FORM U-1

Application or declaration under the act 1935

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form U-1

APPLICATION-DECLARATION UNDER THE PUBLIC UTILITY
HOLDING COMPANY ACT OF 1935

By

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(a registered holding company and
the parent of the other party)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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APPLICATION-DECLARATION UNDER THE PUBLIC UTILITY
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Item 1. Description of Proposed Transaction

(a) Furnish a reasonably detailed and precise description of the proposed transaction, including a statement of the reasons why it is desired to consummate the transaction and the anticipated effect thereof. If the transaction is part of a general program, describe the program and its relation to the proposed transaction.

I. INTRODUCTION

Consolidated Natural Gas Company ("Consolidated") is a Delaware corporation and a public utility holding company registered as such under the Public Utility Holding Company Act of 1935 ("Act"). It is engaged solely in the business of owning and holding all of the outstanding securities, with the exception of certain minor long-term debt, of sixteen subsidiaries. These subsidiary companies are engaged in the energy business, principally in natural gas exploration, production, purchasing, sales, gathering, transmission, storage, distribution, by-product operation, research and other activities related to natural gas.

II. PROPOSED INVESTMENT IN ENERGY ALLIANCE PARTNERSHIP

CNG Energy Services Corporation ("Energy Services"), a Delaware corporation and a wholly-owned nonutility subsidiary of Consolidated, proposes

to incorporate CNG Energy Arbitrage Corporation ("CNGEA") under the laws of the State of Delaware, with an authorized equity capitalization of $10,000,000 consisting of 1,000 shares of common stock, $10,000 par value each. Soon after approval by the Securities and Exchange Commission ("SEC") of this Application-Declaration, it is anticipated that CNGEA will sell and issue 300 shares of its common stock at par for $3,000,000 to Energy Services to become a special purpose, wholly-owned subsidiary of Energy Services.

CNGEA will acquire a one-third general partnership interest in Energy Alliance Partnership ("Partnership"), a partnership to be formed under the laws of the state of Delaware. A draft of the Partnership agreement is filed as Exhibit B-1. According to the terms of the Partnership agreement, the Partnership will terminate on December 31, 2020 unless the Partners (as defined below) agree on another date. The Partnership will be set up to engage in the principal business of buying and selling natural gas and electric power, including in connection with arbitrage transactions, principally in wholesale markets.

Noverco Energy Services (U.S.) Inc., a Delaware corporation ("NOV Sub"),

a wholly-owned subsidiary of Noverco Inc. ("Noverco") which is a Canadian public-utility holding company, will also acquire a one-third general partnership interest in the Partnership. Noverco, headquartered in Montreal, is committed to positioning Quebec's natural gas industry as a strategic link in America's Northeast markets. Noverco principally pursues its activities through two subsidiaries: Gaz Metropolitain and Company, Limited Partnership ("GMLP"), Quebec's natural gas distributor with annual deliveries of 200 billion cubic feet to over 172,000 customers; and Novergaz Inc., which carries out nonregulated activities such as marketing, independent power production and gas storage. By SEC Order dated November 23, 1994, Release No. 35-26170,

a wholly-owned subsidiary of Noverco, Gaz Metropolitain Inc. ("GMI"), and a majority owned subsidiary of GMI, GMLP, were granted an exemption from all provisions of the Act (except Section 9(a)(2) thereof) in connection with the acquisition by GMLP of Vermont Gas Systems, Inc., a gas utility company. Noverco's shareholders are SOQUIP (38%), an energy company owned by the Quebec government; Caisse de Depot et Placement du Quebec (30%), a C$47 billion portfolio manager that invests the funds of the Quebec public pension and insurance plans; Laurentides Investissements S.A. (24%), a subsidiary of Gaz de France, France's state-owned gas company and a world leader in the natural gas industry; and Levesque Beaubien Geoffrion Inc. (8%), a major Quebec brokerage firm.

The remaining one-third general partnership interest will be acquired by H.Q. Energy Services (U.S.) Inc. a Delaware corporation ("HQ-Sub"), which is wholly-owned directly or indirectly by wholly-owned subsidiaries of Hydro-Quebec, a Canadian electric utility company which is a crown corporation of the Province of Quebec. Hydro-Quebec is one of the top ten electric utilities in the world with 30,000 MW capacity and assets in excess of C$30 billion. It is headquartered in Montreal. It has annual sales of more than US$5 billion and serves 3.3 million domestic Canadian customers. About 10 percent of its production is sold to neighboring utilities in Canada and the United States. Hydro-Quebec has a reputation as a reliable supplier to U. S. power pools, and has extensive experience in spot power sales to U. S. public utilities. It is an established world leader in high-voltage transmission and management of large power systems and has been extensively involved in wholesale electricity trading for more than 30 years. Its 95 percent hydropower production is backed by 165 trillion watt hours of water storage capacity. Hydro-Quebec's price of power is among the lowest in North America. Neither Hydro-Quebec nor any of its affiliates own any electric or gas

transmission facility, nor have any electric or gas retail customer, in the United States.

CNGEA, NOV Sub and HQ-Sub are referred to individually as a "Partner" and collectively as the "Partners." Consolidated, Noverco and Hydro-Quebec are referred to collectively as "the Parent Companies."

Each of the Parent Companies will enter into similar undertaking agreements with the Partnership which, among other things, will commit them subject to the terms and conditions of such agreement to provide up to $3,000,000 to their respective Partner subsidiary as shall be necessary to permit such subsidiary to fulfill its obligations respecting its capital contributions under the Partnership agreement. A draft of the Consolidated

undertaking agreement ("Undertaking Agreement") is filed as Exhibit B-2.

III. DESCRIPTION OF THE PARTNERSHIP'S BUSINESS

The business of the Partnership will be to supply, sell, purchase, market, broker or otherwise trade electricity or fuel, to provide electricity or fuel management services, and to carry on activities, or perform services, related to any of the foregoing, including in connection with arbitrage transactions. The Partnership will initially seek to profit in the evolving integrated energy market by identifying and capturing the electric and/or fuel arbitrage profits inherent in the wholesale electric and natural gas business. It will strive to become a leader in providing major customers with flexible and competitive packaged electric/fuel services. With the considerable gas supply from all market sources, including from Consolidated and Noverco, the plentiful supply of reliable electric power from all market sources including Hydro-Quebec, the financial strength of all three Parent Companies and their affiliates, and the Partnership's fuel management capabilities, the

Partnership is expected to give its customers unprecedented choices in buying, selling, borrowing and loaning of natural gas, electricity, and other fuels as well as additional choices in how they manage their operations.

It is expected that the other fuels will include oil and other hydrocarbons, as well as wood chips, wastes and other combustible substances. Involvement with such fuels is likely to result in connection with arbitrage transactions also involving natural gas. It is anticipated that these other fuels will not comprise a material part (probably less than 5%) of the business of the Partnership and will be only incidental to the main business of gas and electric power arbitrage.

The services to be offered by the Partnership will include the following.

- Providing electric generators with instantaneous supply and sales options so they can keep generating units operating at optimal levels.

- Helping electric utilities find the best way to meet Clean Air requirements through a combination of new gas technologies, emission credits, cross-fuel management and wholesale electricity purchases and sales.

- Helping customers manage the price changes in electricity and fuel relative to time and location.

- Helping electric utilities and nonutility generators by managing fuel supply and transportation contracts, banking of electricity until needed and providing price and delivery flexibility.

The following is an example of the type of transactions in which the Partnership would engage. An independent power generator ("Generator") with a gas fueled generating facility might have long-term gas purchase contracts

with gas suppliers. The Partnership, however, could be in a position to sell to the Generator, over a given term in the future, electric power acquired from another electric producer, including possibly Hydro-Quebec, at a price below the cost of the Generator producing its own power using gas as a fuel. At the same time, the Partnership estimates that the gas prices under these gas supply contracts are currently below the gas price anticipated to exist at the time when deliveries would occur. In a transaction in which both the Generator and the Partnership would profit, the Generator would contract to buy the less expensive power from the Partnership to meet its obligations to supply power to its own customers, and would assign or sell its rights to take delivery under its gas supply contracts to the Partnership. The Partnership would subsequently dispose of the gas under these contracts into the wholesale gas markets when and where prices have risen favorably in relation to the contract prices. The Partnership could also hedge against unfavorable gas price movements through the use of such instruments as gas futures. The net result of this arbitrage transaction is that gas and electric power move, as convertible energy forms, into the most economic market for each respective commodity while the contracting parties also profit. Further examples of Transactions are filed as Exhibit B-3 (filed under claim of confidential treatment pursuant to Rule 104).

Due to the varied nature of market requirements in doing fuel and power arbitrage transactions, not all transactions will be completely balanced as between the fuel component and the power component. That is, a given arbitrage transaction may require the delivery of a greater amount of power

than would be generated by the fuel component of the transaction. Conversly, the contract may call for the delivery of a greater proportion of energy in the form of fuel when compared to the amount of energy being received in the form of power.

The Partnership will initially conduct its activities generally in the wholesale energy markets in the northeastern and middle-Atlantic United States. The Partnership may engage in energy transactions with the gas utility companies in the Consolidated System(1), Energy Services or other affiliates in the Consolidated System on the same market terms that would be available to nonaffiliate customers of the Partnership. The Partnership will sell electric and gas energy to wholesale and retail customers to the extent permitted without becoming an "electric utility company" or a "gas utility company" within the meaning of the definitions of such terms in Section 2(a)(3) and 2(a)(4) of the Act, respectively.

The business affairs of the Partnership are to be managed by a management committee ("Management Committee"). Each Partner will be entitled to name one person to serve on the Management Committee for each eleven percent of its Partnership interest. Each member of the Management Committee will have one vote at committee meetings. The Management Committee may create management positions and other committees, and delegate the exercise of certain powers.

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(1) The utility companies in the Consolidated System are The East Ohio Gas Company, Peoples Natural Gas Company, Virginia Natural Gas, Inc., Hope Gas, Inc, and West Ohio Gas Company.

The Partnership may contract for needed services from the Partner or affiliate that is determined to be best suited to procure or supply them by virtue of its expertise and experience in the relevant field. The Management Committee may also have recourse to outside suppliers in the event availability, quality, price or reliability are better than those that may be obtained from a Partner. Charges to the Partnership for services from a Partner are to be made on a direct costing method (salary plus fringe benefits) for use of personnel, and direct out-of-pocket expenses for other items.

The net profits of the Partnership are to be divided in accordance with each Partner's Partnership interest.

A Partner will not be able to transfer, in whole or in part, its Partnership interest without first allowing the other Partners to match the offer which the selling Partner is contemplating accepting. This right of first refusal does not apply to the transfer of interests to a Related Entity as defined in the Partnership Agreement.

IV. FUNDAMENTAL CHANGES IN THE ENERGY INDUSTRY

The Partnership would inaugurate business in the context of accelerating and fundamental changes occurring in the energy industry. Essentially, what has been traditionally regarded as discrete facets of the industry, primarily gas and electric, are rapidly being integrated into an energy market trading on Btu (British thermal unit) values. The following sets forth some of the details describing this development.

1. Developments in gas industry; Order 636

Due to the issuance of Order 636 by the Federal Energy Regulatory Commission ("FERC") in 1992, interstate pipelines, such as Consolidated's subsidiary CNG Transmission Corporation ("Transmission"), ceased to be merchants or sellers of gas. The pipelines became common carriers under the open access provisions of Order 636, with their transportation and storage services becoming unbundled from the sale of natural gas.

As a result of Order 636, a market in released transportation and storage capacity has developed. Natural gas customers, such as local distribution companies ("LDCs"), now have significantly increased responsibility and control over gas supply and transportation capacity. Gas marketers have entered the business of assisting these customers in managing their daily supply requirements. The early multitude of gas marketers is now being replaced through industry consolidation by the emergence of several mega-marketers. Parallels of these developments are expected to develop in the electric industry deregulation process.

2. Developments in electric industry; Energy Policy Act of 1992

The Energy Policy Act of 1992 (Pub.L 102-486, October 24, 1992) ("EPA92") has significantly furthered the deregulation of electric power markets. It has, through the creation of the electric wholesale generator status in Section 32 of the Act, contributed towards the unbundling of power generation and transmission. There is a correspondingly growing pressure for

wholesale and retail wheeling of electric power generated outside the transporter's system.

The majority of changes in the electric markets are expected to occur in the 1995-97 timeframe, which would be five years faster than it took the

gas industry to become deregulated. Both FERC and Congress have the benefit of knowledge of energy market deregulation gained from the gas industry restructuring. There are also many state initiatives underway, such as open access proposals for California and Wisconsin. Paralleling earlier events in the gas industry, energy or power marketers are starting up to assist wholesale and industrial electric customers with their increased responsibilities to arrange for energy at the lowest available price in an increasingly competitive market. Much of the electric market maker infrastructure is already in place, with experienced gas marketers poised to enter the marketplace. Exhibit B-4 is a list of major energy companies, many of which have affiliates deeply involved in the gas industry, who have filed with FERC for power marketing status.

3. Evolution towards integrated fuel markets; development of power marketing similar to development of gas marketing

The rising gas demand and deliverability worries appearing amid the transitional stresses of gas and electricity deregulation have left natural gas producers, pipeline companies and marketing firms scrambling to adjust. It is dawning on them that they are in the business of selling Btus of energy - - not necessarily cubic feet of natural gas. Analysts predict that gas consumption for electricity power generation could double by the end of the decade if the restructured gas and electric industries learn to cooperate better. According to projections from the National Electric Reliability Council, more than 60% of the power generation capacity to come on line by 2001 will be gas-fired, or a combination of gas and oil. The figure compares to 1991, which saw only 20% of new electric-power capacity fired by gas. Independents are the source of most of the growth in gas use.

Energy markets are becoming more customer focused. Utilities must consequently provide competitively priced power to retain industrial load and to make incremental inroads. Tools have also been developed to increase power trading and to provide related services. Some of these are the production of real-time data, standardized transmission access and pricing, power pools open to entry of new members, regional transmission groups, computerized systems and state ratemaking initiatives. Customer demand is also expected to create integrated energy marketplaces. All of these changes are indicative of the control of the commodity assets moving towards the ultimate consumer.

Electric and gas markets must become efficient through the use of trading systems, demand side management programs, arbitrage and creative service offerings. Power marketers must take advantage of their strengths; these are their ability to move fast, unique knowledge, financial capacity to control strategic assets and an aggressive nature. They should accumulate low-cost excess generating, supply and transmission capacity to market to

those who do not have the same resources at the same economic cost. The purpose of the Partnership is for gas and electric industry companies through their subsidiaries to form a strategic alliance which is needed to remain competitive with others.

The interchangeability of different forms of energy, particularly gas and electric, is becoming more commonplace. For example, it was recently announced that Long Island Lighting Co. ("LILCO") and Con Edison will swap natural gas for electric energy. LILCO will pay a fee to have gas that it owns burned at Con Edison's plants with the electricity thereby generated delivered to LILCO. This avoids LILCO having to construct new gas-burning facilities while at the same time reducing its consumption of high-priced oil.

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As a further example of the integration of energy markets, UtiliCorp United Inc. has announced that it wants to become the first electric and natural gas utility to operate in all 50 states. The Kansas City based company says it will expand its natural gas network, which already extends into 45 states, and its eight-state electric operations, to eventually offer both services to millions of customers nationwide. They will be packaged and marketed under the brand name EnergyOne.

If the Partnership is not authorized by the Commission to become a participant in these forthcoming competitive markets, Consolidated will see other energy marketers take advantage of the Consolidated System infrastructure and other business assets. Consolidated would thus find itself a hobbled observer of others grasping the integrated market opportunities (denied to it) to engage in profitable gas and power transactions.

V. LEGAL BASIS FOR AUTHORIZING ENERGY RELATED ACTIVITIES OF THE PARTNERSHIP

Consolidated is of the opinion that the proposed activities of the Partnership should be permitted under the Gas Related Activities Act of 1990 (Pub.L 101-572, November 15, 1990) ("GRAA") and Section 11(b) of the Act for the following reasons.

1. Gas Related Activities Act of 1990

Section 2(a) of the GRAA provides that the requirements of Section 11(b)(1) of the Act are met with respect to the acquisition of an interest in a company organized to participate in activities involving the transportation or storage of natural gas.

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Section 2(b) of the GRAA provides that the requirements of Section 11(b)(1) of the Act are met with respect to the acquisition of an interest in a company organized to participate in activities related to the supply of natural gas, broadly defined to include exploration, development, production, marketing and other similar activities, if:

> "(1) the Commission determines . . . that such acquisition is in the interest of consumers of each gas utility company of such registered company or consumers of any other subsidiary of such

registered company; and

(2) the Commission determines that such acquisition will not be detrimental to the interest of consumers of any such gas utility company or other subsidiary or to the proper functioning of the registered holding company system."

Section 2(c) of the GRAA provides that each determination be made "on a case-by-case basis, and not based on any preset criteria."

