determination and (b) in the case of any disclosure or filing with the SEC or any other Governmental Authority, submit to the SEC or such other Governmental Authority, after consultation with the other Party, an application for confidential treatment or similar confidentiality request and shall use reasonable efforts to obtain an order of the SEC (or such other Governmental Authority) granting the broadest confidential treatment that may be obtained with respect to such Transaction Agreement, or such other Confidential Information (as the case may be). If either Party intends to make, or receives an order from any Governmental Authority requiring it to make any filing of this Agreement or the Master Agreement with any Governmental Authority, said Party shall first notify the other Party. In the event either Party intends to make or is required to make such filings, said Party shall request that such Governmental Authority grant trade secret protection to portions of such agreements and associated descriptions thereof; however, neither Party can guarantee that such Governmental Authority shall grant such protection. Neither Party shall be responsible for damage or harm suffered by the other Party resulting from the determination of any Governmental Authority to disclose information in its possession concerning any Transaction Agreements.

16.3 Non-Disclosure by Representatives. Notwithstanding the foregoing, each Party may disclose Confidential Information to officers, directors, employees and representatives of such Party or its Affiliates, except for any Affiliate engaged in retail marketing of Gas (collectively, "Representatives"); provided, that each Representative who receives any such information shall be informed of the confidential nature of such information and shall be directed to treat such Confidential Information in accordance with the terms of this Article 16. Buyer and Seller shall be responsible for any breach of this Article 16 by any of their Representatives and each agrees, at its sole expense, to take all reasonable measures (including but not limited to court proceedings) to restrain its Representatives from prohibited or unauthorized disclosure or use of Confidential Information.

16.4 Injunctive Relief. The Parties agree that in the event of any breach by either Party or its respective Representatives of any of the provisions of this Article 16, money damages would be inadequate and that the non-breaching Party would have no adequate remedy at law. Accordingly, notwithstanding anything to the contrary contained in this Agreement, the Parties agree that they shall have the right, in addition to any right to seek damages, to pursue an action

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or actions for specific performance, injunction and/or other equitable relief in order to enforce or prevent any violation (whether anticipatory, continuing or future) of the provisions of this Article 16.

**ARTICLE 17. NOTICES**

17.1 Except as otherwise provided in this Agreement, all notices and communications required or permitted under the terms of this Agreement may be given orally followed in writing, and shall be given by registered or certified mail, return receipt requested, telex, facsimile, air courier guaranteeing overnight delivery or personal delivery on a Business Day, to the addresses set forth below. All such notices and communications shall be deemed to have been duly given: at the time delivered by hand and received by the other Party, if personally delivered; four (4) days after being sent by certified mail, return receipt requested, if mailed; when answered back, if telexed; when receipt acknowledged, if sent by facsimile; and on the next Business Day if timely delivered to an air courier guaranteeing overnight delivery.

**NOTICE TO SELLER:**

Enron North America Corp.  
P.O. Box 4428  
Houston, Texas 77210-4428  
Attn: Document and Deal Clearing Desk  
Facsimile No. 713-646-4816  
or  
1400 Smith Street  
Houston, Texas 77002

**PAYMENTS TO SELLER:**

Wire Transfer to:  
Enron North America Corp.  
ABA Routing 111000012  
Bank of America Account No. 3750494099

**INVOICES TO SELLER:**

Enron North America Corp.  
P.O. Box 4428  
Houston, Texas 77210-4428  
Attn: Contract Settlement

**NOTICE TO BUYER:**

The Peoples Gas Light and Coke Company  
130 East Randolph Drive  
Gas Supply Administration  
22nd Floor  
Chicago, Illinois 60601  
Attn: Manager, Gas Supply Administration  
Facsimile No. 312-240-4211

**PAYMENTS TO BUYER**

Wire Transfer to:  
The Peoples Gas Light and Coke Company  
Harris Trust & Savings Bank, Chicago, Illinois  
ABA #0710 00288  
Acct. # 375 360 5

**INVOICES TO BUYER:**

The Peoples Gas Light and Coke Company  
130 East Randolph Drive  
Gas Supply Administration  
22nd Floor  
Chicago, Illinois 60601  
Attn: Manager, Gas Supply Administration