The proposed activities of the Partnership satisfy the requirements of Section 2(b) of the GRAA and, therefore, of Section 11(b)(1) of the Act. The GRAA requires the Commission to determine whether the activities of the Partnership will benefit Consolidated System consumers. As used in the GRAA, the term "consumers" refers both to the retail utility customers and to wholesale customers such as pipelines and nonaffiliated utility companies. Consolidated's consumers, both current and future, wholesale and retail, will benefit from the Partnership's business.

Energy Services, as a gas marketer, has had several years of experience in unregulated gas commodity sales. During those years it has developed a considerable customer base. Its participation in the Partnership with the United States subsidiaries of two substantial Canadian companies will give Energy Services a great deal more credibility as an energy marketer, both gas

and electric. The customers of Energy Services, Transmission, the utility companies in the Consolidated System, and other Consolidated companies engaging in the natural gas business would obtain a material advantage through the Partnership's activities; they would be able to advance, bank, price, store and interchange energy sources through the facilities of one house.

The Partnership's business could also maintain and increase Consolidated's system gas throughput to LDCs, both associated and nonassociated, and their end-users. The creation of an integrated energy marketer in the market area served by Transmission will encourage transportation of gas into such system. This will enhance the investments that customers of Transmission have made in service agreements with Transmission. Further, the increase in throughput (i.e., volumes of gas transported through the pipeline of Transmission) attributable to the Partnership's activities should result in more competitive transportation rates for the wholesale customers of Transmission, including the Consolidated System LDCs. The additional transportation fees should increase Consolidated System revenues and lower intrasystem gas transportation costs on Transmission's system.

The Partnership's business would also help the LDC customers of Transmission in that it would contribute toward the making of a better market for such LDC's capacity release. Another consumer benefit is that the Partnership would provide a place for buyers and sellers to execute trades of gas and electric power, which will be supported by services offered by the Partners in their respective spheres of activity. This would overall help maintain the liquidity of the integrated energy market on both its gas and electric sides.

On October 27, 1990, the following was stated in the U.S. Congress by legislative sponsors (Senator D'Amato in the Senate and Representative Markey in the House) of the GRAA:

"...Technical advances and expertise may also be developed through these activities that may benefit customers. Finally, there may exist assets that are either surplus to the needs of the system or that have developed in the normal course of system operations. Use of these assets to maximize their value is recognized as a benefit to customers only so long as the proposed activity does not create a detriment to system customers."

These statements indicate that the legislators that passed the GRAA intended that such legislation be interpreted flexibly. They show that activities that naturally evolve from the Consolidated System's gas operations and which also benefit system customers should be permitted under the Act. The proposed energy related activities of the Partnership fall into such category.

For all of the above reasons, the proposed activities of the Partnership should be found to be in the interest of consumers of the Consolidated System; and, accordingly that Section 2(b)(1) of the GRAA is satisfied.

It is further requested that the Commission find the proposed activities will not be detrimental to the interests of consumers or to the proper functioning of the holding company system, and that Section 2(b)(2) of the GRAA is thereby satisfied. No subsidiary of Consolidated will be obligated to engage in any transaction with the Partnership. Consolidated's maximum investment of $10 million in CNGEA, anticipated to be in the form of either stock purchases or short-term open account advances, will be de minimis in relation to the Consolidated System's consolidated total assets of approximately $5.4 billion.

2. Appropriate under Section 11(b) of the Act

The first sentence of Section 11(b)(1) of the Act limits the operations of a registered holding company system to a single integrated public utility system, and to such other businesses as are reasonably incidental, or economically necessary or appropriate to the operations of such integrated public utility system. The last sentence of Section 11(b)(1) states that the Commission may permit as reasonably incidental, or economically necessary or appropriate to the operations of one or more integrated public utility systems the retention of an interest in any business which the Commission shall find necessary or appropriate in the public interest or for the protection of investors or consumers and not detrimental to the proper functioning of such system or systems.

In view of the rapidly changing nature of the energy markets in North America as the twentieth century draws to a close, particularly the increasing convergence of the gas and electric power markets due to the interchangeability of energy forms, the type of business in which the Partnership proposes to engage should be deemed to be incidental and appropriate to the operations of the Consolidated System. A substantial portion of the Partnership's business will consist of gas marketing, and the portions which do not involve gas directly will be energy-related and will accordingly involve gas indirectly. Highly competitive energy markets are making the classification of companies as solely gas or electric obsolete.

Consolidated through its investments in cogeneration facilities already has part ownership in seven plants capable of producing 438 megawatts of power. It is for these reasons that the business of the Partnership is incidental and appropriate to the energy operations of the Consolidated System.

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The proposed activities of the Partnership are clearly appropriate in the public interest as evidenced by the recent history of federal legislation which has strongly promoted the development of competitive energy markets. Such legislation consists of the following.

a. Public Utility Regulatory Practices Act of 1978

The Public Utility Regulatory Practices Act of 1978 ("PURPA") defines a "cogeneration facility" as a facility which produces electric energy and steam or other forms of useful energy (such as heat) which are used for industrial, commercial, heating or cooling purposes (16 USCA 796 (18)(A)). PURPA further defines a "qualifying cogeneration facility" ("Cogen") as a cogeneration facility which meets FERC requirements respecting minimum size, fuel use, and fuel efficiency (16 USCA 796 (18)(B)). The FERC operating and efficiency standards for Cogens are set forth in 18 CFR 292.205(a) and (b). PURPA also requires electric utilities to purchase electric energy from, and sell electric energy to, Cogens (16 USCA 824a-3). PURPA allowed FERC to exempt Cogens from being electric utility companies under Section 2(a)(3) of the Act, which FERC did at 18 CFR 292.602. PURPA can thus be viewed as Congress' initial action to provide for greater efficiencies in energy markets through the liberalization of the restraints placed on electric generation by the Act.

b. Cogeneration Statutes

Even though Cogens became exempt from the Act by virtue of PURPA and FERC rulemaking, Consolidated and the other registered gas holding

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companies were prevented from investing in Cogens under a strict interpretation of the functional relationship requirement of Section 11(b) of the Act. This restraint was removed by Public Law 99-186 (December 18, 1985), which stated that notwithstanding Section 11(b)(1) of the Act, a company in a registered gas holding company system could acquire and retain, in any geographic area, any interest in a Cogen.

Public Law 86-553 (October 27, 1986) broadened the scope of the 1985 statute by providing that any company in a registered holding company system (whether gas or electric) could acquire and retain, in any geographic area, an interest in a Cogen. The 1986 statute thus allowed electric holding company systems to invest in Cogens without needing to comply with the operational integration requirements of the Act.

These two Cogen statutes together are further evidence of Congressional intent to foster the development of competitive energy

markets. Congress achieved this by removing restraints otherwise imposed by the Act on registered holding company participation in such markets.

c. Gas Related Actitivites Act of 1990

The provisions of the GRAA are discussed in detail above. The GRAA is an important step in the evolution of Congressional thinking on removing Section 11(b) restraints to allow registered gas holding companies to compete in energy markets with those not restrained by the Act. The GRAA essentially made inapplicable, as to gas related activities of a registered gas holding company, the functionally related

requirement of Section 11(b)(1), which requires a showing of benefit to the utility companies of the system. Substituted in lieu of the functional relationship test is a standard based on consumer benefit and absence of detriment to the proper functioning of the system. Congress, in weighing the matter, clearly came down in favor of removal of the traditional Section 11(b)(1) restrictions when such would promote energy industry efficiencies and consumer benefits.

d. Energy Policy Act of 1992

The enactment of EPA92 is the most recent and significant contribution towards competitiveness in the wholesale energy markets in the United States. As already noted above under "IV FUNDAMENTAL CHANGES IN THE ENERGY INDUSTRY", EPA92 added Sections 32 and 33 to the Act, which created the categories of exempt wholesale generator ("EWG") and foreign utility company ("FUCO"), respectively. An EWG as defined in Section 32 means any person determined by FERC to be engaged in the business of owning or operating an eligible facility. The definition of "eligible facility" in Section 32 includes a facility which is used for the generation of electric energy exclusively for sale at wholesale. Section 32(e) states that EWGs shall not be considered electric utility companies under the Act. Section 32(g) allows a registered holding company to acquire interests in EWGs or FUCOs without prior approval of the SEC.

Two salient features of EPA92 indicating further federal policy of liberalizing energy markets are (i) the category of EWG under EPA92 is broader than that of a Cogen under PURPA in that it has no requirement

for an industrial or commercial host using an alternative energy form (which greatly reduces facility complexity, cost, and siting problems) and (ii) EWGs, unlike Cogens, are exempt from all provisions of the Act (which makes for ease of operation of a facility within a registered holding company system). EPA92 can be regarded as laying the groundwork for what is generally anticipated to be the next big step in opening energy markets to greater competition, i.e. open access on utility transmission lines or the electric industry equivalent of FERC Order

636.

FERC has taken further steps in the direction of opening up wholesale power markets. On March 29, 1995, it issued a proposal (Docket No. RM95-8-000) which would require investor-owned electric utilities to provide "open access" to their interstate transmission systems. This would allow distant utilities or wholesale customers to buy and sell power over transmission lines owned by others. Tariffs would be posted by the utilities for the transmission of power and allied services, with the same rates applying to their own wholesale transactions.

e. NAFTA

The Partnership's business would also further the goals of increased trade between the United States and Canada as expressed in the North American Free Trade Agreement Implementation Act ("NAFTA") (Pub L. 103-182). There is much cross-border energy business taking place between the United States and Canada today. In 1993 the U.S. natural gas industry imported 11% of its total consumption from Canada, whereas exports to Canada for the same year was 45 billion cubic feet. In 1992 the United States imported 35,181,757 Kwh from Canada and exported 7,865,990 Kwh to Canada. The public policy enunciated in NAFTA encourages the reduction of barriers to trade and the enhancement of investment opportunities between the United States and Canada, to the betterment of consumers in both countries.

The SEC in a supplemental order issued on February 15, 1995, Release No. 35-2632 (File No. 70-7287), acknowledged the importance of the fundamental legislative trend described above. This order allowed EUA Cogenex, a subsidiary of Eastern Utility Associates, to engage in demand-side management without any longer being limited to doing no more than half of its business for nonaffiliate customers. In the order, the SEC indicates that the energy management business is closely related to the utility's core business, and

that Congress has stated that there is a strong national interest in promoting energy conservation and efficiency. This order also states that this policy would appear to be furthered by the expansion of the services proposed by Cogenex. Similar to the Cogenex order, the applicants believe that the proposed business of the Partnership is closely related to the Consolidated System's core energy business, and that the issuance of an order in this proceeding will also promote the national interest in seeking energy efficiency.

Concluding Argument

The proposed transactions reflect economic realities in competitive energy markets. The business of the Partnership as an energy marketer dealing in both gas and power transactions would be a direct development of the

changing nature of the North American energy markets. As already stated herein, energy forms are becoming readily interchangeable. Customers will contract for the most economic form of the Btus that they need; it will not matter that much if it be gas, electricity or some other form of energy such as oil or coal. The Parent Companies are striving to be participants in such emerging markets through their investments in the Partners of the Partnership.

VI. OTHER LEGAL ASPECTS OF THE PARTNERSHIP

In addition to the permissibility of the Partnership under the GRAA and Section 11(b) of the Act, there are other legal aspects of the Partnership's status that should be discussed. These are as follows.

1. Rule 16 Status for the Partnership

The applicants request that the Partnership and each affiliate thereof (except for companies within the Consolidated System) be deemed exempt under Rule 16 from all obligations imposed upon them by the Act, as a subsidiary company or as an affiliate of a registered holding company or of a subsidiary company thereof. The basis for such application is as follows.

- The Partnership is not a public utility company as defined in Section 2(a)(5) of the Act.

- The Partnership is being organized to engage primarily in activities related to the supply of natural gas. "Primarily" has been defined to mean "at first, in the first instance; originally." The term has been defined to secondarily mean "in the first place; principally." The activities of the Partnership will all be energy related. Many of these activities, particularly in the early stages of the Partnership's business, will directly involve contracts for the purchase and sale of natural gas. The types of most transactions envisioned for the Partnership

will be of such a nature that the gas and power aspects will be inseparably interwoven; consequently all such energy transactions should be characterized as "gas transactions" or "gas related" in their entirety.

- No more than one-third of the voting interests in the Partnership will be owned, directly or indirectly, by a registered holding company, i.e. Consolidated.

- The acquisition by Energy Services of its interests in the Partnership is the subject of this Application-Declaration.

2. Partnership under FERC jurisdiction

Since the Partnership will be engaging in the business of power marketing, it will need to obtain the approval of the FERC for market based rates. In granting an order, FERC will consider whether there are any likely opportunities for discriminatory practices favoring any affiliated utility companies participating in the same markets as competitors who are likely to be customers of the Partnership. FERC in granting an order may impose conditions to guard against such subsidization. The interests of consumers will thus be protected by this FERC oversight.

3. No U.S. utility company directly involved; Partnership not a utility company

Neither the Partnership nor any parent affiliate of the Partnership will be a United States utility company. It is the belief of the applicants that the Commission Staff position taken in the no-action letter, dated January 5,

1994, with respect to Enron Power Marketing, Inc. ("Enron Power") would substantially apply to the status of the Partnership. In such letter, the Staff stated that it would not recommend any enforcement action to the Commission under the Act, including Section 2(a)(3) thereof, against Enron Power in the event it enters into contracts for the purchase and resale of electric power and for transmission capacity in connection with power marketing transactions. In effect, the Staff has taken the position that Enron Power was not to be deemed an electric utility company under the Act.

VII. SOURCE OF FUNDS

It is proposed for Energy Services to raise funds for the purposes described herein by (i) selling shares of its common stock, $1,000 par value, to Consolidated, (ii) open account advances as described below, or (iii) long-term loans from Consolidated, in any combination thereof.
The open account advances and long-term loans will have the same effective terms and interest rates as related borrowings of Consolidated in the forms listed below:

(1) Open account advances may be made to Energy Services to provide working capital and to finance the activities authorized by the Securities and Exchange Commission ("Commission"). Open account advances will be made under letter agreement with Energy Services and will be repaid on or before a date not more than one year from the date of the first advance with interest at the same effective rate of interest as Consolidated's weighted average effective rate for commercial paper and/or revolving credit borrowings. If no such borrowings are outstanding, the interest rate shall be

predicated on the Federal Funds' effective rate of interest as quoted daily by the Federal Reserve Bank of New York.

(2) Consolidated may make long-term loans to Energy Services for the financing of its activities. Loans to Energy Services shall be evidenced by long-term non-negotiable notes of Energy Services

(documented by book entry only) maturing over a period of time (not in excess of 30 years) to be determined by the officers of Consolidated, with the interest predicated on and equal to Consolidated's cost of funds for comparable borrowings. In the event Consolidated has not had recent comparable borrowings, the rates will be tied to the Salomon Brothers indicative rate for comparable debt issuances published in Salomon Brothers Inc. Bond Market Roundup or similar publication on the date nearest to the time of takedown. All loans may be prepaid at any time without premium or penalty.

Consolidated will obtain the funds required for Energy Services through internal cash generation, issuance of long-term debt securities, borrowings under credit agreements or through other authorizations approved by the Commission subsequent to the effective date of this Application-Declaration. Consolidated also seeks the authorization to make the commitment to provide up to $3,000,000 to CNGEA as embodied in the Undertaking Agreement. CNGEA would engage in general partner investing and financing transactions with respect to the Partnership in lieu of Energy Services. CNGEA would have mirror image authorizations and obligations of Energy Services under this filing as such relate to the acquisition of a one-third general partner interest in the Partnership, with Energy Services functioning as a

"pass-through" with regard to the indirect Consolidated financing of the Partnership.

VIII. NEED FOR GUARANTEE

By order dated November 16, 1993 ("November 16, 1993 Order"), Release No. 35-25926, File No. 70-8231, the SEC authorized Consolidated to guarantee, through December 31, 1998, up to an aggregate principal amount of $750 million of the obligations of Energy Services, pursuant to certain gas purchase, sales and transportation contracts. The reason for obtaining such guarantee authority was the structural change in the gas markets under FERC Order 636, which necessitated gas marketing companies, such as Energy Services, to be able to demonstrate financial credibility with customers. Energy marketing companies, though entering many contracts for high volumes of gas or power, are not highly capitalized due to the nature of their operations. This absence of high capitalization has caused some would-be customers to be apprehensive of the risk of dealing with such marketing companies. However, often times such marketing companies are subsidiaries of financially strong parent companies. Consequently, the usual method for establishing the financial credibility of the marketing company is by the parent (such as Consolidated) standing behind its subsidiary through guarantees, thus allowing the subsidiary to compete effectively in increasingly deregulated markets. This same rationale applies to the proposed business of the Partnership. The energy marketing business of the Partnership would be an extension of the gas marketing business of Energy Services. Consolidated, therefore, seeks authority through December 31, 1998 to guarantee, either directly or indirectly through CNGEA, the fuel and power transactions of the Partnership, to the extent required by the Partnership's customers to consummate

transactions. The amount of such guarantees will be limited by placing them under the same dollar cap as applies to guarantees under the November 16, 1993 Order. That is, Consolidated will not make a guarantee under the authority granted in this proceeding nor under the November 16, 1993 Order if the effect of such an additional guarantee would be for the aggregate of all outstanding guarantees under both authorizations to exceed $750 million.

The Partnership intends to use many ways which are available to limit financial risks in today's energy markets, thereby also lessening the risk to Consolidated under any guarantees it may give. Some of the more common of these risk-reduction methods are as follows.

MATCHING OF OBLIGATIONS TO MARKET PRICES. Price is now matched much better between purchase and sales contracts, and also matched more directly to market prices. Previously as to gas, pipelines negotiated prices with producers without the benefit of market input. Sales prices were determined independently by regulation. Now the market establishes the price of gas to be delivered, with future prices defined in terms of then existing markets or an index. This limits the potential size of damage claims from customers since replacement gas should be available at the market price at which Gas Services would be obligated to perform. The same principle would apply to power purchase and sales contracts as the wholesale power market further develops.

MARKET HEDGING TOOLS. Generally, the Partnership would strive to match its portfolio of its fuel and power sales contracts with a portfolio of fuel and power purchase contracts with similar terms. For instance, long-term firm sales contracts with variable or indexed prices would be matched with long-term supply contracts with variable or indexed prices. Hedging would be needed only to reduce risk with respect to that small portion of the

Partnerships' total sales contract portfolio which is not matched with appropriate supply contracts. For example, a one year, fixed price sales contract might not be matched; protection against price risk in such a short-term contract could be provided by proper hedging tools.

There are currently many sophisticated market tools to manage price risk. The market for natural gas risk-management contracts is about $5 billion and growing fast. Tools such as gas futures contracts and options on gas futures, are traded on the New York Mercantile Exchange, and gas price swap agreements which are binding agreements between parties on a private contract basis, are common and essential tools to manage risk on some types of gas sales that cannot be matched with a corresponding gas purchase. The New York Mercantile Exchange's board of directors in early 1995 approved preliminary terms and conditions for two electricity futures contracts, with trading likely to begin in the last quarter of 1995.

In its use of hedging tools, the Partnership will not engage in speculative trading. Consolidated represents that such trading is prohibited by corporate policy, and that hedging activity will be limited to no more than the total volume of the Partnership's commodities that are subject to market price fluctuation.

Consolidated has established a System Energy Price Risk Committee ("SEPRC") comprised of its Controller and other senior level financial and accounting officers. The SEPRC has the responsibility to review the effectiveness of subsidiary hedge strategies and ensure that adequate trading

controls are being implemented. The SEPRC further has the responsibility to approve the establishment of new accounts, establish minimum credit quality standards of brokers and counter parties, review position limits, and review subsidiary policies and procedures to ensure they adhere to CNG System policy

LIMITATION OF DAMAGES. Damages can be specifically limited to the difference between the cost of fuel or power that should have been provided to a customer and the cost of replacement fuel or power when the performance failure occurs. Consequential damages are generally excluded.

SPECIFICATION OF OBLIGATIONS. Contractual obligations can be more specific than in the past. Before FERC Order 636, most pipeline gas sales were made under full requirements contracts. Today gas sales contracts have specific volume obligations, thus limiting the exposure. The same principle would apply to power sales.

SHORTER TERMS. There is also less risk exposure in today's gas markets because the terms of gas sales contracts are generally 5 to 10 years compared to the previous industry standard of 20 years. Also, when an undesirable contract expires, there is no longer any need to obtain FERC approval of abandonment before the Partnership could walk away from the customer.

It is believed by Consolidated that through the proper use of price hedging tools, together with favorable contract terms, the risk to Consolidated under any guarantees of Partnership obligations will not pose a material risk to Consolidated or the CNG System. It is further believed that as the wholesale power market matures, risk reduction devices for power transactions will become available to the same extent as those available for gas transactions.

The financial exposure to Consolidated through guarantees of Partnership obligations will be further limited due to the participation of the other Parent Companies (both of which are financially substantial entities) through their United States subsidiaries in making such guarantees. It is anticipated that each of the Partner's guarantees will for the most part be limited to

those Partnership obligations arising in the area of the respective Partner's business.

IX. AUTHORIZATIONS REQUESTED

The following authorizations are hereby requested. All funding by a Consolidated System parent company of its immediate subsidiary would be in the form of (a) the sale of the subsidiary's common stock to the parent, (b) open account advances from the parent to the subsidiary, and/or (c) long-term loans from the parent to the subsidiary. Any providing of funds by Consolidated to Energy Services can be in any combination of these three forms of financing; and any financing between Energy Services and CNGEA will be in the same combination of forms that exists between Consolidated and Energy Services in the transaction which causes Energy Services to obtain funds to invest in CNGEA. All the authorizations described below would be for a period ending December 31, 2020 (the Partnership termination date) with the exception of the fifth item covering Consolidated guarantees of arbitrage transactions, which

would be for the same period in the November 16, 1993 Order, i.e. ending December 31, 1998.

(1) For Energy Services to obtain up to $10,000,000 from Consolidated for the purpose of accomplishing its indirect investment in the Partnership.

(2) For CNGEA to obtain up to $10,000,000 from Energy Services needed for CNGEA to complete its acquisition of a one-third general partnership interest in the Partnership and to possibly make further equity contributions to the Partnership thereafter.

(3) For CNGEA to invest up to $10,000,000 in the Partnership by initially purchasing a one-third general partnership interest therein and by being in a position to make further equity contributions thereafter.

(4) For Consolidated to enter into the Undertaking Agreement with the Partnership to commit to providing CNGEA with up to $3,000,000 in financing.

(5) For Consolidated to make guarantees, either directly or indirectly through CNGEA, of transactions of the Partnership, provided that the total amount of such guarantees for the Partnership together with the total amount of guarantees of transactions of Energy Services under the November 16, 1993 Order shall not exceed $750 million at any one time.

X. RULE 53 SATISFIED

Rule 54 promulgated under the Act states that in determining whether to approve the issue or sale of a security by a registered holding company for purposes other than the acquisition of an EWG or a FUCO, or other transactions by such registered holding company or its subsidiaries other than with respect to EWGs or FUCOs, the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an EWG or a FUCO upon the registered holding company system if Rules 53(a), (b) or (c) are satisfied. Currently Consolidated owns indirectly a 1% general partnership and a 34% limited partnership interest in Lakewood Cogeneration, L.P. ("Lakewood"), an EWG. On November 30, 1994, the 1% general partnership interest in Lakewood was acquired by CNG Power Services Corporation, an EWG

and a newly-formed wholly-owned subsidiary of Consolidated, from CNG Energy Company, another wholly-owned subsidiary of Consolidated, in a transaction exempt under Rule 43(b)(2). Consolidated does not own any interests in a FUCO. Consolidated believes that Rule 53(a), (b) and (c) are satisfied in its case as follows.

Fifty percent of Consolidated's retained earnings as of December 31, 1994 was $734,939,000; Consolidated's aggregate investment (as defined in Rule 53(a)(1)(i)) in Lakewood on such date and in both its EWGs as of the date of filing of this Application-Declaration is estimated to be approximately $18,000,000, thereby satisfying Rule 53(a)(1). Consolidated and its

subsidiaries maintain books and records to identify the investments in and earnings from its EWGs in which they directly or indirectly hold an interest, thereby satisfying Rule 53(a)(2). Employees of Consolidated's domestic public-utility companies do not render services, directly or indirectly, to the EWGs in the Consolidated System, thereby satisfying Rule 53(a)(3). No application for EWG financing has been filed with the Commission since adoption of Rule 53; Rule 53(a)(4) is correspondingly inapplicable at this time.

None of the conditions described in Rule 53(b) exist with respect to Consolidated, thereby satisfying Rule 53(b) and making Rule 53(c) inapplicable.

XI. SERVICE CONTRACTS WITH AFFILIATES

CNGEA, as a special purpose subsidiary, would not have any payroll or full-time employees. Accordingly, it would enter into a service contract with Energy Services pursuant to which Energy Services would provide administrative

and other supporting services, such as the keeping of books and records and the making of corporate filings.

The Partnership may contract for needed services from the Partner, Parent Company, or other affiliate that is determined to be best suited to provide them by virtue of its expertise and experience. It is accordingly anticipated that the Partnership will enter into a contract with CNGEA and/or Energy Services for the rendering of supporting services relative to United States gas marketing transactions.

All service contracts between affiliates in the Consolidated System will provide for services to be rendered on an at-cost basis in compliance with Rules 87 and 90 under the Act.

XII. RULE 24 CERTIFICATES

It is also requested that Rule 24 Certificates of Notification be filed within 60 days after the end of each semi-annual calendar period to report to the Commission with respect to transactions authorized pursuant to this filing. Such certificates shall contain a CNGEA balance sheet as of the end of such period, and a statement of income and expense for the period. Consolidated guarantees of Partnership arbitrage transactions will be reported in the Rule 24 Certificates of Notification filed under File No. 70-8231.

(b) Describe briefly, and where practicable, state the approximate amount of any material interest in the proposed transaction, direct or indirect, of any associate company or affiliate of the applicant or any affiliate of any such associate company.

None, except as set forth in Item 1(a).

(c) If the proposed transaction involves the acquisition of securities not issued by a registered holding company or a subsidiary thereof, describe briefly the business and property, present or proposed, of the issuer of such securities.

None, except as set forth in Item 1(a).

(d) If the proposed transaction involves the acquisition or disposition of assets, described briefly such assets, setting forth original cost, vendor's book cost (including the basis of determination) and applicable valuation and qualifying reserves.

None, except as set forth in Item 1(a).

Item 2. Fees, Commissions and Expenses

(a) State (i) the fees, commissions and expenses paid or incurred, or to be paid or incurred, directly or indirectly, in connection with the proposed transaction by the applicant or declarant or any associate company thereof, and (ii) if the proposed transaction involves the sale of securities at competitive bidding, the fees and expenses to be paid to counsel selected by applicant or declarant to act for the successful bidder.

It is estimated that the fees, commissions and expenses ascertainable at this time to be incurred by Consolidated and Energy Services in connection with the herein proposed transaction will not exceed $35,000, consisting of the $2,000 filing fee under the Act, $17,000 payable to Consolidated Natural Gas Service Company, Inc. ("Service Company") for services on a cost basis (including regularly employed counsel) for the preparation of this application-declaration and other documents, $12,000 payable to non-affiliated professionals, and $4,000 for miscellaneous other expenses.

(b) If any person to whom fees or commissions have been or are to be paid in connection with the proposed transaction is an associate company or an affiliate of the applicant or declarant, or is an affiliate of an associate company, set forth the facts with respect thereto.

The charges of Service Company, a subsidiary service company, for services on a cost basis (including regularly employed counsel) in connection with the preparation of this application-declaration and other related documents and papers required to consummate the proposed transactions are as stated above.

Item 3. Applicable Statutory Provisions

(a) State the section of the Act and the rules thereunder believed to be

applicable to the proposed transaction. If any section or rule would be applicable in the absence of a specific exemption, state the basis of exemption.

Sections 6(a) and 7 and Rule 43 are deemed applicable to the issuance of securities by Energy Services and/or CNGEA.
Sections 9(a) and 10 are deemed applicable to the acquisitions (i) by Consolidated of the capital stock, open account advance debits and notes of Energy Services, (ii) by Energy Services of the capital stock, open account advance debits and notes of CNGEA and (iii) by CNGEA of partnership interests in the Partnership.

Sections 12(b) and Rule 45 are considered applicable to loan arrangements among Consolidated, Energy Services and CNGEA, the Undertaking Agreement commitment and to guarantees of fuel and power arbitrage transaction by the Partnership.

CNGEA's participation in the Partnership is deemed to satisfy the requirements of Rule 16 under the Act. Consequently, the Partnership and affiliates not otherwise subject to the jurisdiction of the Act will be exempt from all obligations, duties or liabilities that would be imposed upon them by the Act in the absence of Rule 16.

Section 11(b)(1) of the Act and the Gas Related Activities Act of 1990 apply to the energy related transactions proposed by the Partnership. In the alternative, Section 9(c)(3) of the Act may apply in so far as an exemption for the proposed investments in the Partnership may be granted.
If the Commission considers the proposed future transactions to require any authorization, approval or exemption, under any section of the Act for Rule or Regulation other than those cited hereinabove, such authorization, approval or exemption is hereby requested.

(b) If an applicant is not a registered holding company or a subsidiary thereof, state the name of each public utility company of which it is an affiliate or of which it will become an affiliate as a result of the proposed transaction, and the reasons why it is or will become such an affiliate.

Not applicable.

Item 4. Regulatory Approval

(a) State the nature and extent of the jurisdiction of any State commission or any Federal commission (other than the Securities and Exchange Commission) over the proposed transactions.

The financing authorization sought herein is not subject to the

jurisdiction of any State or Federal Commission (other than the Commission).

(b) Describe the action taken or proposed to be taken before any commission named in answer to paragraph (a) of this item in connection with the proposed transaction.

Inapplicable.

Item 5. Procedure

(a) State the date when Commission action is requested. If the date is less than 40 days from the date of the original filing, set forth the reasons for acceleration.

It is hereby requested that the Commission issue its order with respect to the transaction proposed herein on or before July 15, 1995.

(b) State (i) whether there should be a recommended decision by a hearing officer, (ii) whether there should be a recommended decision by any other responsible officer of the Commission, (iii) whether the Division Investment Management - Office of Public Utility Regulation may assist in the preparation of the Commission's decision, and (iv) whether there should be a 30-day waiting period between the issuance of the Commission's order and the date on which it is to become effective.

It is submitted that a recommended decision by a hearing or other responsible officer of the Commission is not needed with respect to the proposed transactions. The office of the Division of Investment Management - Office of Public Utility Regulation may assist in the preparation of the Commission's decision. There should be no waiting period between the issuance of the Commission's order and the date on which it is to become effective.

Item 6. Exhibits and Financial Statements

The following exhibits and financial statements are made a part of this statement:

(a) Exhibits

A-1 Certificate of Incorporation of Energy Services. (Incorporated by reference to File No. 70-8577)

A-2 By-Laws of Energy Services. (Incorporated by reference to File No. 70-8577)

B-1 Form of General Partnership Agreement to be among CNGEA, NOV Sub, and HQ-Sub.

B-2 Form of Undertaking Agreement between Consolidated and the Partnership.

B-3 Examples of energy arbitrage transactions. (Filed under claim of confidential treatment pursuant to Rule 104)

B-4 List of companies who have filed with FERC for power marketing status.

F Opinion of counsel for Consolidated and Energy Services. (to be filed by amendment)

O Draft of Notice.

(b) Financial Statements

Financial statements are deemed unnecessary with respect to the authorizations herein sought due to the nature of the matter proposed. However, Consolidated will furnish any financial information that the Commission shall request.

Item 7. Information as to Environmental Effects

(a) Describe briefly the environmental effects of the proposed transaction in terms of the standards set forth in Section 102 (2) (C) of the National Environmental Policy Act 42 U.S.C. 4232 (2) (C). If the response to this item is a negative statement as to the applicability of Section 102(2)(C) in connection with the proposed transaction, also briefly state the reasons or that response.

The proposed transactions do not involve major federal action having a significant effect on the human environment. See Item 1(a).

(b) State whether any other federal agency has prepared or is preparing an environmental impact statement ("EIS") with respect to the proposed transaction. If any other federal agency has prepared or is preparing an EIS, state which agency or agencies and indicate the status of that EIS preparation.

No federal agency has prepared or is preparing an environmental impact statement with respect to the proposed transaction.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized.