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OTHER BILLING AND ACCOUNTING MATTERS

TO SELLER:

Enron North America Corp.  
P.O. Box 4428  
Houston, Texas 77210-4428  
Attn: Contract Settlement  
Facsimile No. 713-646-8420

TO BUYER:

The Peoples Gas Light and Coke Company  
130 East Randolph Drive  
Gas Supply Administration  
22nd Floor  
Chicago, Illinois 60601  
Attn: Manager, Gas Supply Administration

ARTICLE 18. TAXES

18.1 Taxes. Except to the extent provided otherwise in the Master Agreement, the price paid under this Agreement includes full reimbursement for, and Seller is liable for and shall pay, or cause to be paid, or reimburse Buyer if Buyer has paid, all Taxes applicable to the Gas sold hereunder upstream of the Delivery Point(s). In the event Buyer is required to remit such Tax, the amount thereof shall be deducted from any sums due Seller hereunder, and Seller shall indemnify, defend and hold Buyer harmless from any liability for such Taxes. The price does not include reimbursement for, and the Buyer is liable for and shall pay, cause to be paid, or reimburse Seller if Seller has paid, all Taxes applicable to the Gas sold hereunder incurred at or downstream of the Delivery Point(s), and Buyer shall indemnify, defend and hold Seller harmless from any liability for such Taxes. Any Taxes that Buyer would have otherwise paid but for these Transactions shall continue to be paid by Buyer.

18.2 Cooperation. Both Parties shall use reasonable efforts to administer this Agreement and implement the provisions in accordance with their intent to minimize Taxes. Upon request, a Party shall provide a certificate of exemption or other reasonably satisfactory evidence of exemption from any Tax and each Party agrees to cooperate with the other Party in obtaining any such exemption.

ARTICLE 19. MISCELLANEOUS

19.1 Entire Agreement; Modifications in Writing. This Agreement, the Master Agreement and the Parent Guaranty, together with all exhibits and schedules attached hereto and thereto, constitute the entire agreement between the Parties pertaining to the subject matter hereof and thereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. Except as specifically provided in an Agreement, no amendment, waiver, consent, modification or termination of any provision of such Agreement shall be effective unless signed by both Parties.

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19.2 Binding Effect; Assignment. This Agreement, including without limitation each indemnification, shall inure to and bind the permitted successors and assigns of the Parties; provided, neither Party shall transfer this Agreement without the prior written approval of the other Party, which may be withheld entirely at the sole discretion of such Party; provided further, either Party may transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other Party, but no such transfer shall operate to relieve the transferor Party of its obligations hereunder. Any Party's transfer in violation of this Section 19.2 shall be void.

19.3 Execution in Counterparts. This Agreement may be executed in counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same agreement.

19.4 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES ARISING OUT OF THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED, AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

19.5 Severability. The invalidity of one or more provisions contained in this Agreement or the Master Agreement shall not affect the validity of the remaining portions of the this Agreement or the Master Agreement so long as for both Parties the material purposes of this Agreement or the Master Agreement taken as a whole can be determined and effectuated. In the event that any or all of this Agreement or the Master Agreement is held to be invalid or unenforceable, the Parties agree to negotiate in good faith to reach an equitable agreement on such portion that is void or unenforceable. If any indemnity or hold harmless obligation (or portions thereof) in this Agreement or the Master Agreement is for any reason held to be invalid or unenforceable in any respect, and if the Parties fail to agree on a replacement provision, then such obligation shall be construed to apply to the fullest extent permitted by law but in no event beyond the scope and limits of those original indemnity and hold harmless obligations determined to be invalid or unenforceable.

19.6 Headings, Exhibits and Schedules. The headings used for the articles and sections herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement. All exhibits and schedules referenced in this Agreement are hereby incorporated for all purposes.

19.7 Effect of Waiver or Consent. No waiver or consent by either Party, express or implied, of any one or more defaults by the other Party in the performance of any of the provisions of this Agreement shall operate or be construed as a waiver or consent of any other default or defaults whether of a like kind or different nature. Failure by a Party to complain of any act of the other

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Party or to declare the other Party in default with respect to this Agreement, irrespective of how long that failure continues, does not constitute a waiver by that Party of its rights with respect to that default.