CONSOLIDATED NATURAL GAS COMPANY

By L. D. Johnson
Vice Chairman of the Board
and Chief Financial Officer

CNG ENERGY SERVICES CORPORATION

By N. F. Chandler
Its Attorney

Date: May 10, 1995

EXHIBIT B-1

GENERAL PARTNERSHIP AGREEMENT
respecting electricity and fuel operations
under the name
of
"Energy Alliance Partnership"

TABLE OF CONTENTS

GENERAL PARTNERSHIP AGREEMENT
respecting electricity and fuel operations

under the name
of
"Energy Alliance Partnership"

Executed at _____,on _____ 1995

Bearing the reference date of _____ 1995

BETWEEN: CNG ENERGY ARBITRAGE CORPORATION, a corporation duly constituted under the laws of the State of Delaware, United States of America

(hereinafter called "CNGEA")

AND: H.Q. ENERGY SERVICES (U.S.) INC., a corporation duly constituted under the laws of the State of Delaware, United States of America

(hereinafter called "HQUS")

AND; NOVERCO ENERGY SERVICES (U.S.) INC., a corporation duly constituted under the laws of the State of Delaware, United States of America

(hereinafter called "NOVUS")

- DEFINITIONS -

For the purposes hereof, unless the context indicates otherwise, the following terms and expressions have the meanings ascribed to them:

"Administrative Partner" - has the meaning ascribed to it in PARAGRAPH 12.9.1;

"Agreement" - this agreement, as amended from time to time;

"Arbitrage Transaction" - the coordinated purchase and sale

or exchange of electricity and Fuel or of two types of Fuel at the same or different locations and at the same or different points in time;

"Auditor" - the independent firm of accountants of the Partnership appointed from time to time;

"Bankruptcy" - with respect to any Partner, shall be deemed to occur when such Partner files a petition respecting its bankruptcy, makes a general assignment for the benefit of creditors, voluntarily takes any advantage of any bankruptcy or insolvency laws, or is adjudicated a bankrupt, or if a petition or an answer is filed proposing the adjudication of such Partner as a bankrupt, when such Partner shall consent to the filing thereof or sixty (60) days after the filing thereof unless the same shall have been discharged or denied prior thereto;

"Business" - the business to be carried on by the Partnership as described in PARAGRAPH 2.1;

"CNG" - Consolidated Natural Gas Company;

"Capital" - the amount of cash or the value of all property contributed to the capital of the Partnership pursuant to the provisions hereof;

"Capital Account" - of a Partner means an account to which is credited or debited all Capital Contributions received from and Capital distributions made to, respectively, such Partner and the net income or net loss, respectively, of the Partnership allocated to such Partner;

"Capital Contribution" - a contribution of capital to the Partnership pursuant to ARTICLE 8 or PARAGRAPH 10.1.6;

"Code" - the Internal Revenue Code of 1986,

as amended, or any corresponding provisions of succeeding law in effect from time to time;

"Control" - (a) in the case of a corporation, the holding, otherwise than by way of security only, of shares to which are attached more than fifty percent (50%) of the votes that may be cast to elect directors of such corporation, provided the votes attached to such shares are sufficient, if exercised, to elect a majority of the directors of the said corporation;

(b) in the case of a limited partnership, the holding, otherwise than by way of security only, of

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(i) shares to which are attached more than fifty percent (50%) of the votes that may be cast to elect directors of each of its general partners, provided the votes attached to such shares are sufficient, if exercised, to elect a majority of the directors of each such general partner, or of more

than fifty percent (50%) of all the partnership interests of each and every class held by the general partners in the limited partnership; or

(ii) more than fifty percent (50%) of all the partnership interests held by the partner(s) in the limited partnership; and

(c) in the case of a general partnership, the holding, otherwise than by way of security only, of more than fifty percent (50%) of all the partnership interests held by the partners in the general partnership.

The terms "Controlled" and "Controlling" shall have corresponding meanings;

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"Dissolution Event" - the Bankruptcy or withdrawal of a Partner whether or not pursuant to the terms of this Agreement;

"Dollar" or "$" - the lawful money of the United States of America;

"Fiscal Year" - has the meaning ascribed to it in PARAGRAPH 12.2;

"Fuel" - natural gas, oil, coal and other hydrocarbons, as well as wood chips, wastes and other substances;

"GAAP" - the generally accepted U.S. accounting principles consistently applied;

"HQ" - Hydro Quebec;

"Management Committee" - the management committee of the Partnership constituted pursuant to ARTICLE 11;

"Managers" - the members of the Management Committee;

"NOV" - Noverco Inc.;

"Parents" - CNG which has directly or indirectly the Control over CNGEA, HQ which has directly or indirectly the Control over HQUS and NOV which has directly or indirectly the Control over NOVUS;

"Partners" - CNGEA, HQUS and NOVUS together with such other Persons as may become partners of the Partnership;

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"Partnership" - the general partnership constituted hereby;

"Partnership Interest" - the percentage obtained by dividing the Capital Account of a Partner by the aggregate Capital Accounts of all the Partners and multiplying by 100;

"Person" - includes an individual, partnership, association, trust, unincorporated organization and corporation;

"Proportionately" - as among any Partners, pro rata based upon such Partners' Partnership Interests;

"Related Entity" - of a Partner, means a Person (other than an individual) who is Controlled directly or indirectly by the corresponding Parent of such Partner;

"Tax Capital Account" - has the meaning ascribed to it in PARAGRAPH 12.9.5;

"Tax Matters Partner" - has the meaning ascribed to it in PARAGRAPH 12.11.1;

"Territory" - the territories located in the United States of America, as shown in the map attached as APPENDIX "A", composed of the territories of NEPOOL (New England Power Pool), NYPA (New York Power Authority) and PJM (Pennsylvania, New Jersey-Maryland Power Pool) as they may be modified from time to time, and such other areas as determined by the Partners from time to time;

"Treasury Regulations" - the income tax regulations promulgated under the Code, as such regulations may be amended from time to time and including corresponding provisions of succeeding regulations;

"Utility" - a regulated public utility engaged primarily in ownership and operation of assets for service to retail customers.

- PREAMBLE -

A. WHEREAS the Partners intend to provide the energy industry with flexible services of various energy forms;

B. WHEREAS the Partners have agreed to enter into a partnership to carry on the Business and to execute this General Partnership Agreement for the purpose of establishing the principles and modalities regarding the organization and operation of the Partnership and of setting forth their mutual understanding with respect to the objective and mission of the Partnership, as well as their respective rights and obligations as Partners.

- NOW THEREFORE, THE PARTIES AGREE AS FOLLOWS: -

ARTICLE 1 - PARTNERSHIP

1.1 The Partners hereby form a general partnership under the Uniform Partnership Act (Delaware) subject to the terms and conditions hereof.

ARTICLE 2 - OBJECT OF THE PARTNERSHIP

2.1 The object of the Partnership, which constitutes its Business, shall be to supply, purchase, market, broker or otherwise trade electricity or Fuel, to provide electricity or Fuel management services as well as to carry on activities or perform services related to any of the foregoing, in the Territory, including, without limitation,

in connection with Arbitrage Transactions.

2.2 Neither the Partnership nor any Partner shall act as representative or agent of any Parent. Nothing in this Agreement should be construed to authorize the Partnership or any of the Partners to represent any of the Parents or any Related Entity in any commercial dealing, including with respect to the sale of electricity or Fuel.

ARTICLE 3 - GOVERNING LAW

3.1 The validity, interpretation and performance of this Agreement shall be governed by the laws in force in the State of Delaware, exclusive of the conflict of laws rules thereof.

ARTICLE 4 - PARTNERSHIP NAME

4.1 The name of the Partnership shall be "Energy Alliance Partnership".

ARTICLE 5 - HEAD OFFICE

5.1 The head office of the Partnership shall be at such location as determined by the Management Committee.

ARTICLE 6 - TERM

6.1 Subject to the provisions contained in this Agreement, the Partnership shall commence on the date of execution of this Agreement and shall continue for a term ending on the earlier of:

6.1.1 the date on which the Partnership is voluntarily dissolved by agreement of the Partners; or

6.1.2 the date on which a Dissolution Event occurs provided, however, the remaining Partners shall have the right to elect to continue the Business, in a reconstituted form if necessary, such right exercisable upon an affirmative vote of the remaining Partners within sixty (60) days after their acquiring

knowledge of the Dissolution Event; or

6.1.3 on December 31,2020, unless the Partners agree on another date.

ARTICLE 7 - PARTNERSHIP INTERESTS

7.1 Initially, each of the Partners shall have the Partnership Interest set forth below opposite its name:

Name of the Partners	Partnership Interest
CNGEA	33 1/3%
HQUS	33 1/3%
NOVUS	33 1/3%

The above Partnership Interests may be altered pursuant to this Agreement.

7.2 For accounting and tax purposes, the profits and losses of the Partnership shall be determined and allocated among the Partners.

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7.3 The profits and losses of the Partnership allocated among the Partners shall be credited or charged, as the case may be, to their respective Tax Capital Accounts as of the date as of which such profits and losses are to be determined in accordance with PARAGRAPH 12.9.5.

7.4 All profits and losses of the Partnership shall be determined in accordance with the accounting methods followed by the Partnership for federal income tax purposes. Profits and losses shall include all items of income, gain, loss and deduction.

7.5 Division of profits and losses shall be made and eligibility therefor shall be determined as of the close of each fiscal year, except that, in the case of a transferee Partner in accordance herewith, the allocation of profits and losses

between transferor and transferee shall be as of the date the transfer has been made.

7.6 Except as otherwise provided herein, profits, losses and credits of the Partnership shall be allocated among the Partners Proportionately.

7.7 If the Partnership's adjusted basis for income tax purposes

of property contributed by a Partner differs from the value at which the property was accepted by the Partnership at the time of its contribution, in determining the contributing Partner's distributive share of the taxable income or loss of the Partnership, depreciation or gain or loss with respect to the contributed property shall be allocated to take into account, to the fullest extent permitted by the Code and the Treasury Regulations, the difference between the adjusted basis of the property to the Partnership and the agreed value of the property at the time of its contribution. Such allocations shall be consistent with section 704(c) of the Code and the Treasury Regulations promulgated pursuant thereto.

7.8 No allocation shall be made to any Partner so as to create or increase a deficit balance in such Partner's Tax Capital Account in excess of any amount of such deficit balance

that the Partner is obligated, or deemed obligated, to restore or the amount permitted under the minimum gain provisions. Further, notwithstanding anything contained herein to the contrary, a Partner who receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b) (2) (ii) (d) (4), Section 1.704-1(b) (2) (ii) (d) (5), or Section 1.704-1(b) (2) (ii) (d) (6), which causes or increases a deficit in such Partner's Tax Capital Account in excess of any amount of such deficit balance that the Partner is obligated, or deemed obligated, to restore, will be allocated items of income and gain in an amount and manner sufficient to eliminate such deficit balance as quickly as possible. Any special allocations of items of income or gain pursuant to this provision shall be taken into account in computing subsequent allocations of profits pursuant to this Agreement so that the net amount of any items so allocated and all other items allocated to each Partner shall, to the extent such allocation shall not create or increase a deficit balance in such Partner's Tax Capital Account in excess of any amount of such deficit balance that the Partner is obligated, or deemed obligated, to restore, be equal to the net amount that would have been allocated to each Partner pursuant to the provisions of this Agreement if such unexpected adjustments, allocations or distributions had not occurred. This provision is intended to comply with the qualified income offset provision in the Treasury Regulations under section 704(b) of the Code and shall be interpreted consistently therewith.

7.9 Notwithstanding any other provision of this Agreement, if there is a net decrease in partnership minimum gain as defined in Treasury Regulation Section 1.704-2(d), each

Partner who would otherwise have a deficit in such Partner's Tax Capital Account shall be allocated items of income and gain in a manner and in an amount sufficient to eliminate such deficit as quickly as possible. The items to be so allocated shall be determined in accordance with Treasury Regulation Section 1.704-2(f) (6). This provision is intended to comply with the minimum gain charge-back requirements in Treasury Regulation Section 1.704-2(f) and

shall be interpreted consistently therewith. In the event of the Partnership's profits or losses for any year include Partner nonrecourse deductions, the provisions of Treasury Regulation Section 1.704-2(i) shall be applied for that year and all succeeding taxable years.

7.10 The references in this Agreement to the Code and the Treasury Regulations and to provisions thereof, should not be interpreted to signify that provisions not specifically referred to, were intended not to be applicable or not to be complied with.

ARTICLE 8 - CAPITAL CONTRIBUTIONS

8.1 If at any time Capital or further Capital is required for carrying on the Business, the Capital shall be advanced by the Partners Proportionately.

8.2 All Capital Contributions shall be made in cash. However, if agreed by the Management Committee, a Partner may make a Capital Contribution in property. In such event, the value of the property so contributed shall be agreed upon between the contributing Partner and the Management Committee. Any Capital Contribution made in property by a Partner shall be matched by Capital Contributions in cash by the other Partners Proportionately.

8.3 Each Partner agrees to make an initial Capital Contribution of $600,000 to the Partnership, within thirty (30) days following the execution of this Agreement. Subject to the Business volume requirements and when required by the Management Committee, each Partner agrees to make additional Capital Contributions to the Partnership up to an aggregate amount of $2,400,000.

8.4 If a Partner does not make a Capital Contribution on the due date, the other Partners may bring the additional Capital which was to be contributed by said Partner to the Partnership, Proportionately, within thirty (30) days following the date on which said Capital Contribution was due. In such event, the Partnership

Interest of each Partner shall be adjusted accordingly, pro rata to all the Capital Contributions made by all the Partners.

ARTICLE 9 - REPRESENTATIONS AND WARRANTIES

9.1 Each Partner hereby represents and warrants to the other Partners:

9.1.1 that it is a valid and existing corporation duly incorporated and has the requisite power to carry on its business;

9.1.2 that it has full power and authority to enter into this Agreement;

9.1.3 that the execution of this Agreement and the accomplishment of its obligations hereunder do not conflict with any law, any governmental or regulatory restrictions, its articles of incorporation, its by-laws nor with any agreement executed by it.

9.2 Each Partner hereby covenants to ensure its continued qualification under the laws of its jurisdiction of incorporation and, if required by law, of such jurisdictions where the Partnership carries on its Business.

ARTICLE 10 - MATTERS REQUIRING APPROVAL OF THE PARTNERS

10.1 All decisions pertaining to the Business and the other affairs of the Partnership shall be made by the Management Committee, save and except that the following matters shall require the unanimous written approval of the Partners:

10.1.1 any amendment to this Agreement;

10.1.2 any sale or other disposition of all or substantially all of the assets of the Partnership;

10.1.3 the purchase or the transfer of a Partnership Interest or any part thereof or the admission of a new Partner, save and except in compliance with ARTICLES 18. 19 AND 20;

10.1.4 the dissolution, liquidation or winding-up of the Partnership or the merger, amalgamation or reorganization of the Partnership with any Person;

10.1.5 any change in the Business;

10.1.6 any additional Capital Contributions to the Partnership by the Partners in excess of $3,000,000 per Partner on a cumulative basis.

10.2 For the purposes of PARAGRAPH 10.1, any Partner that withdraws from the Partnership or otherwise causes the Partnership to be dissolved shall be deemed not to be a partner of the Partnership.

ARTICLE 11 - MANAGEMENT COMMITTEE

11.1 Save and except as provided in ARTICLE 10, the Partners agree that the Business and the affairs of the Partnership shall be managed by the Management Committee.

11.2 The Management Committee shall be comprised of a maximum of nine (9) Managers.

11.3 Each Partner shall be entitled to name one (1) Manager for each eleven percent (11%) of its Partnership Interest by instrument in writing given to the Management Committee.

11.4 The quorum for Management Committee's meetings shall be three (3) Managers and must include a nominee of each Partner holding individually a Partnership Interest of twenty-two percent (22%) or more.

11.5 Each Manager, including the Chairman, has one (1) vote at Management Committee's meetings.

11.6 The Management Committee manages the affairs of the Partnership and exercises all the powers necessary for that purpose. It may, in its discretion, create management positions and other committees, and delegate the exercise of certain powers to the holders of those positions and to those committees. The provisions of PARAGRAPH 11.8 shall apply mutatis mutandis to the individuals holding said positions or being members of said committees.

11.7 The decisions of the Management Committee are taken by the affirmative vote of a majority of the Managers present at a duly convened meeting at which a quorum is present, which majority must include a nominee of each Partner holding individually a Partnership Interest of twenty-two percent (22%) or more.

11.8 The Managers are not liable to the Partnership or any Partner individually for the decisions taken by the Management Committee, unless they act with fraud, bad faith, gross recklessness, gross carelessness or gross negligence.

11.9 Except in respect of an action by or on behalf of the Partnership to procure a judgment in its favour, the Partnership shall indemnify a Manager and his heirs executors, successors and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a Manager of the Partnership,

11.9.1 unless he acted with fraud, bad faith, gross recklessness, gross carelessness or gross negligence; and

11.9.2 in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, if he had reasonable grounds for believing that his conduct was lawful or in the case of any other criminal or administrative action, he is found not guilty of any alleged unlawful conduct.

11.10 No person may be designated as a Manager without his express consent.

11.11 Each Manager shall serve at the pleasure of the Partner naming him and may be removed at any time by said Partner. In the event that a Partner's Partnership Interest shall be reduced such that it shall no longer be entitled to name the number of Managers it has named, it shall remove the excess Managers named by it. Failing such removal by said Partner, a majority of the Managers appointed by the other Partners shall have the right, by ordinary resolution and without having to comply with the rules of PARAGRAPHS 11.4 AND 11.7, to remove the excess Managers.

11.12 Subject to PARAGRAPH 11.3, the Partners fill the vacancies on the Management Committee.

11.13 Where the Management Committee is prevented from acting owing to the incapacity or systematic opposition of some Managers, the other Managers may

act alone for conservatory acts in connection with the discharge of the existing obligations of the Partnership and the provisions of PARAGRAPHS 11.4. 11.7 and 11.17 shall apply mutatis mutandis as if the Management Committee only comprised such other Managers.

11.14 The Managers may participate in a meeting of the Management Committee by the use of a means which allows all those participating to communicate directly with each other.

11.15 The Chairman of the Management Committee or any two (2) Managers may convene a meeting of the Management Committee by sending a written convening notice, together with a proposed agenda, to the other Managers at least three (3) business days before the date of the meeting.

11.16 The Managers may waive the notice convening a meeting of the Management Committee. The mere presence of the Managers is equivalent to a waiver of the convening notice unless they are attending to object that the meeting was not regularly convened.

11.17 Resolutions in writing signed by all the Managers in office are as valid as if passed at a meeting of the Management Committee. A copy of the resolutions shall be kept with the minutes of proceedings or the equivalent.

11.18 The Managers shall serve without compensation from the Partnership.

11.19 The reasonable expenses incurred by the Managers in such capacity shall be reimbursed by the Partnership.

ARTICLE 12 - FINANCIAL MATTERS

12.1 Working capital

Except as otherwise agreed upon by the Management Committee, it is the intention of the Partners that the Partnership shall operate first with the funds to be provided by them as Partners under ARTICLE 8 and with its profits.

12.2 Fiscal Year

The Fiscal Year end of the Partnership shall be December 31 of each year.

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12.3 Auditor

The Auditor shall be determined by the Management Committee.

12.4 Banking arrangements

The Partners agree that the Partnership shall enter into banking arrangements with any bank or banks or other financial institutions as the Management Committee shall determine. All cheques, drafts and other instruments and documents on behalf of the Partnership may be signed by the person designated by the Management Committee. All Partnership money shall, when received, be paid and deposited with the bankers of the Partnership to the credit of a Partnership account.

12.5 Business plan

The Partnership shall operate within the overall parameters of a business plan which shall be submitted for consideration to and approved by the Management Committee as soon as possible after the date hereof (and modified from time to time as circumstances require) and under annual capital and operating budgets which shall be approved by the Management Committee at least thirty (30) days prior to the commencement of each Fiscal Year of the Partnership save for the first. The capital and operating budgets for the first Fiscal Year shall be drawn by the Partners and approved by the Management Committee within sixty (60) days of the date hereof.

12.6 GAAP

All accounting matters under this Agreement shall be governed by GAAP and to that end any accounts, reports, statements or similar matters which are drawn or established in connection with the Business or the affairs of the Partnership shall conform with GAAP.

12.7 Cash distributions

The Partnership shall operate under a policy of prudent cash distributions whereby, save for normal and prudent reserves (including without limitation, reserves for

amounts required, in the reasonable opinion of the Management Committee, to fund anticipated budgetary requirements for the next twelve (12) months), cash will be distributed Proportionately to the Partners as and when available for distribution; subject only to solvency and similar tests, if any, imposed by the laws governing the Partnership.

12.8 Financial statements

Proper accounts shall be kept of all transactions of the Partnership and at the end of each Fiscal Year or so soon thereafter as possible, a statement shall be prepared showing the income and expenses of the Partnership for the past year and what belongs and is due to each of the Partners as its share of the profits, together with the Capital Account of each Partner. The Partnership accounts shall be audited by the Auditor at the expense of the Partnership.

12.9 Books and records

12.9.1 The Management Committee shall designate a Partner, agent or employee of the Partnership as the Administrative Partner to maintain or cause to be maintained at the office of the Partnership (or other designated location, if necessary), full, correct and complete copies of this Agreement, and each material agreement of the Partnership and, in each case, full, correct and complete copies of all amendments thereof and supplements thereto, and full and accurate books of the Partnership showing all receipts and expenditures, assets and liabilities, profits and losses and all other books, records and information required by the Uniform Partnership Act (Delaware) to record the Partnership's business and affairs, together with a current list of the full name and last known business address of each

Partner, and executed copies of all powers of attorney, and copies of the Partnership's federal, state and local income tax returns and reports, if any.

12.9.2 Such documents, books and records shall be maintained at a designated location until six (6) years after the termination and liquidation

of the Partnership. The Administrative Partner may issue copies of the documents deposited with him; until proof to the contrary, the copies are proof of their contents without any requirement to prove the signature affixed to them or the authority of the author.

12.9.3 Each Partner and its duly authorized agent(s) or representative(s) shall have the right, at such Partner's expense, at all reasonable times during normal business hours and upon at least two (2) business days' prior notice, to inspect and make copies or extracts from all the Partnership's documents, books, records, information stored electronically by means of a computer or other data storage or data processing device, including, without limitation, all documents, books and records necessary to enable such Partner to defend any tax audit or related proceeding.

12.9.4 Each Partner and its duly authorized agent(s) or representative(s) shall also have the right, at such Partner's expense, at all reasonable times during normal business hours and upon at least two (2) business days' prior notice, to audit the billings, accounts, records, other documents and physical operations of the Partnership necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement during any calendar year within the twenty-four (24) month period following the end of such calendar year. The

Partnership shall respond to exceptions resulting from the audit within 30 days of the receipt of the final audit report.

12.9.5 An individual Tax Capital Account shall be established and maintained for each Partner on the books of the Partnership in accordance with the requirements of Section 704(b) of the Code and Treasury Regulation Section 1.704-1(b). Upon the permitted transfer or termination of any interest in the Partnership, the Tax Capital Account of each Partner shall be adjusted as required by any Treasury Regulations in effect as of the date of such transfer or termination. The provisions of this Agreement relating to the maintenance of Tax Capital Accounts are intended to comply with

Treasury Regulation Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Tax Matters Partner shall determine that it is prudent to modify the manner in which the Tax Capital Accounts, or any debits or credits thereto, are computed in order to comply with such Treasury Regulations or to make an election under the Treasury Regulations in determining Tax Capital Accounts, the Tax Matters Partner may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Partner upon the dissolution of the Partnership. The Tax Matters Partner also shall make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulation Section 1.704-1(b).

12.10 Reports to Partners

12.10.1 Wthin forty five (45) days after the end of each of the first three calendar quarters of each Fiscal Year, the Administrative Partner shall cause to be prepared and delivered to the other Partners an unaudited balance sheet as of the end of such calendar quarter and unaudited

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statements of operations for such calendar quarter and unaudited statements of operations, Partners' equity and cash flow of the Partnership for the period from the beginning of the then current Fiscal

Year to the end of such calendar quarter, all of which shall be prepared in accordance with GAAP;

12.10.2 Within ninety (90) days after the end of each Fiscal Year, the Administrative Partner shall cause to be prepared and delivered to the other Partners an audited balance sheet as of the end of such Fiscal Year and related statements of operations, Partners' equity and cash flow of the Partnership, prepared in accordance with GAAP;

12.10.3 With respect to each calendar quarter of each Fiscal Year, the Administrative Partner shall cause to be prepared and delivered to the other Partners a reasonable estimate of the other Partners' respective allocable shares of

taxable profit and losses (and their respective allocable shares of any items of income, gain, loss or deduction). The tax estimate for the first calendar quarter of each Fiscal Year shall be delivered to the Partners on or before the last day of such calendar quarter. The tax estimates for the subsequent calendar quarters of each Fiscal Year shall be delivered to the Partners at least thirty (30) days prior to the close of each such calendar quarter. Such tax estimates shall be reasonable in light of the information available to the Administrative Partner at time of preparation;

12.10.4 With respect to each month of each Fiscal Year, the Administrative Partner shall cause to be prepared and delivered to each Partner, within twenty (20) days of the end of each month, a reasonable estimate of net income and net cash flow of the Partnership for such month.

12.11 Annual tax return

12.11.1 Unless otherwise determined by the Management Committee, CNGEA shall be the Tax Matters Partner for federal income tax purposes pursuant to Section 6231 of the Code with respect to all taxable years of the Partnership and is authorized to do whatever is necessary to qualify as such. The Tax Matters Partner shall cause the preparation of, and shall timely file, or cause the timely filing of, all tax returns and shall timely make or revoke all elections, and take all tax reporting positions, necessary or desirable for the Partnership so as to maximize the tax benefits of the Partners (i.e. maximum cost allowances, reserves and other deductions), including elections under Section 195 of the Code (to amortize start up expenditures) and 709 of the Code (to amortize organizational expenditures) taking into consideration the tax provisions contained herein. No election shall be made by any Partner to have the

Partnership excluded from the application of any provision of Subchapter K of the Code or any equivalent state or other income tax provision.

12.12 Actions in event of audit and other tax matters

12.12.1 The Tax Matters Partner shall take all actions which are necessary or appropriate in dealing with any tax authorities subject to the following:

12.12.1.1 During any audit or other controversy with any tax authority, the Tax Matters Partner shall keep the other Partners informed of all material facts and developments on a timely basis, and shall consult

with any Partner at such Partner's request. In general, the Tax Matters Partner shall not take any action contemplated by Sections 6221 through 6233 of the Code unless it has first given the other Partners notice of the contemplated action and received the consent of the Management Committee. This provision is not intended to authorize the Tax Matters Partner to take any action which is left to the determination of an individual Partner under Section 6221 through 6233 of the Code.

12.12.1.2 The Tax Matters Partner shall keep each Partner informed of all administrative and judicial proceedings for the adjustment at the Partnership level of partnership items in accordance with Section 6233(g) of the Code, and shall furnish copies of correspondence received pursuant to the provisions of the preceding sentence to the Partners.

12.12.1.3 The Tax Matters Partner shall not enter into any extension of the period of limitations as provided under Section 6229 of the Code without first giving reasonable notice to all other Partners of such intended action and obtaining the consent of the Management Committee.

12.12.1.4 No Partner shall file, pursuant to Section 6227 of the Code, a request for an administrative adjustment of partnership items for any

Partnership taxable year. If any Partner desires such a request for administrative adjustment, and if

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the Management Committee agrees with the requested adjustment, the Tax Matters Partner shall file the request for administrative adjustment on behalf of the Partnership.

12.12.1.5 The Tax Matters Partner shall not make any settlement offers with respect to the tax treatment of partnership items without first giving reasonable advance notice of such intended action (including any proposal for settlement) to the other Partners. The Tax Matters Partner shall not bind any other Partner to a settlement agreement without obtaining the written concurrence of any such Partner who would be bound by such agreement. Unless prohibited, any other Partner who enters into a settlement agreement with the Internal Revenue Service or the Secretary of the Treasury with respect to any partnership items shall promptly notify the Tax Matters Partners of such settlement agreement, and the Tax Matters Partner shall promptly notify the other Partners of such settlement agreement.

12.12.1.6 Pursuant to the approval of the Management Committee, the Tax Matters Partner shall have the right to engage legal counsel, certified public accountants, or other assistance with respect to any partnership level tax audit. In

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such case, any reasonable item of expense with respect to such

matters, including but not limited to fees and expenses for legal counsel, certified public accountants and other experts which the Tax Matters Partner incurs in connection with any Partnership level audit, assessment, litigation or other proceedings regarding any partnership item shall be borne by the Partnership.

12.12.1.7 The Tax Matters Partner shall provide to each of the Partners a copy of the Partnership's annual federal income tax information returns (Form 1065 and the accompanying Schedules K-1), as well as any similar State income tax returns, at least thirty (30) days prior to the due date for such returns in order that each of the Partners may review and comment on such returns prior to the filing thereof. If approved by the Management Committee, such comments shall be incorporated into the return.

12.12.1.8 The Partnership shall indemnify the Tax Matters Partner for all claims, liabilities, losses and damages borne by the Tax Matters Partner, which were incurred in connection with any administrative or judicial proceeding with respect to any audit of the Partnership's Tax Returns, except to the extent caused

by the gross negligence or willful misconduct of the Tax Matters Partner.

12.12.1.9 The taking of any action and the incurring of any expense by the Tax Matters Partner in connection with any such proceeding, except to the extent otherwise governed by PARAGRAPH 12.12.1, shall be a matter in the reasonable discretion of the Tax Matters Partner.

ARTICLE 13 - STAFFING AND FACILITIES

13.1 The Partnership shall operate with the staff, the premises and facilities, as determined by the Management Committee.

ARTICLE 14 - lNSURANCES

14.1 The Partnership shall purchase such insurances in type and in amount and with the coverage determined by the Management Committee.

ARTICLE 15 - PRODUCTS AND SERVICES

15.1 Where the Partnership calls for the supply or sale of electricity and/or Fuel, the Management Committee shall first seek to procure or sell same, as the case may be, from or to suppliers and buyers designated by the Management Committee from time to time on the basis inter alia of the following criteria: availability, quality, price, reliability, etc.

15.2 Where the Partnership calls for the supply of services, the Management Committee shall seek to procure same as follows:

15.2.1 The Management Committee shall determine which of the Partners (including their Related Entities) is best suited to procure or supply them.

15.2.2 To that end, charges to the Partnership for services sourced from the Partners (including their Related Entities) shall be made on the direct

costing method for the personnel of such Partners (that is, salary plus fringe benefits) and direct out-of-pocket expenses for other items.

15.2.3 Notwithstanding the foregoing, no Partner shall have any obligation to supply such services to the Partnership.

ARTICLE 16 - INDIVIDUAL OBLIGATIONS OF THE PARTNERS

16.1 With respect to the activities of a Partner outside of the Partnership, each of the Partners shall keep indemnified the Partnership and the other Partners from all actions, proceedings, costs, claims and demands of every nature in connection with his own separate debts, liabilities, obligations, duties and agreements whether at present or future.

ARTICLE 17 - INDEMNIFICATION

17.1 If at any time a Partner is required to pay or becomes liable for more than his proportion of the Partnership debts as provided for in this Agreement, that Partner shall have Proportionately as against the other Partners a right of recovery to the payment or indemnification against such liability.

ARTICLE 18 - RESTRICTIONS ON TRANSFER OF PARTNERSHIP INTEREST

18.1 Except as expressly provided for in this Agreement, no Partner may sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber its Partnership Interest or rights under this Agreement, or any part thereof, without the prior written consent of the other Partners.

18.2 However, a Partner may, without said consent of the other Partners, transfer all of its Partnership Interest to a Related Entity, provided:

18.2.1 that said Partner sends a notice of the proposed transfer to the other Partners;

18.2.2 that none of the other Partners demonstrates to the transferring Partner that the proposed transfer will have material and unfavourable regulatory

or fiscal impacts on it or on the Partnership; said demonstration having to be made in writing within thirty (30) days following the receipt of the notice referred to in PARAGRAPH 18.2.1, failing which all such other Partners shall be deemed not to be opposing the proposed transfer; and

18.2.3 that said Related Entity becomes simultaneously a party to this Agreement in lieu and place of said transferring Partner.

ARTICLE 19 - RIGHT OF FIRST REFUSAL

19.1 For the purpose of this Article, unless the context indicates otherwise, the following terms and expressions have the meanings ascribed to them:

"Accepting Offerees" - the Offerees having accepted an Offer;

"Additional Interest" - the portion of the Offered Interest that was refused by the Refusing Offerees;

"Approved Candidate(s)" - the Persons listed in the List Of Candidates which are approved by the Offerees pursuant to PARAGRAPH 19.3;

"Approved Candidate/Offer" - a bona fide written offer from an Approved Candidate offering to purchase the Partnership Interest of the Offeror and setting the price in cash and other terms and conditions;

"List Of Candidates" - the list of the Persons which the Offeror intends to solicit in order to obtain from them an offer to purchase all its Partnership Interest, which list shall be signed by the Offeror and shall comprise sufficient information in order to identify each of said Persons, their business and affairs and ultimate ownership;

"Offer" - the written offer to sell its Partnership sent by the Offeror to the Offerees setting the price in cash and other terms and conditions;

"Offerees" - the Partners other than the Offeror;

"Offeror" - a Partner making an Offer;

"Offered Interest" - the Partnership Interest forming the object of the Offer;

"Refusing Offerees" - the Offerees having refused an Offer.

19.2 Except as provided in ARTICLE 18 or except with the written consent of all the Offerees, the Offeror may not sell or otherwise transfer, in whole or in part, its Partnership Interest to any Person without first having delivered a List Of Candidates to the Offerees.

19.3 The Offerees shall deliver to the Offeror a joint written notice of approval or refusal of the Persons listed in the List Of Candidates within thirty (30) days following the receipt of same, failing which the Offerees shall be irrefutably deemed to have refused said Persons.

19.4 If pursuant to PARAGRAPH 19.3 there is at least one (1) Approved Candidate, the Offeror may seek to obtain an Approved Candidate/Offer within one hundred and twenty days (120) days following the expiry of the thirty (30) day period set forth in PARAGRAPH 19.3. In that regard, before disclosing any information respecting the Partnership to an Approved Candidate, the Offeror shall obtain from the latter a confidentiality undertaking in a form satisfactory to the Offerees and deliver to them an executed copy of same.

19.5 If the Offeror receives an Approved Candidate/Offer within the period set forth in PARAGRAPH 19.4 that the Offeror is willing to accept, it must communicate a complete copy thereof to the Offerees together with an Offer setting forth the same cash price, terms and conditions as those

stipulated in the Approved Candidate/Offer. By delivering the Offer, the Offeror represents and warrants to the Offerees that there is no direct or indirect supplementary consideration (whether or not in the nature of a tangible or intangible assets, money, property, securities or other

benefits) to be received by an Approved Candidate or any other Person in connection with the Approved Candidate/Offer and that the Approved Candidate/Offer is not made as part of or in connection with any other transaction.