**19.8 Exclusion of Third Party Rights.** The provisions of this Agreement shall not impart rights enforceable by any person, firm or organization not a Party or not bound as a Party, or not a permitted successor or assignee of a Party bound to this Agreement.

**19.9 Books and Records.** Except as specified in Section 9.5. Seller and Buyer each shall retain its books and records related to the Transaction Agreements during the Term of this Agreement and for a period of three (3) years from the end of the Term or earlier termination thereof; provided, however, that neither Seller nor Buyer shall be required to retain any tapes used to record conversations between the Parties related to this Agreement or the Master Agreement for a period of more than six (6) months from the date of such conversations.

**19.10 No Implied Warranties.** Each Party hereby disclaims, and the other Party hereby waives, any implied representations, covenants, warranties and agreements, except those expressly set forth in this Agreement or the Master Agreement.

**19.11 Limitation of Remedies, Liability and Damages and Mitigation.** THE PARTIES DO HEREBY CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS HEREIN PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY HEREUNDER. THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY HEREIN PROVIDED, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY HEREUNDER AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, IN TORT, CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE LIQUIDATED DAMAGES CONSTITUTE A

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REASONABLE APPROXIMATION OF THE HARM OR LOSS. BUYER ACKNOWLEDGES THAT IT HAS ENTERED INTO THIS AGREEMENT AND IS CONTRACTING FOR THE GOODS TO BE SUPPLIED BY SELLER BASED SOLELY UPON THE EXPRESS REPRESENTATIONS AND WARRANTIES HEREIN SET FORTH AND SUBJECT TO SUCH REPRESENTATIONS AND WARRANTIES, ACCEPTS SUCH GOODS "AS-IS" AND "WITH ALL FAULTS." SELLER EXPRESSLY NEGATES ANY OTHER REPRESENTATION OR WARRANTY, WRITTEN OR ORAL, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO CONFORMITY TO MODELS OR SAMPLES, MERCHANTABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE. The Parties acknowledge the duty to mitigate damages hereunder. In this connection, the Parties recognize that the ability to effectuate arrangements for the sale or purchase of Gas is conditioned upon the volatility of Gas markets, the creditworthiness and reliability of potential customers, the complexity and size of the portfolios of contracts managed by each Party and the need to conduct market business in an orderly manner. Therefore, the Parties agree that (i) fifteen (15) Business Days is a commercially reasonable period to purchase or sell Gas in respect of a Seller's or Buyer's Deficiency Default and (ii) thirty (30) Business Days after the end of the Month in which the early termination date pursuant to Section 14.1 occurs is a commercially reasonable period after the establishment of any such early termination date to determine the Termination Payment; provided, notwithstanding the foregoing, if Gas quantities made the basis of a Seller's or Buyer's Deficiency Default or a Party's determination of the Termination Payment are in excess of 20,000 MMBtu/Gas Day, the Parties recognize that a longer period may ordinarily be required to effectuate cover or determine the Termination Payment in an orderly manner so as not to adversely affect the Gas market. Each Party may utilize its discretion, with commercially reasonable foresight, to adjust the timing and staggering of the purchases or sales of Gas volumes in its efforts to mitigate damages. No claim that a Party failed to mitigate damages shall be grounded solely on the basis of counter Gas market movement.

19.12 Preparation. This Agreement was negotiated and prepared by both Parties with advice of counsel to the extent deemed necessary by each Party, and was not prepared by any Party to the exclusion of the other, and, accordingly, should not be construed against either Party by reason of its preparation.

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IN WITNESS WHEREOF, the Parties have entered into this Agreement. effective as of the date first above written.

The Peoples Gas Light and  
Coke Company

Enron North America Corp.

By: William E. Morrow  
William E. Morrow  
Vice President

By: David W. Delaney *Just*  
David W. Delaney  
Managing Director

EXHIBIT A

ENRON CORP.

Guaranty

This Guaranty (the "Guaranty"), dated as of September \_\_\_\_\_, 1999, is made and entered into by ENRON CORP., an Oregon corporation ("Guarantor").