19.6 The Offerees shall be entitled to acquire the Offered Interest Proportionately.

19.7 The Offerees shall deliver to the Offeror a written notice of acceptance or refusal of the Offer within thirty (30) days following the receipt of the Offer.

19.8 The Offerees who have not sent to the Offeror the notice provided in PARAGRAPH 19.7 within the stipulated period, shall be irrefutably deemed to have refused the Offer.

19.9 If the Offer is accepted by all the Offerees, the Offeror shall transfer the Offered Interest to the Offerees within thirty (30) days following the date of such acceptance.

19.10 If the Offer is not accepted by all the Offerees, the Offeror shall deliver, within ten (10) days following the expiration of the period set forth in PARAGRAPH 19.7, a written notice to that effect to the Accepting Offeree.

19.11 Within ten (10) days from the date of receipt of the notice referred to in PARAGRAPH 19.10, the Accepting Offeree shall deliver to the Offeror a written notice of acceptance or refusal of the Additional Interest, failing which the Accepting Offeree shall be irrefutably deemed to have refused to acquire the Additional Interest.

19.12 In the event of a refusal or deemed refusal by the Accepting Offeree to acquire the Additional Interest, the Accepting Offeree shall be irrefutably deemed to have refused the Offer even if it had been initially accepted.

19.13 In the event of a refusal or deemed refusal of the Offer by all the Offerees, the Offeror may transfer the Offered Interest to the Approved Candidate having made an Approved Candidate/Offer within thirty (30) days following the date of the refusal or deemed refusal of the Offer by the last of the Offerees, and this, at the same cash price and upon the same terms and conditions as those stipulated in the Approved Candidate/Offer or at a cash price and upon terms and conditions which are more favourable to the Offeror, failing which, if the Offeror still desires to sell the Offered Interest, it must offer it again to the Offerees in the manner provided in this Article.

19.14 A Partner may not sell or otherwise transfer any part of its Partnership Interest to an Approved Candidate having made an Approved Candidate/Offer, if the latter does not agree in advance and in writing to become a party to this Agreement.

19.15 If, for purposes of obtaining any necessary regulatory approval, the periods set forth in PARAGRAPHS 19.9 AND 19.13 have to be extended, the Offeror, the Offerees

and the Partnership shall act diligently and in good faith to minimize the extension of said periods, which extension shall not exceed six (6) months.

19.16 No Partner may rely upon the provisions of this Article before the expiry of a period of five (5) years from the date of execution of this Agreement.

ARTICLE 20 - AUTHORIZED AND NON AUTHORIZED WITHDRAWAL OF A PARTNER

20.1 Authorized withdrawal

20.1.1 For the purposes of PARAGRAPH 20.1, unless the context indicates otherwise, the following terms and expressions have the meanings ascribed to them:

"Price" - the price referred to in PARAGRAPH 20.1.2.

"Remaining Partners" - the Partners other than the withdrawing Partner;

"Withdrawal Notice" - the written notice sent by the withdrawing Partner to the Remaining Partners referred to in PARAGRAPH 20.1.2;

"Withdrawing Partner" - a Partner having sent a Withdrawal Notice.

20.1.2 Any Partner may at any time during the thirty (30) day period commencing on the 90th day following the end of the fifth Fiscal Year and of each fifth Fiscal Year thereafter, require

the Remaining Partners to purchase its Partnership Interest for a Price equal to its book value, as determined by the Auditor on the basis of the last audited financial statements of the Partnership, by giving a withdrawal Notice to the Remaining Partners.

20.1.3` The Remaining Partners shall purchase the Partnership Interest of the Withdrawing Partner Proportionately or, alternatively, at the discretion of the Remaining Partners, the Partnership Interest of the Withdrawing Partner shall be redeemed by the Partnership.

20.1.4 The Remaining Partners or the Partnership, as the case may be, shall pay the Price to the Withdrawing Partner, without interest, in twelve (12) monthly, equal and consecutive

installments, the first of which shall become due and payable on the first day of the month following the date of the receipt of the withdrawal Notice by more than twenty (20) days. If, for purposes of obtaining any necessary regulatory approval, said twenty (20) day period has to be extended, the Partners and the Partnership shall act diligently and in good faith to minimize the extension of said period, which extension shall not exceed six (6) months.

20.1.5 The Withdrawing Partner shall cease to be a Partner of the Partnership on the date the transaction of purchase and sale of its Partnership Interest is completed.

20.1.6 In the event there are two (2) Withdrawing Partners, the Remaining Partner shall have the right to elect to continue the Business, in a reconstituted form and with additional partners if desired.

20.1.7 In the event there are three (3) withdrawing Partners, the Partnership shall be dissolved and wound up in accordance with the provisions of ARTICLE 25.

20.2 Non authorized withdrawal

20.2.1 In the event a Partner withdraws from the Partnership, fails to vote in favor of

reconstituting and continuing the Partnership following a dissolution of the Partnership or otherwise causes the dissolution of the Partnership, without in each case complying with the provisions of PARAGRAPH 20.1, the Capital contributed to the Partnership by such Partner shall be forfeited without prejudice to the right of the remaining Partners to recover from such Partner damages for breach of this Agreement. In such a case, any such forfeiture of Capital shall be treated as minimum liquidated damages.

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20.2.2 The provisions of PARAGRAPH 20.1.6 shall be applicable mutatis mutandis where two Partners (said two Partners need not commit the same breach) either withdraw from the Partnership, fail to vote in favor of reconstituting and continuing the Partnership following the dissolution of the Partnership or otherwise cause the dissolution of the Partnership without, in each case, complying with the provisions of PARAGRAPH 20.1.

ARTICLE 21 - DISPUTES

21.1 In their dealings with each other hereunder and in all matters not specifically contemplated in this Agreement, the Partners shall deal with each other and with the Partnership in the utmost good faith and shall owe to each other a duty of loyalty and fair dealing. Failure to comply with this provision, including systematic actions to frustrate, paralyze or otherwise thwart the Business or purpose of the Partnership, shall constitute a breach of this Agreement.

21.2 Should any dispute arise among any of the Partners in respect of any matter arising out of or relating to this Agreement including without limitation, the validity, interpretation or performance hereof, and which the Partners involved are unable to resolve by negotiation within ten (10) days, any Partner shall cause the issue to be referred to the respective chairmen of the Parent of each of the Partners by delivering a written notice to the other Partners.

21.3 If the chairmen are unable to unanimously resolve the question within twenty (20) days of submission, the dispute shall, upon submission by any Partner by means of an

arbitration notice to the other Partners, be finally settled by arbitration in compliance with the provisions of PARAGRAPH 21.4. However, the chairmen may unanimously

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elect, within fifteen (15) days following said arbitration notice, that said arbitration be held before another arbitration tribunal and in another location or that the dispute be settled in a different manner.

21.4 The Partners agree that the arbitration shall be governed by the following rules notwithstanding the provisions of the Act referred to in PARAGRAPH 21.4.1:

21.4.1 the arbitration proceedings shall be conducted in accordance with the _____ of _____, as the same may be amended or supplemented from time to time;

21.4.2 the arbitration shall be held in the city of _____

21.4.3 the arbitral tribunal shall be comprised of three (3) independant arbitrators of which two (2) shall be knowledgeable in the subject under dispute;

21.4.4 the arbitrators shall be appointed unanimously by all the Partners within ten (10) days following the giving of the arbitration notice referred to in PARAGRAPH 21.3, failing which the arbitrators shall be appointed by a court of competent jurisdiction of _____, _____, upon submission by any Partner and said appointment shall be final and without appeal;

21.4.5 the language of arbitration shall be English;

21.4.6 the arbitrators shall make their final award within thirty (30) days following the end of the arbitration hearings;

21.4.7 the arbitration award made by the arbitrators shall be final and without appeal;

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21.4.8 the arbitrators shall have broad power to fashion an appropriate remedy in the case of a

breach of this Agreement, including the assessment of money damages and, in the case of a breach of PARAGRAPH 21.1, the expulsion of the defaulting Partner which shall be treated as a non authorized withdrawal of such Partner pursuant to PARAGRAPH 20.2 which shall apply mutatis mutandis. The award of the arbitrators may be enforced in any court of competent jurisdiction, including by seeking injunctive relief;

21.4.9 the arbitrators shall have the power to allocate their fees and costs at their entire discretion.

ARTICLE 22 - NON COMPETITION

22.1 Except with the prior written consent of the other Partners, no Partner may, while being a Partner of the Partnership, have a direct economic interest as shareholder, partner, through contractual arrangements or otherwise, in the Territory, in a line of business similar to the Business, provided that the following shall not be a violation of this paragraph: the sale, purchase or exchange of electricity or Fuel to or from facilities or by a Utility in which said Partner has a direct equity interest.

22.2 Except with the prior written consent of the other Partners and except in the event of termination of the Partnership pursuant to PARAGRAPH 6.1.1 OR 6.1.3, no Partner may, upon ceasing to be a Partner of the Partnership, for a period of three (3) years thereafter, have a direct economic interest as shareholder, partner, through contractual arrangements or otherwise, in the Territory as at the time said Partner ceases to be a Partner of the Partnership, in Arbitrage Transactions, provided that the following shall not be a violation of this paragraph: the sale, purchase or exchange of electricity or Fuel to or from facilities or by a Utility in which said Partner has a direct equity interest.

22.3 Each Partner acknowledges that the restrictions contained in PARAGRAPHS 22.1 AND 22.2 are, in view of the Business, reasonable and necessary to protect the legitimate interests of the other Partners and the Partnership and that any violation of these restrictions will result in irreparable injury to the other Partners and the Partnership.

22.4 Each Partner acknowledges that in the event of its

violation of the restrictions set forth in this Article, the other Partners shall be entitled, among other things, to preliminary and permanent injunctive relief without the necessity of first following the procedures set forth in ARTICLE 21.

ARTICLE 23 - NON SOLICITATION

23.1 For the purposes of this Article, unless the context indicates otherwise, the term "Employee" means any person whose competence, expertise, experience or knowledge is substantial enough to likely affect to a material extent, considering all circumstances, the usual course, efficiency, profitability, marketability, and other similar aspects of the Business which make it distinctive.

23.2 Except with the prior written consent of the other Partners, no Partner may at any time while being a Partner of the Partnership and, except in the event of termination of the Partnership pursuant to PARAGRAPH 6.1.1 OR 6.1.3, no Partner may, upon ceasing to be a Partner of the Partnership, for a period of three (3) years thereafter, either individually, in partnership, jointly or in conjunction with any Person as principal, agent, trustee, contracting party or holder of shares (other than shares listed on a Canadian or United States of America stock exchange or publicly traded on an organized market in Canada or the United States of America, that do not constitute more than ten percent (10%) of the market capitalization of the relevant corporation, not considering preferred shares) or in any other manner whatsoever:

23.2.1 induce or endeavour to induce any Employee of the Partnership to leave such Employee's employment with the Partnership; or

23.2.2 employ or attempt to employ or assist any Person to employ any Employee of the Partnership.

23.3 The prohibition provided for in PARAGRAPH 23.2 shall not apply to a Partner, a Parent or any of its Related Entities with regard to any Employee of the

Partnership who was an Employee of that Partner, Parent or Related Entity, immediately prior to his having been employed by the Partnership.

23.4 All Partners hereby recognize and agree that in their view and insofar as their business is concerned, the

restrictions provided in this Article are reasonable and valid, and hereby waive, to the fullest extent permitted by applicable law, all defences to the strict enforcement thereof.

23.5 Each Partner acknowledges that in the event of its violation of the restrictions set forth in this Article, the other Partners shall be entitled, among other things, to preliminary and permanent injunctive relief without the necessity of first following the procedures set forth in ARTICLE 21.

ARTICLE 24 - CONFIDENTIALITY

24.1 For the purpose of this Article, unless the context indicates otherwise, the term "Information" means all trade secrets or confidential or proprietary information of the Partnership or of any Partner revealed, directly or indirectly, to one or more of the other Partners during the course of this Agreement, regardless of the form in which it appears, or under which it is communicated, all copies or recordings thereof (whether or not made in accordance

with this Agreement) and the content of such information, including, but not limited to, all descriptions, economic data, computer programs and models and the results therefrom.

24.2 The Partners agree to keep confidential all Information, and shall not, without prior written consent of the others, disclose to any third party, firm, corporation or entity (save and except to its corresponding Parent and a Related Entity and to their respective legal counsel, accountants and consultants, provided they undertake to comply with the provisions of this Article) such Information, nor shall either Partner use any such Information for purposes other than the Business. The Partners agree to use their best efforts to limit the disclosure of the Information to only those directors, officers, employees and agents (including legal counsel, accountants and consultants) who need to know such Information.

24.3 The obligations set forth in PARAGRAPH 24.2 shall not apply to any Information which a Partner can demonstrate:

24.3.1 was in its possession prior to the time of disclosure; or

24.3.2 was in the public domain at the time of

disclosure, or subsequently become part of the public domain through no fault of such Partner or any Related Entity of such Partner.

24.4 In the event that a Partner is legally requested or required (by oral questions, interrogatories, request for Information or documents, subpoena, civil investigative demand or similar process) to disclose any Information, it is agreed that it will provide the other Partners with prompt notice of such request prior to complying therewith so that they may seek an appropriate protective order and/or waive compliance with this Article. If in the absence of a protective order or the receipt of a waiver hereunder, a Partner is nonetheless legally compelled to disclose such Information, it may disclose such Information

without liability hereunder. In addition any Partner may disclose any Information if such disclosure is necessary in connection with the enforcement of the rights of such Partner in the Partnership hereunder.

24.5 The obligations of each Partner concerning confidentiality under this Agreement shall apply for the time periods determined in accordance with the provisions of PARAGRAPHS 22.1 AND 22.2, mutatis mutandis.

ARTICLE 25 - DISSOLUTION AND WINDING UP

25.1 At the end of the term set forth in ARTICLE 6, the Partnership shall be dissolved and wound up, unless where the provisions of PARAGRAPH 6.1.2 are applicable, the remaining Partners elect to continue the Partnership in a reconstituted form and with additional partners if desired.

25.2 In such event and subject to the provisions of ARTICLE 20, the Partners shall cause the assets of the Partnership to be realized and the liabilities of the Partnership to be paid, and the net amount realized therefrom, after deducting all reasonable expenses incurred in disposition and realization of the assets, shall be divided among the Partners in accordance with their Partnership Interests as such sums are received, the whole as follows:

25.2.1 Upon dissolution of the Partnership, liquidation of the assets of the Partnership, the Partners or the liquidator shall distribute all liquidating proceeds in the following manner:

25.2.1.1 first, to pay all reasonable liquidation costs to the Partners or the liquidator;

25.2.1.2 second, to pay all third party creditors of the Partnership in satisfaction of Partnership debts and expenses, including debts owed to the Partners as creditors of the Partnership;

25.2.1.3 third, to establish reserves for contingencies and unforeseen obligations of the Partnership which the Partners or the liquidator, as the case may be, reasonably deems necessary; and

25.2.1.4 fourth, to each Partner in accordance with the positive Tax Capital Accounts, after making any adjustments to such Tax Capital Accounts required pursuant to Treasury Regulation 1.704-1(b) on or before the later of the end of the taxable year in which the Partnership is treated as liquidated under said Treasury Regulation or ninety (90) days after the date of such liquidation.

25.3 The distributions that would otherwise be made to the Partners pursuant to PARAGRAPH 25.2.1 may be distributed to a trust established for the benefit of the Partners, upon terms and conditions agreed upon by the Partners, for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership, and applying any contingent or unforeseen liabilities or obligations of the Partnership or of the Partners arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the Partners from time to time, in the reasonable discretion of the Partners, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the Partners pursuant to this Agreement.

ARTICLE 26 - NOTICES

26.1 Any and all notices or other communications required or permitted hereunder shall be in writing and shall be delivered by courier or telecopied (with confirmation by courier) to the Partners or the Partnership, as the case may be, at the addresses set forth below (which any Partner may at any time change in respect of itself and/or any others to whom copies of notices or other communications to it are to be sent, by similar notice to the other Partners) and shall be deemed to have been received on the day of actual receipt if a business day in the place of receipt or

the next following business day if received on a day that is not a business day or after 4:30 P.M. (local time) in the place of receipt:

26.1.1 To CNGEA:

_____
_____
_____

with copies to:

_____
_____
_____

26.1.2 To HQUS

_____
_____
_____

with copies to:

_____
_____
_____

26.1.3 to NOVUS:

_____
_____
_____

with copies to:

_____
_____
_____

26.1.4 For the Partnership:

_____
_____
_____

Attention: the President

_____

ARTICLE 27 - COSTS

27.1 Each Partner shall assume the expenses incurred by it in connection with the drafting and negotiation of this Agreement and of all other related documents.

ARTICLE 28 - MISCELLANEOUS

28.1 Entire agreement

This Agreement constitutes the entire agreement of the Partners with respect to the subject matter hereof and supersedes all prior understandings and agreements of such Partners with respect thereto.