WITNESSETH:

WHEREAS, THE PEOPLES GAS LIGHT AND COKE COMPANY, an Illinois corporation ("Peoples"), and NORTH SHORE GAS COMPANY, an Illinois corporation ("North Shore Gas"), (each of Peoples Gas and North Shore Gas are individually referred to as a "Counterparty" and collectively as the "Counterparties") are each contemplating entering into with ENRON NORTH AMERICA CORP. ("ENA"), a wholly owned direct subsidiary of Guarantor, a Gas Purchase and Agency Agreement and a Master Firm Purchase/Sale Agreement of even date herewith, copies of which are attached hereto as Exhibit A (such Gas Purchase and Agency Agreements and Master Firm Purchase/Sale Agreements, as the same may from time to time be modified, amended and supplemented, including all Schedules, Annexes, Confirmations and Transactions, shall be referred to herein as the "Contracts"); and

WHEREAS, Guarantor will directly or indirectly benefit from the transactions to be entered into between ENA and Counterparty;

NOW THEREFORE, in consideration of each Counterparty entering into the Contracts, Guarantor hereby covenants and agrees as follows:

1. GUARANTY. Subject to the provisions hereof, (a) Guarantor hereby irrevocably and unconditionally guarantees the timely payment when due of any and all amounts payable by ENA to Counterparties (the "Obligations") under the Contracts, including, but not limited to, any sums owed under indemnity agreements in the Contracts and (b) to the extent that ENA shall fail to pay any Obligations, Guarantor shall promptly pay to Counterparty the amount due, including, without duplication, interest on any such amount. This Guaranty shall constitute a guarantee of payment and not of collection. The liability of Guarantor under the Guaranty shall be subject to the following:

(a) Guarantor's liability hereunder shall be and is specifically limited to payments expressly required to be made under the Contracts (even if such payments are deemed to be damages) and, except to the extent specifically provided in the Contracts, in no event shall Guarantor be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive, tort, or any other damages, costs, or attorney's fees.

(b) The aggregate amount covered by this Guaranty shall not exceed U.S. \$25,000,000.

2. DEMANDS AND NOTICE. If ENA fails or refuses to pay any Obligations, Counterparty shall notify ENA in writing of the manner in which ENA has failed to pay and demand that payment be made by ENA. If ENA's failure or refusal to pay continues for a period of fifteen (15) days after the date of Counterparty's notice to ENA, and Counterparty has elected to exercise its rights under this Guaranty, Counterparty shall make a demand upon Guarantor (hereinafter referred to as a "Payment Demand"). A Payment Demand shall be in writing and shall reasonably and briefly specify in what manner and what

amount ENA has failed to pay and an explanation of why such payment is due, with a specific statement that Counterparty is calling upon Guarantor to pay under this Guaranty. A Payment Demand satisfying the foregoing requirements shall be required with respect to Obligations before Guarantor is required to pay such Obligations hereunder and shall be deemed sufficient notice to Guarantor that it must pay the Obligations. A single written Payment Demand shall be effective as to any specific default during the continuance of such default, until ENA or Guarantor has cured such default, and additional written demands concerning such default shall not be required until such default is cured.

3. REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants that:

(a) it is a corporation duly organized and validly existing under the laws of the State of Oregon and has the corporate power and authority to execute, deliver and carry out the terms and provisions of the Guaranty;

(b) no authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over Guarantor is required on the part of Guarantor for the execution and delivery of this Guaranty; and

(c) this Guaranty, when executed and delivered, will constitute a valid and legally binding agreement of Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

4. SETOFFS AND COUNTERCLAIMS. Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which ENA is or may be entitled to arising from or out of the Contracts, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of ENA.

5. AMENDMENT OF GUARANTY. No term or provision of this Guaranty shall be amended, modified, altered, waived or supplemented except in a writing signed by Guarantor and Counterparties.

6. WAIVERS. To the fullest extent permitted by law, Guarantor hereby waives notice of acceptance of this Guaranty; diligence, presentment and demand concerning the liabilities of Guarantor, except as expressly hereinabove set forth; protest, notice of protest, acceleration and dishonor; filing of claims with a court in the event of insolvency or bankruptcy of ENA; and any right to require that any action or proceeding be brought against ENA or any other person, or except as expressly set forth in Section 2 hereof, to require that Counterparty seek enforcement of any performance against ENA or any other person, prior to any action against Guarantor under the terms hereof and, except as expressly provided in Section 4 hereof, any defense, benefit or other circumstance that may be derived from or afforded by law which limit the liability of or exonerate guarantors and sureties, or which conflict with the terms of this Guaranty.

Except as to applicable statutes of limitation, no delay of Counterparty in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights or a release of Guarantor from any obligations hereunder.

This Guaranty shall remain in full force and effect or shall be reinstated, as the case may be, if at any time any payment guaranteed hereunder, in whole or in part, is rescinded or must otherwise be returned by Counterparty upon the insolvency, bankruptcy or reorganization of ENA or otherwise, all as though such payment had not been made.

Guarantor consents to the renewal, compromise, extension, acceleration or other changes in the time of payment of or other changes in the terms of the Obligations, or any part thereof or any changes or modifications to the terms of the Contracts.

Guarantor may not terminate this Guaranty unless and until the Contracts have terminated with no liability outstanding in ENA or Guarantor.

7. **NOTICE.** Any Payment Demand, notice, request, instruction, correspondence or other document to be given hereunder by any party to another (herein collectively called "Notice") shall be in writing and delivered personally, mailed by certified mail, postage prepaid and return receipt requested, sent by Federal Express or other courier guaranteeing overnight delivery, or by telegram or telecopier, as follows:

To Counterparties:     The Peoples Gas Light and Coke Company  
                              North Shore Gas Company  
                              130 East Randolph  
                              Chicago, Illinois 60601  
                              Attn: Treasurer  
                              Fax No.: (312) 240-4348

To Guarantor:            Enron Corp.  
                              1400 Smith Street  
                              Houston, Texas 77002  
                              Attn: Vice President, Finance  
                                      and Treasurer  
                              Fax No.: (713) 646-3422

A copy of any notice sent to Guarantor pursuant hereto must also be sent to the above address to: Enron North America Corp., (i) Attention: Corporate Secretary, Fax No. (713) 853-2534, and (ii) Attention: Assistant General Counsel, Finance/Transactions Group, Fax No. (713) 646-3490.

Notice given by personal delivery or mail shall be effective upon actual receipt or refusal of receipt. Notice given by telegram or telecopier shall be effective upon transmission if confirmed in writing by the transmitting telecopier and received during the recipient's normal business hours, and shall be deemed effective as of the beginning of the recipient's next business day if not received during the recipient's normal business hours. All Notices by telegram or telecopier shall be confirmed promptly after transmission in writing by certified mail or personal delivery. Any party may change any address to which Notice is to be given to it by giving notice as provided above of such change of address.

8. **MISCELLANEOUS.** THIS GUARANTY SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. WITH RESPECT TO ANY ACTION, SUIT OR PROCEEDINGS RELATING TO THIS GUARANTY ("PROCEEDING"), EACH OF GUARANTOR AND THE COUNTERPARTIES IRREVOCABLY: (i) SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE COMMERCIAL DIVISION OF THE SUPREME COURT, CIVIL BRANCH, NEW YORK COUNTY, NEW YORK AND THE UNITED STATES DISTRICT COURT IN THE SOUTHERN DISTRICT OF NEW YORK, LOCATED IN THE BOROUGH OF MANHATTAN, NEW YORK, (ii) AGREES THAT ANY SUCH PROCEEDINGS SHALL BE BROUGHT EXCLUSIVELY IN SUCH COURTS, AND (iii) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN EITHER OF SUCH

COURTS, WAIVES ANY CLAIM THAT SUCH PROCEEDINGS HAVE BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDINGS, THAT EITHER OF SUCH COURTS DOES NOT HAVE JURISDICTION OVER SUCH PARTY. This Guaranty shall be binding upon Guarantor, its successors and assigns and inure to the benefit of and be enforceable by each Counterparty, its respective successors and assigns; provided, however, that Guarantor shall not assign its rights or obligations under this Guaranty, in whole or in part, without the prior written consent of the Counterparties, which consent shall not be unreasonably withheld, and any attempted assignment without such consent shall be void and of no effect. This Guaranty embodies the entire agreement and understanding between Guarantor and the Counterparties and supersedes all prior agreements and understandings relating to the subject matter hereof. The headings in this Guaranty are for purposes of reference only, and shall not affect the meaning hereof.