28.2 No waiver

Neither this Agreement nor any of the terms hereof may be amended, supplemented or waived, except by an instrument in writing signed by the Partner against which enforcement of such change or waiver, as the case may be, is sought. No failure or successive failures on the part of any Partner, or its respective permitted successors or assigns, to enforce any covenant or agreement, and no waiver or successive waivers on its or their part of any conditions of this Agreement shall operate as a discharge of such covenant, agreement, or condition, or render the same invalid, or impair the right of any such Partner, or its respective permitted successors and assigns, to enforce the same in the event of any subsequent breach or breaches by any other Partner, its permitted successors or assigns.

28.3 Counterparts

This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

28.4 Severability'

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

28.5 No Assignment

Except as is expressly provided for in or permitted under this Agreement, no Partner may assign its rights or obligations under this Agreement without the prior written consent of all the other Partners.

28.6 Captions of articles

The captions of the Articles and paragraphs of this Agreement have been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof.

28.7 Singular and plural

As the context requires, words importing the singular number only shall include the plural and vice versa.

28.8 Period

If a period set forth herein expires on a Saturday or Sunday or on a statutory holiday in the place of receipt of any document pursuant to this Agreement, said period shall be extended to the next business day.

28.9 Interpretation

The terms "this Agreement", "hereof", "hereunder", "hereto", "herein" and similar expressions refer to this Agreement and not to any particular Article, paragraph or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and paragraphs are to Articles and paragraphs of this Agreement.

28.10 Agreement drafted for three Partners

This Agreement has been drafted for a maximum of three (3) Partners. This Agreement shall be amended before additional Partners become parties to same.

28.11 Appendix

The appendix attached hereto forms an integral part hereof.

ARTICLE 29 - REFERENCE DATE

29.1 It may be referred to this Agreement as bearing the reference date of _____ 1995.

IN WITNESS WHEREOF THE PARTIES HAVE EXECUTED THIS AGREEMENT:

The Partners.

CNG ENERGY ARBITRAGE CORPORATION

per:
Name: _____
Title: _____

H.Q. ENERGY SERVICES (U.S.) INC.

per:
Name: _____
Title: _____

NOVERCO ENERGY SERVICES (U.S.) INC.

per:
Name: _____
Title: _____

EXHIBIT B-2

UNDERTAKING BY CONSOLIDATED NATURAL GAS COMPANY

in connection with the General Partnership Agreement
respecting electricity and fuel operations

Executed at _____, on _____ 1995

AMONG: CONSOLIDATED NATURAL GAS COMPANY, a corporation duly constituted under the laws of the State of Delaware

AND: ENERGY ALLIANCE PARTNERSHIP, general partnership respecting electricity and fuel operations constituted under the laws of the State of Delaware, United States of America

- - DEFINITIONS -

For the purposes hereof, unless the context indicates otherwise, the following terms and expressions have the meanings ascribed to them:

"Agreement" - this agreement, as amended from time to time;

"Business" - shall have the meaning ascribed thereto in the GPA from time to time and at any time. As at the date hereof, the GPA defines the Business as follows: The object of the Partnership, which constitutes its Business, shall be to supply, purchase, market, broker or otherwise trade electricity or Fuel in

the Territory, including, without limitation, in connection with Arbitrage Transactions;

"Control" - holding, otherwise than by way of security only, of shares to which are attached more than fifty percent (50%) of the votes that may be cast to elect directors of such corporation, provided the votes attached to such shares are sufficient, if exercised, to elect a majority of the directors of the said corporation;

(a) in the case of a corporation, the

(b) in the case of a limited partnership, the holding, otherwise than by way of security only, of

(i) shares to which are attached more than fifty percent (50%) of the votes that may be cast to elect directors of each of its general partners, provided the votes attached to such shares are sufficient, if exercised, to elect a majority of the directors of each such general partners, or of more than fifty percent (50%) of all the partnership interests of each and every class held by the general partners in the limited partnership; or

(ii) more than fifty percent (50%) of all the partnership interests held by the partner(s) in the limited partnership; and

(c) in the case of a general partnership, the holding, otherwise than by way of security only, of more than fifty percent (50%) of all the partnership interests held by the partners in the general partnership.

The terms "Controlled" and "Controlling" shall have corresponding meanings;

"Fuel" - natural gas, oil, coal and other hydrocarbons, as well as wood chips, wastes and other substances;

"GPA" - the General Partnership Agreement respecting electricity and Fuel operations executed between the Partners and bearing the reference date of _____ 1995, as amended from time to time;

"Information" - means all trade secrets or confidential or proprietary information of the Partnership, of the Partners (other than the Subsidiary), of the other Parents or of any Person (other than an individual) directly or indirectly Controlled by such other Parents revealed, directly or indirectly, to the Parent during the course of the GPA, regardless of the form in which it appears, or under which it is communicated, all copies or recordings thereof (whether or not made in accordance with the GPA) and the content of such information, including, but not limited to, all descriptions, economic data, computer programs and models and the results therefrom;

"Parent" - Consolidated Natural Gas Company;

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"Parents" - Consolidated Natural Gas Company, Hydro Quebec and Noverco Inc. which have individually, directly or indirectly, the Control over CNG Energy Arbitrage Corporation, H.Q. Energy Services (U.S.) Inc. and Noverco Energy Services (U.S.) Inc. respectively;

"Partners" - CNG Energy Arbitrage Corporation, H.Q. Energy Services (U.S.) Inc. and Noverco Energy Services (U.S.) Inc.;

"Partnership" - the partnership formed pursuant to the GPA;

"Person" - includes an individual, partnership, association, trust, unincorporated organization and corporation;

"Related Entity": - a Person (other than an individual) who is Controlled directly or indirectly by the Parent;

"Subsidiary" - CNG Energy Arbitrage Corporation;

"Territory" - shall have the meaning ascribed thereto in the GPA from time to time and at any time. As at the date hereof, the GPA defines the Territory as follows: the territories located in the United States of America, as shown in the map attached as APPENDIX "A", composed of the territories of NEPOOL (New England Power Pool), NYPA (New York Power Authority) and PJM (Pennsylvania, New Jersey-Maryland Power Pool) as they may be modified from time to time, and such other areas as determined by the Partners from time to time;

"Utility" - shall have the meaning ascribed thereto in the GPA from time to time and at any time. As at the date hereof, the GPA defines Utility as follows: a regulated public electric utility engaged primarily in ownership and operation of assets for service to retail customers.

- - PREAMBLE -

A. WHEREAS the Parent has directly or indirectly the Control over the Subsidiary;

B. WHEREAS the Parent intends to provide for certain undertakings in connection with the GPA;

C. WHEREAS the Parents of the other Partners have executed and delivered on the date hereof substantially similar undertakings;

- NOW THEREFORE, THE PARTIES AGREE AS FOLLOWS: -

ARTICLE 1 - FUNDS

1.1 The Parent hereby undertakes to provide the Subsidiary, in timely fashion, with all requisite funds as shall be necessary to permit the Subsidiary to fulfill its obligations respecting its capital contributions pursuant to PARAGRAPH 8.3 and 10.1.6 of the GPA.

ARTICLE 2 - PARTNERS' INTEREST IN THE PARTNERSHIP

2.1 It is the intention of the Parent that the Subsidiary have a 331/3% interest in the Partnership and that the two other Partners also have respectively a 331/3% interest in the Partnership, the whole subject to the provisions of the GPA.

2.2 Subject to the provisions of the GPA, the Parent shall remain in Control of the Subsidiary.

ARTICLE 3 - DESIGNATED SUPPLIER AND BUYER

3.1 The Parent hereby agrees to be or cause a Related Entity to be a supplier and buyer of electricity or Fuel in the event the Management Committee of the Partnership designates the Parent pursuant to PARAGRAPH 15.1 of the GPA. The Parent agrees to deal with the Partnership in this regard in good faith and recognizes that there may be situations in connection with said transactions and other commercial transactions, including the Business, where it may be necessary for the Parent to financially guarantee or otherwise support the obligations of the Subsidiary in a particular transaction; provided, however, that the Parent shall not be obligated to provide any such guarantee or support when it has determined in its sole discretion that to do so might create a risk that the Parent will be subject to the tax, regulatory or other jurisdiction of any governmental body to which the Parent is not then subject.

3.2 The Parent does not authorize the Partnership or any Partner to act as representative or agent of the Parent. Nothing in this Agreement should be construed as authorizing the Partnership or any of the Partners to represent any

of the Parents or any Related Entity in any commercial dealing, including with respect to the sale of electricity or Fuel.

ARTICLE 4 - COOPERATION

4.1 The Parent recognizes that the Partnership constitutes a promising vehicle for conducting electricity sales in the Territory (not as an agent for the Parent) and therefore, the Parent represents that it is the Parent's intention to cooperate with the Partnership, to lend all support and

assistance to the Partnership's commercial viability and success and to do business with the Partnership for sales of electricity in the Territory.

ARTICLE 5 - NON COMPETITION

5.1 Except with the prior written consent of the Partnership, the Parent may not, while the Subsidiary is a Partner of the Partnership and, upon the Subsidiary ceasing to be a Partner of the Partnership (except in the event of a termination of the Partnership pursuant to paragraph 6.1.1 or 6.1.3 of the GPA), for a period of three (3) years thereafter, have any economic interest whether directly or indirectly as shareholder, partner, lender, agent, trustee, guarantor, through contractual arrangements or otherwise, in the Territory (in the case where the Subsidiary ceases to be a Partner of the Partnership, in the Territory as at the time the Subsidiary so ceases to be a Partner of the Partnership), in Arbitrage Transactions, provided that the following shall not be a violation of this paragraph:

5.1.1 the sale, purchase or exchange of electricity or Fuel to or from facilities or by an Utility in which the Parent has a direct or indirect equity interest; or

5.1.2 transactions for the substitution of natural gas by other Fuel during peak demand for natural gas.

5.2 The Parent acknowledges that the restrictions contained in PARAGRAPHS 5.1 are, in view of the Business, reasonable and necessary to protect the legitimate interests of the Partnership and that any violation of these restrictions will result in irreparable injury to the Partnership. The Parent acknowledges that in the event of its violation of these restrictions, the Partnership, any Partner (other than the Subsidiary) or any other Parent shall be entitled, among other things, to

preliminary and permanent injunctive relief without any necessity to prior resort to any arbitration or other similar procedure contemplated by the GPA.

ARTICLE 6 - NON SOLICITATION

6.1 For the purposes of this Article, unless the context indicates otherwise, the term "Employee" means: any person whose competence, expertise, experience or knowledge is substantial enough to likely affect to a material extent, considering all circumstances, the usual course, efficiency, profitability, marketability, and other similar aspects of the business of the Partnership which make it distinctive.

6.2 Except with the prior written consent of the Partners (other than the Subsidiary), the Parent may not at any time while the Subsidiary is a Partner of the Partnership and, except in the event of termination of the Partnership pursuant to PARAGRAPH 6.1.1 OR 6.1.3 of the GPA, the Parent may not, upon the Subsidiary ceasing to be a Partner of the Partnership, for a period of three (3) years thereafter, either individually, in partnership, jointly or in conjunction with any Person as principal, agent, trustee, contracting party or holder of shares (other than shares listed on a Canadian or United States of America stock exchange or publicly traded on an organized market in Canada or the United States of America, that do not constitute more than ten percent (10%) of the market capitalization of the relevant corporation, not considering preferred shares) or in any other manner whatsoever:

6.2.1 induce or endeavour to induce any Employee of the Partnership to leave such Employee's employment with the Partnership; or

6.2.2 employ or attempt to employ or assist any Person to employ any Employee of the Partnership.

6.3 The prohibition provided for in PARAGRAPH 6.2 shall not apply to the Parent or any of its Related Entities with regard to any Employee of the Partnership who was an Employee of the Parent or of a Related Entity of the Parent, immediately prior to his having been employed by the

Partnership.

6.4 The Parent hereby recognizes and agrees that in the view of the Partners (other than the Subsidiary) and insofar as their respective business is concerned, the restrictions provided in this Article are reasonable and valid, and hereby waives, to the fullest extent permitted by applicable law, all defences to the strict enforcement thereof.

6.5 The Parent acknowledges that in the event of its violation of the restrictions set forth in this Article, the Partnership, any Partner (other than the Subsidiary) or any other Parent shall be entitled, among other things, to preliminary and permanent injunctive relief.

ARTICLE 7 - CONFIDENTIALITY

7.1 The Parent agrees to keep confidential all Information, and shall not, without prior written consent of the Partnership, disclose any information to any third party, firm, corporation or entity, save and except to a Related Entity and to its and their respective legal counsel, accountants and consultants, provided said Related Entity, legal counsel, accountants and consultants undertake to comply with the provisions of this Article. The Parent agrees to use its best efforts to limit the disclosure of the Information to only those directors, officers, employees and agents (including legal counsel, accountants and consultants) who need to know such Information.

7.2 The obligations set forth in PARAGRAPH 7.1 shall not apply to any Information which the Parent can demonstrate:

7.2.1 was in its possession prior to the time of disclosure; or

7.2.2 was in the public domain at the time of disclosure, or subsequently become part of the public domain through no fault of the Parent or any Related Entity.

7.3 In the event that the Parent is legally requested or required (by oral questions, interrogatories, request for Information or documents, subpoena, civil investigative demand or similar process) to disclose any Information, it is agreed that it will provide the Partnership with prompt notice of such request prior to complying therewith so that it may seek an appropriate protective order and/or waive

compliance with this Article. If in the absence of a protective order or the receipt of a waiver hereunder, the Parent is nonetheless legally compelled to disclose such Information, it may disclose such Information without liability hereunder. In addition, the Parent may disclose any Information if such disclosure is necessary in connection with the enforcement of the rights of the Parent or of the Partnership hereunder.

7.4 The obligations of the Parent concerning confidentiality under this Agreement shall apply for the time periods determined in accordance with the provisions of PARAGRAPH 5.1, mutatis mutandis.

ARTICLE 8 - INDEMNIFICATION FOR CERTAIN EXTERNAL MATTERS

8.1 The Parent shall indemnify and hold harmless the Partners (other than the Subsidiary) from and against liability and damages resulting from:

8.1.1 a bankruptcy of the Subsidiary for reasons unrelated to the Business;

8.1.2 activities of the Subsidiary unrelated to its interest in the Partnership; or

8.1.3 a breach by the Subsidiary of its obligations under the GPA.

ARTICLE 9 - CARRYING BUSINESS IN CANADA

9.1 The Parent represents that it is its intention to evaluate the opportunity that the Partnership or any other newly-formed Canadian partnership in which each Parent would directly or indirectly have a 33 1/3 % interest carry on the Business in Canada, and to this effect, it undertakes to evaluate as soon as practicable the implications thereof.

ARTICLE 10 - ACKNOWLEDGEMENT

10.1 The Partnership hereby acknowledges and accepts the undertakings of the Parent pursuant to these presents.

ARTICLE 11 - NOTICE

11.1 Any and all notices or other communications required or permitted hereunder shall be in writing and shall be delivered by courier or telecopied (with confirmation by courier) to the Parent or the Partnership, as the case may be, at the addresses set forth below (which any party may at any time change in respect of itself and/or

any others to whom copies of notices or other communications to it are to be sent, by similar notice to the other parties) and shall be deemed to have been received on the day of actual receipt if a business day in the place of receipt or the next following business day if received on a day that is not a business day or after 4:30 P.M. (local time) in the place of receipt:

11.1.1 To the Parent:

Consolidated Natural Gas Company
CNG Tower
625 Liberty Avenue
Pittsburgh, PA.
U.S.A. 15222-3199

Attention: _____

with copies to:
_____
_____
_____

11.1.2 To the Partnership:

Energy Alliance Partnership
_____
_____

with copies to:
_____
_____

ARTICLE 12 - TERM

12.1 The term of this Agreement shall commence on the date of its execution and shall terminate, save and except the provisions set forth in ARTICLES 5.6.7 AND 8, on the earlier of:

12.1.1 the date the Subsidiary ceases to be a partner of the Partnership; or

12.1.2 the date of termination of any agreement substantially identical to this Agreement executed by the other Parents, for any reason other than such Parent's Subsidiary ceasing to be a partner of the Partnership.

ARTICLE 13 - BENEFICIARIES ENFORCEMENT

13.1 Notwithstanding anything herein to the contrary, this Agreement shall enure to the benefit of, be binding upon and be enforceable by the parties hereto, their successors, permitted assignees, agents and legal representatives as well as each Partner (other than the Subsidiary).

ARTICLE 14 - GOVERNING LAW

14.1 The validity, interpretation and performance of this Agreement shall be governed by the laws in force in the State of Delaware, exclusive of the conflict of laws rules thereof.