IN WITNESS WHEREOF, the Guarantor has executed this Guaranty on the date first above written.

ENRON CORP.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE 2.1  
BASELOAD QUANTITIES AND SUMMER INCREMENTAL  
THE PEOPLES GAS LIGHT AND COKE COMPANY**

PGL	Summer PGL Incremental Sale (MMBtu/day)
Oct-99	
Nov-99	
Dec-99	
Jan-00	
Feb-00	
Mar-00	
Apr-00	
May-00	
Jun-00	
Jul-00	
Aug-00	
Sep-00	
Oct-00	
Nov-00	
Dec-00	
Jan-01	
Feb-01	
Mar-01	
Apr-01	
May-01	
Jun-01	
Jul-01	
Aug-01	
Sep-01	
Oct-01	
Nov-01	
Dec-01	
Jan-02	
Feb-02	
Mar-02	
Apr-02	
May-02	
Jun-02	
Jul-02	
Aug-02	
Sep-02	
Oct-02	
Nov-02	
Dec-02	
Jan-03	
Feb-03	
Mar-03	
Apr-03	
May-03	
Jun-03	
Jul-03	
Aug-03	
Sep-03	
Oct-03	
Nov-03	
Dec-03	
Jan-04	
Feb-04	
Mar-04	
Apr-04	
May-04	
Jun-04	
Jul-04	
Aug-04	
Sep-04	
Oct-04	
Nov-04	
Dec-04	

**SCHEDULE B.1  
GAS TRANSPORTATION CONTRACTS  
THE PEOPLES GAS LIGHT AND COKE COMPANY**

TRANSPORTATION CONTRACT #	PIPELINE	TARIFF	EXPIRATION DATE	DEMAND CHARGE	MONTH/DAY	COMMENTS
2434E	Midwestern Gas Transmission Company	[REDACTED]	10/31/01	[REDACTED]	[REDACTED]	
2511S	Midwestern Gas Transmission Company	[REDACTED]	10/31/01	[REDACTED]	[REDACTED]	
2433D	ANR Pipeline Company	[REDACTED]	10/31/00	[REDACTED]	[REDACTED]	
T1059F	Northern Border Pipeline Company	[REDACTED]	10/31/01	[REDACTED]	[REDACTED]	
T1082F	Northern Border Pipeline Company	[REDACTED]	12/31/00	[REDACTED]	[REDACTED]	
T1105F	Northern Border Pipeline Company	[REDACTED]	12/31/00	[REDACTED]	[REDACTED]	
T1108F	Northern Border Pipeline Company	[REDACTED]	10/31/00	[REDACTED]	[REDACTED]	
1396S	Trunkline Gas Company	[REDACTED]	10/31/00	[REDACTED]	[REDACTED]	
1396S	Trunkline Gas Company	[REDACTED]	10/31/00	[REDACTED]	[REDACTED]	4/1/99-10/31/99
1396S	Trunkline Gas Company	[REDACTED]	10/31/00	[REDACTED]	[REDACTED]	11/1/99-3/31/00
**11341B	Natural Gas Pipeline Company	[REDACTED]	10/31/00	[REDACTED]	[REDACTED]	4/1/00-10/31/00
**11341B	Natural Gas Pipeline Company	[REDACTED]	12/31/99	[REDACTED]	[REDACTED]	October 1999
**11341B	Natural Gas Pipeline Company	[REDACTED]	12/31/99	[REDACTED]	[REDACTED]	November 1999
**11341B	Natural Gas Pipeline Company	[REDACTED]	10/31/04	[REDACTED]	[REDACTED]	November through April through termination of Transaction
**11341B	Natural Gas Pipeline Company	[REDACTED]	10/31/04	[REDACTED]	[REDACTED]	May through July through termination of Transaction
**11341B	Natural Gas Pipeline Company	[REDACTED]	10/31/04	[REDACTED]	[REDACTED]	August through October through termination of Transaction

\*MCP/day  
 \*\*Assuming NGPL FTS will roll over until termination of deal, volumes will change throughout the month  
 \*\*\*Assuming 4/1/2000 PGL will have title to their ANR FTS-1 transport contract