ARTICLE 15 - MISCELLANEOUS

15.1 No waiver

Neither this Agreement nor any of the terms hereof may be amended, supplemented or waived, except by an instrument in writing signed by the party against which enforcement of such change or waiver, as the case may be, is sought. No failure or successive failures on the part of any party, or its respective permitted successors or assigns, to enforce any covenant or agreement, and no waiver or successive waivers on its or their part of any conditions of this Agreement shall operate as a discharge of such covenant, agreement, or condition, or render the same invalid, or

impair the right of any such party, or its respective

permitted successors and assigns, to enforce the same in the event of any subsequent breach or breaches by the other party, its permitted successors or assigns.

15.2 Severability

If any provision of this Agreement is or becomes invalid, illegal or unforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

15.3 No Assignment

Except as is expressly provided for in or permitted under this Agreement, no party may assign its rights or obligations under this Agreement without the prior written consent of the other party.

15.4 Singular and plural

As the context requires, words importing the singular number only shall include the plural and vice versa.

15.5 Interpretation

The terms "this Agreement", "hereof", "hereunder", "hereto", "herein" and similar expressions refer to this Agreement and not to any particular Article, paragraph or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and paragraphs are to Articles and paragraphs of this Agreement.

15.6 Appendix "A" of the GPA

For information purposes, Appendix "A" of the GPA is attached hereto.

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT

THE PARENT,

CONSOLIDATED NATURAL GAS COMPANY

per:
Name: _____
Title: _____

13.

THE PARTNERSHIP,

ENERGY ALLIANCE PARTNERSHIP

by: CNG ENERGY ARBITRAGE CORPORATION

per: _____
Name: _____
Title: _____

by: H.Q. ENERGY SERVICES (U.S.) INC.

per: _____
Name: _____
Title: _____

and by: NOVERCO ENERGY SERVICES (U.S.) INC.

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per: _____
Name: _____
Title: _____

POWER MARKETERS

In order to take advantage of the new opportunities effected by the Energy Policy Act and the competition that it fosters, many companies have extended operations into the wholesale bulk power markets. Power marketing is fast becoming one way for various types of companies, particularily energy companies, to participate in these markets. Power marketers buy and sell wholesale electricity at market-based rates, as well as match buyers and sellers fulfilling the role of power brokers. Because marketers actually take title to the power, they are subject to FERC regulation. As such, power marketers must file applications with FERC in order to obtain marketer status. FERC's criteria for granting such status include:

1) neither the marketer nor its affiliates possesses market power

2) they do not own or control resources that create entry barriers

3) there is no evidence of potential self-dealing.

In receiving power marketer status, companies are able to move away from the traditional cost-based rate structure imposed by regulators. However, such status does not release companies from all regulation. Typically, marketers will have to file a

rate schedule with FERC, and report on a quarterly basis any activity conducted as a marketer. Also, marketers that become members of various power pools will have to comply fully with the reliability and security requirements of such pools.

Following is a list of power marketers who have filed with FERC as of February 10, 1995.

Docket No.	Date Filed	Company	Parent

ER94-1530	8-02-94	Acme Power Marketing	--
ER94-890	1-05-94	AES Power Inc	AES Corp
ER94-1691	9-29-94	AIG Trading Corp	American Int'l Group
ER94-1578	8-22-94	American Power Exchange	--
ER95-216	11-18-94	Aquila Power Corp	Aquila
ER94-1246	5-11-94	Ashton Energy Corp	Ashton
ER95-7	10-04-94	Asociated Power Services	Associated NG
ER94-1297	5-11-94	Black Creek Hydro	Puget Sound P&L
ER94-1181	4-28-94	C.C. Pace Energy Services	C.C. Pace Resources
ER94-1545	8-09-94	Calpine Power Marketing	CS Holding
ER94-1457	7-15-94	Camelot Energy Services	--
ER94-155	11-15-93	Catex Vitol Electric	Catex Vitol
ER94-1402	6-28-94	Cenergy	Northern States Power
ER90-225	2-02-90	Chicago Energy Exchange	--
EL86-2	10-11-85	Citizens Energy Corp	--
ER94-1685	9-29-94	Citizens Lehman Power Sales	Citizens/Lehman
ER89-401	5-08-89	Citizens Power & Light	Citizens Energy/ Apache
ER95-393	1-06-95	CLP Hartford Sales LLC	--
ER94-1328	6-02-94	CMEX	Trinity PL/Global

Docket No.	Date Filed	Company	Parent
ER94-1554	8-12-94	CNG Power Services Corp	Consolidated NG
ER94-142	11-09-93	CRSS Power Marketing	CRSS/Paribas
ER94-1450	7-13-94	Coastal Electric Services	Coastal Corp
ER94-1488	7-25-94	Contintenal Energy Services	Montana Power Co
ER91-435	5-10-91	DC Tie, Inc.	--
ER94-1612	8-31-94	Destec Power Services	Destec
ER94-1161	5-04-94	Direct Electric Inc.	--
ER94-1538	8-05-94	EDC Power Marketing	ENSERCH
ER94-964	2-08-94	Eastern Power Distribution	The Eastern Group

ER94-1099	3-30-94	Eclipse Power Marketing	Terra
ER94-1478	7-21-94	Electrade Corporation	Preston Head Limited
ER94-968	2-10-94	Electric Clearinghouse	NG Clearinghouse
ER95-111	10-31-94	The Electric Exchange	--
ER94-1580	8-25-94	Energy Resources Marketing	AFV Enterprises
ER94-1690	9-29-94	Engelhard Power Marketing	Engelhard Corp
ER94-24	10-12-93	Enron Power Marketing	Enron Gas Services
ER94-1539	8-05-94	Equitable Power Services	Equitable Resources
ER94-1597	8-25-94	Gulfstream Energy, LLC	Gulfstream Trading
ER94-1613	8-31-94	Hadson Electric	Hadson
ER94-108	10-29-93	Heartland Energy	Wisconsin P&L
ER95-252	12-01-94	Howard Energy Company	--
EL87-50	7-07-87	Howell Gas Management	Howell Corp
ER94-178	11-19-93	Howell Power Systems	Howell Corp
ER94-1475	7-20-94	Illinova Power Marketing	Illinois Power
ER94-1672	9-22-94	Imprimis Corporation	--
ER95-257	12-01-94	Industrial Gas & Electric	--
EL94-6	10-05-93	InterCoast	Iowa-Illinois G&E
ER95-33	10-12-94	J. Aron & Company	Goldman Sachs

Docket No.	Date Filed	Company	Parent
ER94-1432	7-01-94	JEB Corporation	J.E. Brabstron
ER95-295	12-19-94	Kaztex Energy Services	--
ER95-208	11-18-94	KCS Energy Marketing Srvcs	KCS Energy
ER95-232	12-05-94	Kmball Power Company	
ER95-218	11-21-94	Koch Power Services	Koch Gas Services
ER94-1188	4-26-94	LG&E Power Marketing	Louisville G&E
ER92-850	9-22-92	Louis Dreyfus EP	Louis Dreyfus
ER95-74	10-26-94	Mesquite Energy Services	--
ER93-839	8-02-93	MG Electric Power	MG R&M
ER95-78	10-26-94	Mid-American Resources, Inc	--
ER94-1329	6-02-94	MidCon	Occidental
ER94-1384	6-21-94	Morgan Stanley	

	Capital Grp	Morgan Stanley	
ER90-168	1-19-90	National Electric	Tang
ER94-1593	8-25-94	National Power Exchange	--
ER95-192	11-15-94	National Power Management	--
ER94-1247	5-11-94	NorAm Energy Services	NorAm Gas
ER94-152	11-12-93	North American Energy Consv	Robert M. Beningson
ER95-379	1-03-95	Peak Energy, Inc	--
ER95-430	1-13-95	Phibro	Salomon Inc
ER89-580	7-28-89	Portland General Exchange	Portland General
ER95-72	10-26-94	Power Exchange Corp	--
ER94-931	1-24-94	PowerNet	Brooklyn Union Gas
ER95-473	1-25-95	Proven Alternatives, Inc.	--
ER94-1061	3-18-94	Rainbow Energy Marketing	Rainbow Natural Gas
ER95-480	1-26-94	Rig Gas	--
ER94-1352	6-13-94	R. J. Dahnke & Associates	--
ER95-362	12-30-94	Stand Energy Corp	--
ER94-389	12-23-93	Tenaska Power Service	Tenaska

Docket No.	Date Filed	Company	Parent
ER95-428	1-13-95	Tenneco Energy Marketing	Tenneco
ER94-1676	9-23-94	Texas-Ohio Power Marketing	--
ER94-1362	6-15-94	Texican Energy Ventures	Texican Natural Gas
ER95-62	10-24-94	TexPar Energy, Inc	--
EL89-32	5-30-89	Torco	--
ER95-305	12-20-94	Transco Power Trading Co	Transco
ER95-187	11-14-94	Utility 2000 Energy Corp	--
ER94-1394	6-22-94	Valero Power Services	Valero
ER94-1168	4-22-94	Vesta Energy Alternatives	Vesta/Edisto
ER95-378	1-03-95	Westcoast Power Marketing	Westcoast Energy
ER93-730	6-25-93	Wholesale Power Services	PSI Energy
ER95-300	12-20-94	Wickland Power	

Services Wickland

1

EXHIBIT O
Proposed Notice Pursuant to Rule 22f)

(Release No. 35-)

FILINGS UNDER THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 ("ACT")

May , 1995

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference. Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by June , 1995 to the Secretary, Securities and Exchange Commission, Washington, DC 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

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Consolidated Natural Gas Company, et al. (70-)

Consolidated Natural Gas Company ("Consolidated"), CNG Tower, Pittsburgh, Pennsylvania 15222-3199, a registered holding company, and its wholly-owned non-utility subsidiary, CNG Energy Service Corporation ("Energy Services"), One Park Ridge Center, Pittsburgh, Pennsylvania 15244-0746, have filed an application-declaration under Sections 6(a), 7, 9(a), 10 and 12(b) of the Act and Rules 16 and 45 thereunder.

Energy Services was authorized by the Securities and Exchange Commission ("SEC") to be the gas marketing subsidiary for the CNG System by order dated February 27, 1987 ("Order"), Release No. 35-24329, File No. 70-7225. The Order authorizes Energy Services, as a gas marketer, to purchase, pool, transport, exchange, store and sell gas supplies from competitively priced sources, including the spot markets, independent producers and brokers, and the

Consolidated System producing affiliate, CNG Producing Company.

Energy Services proposes to incorporate CNG Energy Arbitrage Corporation ("CNGEA") under the laws of the State of Delaware, with an authorized equity capitalization of $10,000,000 consisting of 1,000 shares of common stock, $10,000 par value each. Soon after approval by the Securities and Exchange Commission ("SEC") of this Application-Declaration, it is anticipated that CNGEA will sell and issue 300 shares of its common stock at par for $3,000,000 to Energy Services to become a special purpose, wholly-owned subsidiary of Energy Services.

CNGEA will acquire a one-third general partnership interest in Energy Alliance Partnership ("Partnership"), a partnership to be formed under the laws of the state of Delaware. Noverco Energy Services (U.S.) Inc., ("NOV Sub"), a wholly-owned subsidiary of Noverco Inc. ("Noverco") which is a Canadian gas

utility holding company, will also acquire a one-third general partnership interest in the Partnership. The remaining one-third general partnership interest will be acquired by H.Q. Energy Services (U.S.) Inc. ("HQ Sub"), which is wholly-owned directly or indirectly by wholly-owned subsidiaries of Hydro-Quebec, a Canadian electric utility company.

CNGEA, NOV Sub and HQ-Sub are referred to individually as a "Partner" and collectively as the "Partners." Consolidated, Noverco and Hydro-Quebec are referred to collectively as "the Parent Companies." Each of the Parent Companies will enter into an agreement ("Undertaking Agreement") with the Partnership which, among other things, will commit them subject to the terms and conditions of such agreement to provide up to $3,000,000 to their respective Partner subsidiary as shall be necessary to permit such subsidiary to fulfill its obligations respecting its capital contributions under the Partnership agreement.

The business of the Partnership will be to supply, purchase, market, broker or otherwise trade electricity or fuel, to provide electricity or fuel management services, and to carry on activities, or perform services, related to any of the foregoing, including in connection with arbitrage transactions. The Partnership will initially seek to profit in the evolving integrated energy market by identifying and capturing the electric and/or fuel arbitrage profits inherent in the wholesale electric and natural gas business. It will strive to become a leader in providing major customers with flexible and competitive packaged electric/fuel services.

The services to be offered by the Partnership will include the following.

- Providing electric generators with instantaneous supply and sales options so they can keep generating units operating at optimal levels.

- Helping electric utilities find the best way to meet Clean Air requirements through a combination of new gas technologies, emission credits, cross-fuel management and wholesale electricity

purchases and sales.

- Helping customers manage the price changes in electricity and fuel relative to time and location.

- Helping electric utilities and nonutility generators by managing fuel supply and transportation contracts, banking of electricity until needed and providing price and delivery flexibility.

The Partnership will initially conduct its activities generally in the wholesale energy markets in the northeastern and midwestern United States. The Partnership may engage in energy transactions with the gas utility companies in the Consolidated System(1), Energy Services or other affiliates in the Consolidated System on the same market terms that would be available to

_____

(1) The utility companies in the Consolidated System are The East Ohio Gas Company, Peoples Natural Gas Company, Virginia Natural Gas, Inc., Hope Gas, Inc, and West Ohio Gas Company.

nonaffiliate customers of the Partnership. The Partnership will sell electric and gas energy to wholesale and retail customers to the extent permitted without becoming an "electric utility company" or a "gas utility company" within the meaning of the definitions of such terms in Section 2(a)(3) and 2(a)(4) of the Act, respectively.

The Partnership may contract for needed services from the Partner or affiliate that is determined to be best suited to procure or supply them by virtue of its expertise and experience in the relevant field. The Management Committee may also have recourse to outside suppliers in the event availability, quality, price or reliability are better than those that may be obtained from a Partner. Charges to the Partnership for services from a Partner are to be made on a direct costing method (salary plus fringe benefits) for use of personnel, and direct out-of-pocket expenses for other items.

It is proposed for Energy Services to raise funds for the purposes described herein by (i) selling shares of its common stock, $1,000 par value, to Consolidated, (ii) open account advances as described below, or (iii) long-term loans from Consolidated, in any combination thereof. The open account advances and long-term loans will have the same effective terms and interest rates as related borrowings of Consolidated in the forms listed below:

(1) Open account advances may be made to Energy Services to provide working capital and to finance the activities authorized by the Securities and Exchange Commission ("Commission"). Open account advances will be made under letter agreement with Energy Services and will be repaid on or before a date not more than one year from the date of the first advance with interest at the same effective rate of interest as Consolidated's weighted average effective rate

for commercial paper and/or revolving credit borrowings. If no such borrowings are outstanding, the interest rate shall be predicated on the Federal Funds' effective rate of interest as quoted daily by the Federal Reserve Bank of New York.

(2) Consolidated may make long-term loans to Energy Services for the financing of its activities. Loans to Energy Services shall be evidenced by long-term non-negotiable notes of Energy Services (documented by book entry only) maturing over a period of time (not in excess of 30 years) to be determined by the officers of Consolidated, with the interest predicated on and equal to Consolidated's cost of funds for comparable borrowings. In the event Consolidated has not had recent comparable borrowings, the rates will be tied to the Salomon Brothers indicative rate for comparable debt issuances published in Salomon Brothers Inc. Bond Market Roundup or similar publication on the date nearest to the time of takedown. All loans may be prepaid at any time without premium or penalty.

Consolidated will obtain the funds required for Energy Services through internal cash generation, issuance of long-term debt securities, borrowings under credit agreements or through other authorizations approved by the Commission subsequent to the effective date of this Application-Declaration. Consolidated also seeks the authorization to make the commitment to provide up to $3,000,000 to CNGEA as embodied in the Undertaking Agreement. CNGEA would engage in general partner investing and financing transactions with respect to the Partnership in lieu of Energy Services. CNGEA would have mirror image authorizations and obligations of Energy Services under this filing as

such relate to the acquisition of a one-third general partner interest in the Partnership, with Energy Services functioning as a "pass-through" with regard to the indirect Consolidated financing of the Partnership.

By order dated November 16, 1993 ("November 16, 1993 Order"), Release No. 35-25926, File No. 70-8231, the SEC authorized Consolidated to guarantee, through December 31, 1998, up to an aggregate principal amount of $750 million of the obligations of Energy Services, pursuant to certain gas purchase, sales and transportation contracts. Consolidated seeks authority through December 31, 1998 to guarantee, either directly or through CNGEA, the fuel and power transactions of the Partnership, to the extent required by the Partnership's customers to consummate transactions. Consolidated will not make a guarantee under the authority granted in this proceeding nor under the November 16, 1993 Order if the effect of such an additional guarantee would be for the aggregate of all outstanding guarantees under both authorizations to exceed $750 million.

Request is also made that the Partnership be deemed exempt under Rule 16 from all obligations imposed upon it by the Act, as a subsidiary company or an affiliate of a registered holding company or of a subsidiary company thereof.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Jonathan G. Katz
Secretary